

B S R & Co. LLP

Chartered Accountants

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Auditors' Report on Financial results of FAG Bearings India Limited pursuant to Clause 41 of Listing Agreement

To the Board of Directors FAG Bearings India Limited

We have audited the accompanying annual financial results of FAG Bearings India Limited ('the Company') for the year ended 31 December 2014, attached herewith, being submitted by the Company pursuant to the requirement of clause 41 of the Listing Agreement, except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. Attention is drawn to the fact that the figures for the quarter ended 31 December 2014 and the corresponding quarter ended in the previous year as reported in this financial results are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the end of the third quarter of the relevant financial year. Also the figures up to the end of the third quarter had only been reviewed and not subjected to audit.

Management's Responsibility for the Financial Results

These financial results have been prepared on the basis of the annual financial statements and reviewed quarterly financial results upto the end of the third quarter. Management is responsible for the preparation of these financial results that give a true and fair view of the net profit and other financial information in accordance with the recognition and measurement principles laid down in the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India and in compliance with Clause 41 of the Listing Agreement.

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial results based on our audit of the annual financial results. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by the management. We believe that our audit provides a reasonable basis for our opinion.



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Opinion

In our opinion and to the best of our information and according to the explanations given to us, these financial results:

- (i) are presented in accordance with the requirements of clause 41 of the Listing Agreement in this regard; and
- (ii) give a true and fair view of the net profit and other financial information for the year ended 31 December 2014.

Emphasis of matter

We draw attention to Note 4 to the financial results in respect of change in accounting policy in respect of accounting for forward contracts. During the year, the Company has adopted and applied the principles of hedge accounting as set out in Accounting Standard (AS) 30, 'Financial Instruments: Recognition and measurement' issued by the Institute of Chartered Accountants of India to forward contracts in respect of highly probable transactions or firm commitments which were previously accounted following the principles of prudence as per AS 1 'Disclosure of Accounting Policies'. Consequently, the Company has recorded Rs. 203 million representing mark to mark loss in the hedging reserve as at 31 December 2014 resulting in net profit for the year being higher to that extent. Our opinion is not qualified in respect of this matter.

Further, we also report that we have, on the basis of books of account and other records and information and explanations given to us by the management, also verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings, as furnished by the Company in terms of clause 35 of the Listing Agreement and found the same to be correct.

For **B S R & Co. LLP**

Chartered Accountants

Firm's Registration No: 101248W/W-100022



Vijay Mathur

Partner

Membership No: 046476

11 February 2015
Mumbai