

# Notes to the Financial Statements

for the year ended December 31, 2022

## 1. Corporate information

Schaeffler India Limited ('the Company') is a public limited company domiciled and incorporated in India and having its registered office at 15<sup>th</sup> Floor, ASTP (Amar Sadanand Tech Park), Baner, Pune - 411045. Maharashtra. The Company's shares are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) in India.

The Company is engaged in the development, manufacturing and distribution of high-precision roller and ball bearings, engine systems and transmission components, chassis applications, clutch systems and related machine building manufacturing activities. The Company's manufacturing units are located in the State of Gujarat at Maneja (Vadodara) and Savli (Vadodara), in the State of Maharashtra at Talegaon (Pune) and in the State of Tamil Nadu at Hosur.

## 2. Significant accounting policies

### 2.1 Basis of preparation

- (i) These financial statements of Schaeffler India Limited ('the Company') have been prepared in accordance with Indian Accounting Standards as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Companies Act, 2013 (the 'Act') and other relevant provisions of the Act.

The accounting policies adopted in the preparation of these financial statements are consistent for all the periods presented.

The financial statements are presented in Indian Rupees, which is the Company's functional currency and all values are rounded off to the nearest million with one decimal place, except when otherwise indicated.

- (ii) The financial statements have been prepared on a historical cost convention basis, except for the following:
- certain financial assets and liabilities (including derivatives) that are measured at fair value;
  - defined benefit plans – net defined benefit (asset)/liabilities – Fair value of plan assets less present value of defined benefit obligation.

### 2.2 Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule III of the Act. Based on the nature of the products and time taken between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its normal operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

Deferred tax assets and deferred tax liabilities are classified as non-current assets and non-current liabilities.

### 2.3 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires the Company's management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. Actual results could differ from those estimates.

Estimates and judgments are reviewed on an ongoing basis. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstance. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

#### (a) Impairment of Property, Plant and Equipment (PPE)

The evaluation of applicability of indicators of impairment of assets requires assessment of external factors (significant decline in asset's value, significant changes in the technological, market, economic or legal environment, market interest rates etc.) and internal factors (obsolescence or physical damage of an asset, poor economic performance of the asset etc.) which could result in significant change in recoverable amount of the PPE.



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## (b) Determination of the estimated useful lives

The Company uses its technical expertise along with historical and industry trends for determining the economic life of an asset/component of an asset. The useful lives are reviewed by management periodically and revised, if appropriate. In case of a revision, the unamortised depreciable amount is charged over the remaining useful life of the assets.

## (c) Current and deferred taxes

Significant management judgment is required to determine the amount of current and deferred taxes that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

## (d) Employee benefits

Management's estimate of the Company's obligation is determined based on actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the Company's management considers the interest rates of Government bonds. Future salary increases and gratuity increases are based on expected future inflation rates for India.

Refer Note 40 for details of the key assumptions used in determining the accounting of these plans.

## (e) Provision for inventory obsolescence

The inventories are valued at lower of cost and net realisable value after providing for cost of obsolescence wherever considered necessary. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

## 2.4 Property, Plant and Equipment and intangible

Property, Plant and Equipment (PPE) are stated at cost of acquisition or construction (including directly attributable expenses thereto), net of impairment loss if any, less depreciation/amortisation. Cost includes financing costs of borrowed funds attributable to acquisition or construction of qualifying fixed assets, up to the date the assets are put to use.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Capital work in progress is carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are substantially ready for their intended use. Advances given towards acquisition or construction of PPE outstanding at each reporting date are disclosed as Capital Advances under "Other non-current Assets".

An item of PPE is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

Cost of assets not ready for intended use, as on the reporting date, is shown under capital work-in-progress. Advances given towards acquisition of property, plant and equipment outstanding as at reporting date are disclosed as "other non-current assets".

Intangible assets are initially recognised at cost.

Intangible assets with definite useful lives are amortised on a straight line basis so as to reflect the pattern in which the asset's economic benefits are consumed.

Expenditure pertaining to research is expensed out as and when incurred. Expenditure incurred on development is capitalised if such expenditure leads to creation of an asset, otherwise such expenditure is charged to the statement of profit and loss.

At the time of first-time adoption of Ind AS the company has opted to continue with the carrying value for all of its property, plant and equipment and intangible assets as recognised in financial statement prepared

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under previous GAAP and use the same as deemed cost in the financial statement as at the transition date i.e. January 1, 2017.

## Depreciation/amortisation

- (i) Leasehold land is amortised over the period of lease using straight-line method (SLM) and included in depreciation and amortisation in statement of profit and loss statement.

Useful lives are reviewed by the Company's management at each reporting date and revised, if appropriate.

- (ii) The useful lives have been assessed based on technical advice, taking into account the nature of the PPE and the estimated usage of the asset on the basis of management's best estimation of obtaining economic benefits from those classes of assets. The estimated useful life is reviewed periodically, with the effect of any changes in estimate being accounted for on a prospective basis.

Such classes of assets and their estimated useful lives are as under:

No.	Nature	Estimated Useful Life
1.	Buildings	25-30 Years
2.	Plant and equipments	3-8 Years
3.	Furniture & fixtures	5-10 Years
4.	Office equipments	5 Years
5.	Vehicles	5 Years
6.	Software	3 Years

Depreciation on additions/deletions to PPE during the year is provided on pro-rata basis with reference to the date of additions/deletions except low value of items costing ₹5,000 or less which are fully depreciated in the year when the assets are put to use.

- (iii) Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.
- (iv) Intangible assets (software) are recorded at its acquisition price and amortised on the straight-line method over a period of three years.

## 2.5 Leases

Effective January 1, 2020, the Company has adopted Ind AS 116 Leases which introduces single accounting model and requires a lessee to recognise assets and liabilities for all leases subject to recognition exemptions. The Company adopted Ind AS 116 Leases using modified retrospective approach.

At inception of the Contract, the Company assess whether a contract contains a lease, at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether (i) the contract involves the use of identified asset; (ii) the Company has substantially all of the economic benefits from the use of the asset through the period of lease and (iii) the Company has right to direct the use of the asset.

At the inception date, right-of-use asset is recognised at cost which includes present value of lease payments adjusted for any payments made on or before the commencement of lease and initial direct cost, if any. It is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. Right-of-use asset is depreciated using the straight-line method from the commencement date over the earlier of useful life of the asset or the lease term. When the Company has purchase option available under lease and cost of right-of-use assets reflects that purchase option will be exercised, right-of-use asset is depreciated over the useful life of underlying asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

At the inception date, lease liability is recognised at present value of lease payments that are not made at the commencement of lease. Lease liability is subsequently measured by adjusting carrying amount to reflect interest, lease payments and remeasurement, if any.

Lease payments are discounted using the incremental borrowing rate or interest rate implicit in the lease, if the rate can be determined.



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The Company has elected not to apply requirements of Ind AS 116 to leases that has a term of 12 months or less and leases for which the underlying asset is of low value. Lease payments of such lease are recognised as an expense on straight line basis over the lease term.

Lease term is a non-cancellable period together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

## Operating leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets during the lease term, are classified as operating leases. Operating lease payments are recognised as expense in the Statement of Profit and Loss on a straight-line basis over the lease term, unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

## 2.6 Impairment

The carrying amounts of PPE are reviewed at each reporting date to determine if there is any indication of impairment based on internal/external factors. Assessment of indication of impairment of an asset is made at the year end. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the Company measures its 'value in use' on the basis of estimated discounted cash flows of projections based on current prices. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset earlier.

## 2.7 Assets classified as held for sale

Assets classified as held for sale (including liabilities directly associated with those assets held for sales) that are available for immediate sale and where the sale is highly probable of being completed within one year from the date of classification are considered and classified as assets held for sale. Assets held for sale are measured at the lower of carrying amount or fair value less costs to sell except financial assets within the scope of Ind AS 109 – Financial Instruments. The determination of fair value less costs to sell includes use of management estimates and assumptions. The fair value of asset held for sale has been estimated using observable inputs such as price quotations.

## 2.8 Inventories

Inventories comprise of all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

Raw materials are valued at the lower of cost and net realisable value. Cost is ascertained on a moving weighted average basis, except for goods in transit which is ascertained on a specific identification basis.

Work-in-progress, finished goods and traded goods are carried at the lower of cost and net realizable value. Cost is determined on a weighted average basis. In case of work-in-progress and manufactured finished goods, cost includes material, labour and production overheads. Fixed production overheads are allocated on the basis of normal capacity of production facilities.

Net realisable value of work-in-progress and finished goods is determined with reference to the estimated selling price less estimated cost of completion and estimated costs necessary to make the sale of related finished goods as applicable.

Stores, spares and tools other than obsolete and slow-moving items are carried at cost.

## 2.9 Foreign currency transactions

### Initial recognition

Foreign currency transactions are translated in the functional currency, by applying to the foreign currency amount, the exchange rate between functional currency and foreign currency prevailing at the date of transaction.

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## Conversion

Foreign currency monetary items as at reporting date are translated using the closing exchange rate on that date.

## Exchange differences

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the Statement of Profit and Loss in the year in which they arise, except exchange differences arising from the translation of qualifying cash flow hedge to the extent that the hedges are effective, which are recognised in Other Comprehensive Income (OCI).

## Derivative instruments

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable and forecast transactions. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in cash flow hedge reserve under OCI, net of taxes and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in cash flow hedge reserve are reclassified to Surplus (Profit and loss balance) in the same period during which the forecasted transaction occurs.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in cash flow hedge reserve is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in cash flow hedge reserve is immediately transferred to the Statement of Profit and Loss for the period.

## 2.10 Revenue recognition

Revenue from sale of goods is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. Company recognised revenue at a point-

in-time. The point-in-time is determined when the control of the goods or services is transferred which is generally determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Company also considers its present right to payment, the legal title to the goods, the physical possession and the customer acceptance in determining the point in time where control has been transferred. The Company assesses promises in the contract that are separate performance obligations to which a portion of transaction price is allocated.

In determining the transaction price, the Company considers below, if any:

### Variable consideration

This includes discounts, incentives, volume rebates, etc. It is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. It is reassessed at end of each reporting period.

### Contract balances

**Trade receivables:** A receivable represents the Company's right to an amount of consideration that is unconditional i.e. only the passage of time is required before payment of consideration is due.

**Contract assets:** Contract assets recognised in accordance with Ind AS 115, effective from January 1, 2021, shall be amortise on systematic basis that is in consistence with the transfer to customer with goods or services to which assets relates.

**Contract liabilities:** A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when the Company performs under the contract.

### Significant payment terms

Generally, the Company provides credit period ranging from 60 to 75 days.





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## Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the amortised cost and at the effective interest rate applicable.

## 2.11 Employee benefits

### (a) Short term employee benefits

Employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and are recognised in the period in which the employee renders the related service.

### (b) Post-employment benefits Defined benefit plans

All employees are covered under Employees' Group Gratuity Scheme, which is a defined benefit plan. The Company contributes to a fund maintained with Life Insurance Company (LIC) on the basis of the year end liability determined based on actuarial valuation using the Projected Unit Cost Method. Remeasurements of the net defined benefit liability, which comprise actuarial gains/losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognised in Other Comprehensive Income. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit and Loss.

### Defined contribution plans

All other employees are covered under contributory provident fund benefit of specific percentage contribution of basic salary. Certain employees are also covered by a Company managed superannuation fund. Both are defined contribution schemes and the contributions are charged to the Statement of Profit and Loss of the year, when the contributions to the respective funds are due. There are no obligations other than the contributions payable to the respective funds.

### Long-term employee benefits

Provision for long-term employee benefits comprise of compensated absences. These are measured on the basis of year end actuarial valuation in line with the Company's rules for compensated absences. Remeasurement gains or losses are recognised in statement of profit and loss in the period in which they arise.

## 2.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets

#### Initial recognition and measurement

Financial assets are recognised initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets not recorded at fair value through profit and loss) are added to the fair value of financial assets. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit and loss are recognised immediately in Statement of Profit and Loss.

#### Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into below categories:

- Financial assets at amortised cost;
- Financial assets including derivatives at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

#### (i) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the financial asset is held within a business where the objective is to hold these assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or

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premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss. This category generally applies to trade and other receivables, loans and other financial assets.

**(ii) Financial assets including derivatives at fair value through profit or loss (FVTPL)**

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are immediately recognised in the Statement of Profit and Loss.

**(iii) Financial assets at fair value through other comprehensive income (FVTOCI)**

Financial assets are measured at fair value through Other Comprehensive Income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. Derivative instruments included in FVTOCI category are measured initially as well as at each reporting date at fair value. Movement in fair value is recognised in OCI.

**Derecognition**

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and the Company has transferred substantially all risks and rewards of the asset or has transferred control of the asset to a third party. On derecognition of a financial asset in its entirety, the differences between the carrying amounts at the date of derecognition and the consideration received is recognised in the Statement of Profit and Loss.

**Impairment of financial assets**

The Company applies the expected credit loss (ECL) model for measurement and recognition of impairment

losses on trade receivables or any other financial assets that result from transactions that are within the scope of “Ind AS 115 – Revenue from Contracts with Customers”. The Company follows the simplified approach for recognition of impairment loss allowance on receivables (net of advances). The application of the simplified approach does not require the Company to track changes in credit risk. As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on trade receivables. Impairment loss allowance (or reversal) during the period is recognised in the Statement of Profit and Loss. This amount is reflected under the head ‘Other expenses (or other income)’ in the Statement of Profit and Loss.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as measured at amortised cost or financial liabilities at fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading or is a derivative or it is designated as such on initial recognition. The Company’s financial liabilities include trade payables and other payables.

Equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

**Subsequent measurement**

Financial liabilities, including derivatives, which are designated for measurement at FVTPL are subsequently measured at fair value. Other financial liabilities such as deposits are measured at amortised cost using Effective Interest Rate (EIR) method.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.



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## Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## 2.13 Income and deferred taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of the Indian Income Tax Act, 1961. Deferred tax is provided using the liability method on temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax relating to items recognised outside Statement of Profit and Loss is recognised outside Statement of Profit and Loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in Equity.

At each reporting date, the Company reassesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become probable that sufficient future taxable income will be available against which such deferred tax assets can be realised.

## 2.14 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and in respect of

which a reliable estimate can be made of the amount of obligation. Provisions are not discounted to its present value and are determined based on best estimates required to settle the obligation at the reporting date. These are reviewed at each reporting date and adjusted to reflect the current best estimates.

A disclosure by way of a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent assets are not recognised or disclosed in the financial statements.

## 2.15 Warranties

Provisions for the expected cost of warranty obligations are recognised at the time of sale of the relevant products, at the best estimate of the expenditure required to settle the Company's obligation.

## 2.16 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders, by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share is computed by dividing the net profit or loss for the year attributable to the equity shareholders, by the weighted average number of equity and equivalent diluted equity shares outstanding during the year except where the results would be antidilutive.

## 2.17 Cash and cash equivalents

Cash and cash equivalents include cheques in hand, cash at bank and deposits with banks having original maturity of not more than three months.

## 2.18 Fair value measurement

The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has an established control framework with respect to the measurement of fair values. The Company's management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the Company's management assesses the evidence



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obtained from the third parties to support the conclusion that such valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of a financial asset or a financial liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value includes discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result from general approximation of value and the same may differ from the actual realised value. Further information about the assumptions made in measuring fair value is included in the Note 2.11 on financial instruments

## 2.19 Segment Reporting – Identification of Segments:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the company's Chief Operating Decision Maker ("CODM") to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

## 2.20 Business combinations

As part of its transition to Ind AS, the Company elected to apply "Ind AS 103 – Business Combinations", to only those business combinations that occurred on or after the date of transition to Ind AS i.e. January 1, 2016. Business combinations arising from transfers of interests in entities that are under the common control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at their carrying amounts. The identity of the reserves is preserved as they appear in the financial statements of the Company in the same form in which they appeared in the financial statements of the acquired entities. The difference, if any, between the consideration and the amount of share capital of the acquired entities is treated as capital reserve. Transaction costs are expensed as they are incurred in respective periods.

## 2.21 Recent accounting pronouncements

### Standards issued but not yet effective

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from January 1, 2022.



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## 3.1 Property plant and equipment

	(₹ in million)						
	Freehold land <sup>1</sup>	Buildings	Plant and equipments	Furniture & fixtures	Office equipments	Vehicles	Total
<b>Gross carrying amount</b>							
As at January 1, 2021	40.7	2,595.2	12,959.7	328.5	207.2	13.0	16,144.3
Additions	-	329.6	2,061.6	153.6	54.0	1.2	2,600.0
Disposals	-	2.1	110.8	0.8	10.0	5.3	129.0
As at December 31, 2021	40.7	2,922.7	14,910.5	481.3	251.2	8.9	18,615.3
Additions	-	251.6	1,898.4	239.2	172.5	5.9	2,567.6
Disposals	-	3.1	388.4	17.4	26.7	10.5	446.1
Assets held for sale <sup>2</sup>	-	195.3	42.3	24.8	78.2	-	340.6
As at December 31, 2022	40.7	2,975.9	16,378.2	678.3	318.8	4.3	20,396.2
<b>Accumulated depreciation</b>							
As at January 1, 2021	-	265.4	6,319.7	168.3	122.3	10.0	6,885.7
Depreciation for the year	-	109.3	1,663.4	57.9	50.4	1.7	1,882.7
Deletions	-	0.9	97.8	0.7	10.0	3.7	113.1
As at December 31, 2021	-	373.8	7,885.3	225.5	162.7	8.0	8,655.3
Depreciation for the year	-	120.8	1,658.8	123.2	59.4	1.3	1,963.5
Deletions	-	2.0	354.0	7.4	25.3	9.3	398.0
Assets held for sale <sup>2</sup>	-	2.6	4.2	1.3	7.2	-	15.3
As at December 31, 2022	-	490.0	9,185.9	340.0	189.6	-	10,205.5
<b>Net Block</b>							
As at December 31, 2021	40.7	2,548.9	7,025.2	255.8	88.5	0.9	9,960.0
As at December 31, 2022	40.7	2,485.9	7,192.3	338.3	129.2	4.3	10,190.7

### Note:

Buildings include ₹250, being cost of five ordinary shares of ₹50 each of Nariman Bhavan Premises Co-operative Society Limited and ₹500 being cost of ten ordinary shares of ₹50 each of Parekh Market Premises Co-Operative Society Limited, which entitle the ownership.

<sup>1</sup> The title deeds of immovable properties included in property plant and equipment are held in the name of the Company, except title deeds of immovable properties having gross carrying amount aggregating ₹21.3 million (2021: ₹21.3 million) and net carrying amount aggregating ₹21.3 million (2021: ₹21.3 million), which have been transferred to the Company, pursuant to the Schemes of Amalgamation (refer Note 45) and their title transfer proceedings are under progress.

<sup>2</sup> The Board of Directors of the Company at its meeting held on July 27, 2022 has approved the sales of assets belongs to Mechatronics business to Schaeffler Technologies Solution India Private Limited. The assets net of WDV ₹325.3 million are disclosed as assets held for sale.

## 3.2 Right-of-use of assets

	(₹ in million)			
	Leasehold land <sup>1</sup>	Buildings	Vehicle	Total
<b>Cost</b>				
As at January 1, 2021	187.7	696.2	3.4	887.3
Additions for the year	-	12.7	2.1	14.8
Disposals	-	1.8	-	1.8
As at December 31, 2021	187.7	707.1	5.5	900.3
Additions for the year	352.9	35.6	-	388.5
Disposals	-	0.6	-	0.6
As at December 31, 2022	540.6	742.1	5.5	1,288.2
<b>Accumulated amortisation</b>				
As at January 1, 2021	1.0	85.0	3.0	89.0
Amortisation for the year	1.2	83.9	1.6	86.7
Deletions	-	0.2	-	0.2
As at December 31, 2021	2.2	168.7	4.6	175.5
Amortisation for the year	1.2	88.3	1.1	90.6
Deletions/WriteUp	-	8.4	0.2	8.6
As at December 31, 2022	3.4	248.6	5.5	257.5
<b>Net Block</b>				
As at December 31, 2021	185.5	538.4	0.9	724.8
As at December 31, 2022	537.2	493.5	-	1,030.7

Lease contracts entered by the Company majorly pertains to land and building taken on lease to conduct business activity in ordinary course of business

<sup>1</sup> The title deeds of immovable properties included in ROU are held in the name of the Company, except title deeds of immovable properties having gross carrying amount aggregating ₹ nil million (2021: ₹65.9 million) and net carrying amount aggregating ₹ nil million (2021: ₹65.1 million), which have been transferred to the Company, pursuant to the Schemes of Amalgamation (refer Note 45), the title transfer completed in current year.

# Notes to the Financial Statements

for the year ended December 31, 2022

## 3.3 Capital work-in-progress

	(₹ in million)
	<b>Total</b>
<b>As at January 1, 2021</b>	<b>1,604.1</b>
Additions	1,900.6
Deductions	-
Assets capitalised during the year	2,612.4
<b>As at December 31, 2021</b>	<b>892.3</b>
Additions	4,196.4
Deductions	-
Assets capitalised during the year	2,595.3
<b>As at December 31, 2022</b>	<b>2,493.4</b>

### Capital work-in-progress ageing schedule 2022

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	2,182.3	292.7	17.6	0.8	2,493.4
Projects temporarily suspended	-	-	-	-	-
<b>Total</b>	<b>2,182.3</b>	<b>292.7</b>	<b>17.6</b>	<b>0.8</b>	<b>2,493.4</b>

There is no capital work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan

### Capital work-in-progress ageing schedule 2021

Particulars	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	719.2	82.1	-	91.0	892.3
Projects temporarily suspended	-	-	-	-	-
<b>Total</b>	<b>719.2</b>	<b>82.1</b>	<b>-</b>	<b>91.0</b>	<b>892.3</b>

There is no capital work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan

## 3.4 Intangible assets

	Software	Total
<b>Cost</b>		
<b>As at January 1, 2021</b>	<b>12.9</b>	<b>12.9</b>
Additions	12.4	12.4
Disposals	-	-
<b>As at December 31, 2021</b>	<b>25.3</b>	<b>25.3</b>
Additions	27.7	27.7
Disposals	5.1	5.1
Assets held for sale <sup>1</sup>	33.6	33.6
<b>As at December 31, 2022</b>	<b>14.3</b>	<b>14.3</b>
<b>Accumulated amortisation</b>		
<b>As at January 1, 2021</b>	<b>11.4</b>	<b>11.4</b>
Amortisation for the year	1.7	1.7
Deletions	-	-
<b>As at December 31, 2021</b>	<b>13.1</b>	<b>13.1</b>
Amortisation for the year	10.5	10.5
Deletions	4.8	4.8
Assets held for sale <sup>1</sup>	10.2	10.2
<b>As at December 31, 2022</b>	<b>8.6</b>	<b>8.6</b>
<b>Net Block</b>		
<b>As at December 31, 2021</b>	<b>12.2</b>	<b>12.2</b>
<b>As at December 31, 2022</b>	<b>5.7</b>	<b>5.7</b>

<sup>1</sup> The Board of Directors of the Company at its meeting held on July 27, 2022 has approved the sales of assets belongs to Mechatronics business to Schaeffler Technologies Solution India Private Limited. The assets net of WDV ₹23.4 million are disclosed as assets held for sale.



# Notes to the Financial Statements

for the year ended December 31, 2022

## 4. Financial assets

	(₹ in million)	
	2022	2021
<b>(i) Security deposits</b>	133.6	96.8
<b>Total</b>	<b>133.6</b>	<b>96.8</b>
<b>Breakup of security deposit</b>		
Considered goods secured	-	-
Considered goods unsecured	133.6	96.8
Which have significant increase credit risk	-	-
Credit impaired	-	-
<b>(ii) Other</b>		
Bank deposits with remaining maturity of more than 12 months <sup>1</sup>	1,034.5	1,155.0
<b>Total</b>	<b>1,034.5</b>	<b>1,155.0</b>
<b>Total (i)+(ii)</b>	<b>1,168.1</b>	<b>1,251.8</b>

<sup>1</sup> Includes deposits of ₹229.5 million (2021: ₹ nil million) under lein.

## 5. Deferred tax assets (net)

	(₹ in million)	
	2022	2021
<b>Deferred tax liabilities</b>		
Amortisation of contract cost	41.2	16.3
Exchange loss on cash flow hedges	7.0	-
	<b>(A)</b>	<b>16.3</b>
<b>Deferred tax assets</b>		
Excess of depreciation/amortisation on property, plant and equipment provided in accounts over depreciation/amortisation under tax laws	234.2	184.0
Provision for employee benefits	145.7	157.7
Provision for expenses and others	25.4	47.6
Allowance for expected credit loss	8.4	11.5
Leases	19.0	15.3
	<b>(B)</b>	<b>416.1</b>
<b>Net deferred tax assets</b>	<b>(B - A)</b>	<b>399.8</b>

## Movement in deferred tax assets/(liabilities) net

	(₹ in million)							
	Depreciation	Provision for employee benefits	Provision for expenses and others	Allowance for expected credit loss	Leases	Contract assets	Effective portion of gain/(loss) on cash flow hedges	Total
<b>As at January 1, 2021</b>	<b>116.9</b>	<b>136.5</b>	<b>59.2</b>	<b>42.6</b>	<b>8.0</b>	<b>-</b>	<b>-</b>	<b>363.2</b>
<b>(Charged)/credited to:</b>								
Statement of Profit and Loss	67.1	13.2	(11.6)	(31.1)	7.3	1.9	-	46.8
Other Comprehensive Income	-	8.0	-	-	-	-	-	8.0
Initial contract assets recognition	-	-	-	-	-	(18.2)	-	(18.2)
<b>As at December 31, 2021</b>	<b>184.0</b>	<b>157.7</b>	<b>47.6</b>	<b>11.5</b>	<b>15.3</b>	<b>(16.3)</b>	<b>-</b>	<b>399.8</b>
<b>(Charged)/credited to:</b>								
Statement of Profit and Loss	50.2	(1.5)	(22.2)	(3.1)	3.7	(24.9)	(7.0)	(4.8)
Other Comprehensive Income	-	(10.5)	-	-	-	-	-	(10.5)
Initial contract assets recognition	-	-	-	-	-	-	-	-
<b>As at December 31, 2022</b>	<b>234.2</b>	<b>145.7</b>	<b>25.4</b>	<b>8.4</b>	<b>19.0</b>	<b>(41.2)</b>	<b>(7.0)</b>	<b>384.5</b>

# Notes to the Financial Statements

for the year ended December 31, 2022

## 6. Non-current income-tax assets (net)

	(₹ in million)	
	2022	2021
Advance tax recoverable (net of provisions for tax ₹2,220.0 million, 2021: ₹1,533.1 million)	962.2	913.2
<b>Total</b>	<b>962.2</b>	<b>913.2</b>

## 7. Other non-current assets

	(₹ in million)	
	2022	2021
VAT, excise and others receivable (paid under protest)	50.9	68.2
Stamp duty (paid under protest, refer note no. 34 d)	250.0	250.0
Other balance with government authorities	89.7	95.0
Capital advance, considered good	562.2	116.7
Contract assets	171.0	120.5
<b>Total</b>	<b>1,123.8</b>	<b>650.4</b>

## 8. Inventories

(Valued at the lower of cost and net realisable value)

	(₹ in million)	
	2022	2021
Raw materials and components (including goods-in-transit ₹2,109.5 million; 2021: ₹1,599.1 million)	3,930.0	2,921.5
Work-in-progress	452.7	547.6
Finished goods	2,893.2	2,604.2
Stock-in-trade (including goods-in-transit ₹2,005.7 million; 2021: ₹1,926.9 million)	4,586.2	4,220.8
Stores and spares (including goods-in-transit ₹7.0 million; 2021: ₹48.0 million)	571.6	570.8
<b>Total</b>	<b>12,433.7</b>	<b>10,864.9</b>

The Company follows suitable provisioning norms for writing down the value of Inventories towards slow moving and non-moving inventory. As at December 31, 2022, provision for write-down of inventories to net realisable value is ₹1,148.6 million (2021: ₹1,216.9 million).

## 9. Trade receivables

	(₹ in million)	
	2022	2021
Other than related parties <sup>1</sup>	7,511.5	6,775.2
From related parties (refer Note 36)	2,845.9	1,733.2
Less: Allowance for expected credit loss	(33.3)	(45.7)
	<b>10,324.1</b>	<b>8,462.7</b>
Of which;		
secured, considered good	17.0	20.2
unsecured, considered good	10,331.0	8,485.3
which have significant increase in credit risk	9.4	2.9
	10,357.4	8,508.4
Less: Allowance for expected credit loss	(33.3)	(45.7)
<b>Total</b>	<b>10,324.1</b>	<b>8,462.7</b>

<sup>1</sup> Includes receivable of ₹10.0 million, from a private limited companies in which an Independent Director is a Director.

The Company's exposure to credit risk and currency risk related to trade receivables are disclosed in Note 38 A(i) and 38 C.





# Notes to the Financial Statements

for the year ended December 31, 2022

## Trade receivables ageing

2022

(₹ in million)

Particulars	Current but not due	Outstanding for following periods from due date of payment					Total
		< 6 months	6 months - 1 year	1-2 years	2-3 years	> 3 years	
Undisputed Trade Receivables – considered good	10,066.6	277.8	1.2	-	2.4	-	10,348.0
Undisputed Trade Receivables – which have significant increase in credit risk	-	4.6	-	-	-	-	4.6
Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Disputed Trade Receivables – considered good	-	-	-	-	-	-	-
Disputed Trade Receivables – which have significant increase in credit risk	-	0.1	4.7	-	-	-	4.8
Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
<b>Gross receivables</b>	<b>10,066.6</b>	<b>282.5</b>	<b>5.9</b>	<b>-</b>	<b>2.4</b>	<b>-</b>	<b>10,357.4</b>
<b>Less: Allowance for credit losses</b>							<b>(33.3)</b>
<b>Net receivables</b>							<b>10,324.1</b>

2021

(₹ in million)

Particulars	Current but not due	Outstanding for following periods from due date of payment					Total
		< 6 months	6 months - 1 year	1-2 years	2-3 years	> 3 years	
Undisputed Trade Receivables – considered good	8,140.3	361.5	2.3	1.4	-	-	8,505.5
Undisputed Trade Receivables – which have significant increase in credit risk	-	0.2	-	0.5	-	0.3	1.0
Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Disputed Trade Receivables – considered good	-	-	-	-	-	-	-
Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	1.9	1.9
Disputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
<b>Gross receivables</b>	<b>8,140.3</b>	<b>361.7</b>	<b>2.3</b>	<b>1.9</b>	<b>-</b>	<b>2.2</b>	<b>8,508.4</b>
<b>Less: Allowance for credit losses</b>							<b>(45.7)</b>
<b>Net receivables</b>							<b>8,462.7</b>

## 10. Cash and cash equivalents

(₹ in million)

	2022	2021
Balances with banks:		
on current accounts	831.4	567.1
on deposit accounts (with original maturity of 3 months or less) <sup>1</sup>	829.0	1,502.9
<b>Total</b>	<b>1,660.4</b>	<b>2,070.0</b>

<sup>1</sup> Includes deposits of ₹ nil million (2021: ₹222.5 million) under lein.

The Company has been sanctioned an unsecured working capital limit of ₹1,750 million by banks. The Company has not utilised this limit during the reporting period.

# Notes to the Financial Statements

for the year ended December 31, 2022

## 11. Bank balances other than Cash and cash equivalents

	(₹ in million)	
	2022	2021
Bank deposits with original maturity of more than 3 months and remaining maturity of less than 12 months <sup>1</sup>	13,875.4	12,078.7
Restricted deposits (unclaimed dividend)	9.5	8.0
<b>Total</b>	<b>13,884.9</b>	<b>12,086.7</b>

<sup>1</sup> Includes deposits of ₹403.1 million (2021: ₹370.2 million) under lein.

## 12. Other financial assets

	(₹ in million)	
	2022	2021
<b>(i) Security deposits</b>		
<b>Total</b>	<b>37.2</b>	<b>36.2</b>
<b>Breakup of security deposit</b>		
Considered goods secured	-	-
Considered goods unsecured	37.2	36.2
Which have significant increase credit risk	-	-
Credit impaired	-	-
<b>(ii) Other</b>		
Interest accrued – fixed deposits	241.4	122.9
Interest accrued – others	2.4	2.8
Derivative forward exchange contracts	27.6	-
<b>Total</b>	<b>271.4</b>	<b>125.7</b>
<b>Total (i)+(ii)</b>	<b>308.6</b>	<b>161.9</b>

## 13. Other current assets

	(₹ in million)	
	2022	2021
<b>Unsecured and considered good</b>		
Other receivables – related parties (refer Note 36)	56.5	30.1
Balance with Government authorities	617.7	178.7
Advances for supply of goods and services	222.7	196.1
Export incentives receivable	46.7	104.7
Advances to employees	2.6	1.1
Prepaid expenses	1.5	1.3
<b>Total</b>	<b>947.7</b>	<b>512.0</b>

## 14. Equity share capital

	(₹ in million)	
	2022	2021
<b>Authorised capital</b>		
627,500,000 equity shares of ₹2 each (2021: 125,500,000 equity shares of ₹10 each)	1,255.0	1,255.0
<b>Total</b>	<b>1,255.0</b>	<b>1,255.0</b>
<b>Issued, subscribed and paid-up</b>		
156,303,670 fully paid-up equity shares of ₹2 each (2021: 31,260,734 fully paid-up equity shares of ₹10 each) <sup>1</sup>	312.6	312.6
<b>Total</b>	<b>312.6</b>	<b>312.6</b>



# Notes to the Financial Statements

for the year ended December 31, 2022

## Details of Promoters shares holding

			2022
			(₹ in million)
S. No.	Promoter name	Number of shares held <sup>1</sup>	% change during the year
1.	Schaeffler Schweinfurt Beteiligungs GmbH	42,645,915	27.28%
2.	Schaeffler Bühl Verwaltungs GmbH	32,142,865	20.56%
3.	Schaeffler Verwaltungsholding Sechs GmbH	23,462,255	15.01%
4.	Industriewerk Schaeffler INA-Ingenieurdienst GmbH	17,612,200	11.27%

  

			2021
			(₹ in million)
S. No.	Promoter name	Number of shares held	% change during the year
1.	Schaeffler Schweinfurt Beteiligungs GmbH	8,529,183	27.28%
2.	Schaeffler Bühl Verwaltungs GmbH	6,428,573	20.56%
3.	Schaeffler Verwaltungsholding Sechs GmbH	4,692,451	15.01%
4.	Industriewerk Schaeffler INA-Ingenieurdienst GmbH	3,522,440	11.27%

## (a) Reconciliation of shares outstanding at the beginning and at the end of the year:

	2022		2021	
	No. of shares	Amount	No. of shares	Amount
<b>Equity</b>				
Shares outstanding at the beginning of the year	31,260,734	312.6	31,260,734	312.6
Increase in Equity shares on sub-division of 1 (one) equity share of face value of ₹10 each into 5 (five) equity shares of face value of ₹2 each <sup>1</sup>	125,042,936	-	-	-
Shares outstanding at the end of the year	156,303,670	312.6	31,260,734	312.6

## (b) Rights, preferences and restrictions attached to equity shares:

The Company has a single class of equity shares having par value of ₹10 per share. Accordingly, all equity shares rank equally with regard to one vote per share held. The dividends proposed by the Board of directors is subject to the approval of shareholders at the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the equity shareholders are eligible to receive assets of the Company, after distribution of all preferential amounts, in the proportion to their shareholding.

## (c) Shares held by ultimate holding company and/or their subsidiaries/affiliates:

Name of Shareholders	2022		2021	
	No. of Shares held (of ₹2 each) <sup>1</sup>	Amount	No. of Shares held (of ₹10 each)	Amount
Schaeffler Schweinfurt Beteiligungs GmbH (affiliates)	42,645,915	85.3	8,529,183	85.3
Schaeffler Bühl Verwaltungs GmbH (affiliates)	32,142,865	321.4	6,428,573	64.3
Schaeffler Verwaltungsholding Sechs GmbH (affiliates)	23,462,255	234.6	4,692,451	46.9
Industriewerk Schaeffler INA-Ingenieurdienst GmbH (affiliates)	17,612,200	176.1	3,522,440	35.2
<b>Total</b>	<b>115,863,235</b>	<b>817.5</b>	<b>23,172,647</b>	<b>817.5</b>

<sup>1</sup> Pursuant to the approval of the shareholders accorded in the extra-ordinary general meeting of the company held on December 19, 2021, each equity share of face value of ₹10/- per share was subdivided into five equity shares of face value of ₹2/- per share, with effect from February 9, 2022

# Notes to the Financial Statements

for the year ended December 31, 2022

## (d) Particulars of shareholders holding more than 5% shares of a class of shares:

(₹ in million)

Name of Shareholders	2022		2021	
	No. of Shares held <sup>1</sup>	% of shareholding	No. of Shares held	% of shareholding
Schaeffler Schweinfurt Beteiligungs GmbH	42,645,915	27.28%	8,529,183	27.28%
Schaeffler Bühl Verwaltungs GmbH	32,142,865	20.56%	6,428,573	20.56%
Schaeffler Verwaltungsholding Sechs GmbH	23,462,255	15.01%	4,692,451	15.01%
Industriewerk Schaeffler INA-Ingenieurdienst GmbH	17,612,200	11.27%	<b>3,522,440</b>	<b>11.27%</b>

## (e) Aggregate number of equity shares allotted as fully paid up pursuant to contract without consideration received in cash, Bonus Shares issued and shares bought back during the period of 5 years immediately preceding the financial year:

(₹ in million)

Particulars	2022	2021	2020	2019	2018	2017
Equity shares of ₹10 each issued in financial year 2018 as fully paid up equity shares to share holders of INA Bearings India Private Limited and LuK India Private Limited pursuant to the Scheme of Amalgamation (refer Note 45)	-	-	-	-	14,643,464	-

## 15. Other equity

(₹ in million)

	2022	2021
<b>Capital reserve</b>	617.8	617.8
	(A)	<b>617.8</b>
<b>Securities premium</b>	600.0	600.0
	(B)	<b>600.0</b>
<b>General reserve</b>	4,218.4	4,218.4
	(C)	<b>4,218.4</b>
<b>Retained earnings</b>		
At the commencement of the year	30,787.9	25,654.1
Add: Net profit for the year	8,792.1	6,291.2
Remeasurements of defined benefit liability/asset (net of tax) (FVTOCI)	31.0	(23.9)
Initial contract assets recognition (net of deferred tax liability ₹18.2 million)	-	54.4
Less: Appropriations		
Dividends paid	2,500.8	1,187.9
	(D)	<b>30,787.9</b>
<b>Total (A+B+C+D)</b>	<b>42,546.4</b>	<b>36,224.1</b>

The following dividends were declared and paid by the Company during the year:

(₹ in million)

	2022	2021
₹16 per equity share of face value of ₹2/- each (2021: ₹38 per equity share of face value of ₹10/- each)	2,500.8	1,187.9
	<b>2,500.8</b>	<b>1,187.9</b>

After the reporting dates, the following dividends were proposed by the Board of Directors subject to the approval at the ensuing annual general meeting and hence, dividends have not been disclosed as liabilities.

(₹ in million)

	2022	2021
Dividend of ₹24 per equity share of face value of ₹2/- each (2021: ₹16 per equity share of face value ₹2/- each)	<b>3,751.3</b>	<b>2,500.8</b>



# Notes to the Financial Statements

for the year ended December 31, 2022

## 16. (a) Lease liabilities (non-current)

	(₹ in million)	
	2022	2021
Lease liabilities	473.6	519.0
<b>Total</b>	<b>473.6</b>	<b>519.0</b>

## 16. (b) Lease liabilities (current)

	(₹ in million)	
	2022	2021
Lease liabilities	100.2	88.0
<b>Total</b>	<b>100.2</b>	<b>88.0</b>

## 17. Other financial liabilities (non-current)

	(₹ in million)	
	2022	2021
Security deposits from customers/suppliers	19.9	23.1
<b>Total</b>	<b>19.9</b>	<b>23.1</b>

## 18. Provisions (non-current)

	(₹ in million)	
	2022	2021
Provision for employee benefits		
Gratuity (refer Note 40)	-	-
Compensated absences	-	-
<b>Other provisions</b>		
Provision for other statutory matters (being litigated) <sup>1</sup>	12.0	11.7
<b>Total</b>	<b>12.0</b>	<b>11.7</b>

<sup>1</sup> Provisions are made for ongoing litigation on tax and regulatory matters, the liabilities for which will be ascertained on conclusion of the respective assessments.

## 19. Current financial liability – Trade payables

	(₹ in million)	
	2022	2021
Total outstanding dues of micro and small enterprises	1,598.9	1,341.6
Total outstanding dues of creditors other than micro and small enterprises		
Other than related parties	3,879.6	3,780.9
Related parties (refer note 36)	5,638.8	4,522.6
<b>Total</b>	<b>11,117.3</b>	<b>9,645.1</b>



# Notes to the Financial Statements

for the year ended December 31, 2022

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises.

Particulars	(₹ in million)	
	2022	2021
(a) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year, if any:		
Principal	1,598.9	1,341.6
Interest	-	-
(b) the amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
(c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	-	-
(d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
(e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of Micro, Small and Medium Enterprises Development Act, 2006.	-	-

The above information has been compiled by the Company on the basis of information made available by vendors during the year ended December 31, 2022 and year ended December 31, 2021. This has been relied upon by auditors.

The Company's exposure to currency and liquidity risks related to trade payables is disclosed in Note 38.

## Trade Payables Ageing

Particulars	2022				Total
	(₹ in million)				
	Outstanding for following periods from due date of payment				
	< 1 year	1-2 years	2-3 years	> 3 years	
Undisputed dues of micro enterprises and small enterprises	1,582.7	10.0	3.0	3.2	1,598.9
Undisputed dues of creditors other than micro enterprises and small enterprises	9,380.1	28.9	52.6	56.8	9,518.4
Disputed dues of micro enterprises and small enterprises	-	-	-	-	-
Disputed dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-
<b>Total</b>	<b>10,962.8</b>	<b>38.9</b>	<b>55.6</b>	<b>60.0</b>	<b>11,117.3</b>

  

Particulars	2021				Total
	(₹ in million)				
	Outstanding for following periods from due date of payment				
	< 1 year	1-2 years	2-3 years	> 3 years	
Undisputed dues of micro enterprises and small enterprises	1,336.1	3.3	1.6	1.0	1,342.0
Undisputed dues of creditors other than micro enterprises and small enterprises	7,962.3	199.5	110.5	30.8	8,303.1
Disputed dues of micro enterprises and small enterprises	-	-	-	-	-
Disputed dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-
<b>Total</b>	<b>9,298.4</b>	<b>202.8</b>	<b>112.1</b>	<b>31.8</b>	<b>9,645.1</b>



# Notes to the Financial Statements

for the year ended December 31, 2022

## 20. Other financial liabilities

	(₹ in million)	
	2022	2021
Employee liabilities	722.6	540.8
Creditors for capital goods (refer Note 36)	490.4	254.3
Accrued expense	114.8	139.3
Derivative forward exchange contracts	-	1.5
Unclaimed dividends <sup>1</sup>	9.5	8.0
Other payables	8.0	11.7
<b>Total</b>	<b>1,345.3</b>	<b>955.6</b>

<sup>1</sup> The amounts reflect the position as at the year end. The actual amount to be transferred to Investor Education and Protection Fund in this respect shall be determined on the due dates. No amount is due to be transferred as at balance sheet date.

## 21. Other current liabilities

	(₹ in million)	
	2022	2021
Advance against asset held for sale (refer Note 36)	300.0	-
Advances from customers (refer Note 46)	94.9	173.3
TDS payable	82.9	30.9
GST Payable	143.6	101.7
Other statutory dues	10.9	7.3
<b>Total</b>	<b>632.3</b>	<b>313.2</b>

## 22. Provisions (Current)

	(₹ in million)	
	2022	2021
<b>Provision for employee benefits</b>		
Compensated absences	494.1	501.9
Gratuity (refer Note 40)	48.5	97.3
<b>Other provisions</b>		
Provision for warranties <sup>1</sup>	84.4	66.7
<b>Total</b>	<b>627.0</b>	<b>665.9</b>

<sup>1</sup> Warranty provision is estimated for expected warranty claims in respect of products sold during the year by the Company, which usually carry a warranty period of 12 months from the date of sale. The provision is determined based on the historical data. The timing and amount of cashflows will determined on receipt of claims.

### Additional disclosures relating to certain provisions (as per Ind AS 37):

	(₹ in million)	
	2022	2021
<b>Warranties</b>		
At the commencement of the year	66.7	124.1
Provision made during the year	20.3	33.6
Provision utilised during the year	(2.6)	(91.0)
<b>At the end of the year</b>	<b>84.4</b>	<b>66.7</b>

# Notes to the Financial Statements

for the year ended December 31, 2022

## 23. Revenue from operations

	(₹ in million)	
	2022	2021
<b>Revenue from Contract with Customer</b>		
<b>Sale of products</b>		
Manufactured goods	50,049.7	40,338.4
Traded goods	16,914.6	14,335.4
	<b>66,964.3</b>	<b>54,673.8</b>
<b>Sale of services</b>	454.0	124.5
<b>Other operating revenues</b>		
Export incentives	274.0	124.6
Scrap sales	981.9	682.2
<b>Total</b>	<b>68,674.2</b>	<b>55,605.1</b>

The management determines that the segment information reported under Note 42 Segment reporting is sufficient to meet the disclosure objective with respect to disaggregation of revenue and geographical segment under Ind AS 115 Revenue from contract with Customers. Hence, no separate disclosures of disaggregated revenues are reported.

## 24. Other income

	(₹ in million)	
	2022	2021
<b>Interest income</b>		
On fixed deposits	577.7	447.0
On loan and others	66.5	42.3
Provisions no longer required written-back	12.4	123.5
Other income	120.2	110.6
Profit on sale/retirement of assets (net)	-	0.4
<b>Total</b>	<b>776.8</b>	<b>723.8</b>

## 25. Cost of materials consumed<sup>1</sup>

	(₹ in million)	
	2022	2021
Inventory of materials at the beginning of the year	2,921.5	1,591.8
Purchases	28,729.3	24,085.1
Inventory of materials at the end of the year	3,930.0	2,921.5
<b>Total</b>	<b>27,720.8</b>	<b>22,755.4</b>

<sup>1</sup> The consumption amounts shown above have been ascertained on the basis of materials consumed and after considering excess/shortages ascertained on physical verification.

## 26. Purchases of stock-in-trade

	(₹ in million)	
	2022	2021
Purchase of traded goods	15,362.0	14,200.2
<b>Total</b>	<b>15,362.0</b>	<b>14,200.2</b>



# Notes to the Financial Statements

for the year ended December 31, 2022

## 27. Changes in inventories of finished goods, stock in trade and work-in progress<sup>1</sup>

	(₹ in million)	
	2022	2021
<b>Decrease/(Increase) in inventory of finished goods</b>		
Opening inventory	2,604.2	1,508.8
Less: Closing inventory	2,893.2	2,604.2
	<b>(A)</b>	<b>(1,095.4)</b>
<b>(Increase) in inventory of traded goods</b>		
Opening inventory	4,220.8	3,049.5
Less: Closing inventory	4,586.2	4,220.8
	<b>(B)</b>	<b>(1,171.3)</b>
<b>(Increase) in inventory of work-in-progress</b>		
Opening inventory	547.6	482.6
Less: Closing inventory	452.7	547.6
	<b>(C)</b>	<b>(65.0)</b>
<b>Total (A + B + C)</b>	<b>(559.5)</b>	<b>(2,331.7)</b>

<sup>1</sup> Closing inventory is net off scrapped/reworked items and shortages/excesses.

## 28. Employee benefits expense

	(₹ in million)	
	2022	2021
Salaries, wages and incentives	3,693.4	3,259.0
Contributions to: (refer Note 40)		
– Provident fund	189.1	171.9
– Gratuity fund	65.2	60.9
– Superannuation fund	33.1	31.2
Compensated absences	43.1	123.9
Staff welfare expenses	282.0	305.3
<b>Total</b>	<b>4,305.9</b>	<b>3,952.2</b>

## 29. Finance costs

	(₹ in million)	
	2022	2021
Interest and finance charges on lease liability	30.9	33.4
Bank and other financial charges	4.6	3.3
<b>Total</b>	<b>35.5</b>	<b>36.7</b>

## 30. Depreciation and amortisation expense

	(₹ in million)	
	2022	2021
Depreciation on property, plant and equipment	1,963.5	1,882.7
Depreciation of right of use of assets (refer Note 47)	90.6	86.7
Amortisation of intangible assets	10.5	1.7
<b>Total</b>	<b>2,064.6</b>	<b>1,971.1</b>

# Notes to the Financial Statements

for the year ended December 31, 2022

## 31. Other expenses

	(₹ in million)	
	2022	2021
Consumption of stores and spare parts	2,561.2	2,309.8
Power and fuel	874.6	748.8
Freight, clearing and forwarding	744.4	668.9
Rent	27.3	20.9
<b>Repairs and maintenance</b>		
Building	17.4	19.3
Machinery	45.5	47.8
Others	100.0	67.9
Insurance	62.1	59.3
Rates and taxes	56.6	35.4
Travelling expenses	180.5	54.4
Legal and professional fees	75.3	53.6
Payments to auditors (refer note below)	8.0	6.9
Fees for use of technology (refer Note 36)	1,295.6	1,064.3
Advertising and sales promotion	141.2	60.0
Bank charges	14.6	12.3
Telephone and other communication expenses	25.0	17.2
Printing and stationery	18.5	13.8
Bad debts written off	5.9	3.3
Loss on sale/retirement of assets (net)	6.0	-
Loss on account of foreign exchange fluctuations (net)	15.0	62.1
Warranty costs	20.3	33.6
Outside services	2,506.6	1,855.6
Corporate Social Responsibility expenditure (refer note below)	118.3	110.5
Miscellaneous expenses	39.3	28.6
Less: Capitalised for own consumption	(58.1)	(40.7)
<b>Total</b>	<b>8,901.1</b>	<b>7,313.6</b>

### Note : Payments to auditors

	(₹ in million)	
	2022	2021
As auditors		
– Statutory audit	5.0	4.1
– Limited review	3.0	2.8
– Other services	-	-
<b>Total</b>	<b>8.0</b>	<b>6.9</b>

### Note : Corporate Social Responsibility expenditure

	(₹ in million)	
	2022	2021
Details of CSR expenditure:		
Gross amount required to be spent by the Company during the year	118.3	107.1
Amount spent during the year ending on other than construction/acquisition of any asset	107.3	110.5
Shortfall at the end of the year	11.0	13.6
Total of previous year shortfall	-	-
Reason for shortfall	-	-





# Notes to the Financial Statements

for the year ended December 31, 2022

## Nature of CSR activities

### Note : Corporate Social Responsibility expenditure

	(₹ in million)	
	2022	2021
Amount required to be spent as per Section 135 of the Act <sup>1</sup>	118.3	107.1
Amount incurred during the year on:		
(i) Construction/acquisition of assets	-	-
(ii) On purpose other than (i) above	118.3	110.5
	<b>118.3</b>	<b>110.5</b>
Amount yet to be paid on:		
(i) Construction/acquisition of assets	-	-
(ii) On purpose other than (i) above <sup>1</sup>	0.4	32.6
<b>Total</b>	<b>0.4</b>	<b>32.6</b>

<sup>1</sup> An amount of ₹11.0 million which is required to be transferred to unspent corporate social responsibility bank account was deposited on January 20, 2023 (2021: ₹13.6 million deposited on February 14, 2022).

## 32. Tax expense

	(₹ in million)	
	2022	2021
<b>(a) Current tax</b>		
Current tax on profit during the year	2,975.0	2,197.0
Tax in respect of prior years	(1.5)	(10.0)
<b>Total current tax expense</b>	<b>2,973.5</b>	<b>2,187.0</b>
<b>(b) Deferred tax</b>		
Deferred tax (credit)/expense attributable to origination and reversal of temporary differences	4.8	(46.8)
<b>Total tax expense</b>	<b>2,978.3</b>	<b>2,140.2</b>
<b>Reconciliation of effective tax rate</b>		
Profit before tax	11,770.4	8,431.4
Current tax at the Indian tax rate of 25.17%	2,962.6	2,122.2
Tax adjustments of earlier years	(1.5)	(10.0)
Expenses allowable when paid and other timing differences	12.4	74.8
<b>Current tax expense (A)</b>	<b>2,973.5</b>	<b>2,187.0</b>
<b>Deferred tax</b>		
On WDV of property, plant and equipment	(50.2)	(67.1)
Provision for employee benefits	1.5	(13.2)
Provision for expenses	22.2	11.6
Provision for doubtful trade receivables	3.1	31.1
Lease accounting	(3.7)	(7.3)
Effective portion of gain/(loss) on cash flow hedge	7.0	-
Amortisation of contract assets	24.9	(1.9)
<b>Deferred tax expense (B)</b>	<b>4.8</b>	<b>(46.8)</b>
<b>Tax expense recognised in Statement of Profit and Loss (A + B)</b>	<b>2,978.3</b>	<b>2,140.2</b>
<b>Tax impact recognised in Other Comprehensive Income (OCI)</b>		
Remeasurement of defined benefits obligation	(10.5)	8.0
<b>Total</b>	<b>(10.5)</b>	<b>8.0</b>

# Notes to the Financial Statements

for the year ended December 31, 2022

## 33. Earnings Per Share (EPS)

	2022	2021
(a) Amount used as the numerator		
Profit after tax attributable to equity shareholders (₹ in million)	8,792.1	6,291.2
(b) Weighted average number of equity shares used as the denominator (Nos.) <sup>1</sup>	156,303,670	156,303,670
(c) Nominal value of share (in ₹) <sup>1</sup>	2.0	2.0
(d) Earnings per share (Basic and Diluted) (in ₹)	<b>56.3</b>	<b>40.3</b>

<sup>1</sup> Pursuant to the approval of the shareholders accorded in the extra-ordinary general meeting of the company held on December 19, 2021, each equity share of face value of ₹10/- per share was subdivided into five equity shares of face value of ₹2/- per share, with effect from February 9, 2022. Consequently, the basic and diluted earnings per share have been computed for current and previous year on the basis of the new number of equity shares in accordance with Ind AS 33 - Earnings per Share.

## 34. Contingent liabilities not provided for in respect of:

Claims against the company not acknowledged as debts:

	2022	2021
	(₹ in million)	
<b>(a) Employees and ex-employees related matters:</b>		
(i) Matters pending in labour court/civil court/High Court for reinstatement of service/recovery of salary, PF & ESIC matters.	154.5	157.8
(ii) Demand for discontinuing of contract system and for differential wages	12.7	12.7
	<b>167.2</b>	<b>170.5</b>
<b>(b) (i) Sales-tax</b>		
For non receipt of C Forms and non acceptance of Company's claim of certain sales as exempt sales in respect of various assessment years.	65.2	70.9
<b>(ii) Excise duty and Service tax:</b>		
In respect of matters decided against the Company, for which the Company is in appeal with higher authorities	116.5	133.4
	<b>181.7</b>	<b>204.3</b>
<b>(c) Income tax:</b>		
(i) In respect of matters decided against the Company, for which the Company is in appeal with higher authorities.	160.3	160.3
	<b>160.3</b>	<b>160.3</b>
In respect of above matters, it is not practicable for the Company to estimate the closure of these issues and consequential timing of cash flows, if any.		
<b>(d) Others:</b>		
Demand notice for stamp duty on Order of Hon'ble National Company Law Tribunal, Mumbai Bench, approving the Scheme of Amalgamation of INA Bearings India Private Limited and LuK India Private Limited with the Company, for which the Company is in appeal with higher authorities.	250.0	250.0
	<b>250.0</b>	<b>250.0</b>

## 35. Commitments

	2022	2021
	(₹ in million)	
<b>Contracts on capital account:</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advance ₹556.6 million; 2021: ₹116.7 million).	<b>4,171.8</b>	<b>893.8</b>



# Notes to the Financial Statements

for the year ended December 31, 2022

## 36. Related Party disclosures as required under Ind AS-24 are given below:

### (1) Name and nature of relationship of the related party where control exists:

The ultimate control lies with INA Holding Schaeffler GmbH & Co. KG, Germany.

### (2) Names of the Related Parties having transactions with the Company during the year.

2022	2021
<b>Ultimate holding Company</b>	<b>Ultimate holding Company</b>
INA Holding Schaeffler GmbH & Co. KG, Germany	INA Holding Schaeffler GmbH & Co. KG, Germany
<b>Fellow subsidiaries/Affiliates</b>	<b>Fellow subsidiaries/Affiliates</b>
Schaeffler Australia Pty Ltd., Australia	Schaeffler Australia Pty Ltd., Australia
Schaeffler Austria GmbH., Austria	Schaeffler Austria GmbH., Austria
Schaeffler Brasil Ltda., Brasil	Schaeffler Brasil Ltda., Brasil
Schaeffler Canada Inc., Canada	Schaeffler Canada Inc., Canada
Schaeffler (China) Co., Ltd., China	Schaeffler (China) Co., Ltd., China
Schaeffler Trading (Shanghai) Co., Ltd., China	Schaeffler Trading (Shanghai) Co., Ltd., China
Schaeffler (Ningxia) Co., Ltd., China	Schaeffler (Ningxia) Co., Ltd., China
Schaeffler Friction Products (Suzhou) Co., Ltd., China	Schaeffler (Nanjing) Co., Ltd., China
Schaeffler (Nanjing) Co., Ltd., China	Schaeffler (Xiangtan) Co., Ltd., China
Schaeffler (Xiangtan) Co., Ltd., China	Schaeffler Friction Products (Suzhou) Co., Ltd., China
Schaeffler Middle East FZE., Dubai	Schaeffler Middle East FZE., Dubai
Schaeffler France SAS., France	Schaeffler France SAS., France
WPB Water Pump Bearing GmbH & Co. KG., Germany	Schaeffler Chain Drive Systems SAS., France
Schaeffler Technologies AG & Co. KG., Germany	Schaeffler Technologies AG & Co. KG., Germany
Schaeffler Automotive Buehl GmbH & Co., Germany	Schaeffler Automotive Buehl GmbH & Co. KG., Germany
Schaeffler Automotive Aftermarket GmbH & Co. KG., Germany	Schaeffler Automotive Aftermarket GmbH & Co. KG., Germany
LuK Unna GmbH & Co. KG., Germany	LuK Unna GmbH & Co. KG., Germany
Schaeffler AG., Germany	Schaeffler Industrial Remanufacturing Services AG & Co. KG., Germany (Formerly LuK Truckparts GmbH & Co. KG., Germany)
Schaeffler Engineering GmbH., Germany	WPB Water Pump Bearing GmbH & Co. KG., Germany
Schaeffler Monitoring Services GmbH., Germany	Schaeffler AG., Germany
Schaeffler Friction Products GmbH., Germany	Schaeffler Monitoring Services GmbH., Germany
Schaeffler Digital Solutions GmbH., Germany	Schaeffler Automotive Aftermarket GmbH & Co. KG., Germany
Schaeffler Schweinfurt Beteiligungs GmbH, Germany	Schaeffler Friction Products GmbH., Germany
Schaeffler Bühl Verwaltungs GmbH, Germany	Schaeffler Digital Solutions GmbH., Germany
Schaeffler Verwaltungsholding Sechs GmbH, Germany	Schaeffler Schweinfurt Beteiligungs GmbH, Germany
Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	Schaeffler Bühl Verwaltungs GmbH, Germany
Schaeffler Hong Kong Company Limited., Hong Kong	Schaeffler Verwaltungsholding Sechs GmbH, Germany
Schaeffler Savaria Kft., Hungary	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany
FAG Magyarorszag Ipari Kft., Hungary	Schaeffler Hong Kong Company Limited., Hong Kong
Schaeffler Bearings Indonesia, PT., Indonesia	Schaeffler Savaria Kft., Hungary
Schaeffler Water Pump Bearing Italia S.r.l., Italy	FAG Magyarorszag Ipari Kft., Hungary
Schaeffler Italia S.r.l., Italy	Schaeffler Iberia, S.L.U., Iberia
Schaeffler Technologies Solution India Private Limited, India	Schaeffler Bearings Indonesia, PT., Indonesia
Schaeffler Japan Co., Ltd., Japan	Schaeffler Water Pump Bearing Italia S.r.l., Italy
Schaeffler Ansan Corporation., Korea	Schaeffler Italia S.r.l., Italy
Schaeffler Korea Corporation., Korea	Schaeffler Japan Co., Ltd., Japan
Schaeffler Bearings (Malaysia) Sdn. Bhd., Malaysia	Schaeffler Ansan Corporation., Korea
Schaeffler Transmisión, S. de R.L. de C.V., Mexico	Schaeffler Korea Corporation., Korea
Schaeffler Automotive Aftermarket Mexico, S. de R.L. de C.V., Mexico	Schaeffler Bearings (Malaysia) Sdn. Bhd., Malaysia
Schaeffler Mexico, S. de R.L. de C.V., Mexico	Schaeffler Mexico, S. de R.L. de C.V., Mexico
Schaeffler Philippines Inc., Philippines	Schaeffler Mexico Servicios, S. de R.L. de C.V., Mexico

# Notes to the Financial Statements

for the year ended December 31, 2022

2022	2021
Schaeffler Portugal, Unipessoal, Lda., Portugal	Schaeffler Transmisión, S. de R.L. de C.V., Mexico
Schaeffler Romania S.R.L., Romania	Schaeffler Philippines Inc., Philippines
Schaeffler (Singapore) Pte. Ltd., Singapore	Schaeffler Portugal, Unipessoal, Lda., Portugal
Schaeffler Kysuce, spol. s r.o., Slovakia	Schaeffler Romania S.R.L., Romania
Schaeffler Skalica, spol. s r.o., Slovakia	Schaeffler (Singapore) Pte. Ltd., Singapore
Schaeffler South Africa (Pty.) Ltd., South Africa	Schaeffler Kysuce, spol. s r.o., Slovakia
Schaeffler (Thailand) Co., Ltd., Thailand	Schaeffler Skalica, spol. s r.o., Slovakia
Schaeffler Manufacturing (Thailand) Co., Ltd., Thailand	Schaeffler South Africa (Pty.) Ltd., SouthAfrica
Schaeffler (UK) Limited., UK	Schaeffler (Thailand) Co., Ltd., Thailand
Schaeffler Automotive Aftermarket (UK), Limited., UK	Schaeffler Manufacturing (Thailand) Co., Ltd., Thailand
Schaeffler Group USA, Inc., USA	Schaeffler (UK) Limited., UK
Schaeffler Transmission Systems, LLC., USA	Schaeffler Group USA, Inc., USA
Schaeffler Vietnam Co., Ltd., Vietnam	Schaeffler Transmission Systems, LLC., USA
	Schaeffler Vietnam Co., Ltd., Vietnam
<b>Key Management Personnel</b>	<b>Key Management Personnel</b>
Mr. Harsha Kadam, Managing Director	Mr. Harsha Kadam, Managing Director
Mr. Satish Patel, Director Finance and CFO	Mr. Satish Patel, Director Finance and CFO

### (3) Transactions with related parties during the year:

Nature of transactions	(₹ in million)		
	Fellow subsidiaries/ Affiliates	Key Management Personnel	Total
Purchase of finished goods	11,634.7	-	11,634.7
	(10,600.0)	-	(10,600.0)
Purchase of raw materials and components and spares	7,535.4	-	7,535.4
	(5,907.0)	-	(5,907.0)
Purchase of tangible assets	751.3	-	751.3
	(460.9)	-	(460.9)
Fees for use of technology/trademark	1,295.6	-	1,295.6
	(1,064.3)	-	(1,064.3)
Travelling, training, testing, support fee and other cost	548.4	-	548.4
	(290.7)	-	(290.7)
Dividend for the year – 2022	1,853.6	-	1,853.6
2021	(880.5)	-	(880.5)
SAP, other IT systems and connectivity cost	515.2	-	515.2
	(422.3)	-	(422.3)
Expat cost	7.5	-	7.5
	(8.8)	-	(8.8)
Commission on guarantee - other cost	2.4	-	2.4
	(1.2)	-	(1.2)
Sale of finished goods	10,115.3	-	10,115.3
	(6,478.3)	-	(6,478.3)
Reimbursement of expenses	109.1	-	109.1
	(85.2)	-	(85.2)
Service income	308.7	-	308.7
	(23.9)	-	(23.9)
Managerial remuneration <sup>1</sup>	-	53.7	53.7
	-	(48.6)	(48.6)

<sup>1</sup> In the case of present key management personnel, remuneration does not include gratuity and leave encashment benefits which are determined for the Company as a whole.



# Notes to the Financial Statements

for the year ended December 31, 2022

## (4) Balances outstanding as at 31 December 2022:

Nature of Transaction	Fellow subsidiaries/ Affiliates
<b>Trade receivables</b>	
Schaeffler Technologies AG & Co. KG, Germany	1,260.9
	(732.9)
Schaeffler Trading (Shanghai) Co. Ltd., China	346.6
	(356.7)
Others	1,238.4
	(643.6)
<b>2022</b>	2,845.9
2021	(1,733.2)
<b>Trade payables</b>	
Schaeffler Technologies AG & Co. KG, Germany	3,911.1
	(3,159.5)
Schaeffler (China) Co. Ltd.China	303.9
	(463.8)
Others	1,423.8
	(899.3)
<b>2022</b>	5,638.8
2021	(4,522.6)
<b>Other receivables</b>	
Schaeffler Technologies AG & Co. KG, Germany	22.9
	(21.2)
Schaeffler Brasil Ltda., Brasil	7.7
	-
Schaeffler Vietnam Co., Ltd., Vietnam	7.6
	-
Schaeffler (Singapore) Pte. Ltd., Singapore	6.1
	-
Others	12.2
	(8.9)
<b>2022</b>	56.5
2021	(30.1)
<b>Creditors for Capital goods</b>	
Schaeffler Technologies AG & Co. KG, Germany	79.7
	(21.2)
Schaeffler Automotive Buehl GmbH & Co. KG, Germany	26.9
	(0.6)
Schaeffler Kysuce, spol. s r.o., Slovakia	18.0
	(2.4)
Others	12.4
	(4.6)
<b>2022</b>	137.0
2021	(28.8)
<b>Advance against asset held for sale</b>	
Schaeffler Technologies Solution India Private Limited, India	300.0
	-
<b>2022</b>	300.0
2021	-

# Notes to the Financial Statements

for the year ended December 31, 2022

## (5) The significant related party transactions are as under:

Nature of Transactions	Fellow subsidiary/Affiliates	Amount
Purchase of finished goods	Schaeffler Technologies AG & Co. KG, Germany	8,864.7
		(8,384.6)
Purchase of raw material and components and spares	Schaeffler Technologies AG & Co. KG, Germany	4,083.5
	Schaeffler Friction Products (Suzhou) Co., Ltd.,	953.8
	Schaeffler (China) Co. Ltd.China	(704.5)
		(639.3)
Purchase of tangible assets	Schaeffler Technologies AG & Co. KG, Germany	239.2
	Schaeffler Skalica, spol. s r.o., Slovakia	(301.0)
	Schaeffler Romania S.R.L., Romania	117.3
		(18.1)
Sale of finished goods	Schaeffler Technologies AG & Co. KG, Germany	86.5
	Schaeffler Trading (Shanghai) Co. Ltd; China	(11.2)
		3,783.5
		(2,277.0)
Fees for use of technology/trademark	Schaeffler Technologies AG & Co. KG, Germany	1,814.6
		(1319.9)
SAP, other IT systems and connectivity cost	Schaeffler Technologies AG & Co. KG, Germany	1,295.6
		(1,064.1)
Travelling, training, testing, support fee and other cost	Schaeffler Technologies AG & Co. KG, Germany	515.2
	Schaeffler Kysuce, spol. s r.o., Slovakia	(422.2)
	Schaeffler Japan Co. Ltd. Japan	212.1
	Schaeffler Vietnam Co., Ltd., Vietnam	(72.0)
		81.9
		(3.4)
Expat cost	Schaeffler Automotive Buehl GmbH & Co. KG, Germany	-
		(69.4)
		-
		(30.8)
Commission on guarantee – other cost	Schaeffler AG, Germany	7.5
		(8.0)
Reimbursement of expenses	Schaeffler Technologies AG & Co. KG, Germany	2.4
	Schaeffler (Singapore) Pte. Ltd., Singapore	(1.2)
	Schaeffler Manufacturing (Thailand) Co.,Ltd., Thailand	28.7
	Schaeffler Vietnam Co., Ltd., Vietnam	(10.3)
	Schaeffler Brasil Ltda., Brasil	19.2
		(15.1)
		14.8
	(13.9)	
Service income	Schaeffler Technologies AG & Co. KG, Germany	13.8
		(10.3)
Managerial remuneration	Mr. Harsha Kadam	11.7
	Mr. Satish Patel	(7.1)
		268.4
		(23.9)
Dividend paid	Schaeffler Schweinfurt Beteiligungs GmbH, Germany	36.7
	Schaeffler Buehl Verwaltungs GmbH, Germany	(33.4)
	Schaeffler Verwaltungsholding Sechs GmbH, Germany	17.0
	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	(15.2)
		682.2
		(324.1)

Amounts in brackets represents previous year amounts.

Terms and conditions with related parties;

The sales to and purchases from related parties including fixed Assets and other expenses are made in the normal course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free.



# Notes to the Financial Statements

for the year ended December 31, 2022

## 37. Derivative instruments:

The Company's exposure to foreign currency fluctuations relates to foreign currency assets, liabilities and forecasted cash flows. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives like forward contracts. The Company has entered into foreign currency forward contracts, majority having maturity of less than one year from reporting date, to hedge its risks associated with foreign currency fluctuations relating to such highly probable transactions. The currencies in which these transactions are mainly denominated is in US Dollars.

### Outstanding derivative instruments

Category	Currency hedged	2022		2021	
		Notional amount in foreign currency	Equivalent amount (₹ in million)	Notional amount in foreign currency	Equivalent amount (₹ in million)
Forward exchange contracts (to hedge highly probable import payables)	USD	15,200,000	1,257.4	9,411,000	699.2

The Company holds the following instruments to hedge exposures to changes in foreign currency:

### Maturity

	2022		2021	
	1-6 months	6-12 months	1-6 months	6-12 months
<b>Foreign currency risk</b>				
<b>Forward exchange contracts</b>				
Net exposure (₹ in million)	718.8	538.5	438.8	260.4
Average INR: USD forward contract rate	80.8	83.2	75.2	77.3

### Foreign currency exposures as at December 31, 2022:

Particulars	Currency	Amount in foreign currency	Equivalent amount (₹ in million)
Trade Payables	USD	20,785,540.6	1,719.4
		(19,439,384.4)	(1,444.4)
	EUR	2,829,034.6	249.8
		(2,410,546.4)	(202.9)
	CHF	3,108.45	0.30
		(11,763.0)	(1.0)
	GBP	508.0	0.1
Trade Receivables	JPY	8,176,104.0	5.1
		(4,104,531.0)	(2.6)
	CNY	7,638,743.4	91.6
		(31,449,682.5)	(367.9)
	USD	17,899,242.2	1,480.6
		(12,314,105.8)	(914.9)
	EUR	786,350.5	69.4
Advances to Suppliers		(749,688.9)	(63.1)
	USD	36,574.5	3.0
		(33,252.7)	(2.5)
	EUR	3,647,060.6	322.1
		(1,100,280.3)	(92.6)
	GBP	-	-
	AUD	(1,100.0)	(0.1)
Bank balance in EEFC accounts		(5,496.1)	(0.3)
	JPY	-	-
		(1,740,000.0)	(1.1)
	USD	404,019.1	33.4
		(4,641,562.8)	(344.9)
	EUR	26.5	-
		(413,279.7)	(34.8)

Amounts in brackets represents previous year numbers.



# Notes to the Financial Statements

for the year ended December 31, 2022

The Company's exposure to foreign currency risk at the end of reporting period are as follows:

	(₹ in million)	
	2022	2021
<b>Financial assets</b>		
<b>Trade receivables</b>		
USD	1,480.6	914.9
EUR	69.4	63.1
<b>Bank Balances in EEFC account</b>		
USD	33.4	344.9
EUR	-	34.8
<b>Total Exposure to foreign currency assets</b>	<b>1,583.4</b>	<b>1,357.7</b>

	(₹ in million)	
	2022	2021
<b>Financial liabilities</b>		
<b>Trade payables</b>		
USD	1,719.4	1,444.4
EUR	249.8	202.9
CHF	0.3	1.0
JPY	5.1	2.6
GBP	0.1	-
CNY	91.6	367.9
<b>Total Exposure to foreign currency liabilities</b>	<b>2,066.3</b>	<b>2,018.8</b>

## 38. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- market risk [refer 39 (A) below]
- liquidity risk [refer 39 (B) below]
- credit risk [refer 39 (C) below]

In the course of its business, the Company is exposed primarily to aforesaid risks, which may impact the fair value of its financial instruments. The Company has a risk management system which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as credit risks. The risk management strategy is approved by Board of Directors which is implemented by the Company's management. The risk management framework aims to create a stable business planning environment by reducing the impact of market related risks, credit risks and currency fluctuations on the Company's earnings. The risks identified through the risk management system are analysed and evaluated by the Company's management and reported to the Board of Directors periodically along with report of planned mitigation measures.

### (A) Market risk

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the foreign currency exchange rates, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

#### (i) Foreign currency risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollars and Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency (Indian Rupees).

The Company has import and export transactions in foreign currencies. Imports are higher than exports and hence the Company has foreign currency exposure to the extent of imports being higher than exports. The risk of foreign currency fluctuation is mitigated through hedging. Please refer Note 37 for details of foreign currency exposure.



# Notes to the Financial Statements

for the year ended December 31, 2022

The Company's exposure to foreign currency risk at the end of reporting period are as follows:

## Foreign Currency Sensitivity

The following table demonstrates sensitivity to a reasonable possible change in major foreign currencies like USD and EUR with all other variables held constant:

(₹ in million)

		Effect on Profit Before Tax	
		2022	2021
USD	+ 5%	(10.3)	(9.2)
	- 5%	10.3	9.2
EUR	+ 5%	(9.0)	(5.3)
	- 5%	9.0	5.3
CHF	+ 5%	(0.0)	(0.1)
	- 5%	0.0	0.1
JPY	+ 5%	(0.3)	(0.1)
	- 5%	0.3	0.1
GBP	+ 5%	(0.0)	0.0
	- 5%	0.0	0.0
CNY	+ 5%	(4.6)	(18.4)
	- 5%	4.6	18.4

## (ii) Interest rate risk

The Company recovers interest as per the terms of the agreement which approximates the prevailing market rate of interest, from time to time.

The Company's borrowings comprise of fixed rate loan from the related parties. The terms of the agreement which approximates the prevailing market rate of interest.

Surplus funds are being invested in bank deposits at fixed interest rates and the tenure is managed to match with the Company's liquidity profile.

## (B) Liquidity risk

The Company's principal sources of liquidity are cash and cash equivalents and cash flows generated from operations. The Company regularly monitors actual cash flows and forecasts to ensure that the Company maintains sufficient liquidity to meet the operation needs.

The following table shows the maturity analysis of the Company's financial liabilities based on contractually agreed undiscounted cash flows at the balance sheet date:

(₹ in million)

	Carrying amount	Less than 12 months	More than 12 months	Total
<b>As at December 31, 2022</b>				
<b>Financial liabilities</b>				
Lease liabilities	573.8	100.2	473.60	573.8
Trade payables	11,117.3	11,117.3	-	11,117.3
Security deposits from customers/suppliers	19.9	-	19.9	19.9
Employee liabilities	722.6	722.6	-	722.6
Creditors for capital goods	490.4	490.4	-	490.4
Accrued expense	114.8	114.8	-	114.8
Derivative forward exchange contracts	-	-	-	-
Unclaimed dividends	9.5	9.5	-	9.5
Other payables	8.0	8.0	-	8.0

# Notes to the Financial Statements

for the year ended December 31, 2022

	Carrying amount	Less than 12 months	More than 12 months	(₹ in million) Total
<b>As at December 31, 2021</b>				
<b>Financial liabilities</b>				
Lease liabilities	607.0	88.0	519.0	607.0
Trade payables	9645.1	9,645.1	-	9,645.1
Security deposits from customers/suppliers	23.1	-	23.1	23.1
Employee liabilities	540.8	540.8	-	540.8
Creditors for capital goods	254.3	254.3	-	254.3
Accrued expense	139.3	139.3	-	139.3
Derivative forward exchange contracts	1.5	1.5	-	1.5
Unclaimed dividends	8.0	8.0	-	8.0
Other payables	11.7	11.7	-	11.7

## (C) Credit Risk

Credit risk is the unexpected loss in financial instruments if the counter parties fails to discharge it's contractual obligations in entirety and timely. The Company is exposed to credit risks arising from it's operating and financing activities such as trade receivables, loans and advances and other financial instruments. The carrying amounts of financial assets represent the maximum credit exposure.

### Trade receivables

Credit risk on trade receivables is limited due to the Company's diversified customer base which includes public sector enterprises and reputed private corporates. For trade receivables, the Company computes expected credit loss allowance based on provision matrix which is prepared considering customer's industry segment and historically observed overdue rate over expected life of trade receivables. The expected credit loss allowance is considered as a percentage of net receivable position.

	2022		2021	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
Gross carrying amount	10,349.1	8.3	8,502.0	6.4
Allowance for expected credit loss	(30.0)	(3.3)	(44.1)	(1.6)
<b>Carrying amount of trade receivables (net)</b>	<b>10,319.1</b>	<b>5.0</b>	<b>8,457.9</b>	<b>4.8</b>

Reconciliation of expected credit loss allowance is as follows:

	(₹ in million)
<b>As at January 1, 2022</b>	<b>45.7</b>
Movement in expected credit loss allowance	(12.4)
<b>As at December 31, 2022</b>	<b>33.3</b>

### Other financial assets

The Company does not have significant credit risk from loans given considering available securities against which such loans have been given.



# Notes to the Financial Statements

for the year ended December 31, 2022

## 39. Capital management

For the purpose of Company's capital management, capital includes equity share capital and all other reserves attributable to equity shareholders. The Company has a long-term strategy of pursuing profitable growth. Capital is managed proactively to secure the existence of the Company as a going concern in the long-term and create financial flexibility for profitable growth in order to add value to the Company. A further aim of the capital management is to ensure long-term availability of liquidity, maintain strong credit ratings and ensure optimal capital structure in order to support business through continuing growth and maximising shareholders value. The Company funds its operations through internal accruals and the Management along with the Board of Directors regularly monitor the returns on capital as well as dividend levels to shareholders.

## 40. Employee benefits: Post employment benefit plans

### Defined contribution plans

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Superannuation Fund which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund for the year aggregated to ₹189.1 million (2021: ₹171.9 million) and contribution to superannuation fund for the year aggregated to ₹33.1 million (2021: ₹31.2 million).

### Defined benefit plans

The Company has defined benefit plans that provide gratuity benefit. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit. The Scheme is funded by the plan assets.

### The following table summarises the position of assets and obligations

	(₹ in million)	
	Gratuity	
	2022	2021
Present value of funded obligations	824.1	807.2
Fair value of plan assets	775.6	709.9
<b>Liability recognised in balance sheet</b>	<b>48.5</b>	<b>97.3</b>

### Classification into current/non-current

The (asset)/liability in respect of each of the plans comprises of the following non-current and current portions:

	(₹ in million)	
	Gratuity	
	2022	2021
Non-current liability	-	-
Current liability	48.5	97.3
<b>Total</b>	<b>48.5</b>	<b>97.3</b>

# Notes to the Financial Statements

for the year ended December 31, 2022

## Movement in present values of defined benefit obligations:

	(₹ in million)	
	Gratuity	
	2022	2021
Defined benefit obligation at January 1	807.2	720.6
Service cost	60.7	56.1
Interest cost	46.7	37.2
<b>Actuarial (gains)/losses recognised in Other Comprehensive Income due to:</b>		
Change in assumptions	(57.2)	(41.4)
Demographic assumptions		
Experience changes	23.6	81.1
Benefits paid/Employees contribution	(53.0)	(46.4)
Liabilities assumed/(settled)	(3.9)	-
<b>Defined benefit obligation at December 31</b>	<b>824.1</b>	<b>807.2</b>

## Movement in fair value of plan assets:

	(₹ in million)	
	Gratuity	
	2022	2021
Fair value of plan assets at January 1	709.9	610.5
Return on plan assets recognised in other comprehensive income	8.5	7.8
Interest on plan assets	42.1	32.4
Contributions by employer	68.1	105.6
Benefits paid/Employees contribution	(53.0)	(46.4)
<b>Fair value of plan assets at December 31</b>	<b>775.6</b>	<b>709.9</b>

## Expense recognised in the Statement of Profit and Loss:

	(₹ in million)	
	Gratuity	
	2022	2021
Current service cost	60.7	56.1
Interest on net defined benefit liability/(asset)	4.5	4.8
<b>Total included in Employee benefits expense</b>	<b>65.2</b>	<b>60.9</b>

## Remeasurements recognised in other comprehensive income

	(₹ in million)	
	Gratuity	
	2022	2021
Actuarial (gain)/loss on defined benefit obligation	(33.6)	39.7
Return on plan assets excluding interest income	(8.5)	(7.8)
Currency effects – OCI from DBO	0.6	0.0
	<b>(41.5)</b>	<b>31.9</b>



# Notes to the Financial Statements

for the year ended December 31, 2022

## Principal actuarial assumptions at the balance sheet date

(₹ in million)

	Gratuity	
	2022	2021
Discount rate per annum as at December 31	7.30%	6.30%
Expected return per annum on plan assets as at December 31	7.30%	6.30%
Future salary increment	6.50%	6.50%
Retirement age	58 Years	58 Years
Mortality	Indian Assured Lives Mortality (2012-14) Ult table	Indian Assured Lives Mortality (2012-14) Ult table
Attrition rate	6% - 13%	6% - 13%

At December 31, 2022 the weighted-average duration of the defined benefit obligation was 6.47 years (December 31, 2021: 6.99 years).

Note: The estimates of future salary increases, considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

## Sensitivity Analysis

The following table summarises the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 100 basis points:

(₹ in million)

	2022		2021	
	Increase	Decrease	Increase	Decrease
Discount rate (100 bps movement on DBO)	(6.08%)	6.90%	(6.55%)	7.48%
Salary escalation rate (100 bps movement pn DBO)	6.89%	(6.19%)	7.48%	(6.60%)

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analyses.

## The major categories of plan assets are as follows:

(₹ in million)

	2022		
	Quoted	Unquoted	Total
Insurer managed funds (Life Insurance Corporation)	-	774.4	774.4
Others	-	1.3	1.3

## Maturity profile of defined benefit obligations:

(₹ in million)

Year	2022	2021
Year 1	152.5	131.7
Year 2	110.4	100.9
Year 3	120.6	93.8
Year 4	85.2	101.4
Year 5	67.6	72.8
Year 6	70.0	57.2
Year 7	55.9	59.6
Year 8	62.2	48.7
Year 9	48.3	54.2
Year 10 and above	734.9	669.4

# Notes to the Financial Statements

for the year ended December 31, 2022

## Characteristics of defined benefit plans and risks associated with them:

Valuations of defined benefit plan are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary over time. Thus, the Company is exposed to various risks in providing the above benefit plans which are as follows:

- (i) **Interest Rate risk:** The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability (i.e. value of defined benefit obligation).
- (ii) **Salary Escalation Risk:** The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.
- (iii) **Demographic Risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.
- (iv) **Investment Risk:** The Company has funded with well established Govt. of India undertaking & other IRDA approved agency and therefore, there is no material investment risk.

## 41. Financial instruments

### (A) Accounting classifications

The following tables shows the carrying amount/fair values of financial assets and financial liabilities:

Financial instruments category	(₹ in million)	
	Carrying value/Fair value	
	2022	2021
<b>Financial Assets</b>		
<b>(a) Measurement at amortised cost:</b>		
Trade receivables	10,324.1	8,462.7
Cash and cash equivalents	1,660.4	2,070.0
Bank balances other than cash and cash equivalents	13,884.9	12,086.7
Financial assets	1,476.7	1,413.7
<b>Total Financial Assets</b>	<b>27,346.1</b>	<b>24,033.1</b>
<b>Financial Liabilities</b>		
<b>(a) Measurement at amortised cost:</b>		
Trade payables	11,117.3	9,645.1
Other financial liabilities	1,365.2	978.7
Lease liabilities	573.8	607.0
<b>Total Financial Liabilities</b>	<b>13,056.3</b>	<b>11,230.8</b>

The carrying amounts of all financial instruments (except derivative instruments which are measured at fair value through Other Comprehensive Income and long-term loans) are not materially different from their fair values, since these are of short term nature.





# Notes to the Financial Statements

for the year ended December 31, 2022

## (B) Fair value hierarchy

The following table provides quantitative disclosures of fair value measurement hierarchy of financial instruments as referred above:

### December 31, 2022

	Level 1	Level 2	Level 3	(₹ in million) 2022
<b>Financial Assets</b>				
Trade receivables	-	-	10,324.1	10,324.1
Other financial assets	-	-	1,476.7	1,476.7
<b>Total</b>	-	-	<b>11,800.8</b>	<b>11,800.8</b>

	Level 1	Level 2	Level 3	(₹ in million) 2022
<b>Financial Liabilities</b>				
Trade payables	-	-	11,117.3	11,117.3
Other financial liabilities	-	-	1,365.2	1,365.2
Lease liabilities	-	-	573.8	573.8
<b>Total</b>	-	-	<b>13,056.3</b>	<b>13,056.3</b>

### December 31, 2021

	Level 1	Level 2	Level 3	(₹ in million) 2021
<b>Financial Assets</b>				
Trade receivables	-	-	8,462.7	8,462.7
Other financial assets	-	-	1,413.7	1,413.7
<b>Total</b>	-	-	<b>9,876.4</b>	<b>9,876.4</b>

	Level 1	Level 2	Level 3	(₹ in million) 2021
<b>Financial Liabilities</b>				
Trade payables	-	-	9,645.1	9,645.1
Other financial liabilities	-	-	978.7	978.7
Lease liabilities	-	-	607.0	607.0
<b>Total</b>	-	-	<b>11,230.8</b>	<b>11,230.8</b>

### Valuation techniques and significant unobservable inputs

Specific valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments include:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- All financial assets and liabilities referred in Level 3 are measured at amortised cost, their carrying amount are reasonable approximation of their fair value

# Notes to the Financial Statements

for the year ended December 31, 2022

## 42. Segment reporting

### (i) Information about business segments:

As per 'Ind AS 108 - Operating Segments', the Company has reported segment information under two segments i.e 1) Mobility components and related solutions and 2) Others.

Particulars	(₹ in million)	
	2022	2021
<b>(a) Segment Revenue (Net revenue/income)</b>		
<b>Mobility components and related solutions</b>		
Automotive Technologies	27,065.0	21,860.5
Automotive Aftermarket	5,935.8	5,018.7
Industrial	12,572.4	11,324.6
Exports & Others <sup>1</sup>	8,303.6	5,646.1
<b>Sub total (a)</b>	<b>53,876.8</b>	<b>43,849.9</b>
<b>Others</b>		
Automotive Technologies	-	-
Automotive Aftermarket	-	-
Industrial	11,674.2	10,241.6
Exports & Others <sup>1</sup>	3,123.2	1,513.6
<b>Sub total (a)</b>	<b>14,797.4</b>	<b>11,755.2</b>
<b>(c) Total Revenue</b>		
Automotive Technologies	27,065.0	21,860.5
Automotive Aftermarket	5,935.8	5,018.7
Industrial	24,246.6	21,566.2
Exports & Others <sup>1</sup>	11,426.8	7,159.7
<b>Revenue from operations</b>	<b>68,674.2</b>	<b>55,605.1</b>
<b>(b) Segment Results (Profit before finance cost, depreciation and tax)</b>		
Mobility components and related solutions	8,121.6	5,837.8
Others	2,757.7	1,906.5
<b>Total profit before finance costs and tax</b>	<b>10,879.3</b>	<b>7,744.3</b>
Less : Finance cost	35.5	36.7
Add : Unallocable Income	776.8	723.8
Add : Exceptional items	149.8	-
<b>Profit before tax</b>	<b>11,770.4</b>	<b>8,431.4</b>
<b>(c) Segment assets</b>		
Mobility components and related solutions <sup>2</sup>	32,878.8	27,438.5
Others	4,950.8	4,149.4
Unallocated	19,437.6	17,374.8
<b>Total assets</b>	<b>57,267.2</b>	<b>48,962.7</b>
<b>(d) Segment liabilities</b>		
Mobility components and related solutions	10,342.6	8,803.6
Others	2,433.0	2,082.5
Unallocated	1,632.6	1,539.9
<b>Total liabilities</b>	<b>14,408.2</b>	<b>12,426.0</b>
<b>(e) Net capital employed</b>	<b>42,859.0</b>	<b>36,536.7</b>

<sup>1</sup> Export & Others mainly includes exports to group companies, scrap sales and other operating income.

<sup>2</sup> Property, plant and equipment (PPE) of the Company is predominantly used for 'Mobility solutions and related components' and hence has been disclosed as a segment asset under that reportable segment.



# Notes to the Financial Statements

for the year ended December 31, 2022

## (ii) Secondary segment information

The geographical information analyses the Company's revenues and non-current assets by the Company's country of domicile (i.e. India) and outside India. In presenting the geographical information, segment revenue has been based on geographical location of customers and segment assets which have been based on the geographical location of the assets.

### (a) Revenues

	(₹ in million)	
	2022	2021
India	57,818.9	48,752.3
Outside India	10,855.3	6,852.8
<b>Total</b>	<b>68,674.2</b>	<b>55,605.1</b>

### (b) Non-current assets<sup>1</sup>

	(₹ in million)	
	2022	2021
India	15,806.5	13,152.9
Outside India	-	-
<b>Total</b>	<b>15,806.5</b>	<b>13,152.9</b>

<sup>1</sup> Non-current assets exclude financial instruments, deferred tax assets, post employment benefit assets and rights arising under insurance contracts, if any.

### (c) Customers accounted individually more than 10% of the revenue 2022 none (2021: none).

43. Research and development expenses under the respective heads aggregate to ₹972.2 million (2021: ₹1,015.7 million) including of capital nature ₹66.5 million (2021: ₹60.7 million).

	2022				2021			
	Maneja, Savli (Vadodara)	Talegaon (Pune)	Hosur	Total	Maneja, Savli (Vadodara)	Talegaon (Pune)	Hosur	Total
Revenue expenses on research and development included under various heads of expenditure	390.1	333.1	182.5	905.7	382.6	413.7	158.7	955.0
Capital expenses on research and development capitalised along with other Fixed assets	15.9	1.5	49.1	66.5	17.20	29.1	14.4	60.7
<b>Total</b>	<b>406.0</b>	<b>334.6</b>	<b>231.6</b>	<b>972.2</b>	<b>399.8</b>	<b>442.8</b>	<b>173.1</b>	<b>1015.7</b>

44. The tax year for the Company being the year ending March 31, 2023, provision for taxation for the year ended December 31, 2022 is aggregate of provision made for three months ended March 31, 2022 and provision based on amounts for remaining nine months ended December 31, 2022, the ultimate tax liability of which will be determined on the basis of figures for the fiscal year April 1, 2022 to March 31, 2023.

The Company's international transactions with associated enterprises are at arm's length, as per the independent accountant's report for the year ended March 31, 2022. The Management believes that the Company's international transactions with associated enterprises post March 31, 2022 continue to be at arm's length and that transfer pricing legislations will not have any impact on the Ind AS financial statements, particularly on the amount of tax expenses for the year and the amount of provision for taxation at the year end.

In the year 2019 the Company elected to exercise the option permitted under section 115BAA of the Income-tax Act 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019 with effect from April 1, 2019. Accordingly, the Company has recognised provision for Income Tax and deferred tax expenses for the twelve months ended December 31, 2019 on the basis of estimated annual effective income tax rate.

# Notes to the Financial Statements

for the year ended December 31, 2022

## 45. Amalgamation of INA Bearings India Private Limited and LuK India Private Limited with the company

Scheme of Amalgamation of INA Bearings India Private Limited and LuK India Private Limited (jointly referred to as ‘transferor companies’) with Schaeffler India Limited, has been approved by the National Company Law Tribunal, Chennai and Mumbai Benches vide their orders dated June 13, 2018 and October 8, 2018 respectively.

## 46. Revenue (Ind AS 115)

The Company is manufacturing and distribution of bearings, engine systems and transmission components, chassis applications and clutch systems. All sales are made at a point in time and revenue recognised upon satisfaction of the performance obligations which is typically upon dispatch/delivery.

### A. Revenue recognised from Contract liability (Advances from Customers):

Particulars	₹ in million	
	2022	2021
Closing Contract liability	94.9	173.3

The Contract liability outstanding at the beginning of the year has been recognised as revenue during the year ended December 31, 2022.

### B. Reconciliation of revenue as per contract price and as recognised in statement of profit and loss:

Particulars	₹ in million	
	2022	2021
Revenue as per Contract price	67,697.6	55,299.6
Less: Incentives and rebates	600.2	550.8
Less: Discounts	133.1	75.0
Revenue as per statement of profit and loss	66,964.3	54,673.8

## 47. Leases

### 1. Practical expedients applied

- Applied discount rate based Incremental borrowing rate as per portfolio of leases of similar assets in similar economic environment with a similar
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

- The Company’s significant leasing/licensing arrangements are mainly in respect of residential/office premises. Leases generally have a lease term ranging from 12 months to 120 months. Most of the leases are renewable by mutual consent on mutually agreeable terms.

### 3. Right-of-use assets by class of assets is as follows.

Particulars	Gross Block				Amortisation				Net Block	
	As at Jan 1, 2022	Additions	Deductions	As at Dec 31, 2022	As at Jan 1, 2022	For the Year	Deductions	As at Dec 31, 2022	As at Dec 31, 2022	As at Dec 31, 2022
<b>Tangible Assets</b>										
Leasehold land	187.7	352.9	-	540.6	2.2	1.2	-	3.4		537.2
Buildings	707.1	35.6	0.6	742.1	168.7	88.3	8.4	248.6		493.5
Vehicle	5.5	-	-	5.5	4.6	1.1	0.2	5.5		-
<b>Total (ii)</b>	<b>900.3</b>	<b>388.5</b>	<b>0.6</b>	<b>1,288.2</b>	<b>175.5</b>	<b>90.6</b>	<b>8.6</b>	<b>257.5</b>		<b>1,030.7</b>



# Notes to the Financial Statements

for the year ended December 31, 2022

4. Finance costs includes interest expense amounting to ₹30.9 millions (2021: ₹33.4 millions) on lease liability accounted in accordance with Ind AS 116 “Leases”.

5. Rent expense in Note No. 31 Represents lease charges for short term leases.

## 6. Lease liabilities

Particulars	₹ in million)	
	2022	2021
<b>Lease liabilities included in financial position</b>		
Current	100.2	88.0
Non-current	473.6	519.0

## 48. Ratio Analysis and its elements

Ratio	Unit of Measurement	Numerator	Denominator	2022	2021	% change	Remark
Current ratio	Times	Current assets	Current liabilities	2.8	2.9	-1.1%	Continued strong ratio
Debt-Equity ratio	Times	Debt consists of borrowings and lease liabilities	Total Equity	0.01	0.02	-19.4%	-
Debt service coverage ratio	Percentage	Earnings for debt service <sup>1</sup>	Debt service <sup>2</sup>	109.6	91.5	19.8%	-
Return on equity ratio	Percentage	Net Profits after taxes	Average total equity	22.1%	18.5%	19.6%	Increased due to better performance
Inventory turnover ratio	Times	Cost of goods sold	Average inventory	3.7	3.8	-5.1%	-
Trade receivables turnover ratio	Times	Net credit sales	Average trade receivables	7.2	7.1	0.7%	-
Trade payables turnover ratio	Times	Net credit purchases <sup>3</sup>	Average trade payables	5.1	5.3	-3.0%	-
Net capital turnover ratio	Times	Net Sales	Working capital <sup>4</sup>	2.6	2.5	6.9%	-
Net profit ratio	Percentage	Net Profit	Net Sales	13.0%	11.5%	13.6%	-
Return on capital employed	Percentage	Earnings before interest and taxes	Capital employed <sup>5</sup>	27.4%	23.0%	19.2%	Better operational performance
Return on investment	Percentage	Earnings before interest and taxes	Average total assets	20.7%	17.6%	17.7%	-

<sup>1</sup> Earnings for debt service includes net profit after taxes and non-cash operating expenses like depreciation, profit/loss on sale of property, plant and equipment, etc

<sup>2</sup> Debt service includes interest & lease payments.

<sup>3</sup> Net credit purchases means gross credit purchases after deducting purchase return. Gross credit purchases includes other expenses.

<sup>4</sup> Working capital is calculated by deducting current liabilities from current assets.

<sup>5</sup> Capital employed calculated based on total assets less current liabilities.

## 49. Other Statutory Information

1. The Company does not have any Benami property, where any proceeding has been initiated or pending against the Company for holding any Benami property.
2. The Company does not have any transactions with companies struck off.
3. The Company does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.
4. The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year.

# Notes to the Financial Statements

for the year ended December 31, 2022

5. The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:
    - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or
    - (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries
  6. The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:
    - (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
    - (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries,
  7. The Company does not have any such transaction which is not recorded in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).
- 50.** Pursuant to the approval of the shareholders accorded on December 19, 2021 vide postal ballot conducted by the Company, each equity share of face value of ₹10/- per share was subdivided into 5 equity share of face value of ₹2/- per share with record date February 9, 2022.
- 51.** Consequent to the approvals received from the Board of Directors of the Company at its meeting held on May 23, 2022, the Company has entered into a business transfer agreement on June 29, 2022 with CATENSYS India Private Limited and has sold its Chain Drive business under Automotive Technologies segment by way of a slump sale on a going concern basis for a lumpsum consideration of ₹294.2 million. The gain on sale of business amounting to ₹149.8 million has been recognised as an exceptional item in the above results.
- 52.** Previous year figure have been regrouped/rearranged where ever necessary to correspond with current year classification/disclosure.
- 53.** The financial statement are approved for issued by the Board of Directors in their meeting held on February 16, 2023.

As per our report of even date attached  
**For Walker Chandio & Co. LLP**  
 Chartered Accountants  
 Firm's Registration No.: 001076N / N-500013

**Khushroo B. Panthaky**  
 Partner  
 Membership No.: 042423

Place: Mumbai  
 Date: February 16, 2023

**For and on behalf of the Board of Directors**

**E.V.Sumithasri**  
 Chairperson  
 DIN: 07087197

**Satish Patel**  
 Director – Finance & CFO  
 DIN: 00690869

Place: Mumbai  
 Date: February 16, 2023

**Harsha Kadam**  
 Managing Director  
 DIN: 07736005

**Ashish Tiwari**  
 VP – Legal & Company Secretary