

SKF

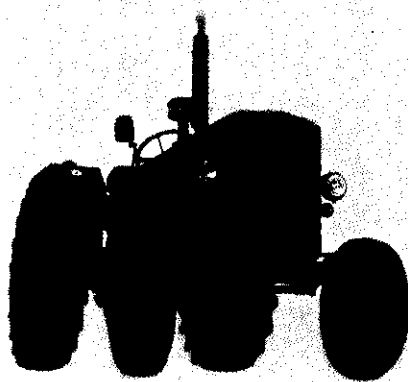
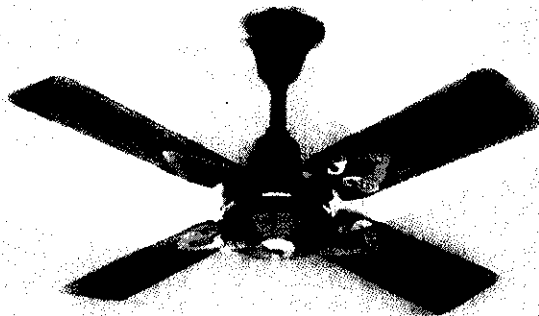
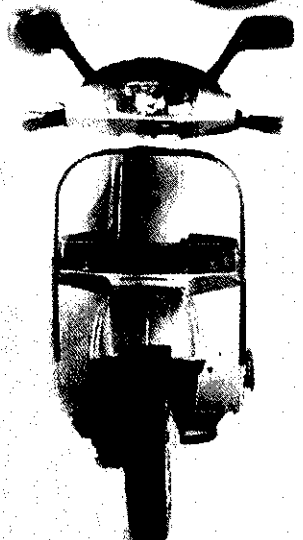
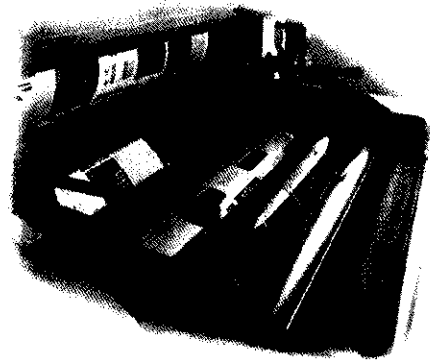
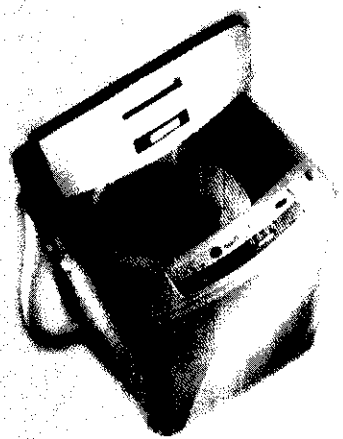
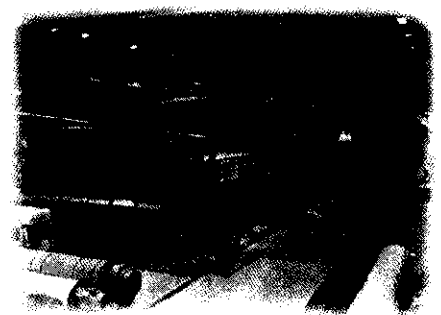
SKF Bearings India Ltd.

Annual Report 1999



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**SKF Customer Care:
Fusion of technology and service**



Some of the pioneering inventions listed below, bear testimony to SKF's continuous emphasis on maintaining the highest quality of products and services, for our customers.



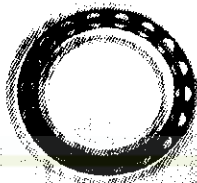
SKF Hub Unit

SKF Hub Units are designed and manufactured to satisfy exacting demands of the automotive industry. Also, designed to suit individual applications viz. Quality, Service performance, Easy assembly, Integrated functions, Small number of components, Low weight, Low overall cost etc.



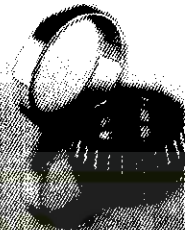
SKF Explorer

SKF Explorer Series Bearings has set a new world standard for endurance and performance in Spherical Roller Bearings. The bearings are so superior to every previously available bearing, that standard ISO calculation methods can't adequately predict life expectancy. In fact, Explorer Series Bearings last up to **300% longer than any other** standard spherical roller bearings.



SKF Carb

SKF invented a new bearing CARB which redefined the standards in the industry. A breakthrough in Bearing Technology, CARB Torodial Roller Bearing can take 10 times the angular miss alignment of Cylindrical, Taper or Needle Roller Bearing; 100 times the axial displacement of Spherical Roller Bearing and higher loads than the strongest Roller Bearing. In India, several paper mills and steel plants using SKF CARB have been greatly benefitted.



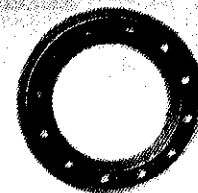
SKF TQ-Line Taper Roller Bearing

TQ-Line Taper Roller Bearings from SKF represent a new quality class bearing. Extended service life, improved load carrying capacity, longer grease life, enhanced performance, less weight and reduced energy consumption are its distinctive features.



Sensorised Bearing

Integration of electronic sensors in the bearing is a quantum leap in quality, compactness and simplicity, easy to fit, with limit in sensors to monitor speed, direction of rotation, acceleration and angular position. Sensorised bearings are mounted on cars, trains, fork lift trucks, escalators and lifts, paper machines, electric motors etc.



Carbonitrided Deep Groove Ball Bearing

For two & three wheelers application and to avoid particle contamination. Carbonitriding is a high temperature heat treatment which involves diffusion of carbon and nitrogen into the surface of SAE 52100 steel, engineered to prevent damage suffered by standard through hardened bearing in contaminated lubrication. The carbonitrided bearing enhances the bearing life upto 2 times when operating under particle contaminated lubrication. It also increases the wear resistance of bearing upto 2 times.

SKF Bearings India Limited

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Board of Directors*Chairman*

Dr. Freddie A. Mehta
 Darius C. Shroff
 Mansingh L. Bhakta
 Jamshyd N. Godrej
 Narendra J. Jhaveri
 Gunnar Gremlin
 Tom Johnstone
 Giuseppe Donato
 Bjarne Johansen
 Claes Sturegard
 Gunilla Nilsson
 Torsten Nordgren
 Keki N. Wadia
 (Alternate to B. Johansen)
 Thomas Mathews
 (Alternate to T. Johnstone)

*Managing Director**Sr. Dy. Managing Director**Secretary*

Jimmy N. Panthaky

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Auditors

Arthur Andersen & Associates
 Chartered Accountants

Solicitors

Crawford Bayley & Co.

Bankers

Bank of America N.T. & S.A.
 Bank of India
 Citibank N.A.
 ANZ Grindlays Bank Limited
 Hongkong & Shanghai Banking
 Corporation Limited
 State Bank of India
 Punjab National Bank

*Registrars and
Share Transfer Agents*

Tata Share Registry Limited
 Army & Navy Building
 148, Mahatma Gandhi Road
 Mumbai 400 001

Registered Office

Hoechst House
 Nariman Point
 Mumbai 400 021

Plants

Chinchwad, Pune
 Bommasandra, Bangalore

Notice

NOTICE is hereby given that the Thirty-ninth Annual General Meeting of SKF Bearings India Limited will be held at the Bombay House Auditorium, Bombay House, 24 Homi Mody Street, Mumbai, on Thursday, April 27, 2000 at 3.30 p.m. to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and to receive, consider and adopt the audited Profit and Loss Account for the nine month period ended December 31, 1999 and the Balance Sheet as at that date.
2. To declare a dividend.
3. To appoint a Director in place of Mr. M. L. Bhakta who retires by rotation but being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. J. N. Godrej who retires by rotation but being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Tom Johnstone who retires by rotation but being eligible offers himself for re-appointment.
6. To appoint a Director in place of Mr. Bjarne Johansen who retires by rotation but being eligible offers himself for re-appointment.
7. To appoint auditors and to fix their remuneration.

SPECIAL BUSINESS

8. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

To appoint a Director in place of Mr. N. J. Jhaveri who was appointed on 10.02.2000 as an Additional Director of the Company by the Board of Directors under Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and who is eligible for appointment and in respect of whom, the Company has received a notice

in writing proposing his candidature for the office of Director under the provisions of Section 257 of the said Act.

NOTES :

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY OR PROXIES NEED NOT BE A MEMBER OR MEMBERS.
- (b) The Register of Members and Transfer Books of the Company will be closed from March 24, 2000 upto and including April 7, 2000.
The dividend on Equity Shares as recommended by the Directors for the nine month period ended December 31, 1999 if declared at the meeting, will be payable after Friday, April 28, 2000 to those members whose names stand on the Register of Members of the Company on April 7, 2000.
- (c) Members are requested to :
 - (i) Intimate to the Company's Registrars and Share Transfer Agents, Tata Share Registry Limited, Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001, changes, if any, in their registered address at an early date.
 - (ii) Quote ledger folio numbers in all their correspondence.

By Order of the Board of Directors

J. N. Panthaky
Secretary

Registered Office :

Hoechst House
Nariman Point,
Mumbai 400 021

Date : February 10, 2000

Annexure to Notice

Explanatory Statement

As required by Section 173 of the Companies Act, 1956 :

Item No. 8 :

Mr. N. J. Jhaveri was the Nominee Director of ICICI on the Company's Board since April 6, 2000. As the Company has repaid all its loans to ICICI, Mr. Jhaveri stepped down as the ICICI Nominee on the Company's Board with effect from February 10, 2000. However, taking into consideration the valuable contribution made by Mr. Jhaveri during his tenure as the ICICI Nominee on the Board, the Board of Directors have appointed him as an Additional Director of the Company with effect from February 10, 2000.

Under Section 260 of the Companies Act, 1956, Mr. Jhaveri holds office upto the date of this Annual General Meeting. A Notice in writing along with a deposit of Rs. 500/- has been received from a member as required under Section

257 of the said Act, proposing Mr. Jhaveri as a candidate for the office of Director. Mr. Jhaveri is an eminent economist. He was previously the Founder Chairman of ICICI Securities and Finance Company and is now adorning the Boards of several prestigious companies.

The Directors therefore, recommend that he be appointed a Director of the Company. Except Mr. Jhaveri, no other Director is interested in this Ordinary Resolution.

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<i>Solicitors</i>	Crawford Bayley & Co.
<i>Bankers</i>	Bank of America N.T. & S.A. Bank of India Citibank N.A. ANZ Grindlays Bank Limited Hongkong & Shanghai Banking Corporation Limited State Bank of India Punjab National Bank
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J. N. Panthaky
Secretary

Registered Office :

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Mumbai 400 021

Date : February 10, 2000

Directors' Report

To the Members,

The Directors present herewith their Thirty-ninth Annual Report with the Audited Statement of Accounts for the period nine months ended December 31, 1999

	Nine months ended December 31, 1999 Rupees in crores	Year ended March 31, 1999 Rupees in crores
The Profit before providing for depreciation, interest and extra-ordinary expenses amounted to	60.10	73.41
Deducting therefrom :		
Depreciation	30.15	38.10
Interest	19.51	22.91
Profit before extra-ordinary expenses	10.44	12.40
Extra-ordinary expenses	—	(56.93)
Provision for taxation	(0.62)	0.26
Debenture Redemption Reserve	(8.50)	—
Investment Allowance Reserve	5.25	—
Balance brought forward from last year	—	11.97
	<u>6.57</u>	<u>(32.30)</u>

The appropriations are as follows :

Proposed dividend on Equity Shares	2.83	—
Tax on Proposed Dividend	0.31	—
Transfer to General Reserves (including compulsory transfer to Reserves required under Section 205(2A) of the Companies Act, 1956)	1.00	(32.30)
Leaving a balance of	<u>2.43</u>	<u>—</u>

Your Directors are pleased to report that on account of the proactive steps of restructuring and rationalisation embarked upon by the Company in 1998 and 1999 the financial results of the Company have turned positive. This is notwithstanding a 55 days illegal and unjustified strike resorted to by the workmen at the Bangalore factory but for which the results would have been better.

The Company had embarked upon the Pune-2000 project in 1998 envisaging the upgradation and restructuring of the Pune factory which is in the final stages of completion. As a result, the Company has been able to improve its product quality, productivity and profits and upgrade environment and working conditions, apart from setting up new channels for manufacture of HUB Bearings and Taper Roller Bearings.

As mentioned in the last Annual Report, the Voluntary Retirement Scheme which was introduced in 1998 had resulted in a reduction of 684 employees.

No doubt, the foregoing steps of restructuring and rationalisation represent not a one time activity but have to be a continuous and an ongoing process. Your Directors will continue their efforts in this direction.

DIVIDEND

In 1998-99 the Company had to by-pass dividend as there were no distributable profits. Even in 1997-98 the Company had declared a dividend of only 10%. As the Company has started earning profits during the nine month period ended December 31, 1999 your Directors recommend the payment of a dividend of 15% for the period under review. However as the results are only for a period of nine months the dividend would be prorated for the said period.

OPERATIONS

After a long recessionary phase commencing from late 1996-97, industrial activity appears to be on the uptrend. The trauma of the late 90's is being left behind. The depths of economic recession to which the transport sector had fallen in the last two years has given way to a more positive development, once again, in the second half of 1999.

The index of industrial production (IIP) for the seven months ended October, 1999 was 6.9% compared with 3.4% in the corresponding period of 1998. The automobile sector gained in strength since November, 1999 riding on buoyant passenger car sales which recorded a cumulative growth of 43.9% for April - November 1999 over April - November 1998. Production and Sale of commercial vehicles also kept pace

with a cumulative growth of 39.93% and 27.16% respectively in April - November 1999 over April - November 1998. Two wheelers however, were sluggish recording a cumulative growth of only 7.87% at production level.

However, all leading Companies manufacturing commercial vehicles, automobiles and two wheelers have now become very cost conscious and are constantly looking for opportunities to reduce the cost of components. The Company decided not to reduce the prices of its products during the period under review as it believes that it should constantly upgrade its product quality, customer service and value for customers and instead implemented a price increase for the aftermarket. The strategy adopted is to focus on profitability rather than volume growth and fighting for market share. As a result of this strategy, the Company has started the process of exiting from non-profitable business, and develop new and more profitable businesses, with special focus on higher value added products and services for both the OEM and aftermarket segments.

As a result, the sale of the Company's products to the Automobile and Multi Utility Vehicle Sector increased in the period under review by 24.8% as compared to the corresponding period of the previous year. In respect of Commercial Vehicles, the increase in sales was 18.9% and for two wheelers 5.4%. The vehicle aftermarket sales grew by a modest 3.6%. However, the industrial aftermarket sales was down by 8.3%, resulting in overall replacement market growth being marginally negative. The total domestic sales of the Company was up by 8.1% over the corresponding period of the previous year.

STRIKE AT THE BANGALORE FACTORY

The illegal and unjustified strike of 55 days at the Bangalore factory had resulted in a financial loss apart from loss of business including exports and had adversely affected the Company's image. However, on account of the firm and realistic stand adopted by the management, the settlement reached after the illegal and unjustified strike also had certain beneficial effects. Improved norms of efficiency and manning have been established by managers who operated the machines during the strike period.

OUTLOOK FOR THE YEAR 2000

The overall market conditions for the year remains mainly positive, with expected growth in most customer segments. The government is continuing the implementation of reforms and deregulations, which will support a continued positive