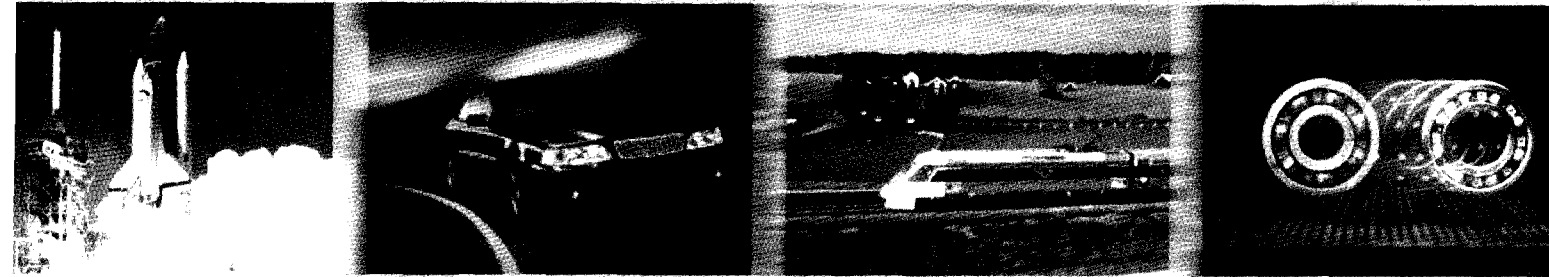


Bridge to the Future



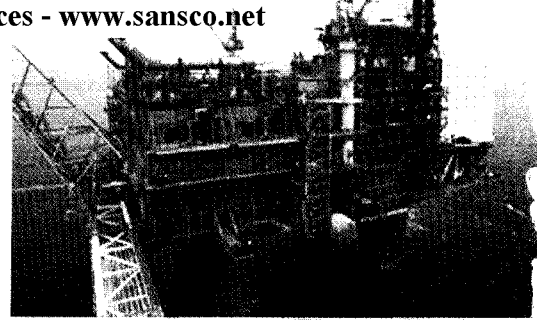
SKF

Report Junction.com
SKF Bearings India Ltd.

The Preferred Partner

Report Junction.com
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Annual Report 2003



SKF Bearings India Limited is India's single largest manufacturer & supplier of a diverse range of bearings and precision component solutions. SKF's QS 9000 certified world-class manufacturing units at Chinchwad, near Pune and Bommasandra, near Bangalore produce bearings solutions for varied applications. With a customer base cutting across the spectrum of industry, SKF offers real, differentiated value through customized solutions based on specific needs.

The core philosophy at SKF is that of leveraging growth and innovation based on resident knowledge through training, research and development.

The outstanding success enjoyed by SKF Bearings India Ltd. depends on a simple principle - to constantly seek out new opportunities to enhance customer satisfaction, by bringing pioneering ideas, products and services to the market.

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Chairman

Darius C. Shroff

Narendra J. Jhaveri

Tryggve Sthen

Christer Gyberg

Giuseppe Donato

Bjarne Johansen

Bruno Richiardone

Rakesh Makhija - Managing Director

Mahatma Gandhi Memorial Building,
Netaji Subhash Road,
Mumbai 400 002, India.

Company Secretary

Ramesh C. Pandya

Auditors

Deloitte Haskins & Sells

Solicitors

Crawford Bayley & Co.

Bankers

Bank of America N.A.

Citibank N.A.

Bank of India

Standard Chartered Bank

Hongkong & Shanghai Banking Corp. Ltd.

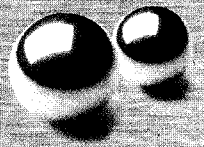
Bangalore - Coimbatore
Mumbai - Chennai
Kolkata - New Delhi

Chinchwad,
Pune - 411 033.
Bommasandra,
Bangalore - 562 158.

Registrars and Share
Transfer Agents

Tata Share Registry Limited

Army & Navy Building, 148, M. G. Road,
Fort, Mumbai 400 001.



Letter to



Dear Shareholders,

It is important for the management team to share with you our report card for the year, including the strategies that worked, the initiatives that were undertaken and some of the disappointments and challenges that we faced during the year. It is also important for us to share with you the direction that the company is taking and some of the broad areas of focus and attention, that we will undertake to ensure continued success and performance of your company.

The primary strategies that I defined in the previous year's letter continued to pay off. Our focus on Customers, Employees, and Cost and Productivity development helped make 2003 a very rewarding year. Quarter after quarter, we maintained the momentum, and in fact increased the pace during the latter half of the year to close the year at an annual growth level of 14.7% in sales

and 58% in profits (after tax). There is no doubt that the economic development in the country helped grow the volumes significantly, but SKF gained significantly in the market, with higher share of business and long term business contracts. Our factories in Pune and Bangalore continued to better their cost and productivity levels, in spite of the continued increase in steel prices that we saw for almost the entire year.

We continue to operate in a very tough market environment, where the pressure on pricing are severe, whilst the input costs, especially on steel continue to go up every few weeks. We don't expect the pressures to recede, if at all the competitive forces will increase as the market expands and import tariffs keep declining. For our continued success, and to ensure that there is no let up on our focus on Customers, we need to ensure total integration in our operations, starting with the Customer and ending with the Customer. To help achieve this level of efficiency, we kicked off our most important initiative for some time to come - to adopt Six Sigma through the company. We spent a long time debating on the strategy that was required to maintain our focus on continuous improvement, in every sphere of our operations, and in all respects Six Sigma seemed the only answer. Six Sigma aims for perfection - it reduces variation and errors through a structured approach of improving on every process that we use and apply through our operations.



In a Six Sigma Champions workshop held in July 2003, we defined the strategic objectives of the company to help identify the areas that required our immediate attention. Through this exercise we defined the projects that needed to be taken up for implementation, through trained Black Belt candidates. The ultimate success of this tool depends on how closely and accurately you arrive at the root cause of the problem and the willingness to change existing practices to more efficient ways of doing the same thing. Change is always difficult and always resisted, and hence for the Six Sigma initiative to work for us will mean that our minds must always be open, with no preconceived notions and no sacred cows. There can be no short cuts, only hard work and our commitment to make this work to get us to a Six Sigma level. There are many success stories and also many failures, but I am confident that it can help transform our company into an extraordinarily powerful engine of innovation and customer focus.

We continue to battle the spurious trade that threatens to marginalize our brand and short change our customers who believe that they have bought a genuine SKF product. Early on in the year, we finalized an ambitious marketing campaign, based upon three fundamental principles that we believe have the power to change the consumer's mindset - 'educate, motivate and deter'. Through a series of structured marketing programs, we are in the process of educating our customers to the true benefits of a genuine product, the support that SKF will provide through their buying experience and ultimately the rewards and incentives that they will receive from SKF for taking the right product to the market and the consumers. In the short term, we continue to keep the pressure on the unscrupulous traders by conducting raids and having these establishments closed, even if it is temporary and in the knowledge that the same traders may be in business again

in a period of weeks, if not days. The spurious trade is like a cancer that has the potential to destroy our entire economic progress and our aspirations to be a world-class nation within the next one to two decades. We will not let up, we are very clear that we will fight this through a multi pronged approach, and ensure that our customers receive the real thing backed up by the quality and service support that SKF stands for.

SKF has been in India for the last four decades (as an Indian registered entity) and is a highly respected brand. Over the last ten years, our growth has been somewhat stunted and we have on many accounts disappointed investors and shareholders. The challenge for us continues to be to deliver consistent financial performance, leveraging on the potential of a growing market and economic liberalization that India is currently undergoing, perhaps more aggressively than we have seen in the past. This, coupled with aggressive cost reduction and productivity gains will ensure that we indeed continue to gain in the market and operate on a robust and efficient business model. As we move on to 2004, our basic direction will continue as earlier, based on the following:

1. GROWTH Across segments and through new customers
2. Creating and recognizing the best talented work force in our industry
3. Relentless cost reduction
4. Six Sigma as the cultural backbone to the organization
5. Continue war on 'spurious'

My management team and I will continue our focus to ensure that we exceed our Customer's expectations and provide them with truly world class solutions and services, that enhance their competitiveness and productivity.

Best Regards

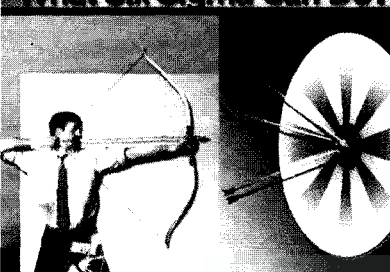
Rakesh Makhija

Direct Way

Six Sigma



What Six Sigma Can Do?




Hit the Bulls Eye Consistently!!...

Helps you reduce process variation with a focused approach

What Six Sigma Can Do?

Drives Concepts To Reality

Customer Satisfaction



Operational Excellence Profitable Growth

Six Sigma - Data driven decision making

What Six Sigma Can Do?

SPEED EVERYWHERE !



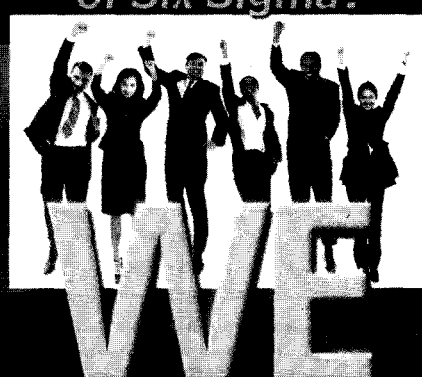
- Faster Delivery
- Faster Decision Making
- Faster Growth

Six Sigma is all about success...
About being better than we have ever been.
It's about getting there faster.

SKF India successfully launched the 6 Sigma Initiative in 2003 with 9 Black Belt Projects & 13 Green Belt Projects.

6 Sigma is aimed at creating an organization wide momentum to achieve quantum improvements in existing and new processes, thus bringing about heightened customer satisfaction & profitable growth.

Who are the keys to the successful implementation of Six Sigma?



WE

NOTICE

NOTICE IS HEREBY GIVEN that the Forty-Third Annual General Meeting of the members of SKF Bearings India Limited will be held at the Bombay House Auditorium, Bombay House, 24 Homi Mody Street, Mumbai, on Thursday, 22nd April, 2004, at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st December, 2003 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To declare a dividend on Equity Shares for the year ended 31st December, 2003.
3. To appoint a Director in place of Mr.Bjarne Johansen who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr.Bruno Richiandone who retires by rotation and being eligible offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
 "RESOLVED THAT M/s. Deloitte Haskins & Sells, Chartered Accountants be and are hereby re-appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on such remuneration plus out-of-pocket expenses, as may be mutually agreed upon between the Board of Directors and the Auditors."

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
 "RESOLVED THAT Mr.K.C.Mehra, who was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on 24th April, 2003 and pursuant to the provisions of Section 260 of the Companies Act, 1956 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 from a member of the Company pursuant to the provisions of Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company liable to retire by rotation."
7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
 "RESOLVED THAT Mr.T. Sthen, who was appointed as an Additional Director of the Company by the Board of Directors at its meeting held on 24th April, 2003 and pursuant to the provisions of Section 260 of the Companies Act, 1956 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 from a member of the Company pursuant to the provisions of Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company liable to retire by rotation."
8. Change in the name of the Company
 To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:
 "RESOLVED THAT pursuant to the provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government the name of the Company be changed from 'SKF Bearings India Limited' to 'SKF India Limited'.
 "RESOLVED FURTHER THAT the name 'SKF Bearings India Limited' wherever it occurs in the Memorandum and Articles of Association of the Company be substituted by the new name 'SKF India Limited' with effect from the date on which a fresh Certificate of Incorporation is issued by the Registrar of Companies, Mumbai under Section 23 of the Companies Act, 1956."
9. Amendment of the Articles of Association
 To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:
 "RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered in the manner and to the extent as given below :
 Article 131(1) of the Articles of Association be deleted and the following new Article be substituted in lieu thereof :
 131. (1) The fee payable to a Director for attending a meeting of the Board or Committee thereof shall not exceed the maximum sum as may be prescribed by the Central Government from time to time which could be paid without its approval. The Directors may allow and pay to any Director, for the purpose of attending the meetings of the Board or of its Committees, such sum as the Directors may consider fair compensation for his expenses actually incurred in connection therewith, in addition to the fee for attending such meeting as above specified."

SKF Bearings India Limited**10. Increase in Remuneration of Managing Director**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310 read with Section I of Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any amendment thereto or substitution thereof, the approval of the Company be and is hereby accorded to vary the remuneration payable to Mr. Rakesh Makhija, Managing Director of the Company as set out in the proposed Supplemental Agreement to be entered into between the Company and Mr. Rakesh Makhija effective from 1st January, 2004 for Company's contribution to the Superannuation Fund @15% of his Annual Fixed Salary of Rs.70,56,000/- that may be revised from time to time during the tenure of his contract."

"RESOLVED FURTHER THAT consent of the Company be and is hereby given to the Board of Directors to increase at its discretion the salary of Mr. Rakesh Makhija on 1st January every year till the completion of his tenure within the overall limit of 5% of the Net Profits computed u/s 309(5) and other provisions of the Companies Act, 1956."

"RESOLVED FURTHER THAT subject to the provisions of Section 198 and compliance of Schedule XIII of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 and the approval of Central Government, in the event of inadequacy or absence of profits, Mr. Rakesh Makhija be paid the remuneration as set out in the Principal Agreement dated 25th July, 2002 as modified till date and by the proposed Supplemental Agreement as the Minimum Remuneration."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, matters, deeds and things as are usual or expedient to implement the resolution."

Notes**1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Instrument appointing a proxy should however be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

2. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of Item Nos. 3, 4 & 6 to 10 of the Notice above, is appended hereto.
3. The Register of Members of the Company and Transfer Books thereof will be closed from Tuesday, 6th April, 2004 to Thursday, 22nd April, 2004 (both days inclusive).
4. The dividend, as recommended by the Board of Directors, if declared at this Annual General Meeting, will be paid to those shareholders whose names stand on the Register of Members after giving effect to all valid transfer deeds in physical form lodged with the Company on or before 5th April, 2004 and in respect of shares held in the dematerialized form to those deemed members whose names appear in the statements as furnished by the depositories for this purpose as at the end of the business hours on 5th April, 2004. The dividend declared shall be paid within prescribed time limit.
5. Members and all other concerned are requested to lodge transfer deeds, communications for change of address, mandates (if any) with the Company's Share Transfer Agents M/s. Tata Share Registry Ltd., Army & Navy Building, 148, M.G. Road, Mumbai 400 001 on or before 5th April, 2004.
6. The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the depositories/members for depositing dividend or payment through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available, for distribution of dividend.
7. Members desirous of obtaining any information as regards Accounts and Operations of the Company are requested to write at least one week before the meeting so that the same could be compiled in advance.
8. Members' proxies should bring their attendance slips sent herewith, duly filled in, for attending the meeting.

By Order of the Board

Ramesh C. Pandiya
Secretary

Registered Office :

Mahatma Gandhi Memorial Building,
Netaji Subhash Road,
Mumbai 400 002.

Date : 19th February, 2004

Annexure to Notice Explanatory Statement

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

1. Item Nos. 3 and 4

Mr.Bjarne Johansen and Mr.Bruno Richiardone, Directors retire by rotation, and being eligible, offer themselves for re-appointment.

Pursuant to the requirement of the Listing Agreement of the Stock Exchanges relating to Corporate Governance, a statement containing particulars of the above Directors forms part of the Corporate Governance Report annexed to the Annual Report.

2. Item No. 6

Under the provisions of Section 260 of the Companies Act, 1956, Mr.K.C.Mehra will hold office upto the date of this meeting. The Company has received a notice in writing from a member along with the requisite deposit of Rupees Five hundred, proposing the candidature of Mr.K.C.Mehra for the office of the Director under the provisions of Section 257 of the Companies Act, 1956. Mr.K.C.Mehra has consented to act as a Director of the Company, if appointed.

Pursuant to the requirement of the Listing Agreement of the Stock Exchanges relating to Corporate Governance, a statement containing details of Mr.K.C.Mehra forms part of the Corporate Governance Report annexed to the Annual Report.

Your Directors are of the view that the appointment of Mr.K.C.Mehra as a Director of the Company will be in the interest of the Company and, accordingly, recommend the resolution at item No.6 for your acceptance.

Mr.N. J. Jhaveri is interested as a Director of Afcons Infrastructure Limited in which Mr.K.C.Mehra is also a Director. None of the other Directors of the Company are in any way concerned or interested in this resolution except Mr.K.C.Mehra.

3. Item No. 7

Under the provisions of Section 260 of the Companies Act, 1956, Mr.T.Sthen will hold office upto the date of this meeting. The Company has received a notice in writing from a member along with the requisite deposit of Rupees Five hundred, proposing the candidature of Mr.T.Sthen for the office of the Director under the provisions of Section 257 of the Companies Act, 1956. Mr.T.Sthen has consented to act as a Director of the Company, if appointed.

Pursuant to the requirement of the Listing Agreement of the Stock Exchanges relating to Corporate Governance, a statement containing details of Mr.T.Sthen forms part of the Corporate Governance Report annexed to the Annual Report.

Your Directors are of the view that the appointment of Mr.T.Sthen as a Director of the Company will be in the interest of the Company and, accordingly, recommend the resolution at item No.7 for your acceptance.

Mr.G.Donato is interested as a Director of RIV SKF Officine di Villar Perosa S.p.A., Italy, SKF Industrie S.p.A., Italy and SKF France S.A. in which Mr.T.Sthen is also a Director. None of the other Directors of the Company is in any way concerned or interested in this resolution except Mr.T.Sthen.

4. Item No. 8

The Company in addition to manufacturing of bearings, provides integrated services and solutions in the area of bearing technology and has plans for advanced customer offerings in terms of reliability systems and two-wheeler competency center. It will therefore be appropriate that the name of the Company be changed from 'SKF Bearings India Limited' to 'SKF India Limited' in order to reflect SKF's broader assortment including software products. The Board, therefore, recommends the proposal for your approval. The Letter from the Registrar of Companies, Mumbai confirming availability of name for change of name will be placed for inspection by the shareholders with other documents.

None of the Directors are concerned or interested in the resolution.

5. Item No. 9

By Notification no. 580(E) dated 24th July, 2003, Department of Company Affairs, Ministry of Finance has increased the maximum limit of sitting fee payable without obtaining the approval of the Central Government for each meeting of the Board of Directors or a Committee of Directors. As per Article 131(1) of the Articles of Association of the Company, the fee payable to Non-Executive Independent Directors for attending a meeting of the Board or Committee thereof shall be the maximum sum as may be prescribed by the law or by the Central Government from time to time. In order to retain the flexibility, the amendment is required in Article 131(1) of the Articles of Association so as to provide the authority to the Board of Directors for deciding on the sitting fee payable for each meeting of the Board or a Committee, hence the proposal is recommended for shareholders' consent.

None other than the Non-Executive Independent Directors viz. Mr.K.C.Mehra, Mr.D.C.Shroff and Mr.N.J.Jhaveri are concerned or interested in the resolution.

SKF Bearings India Limited

6. Item No.10

Members of the Company, by Special Resolution passed at the Extra-Ordinary General Meeting held on 25th July, 2002, had approved the appointment of Mr.Rakesh Makhija as Managing Director of the Company effective from 1st June, 2002.

In recognition of contribution of Mr.Rakesh Makhija, Managing Director of the Company, the Board of Directors at its meeting held on 19th February, 2004 have, subject to the approval of the shareholders in the Annual General Meeting approved that an amount equivalent to 15% of his Annual Fixed Salary will be contributed by the Company to SKF Bearings India Limited Superannuation Scheme to the credit of his account effective from 1st January, 2004. The Contribution to Superannuation Scheme shall be 15% of Rs.70,56,000/- during 2004 and will change based on the increase in his Annual Fixed Salary during the tenure of his contract.

The aforesaid variation in the remuneration has been approved by the Remuneration Committee formed under clause 49 of the Listing Agreement, at its meeting held on 19th February, 2004. The remuneration payable to Mr. Rakesh Makhija for the year 2003 is within 5% of the net profits computed under Section 309(5) read with Sections 349 and 350 of the Companies Act, 1956 and complies the conditions prescribed in Section I of Part II of Schedule XIII.

The Board noted the same at its meeting held on 19th February, 2004 and recommends the resolution at Item No.10 for the approval of the members.

The other terms and conditions of the appointment of Mr. Rakesh Makhija as approved by the shareholders at the Extra-Ordinary General Meeting held on 25th July, 2002 and Annual General Meeting held on 23rd April, 2003 will remain unchanged.

In the event of inadequacy of profits, the payment of the revised remuneration shall be subject to the approval of the Central Government and compliance of conditions of Section II of Part II of Schedule XIII to the Companies Act, 1956. The validity of this Special Resolution for this purpose shall be for a period not exceeding three years. The application to the Central Government for the proposed remuneration, if required shall be subject to the approval of the Remuneration Committee in accordance with Schedule XIII of the Companies Act, 1956.

The terms and conditions of Mr.Rakesh Makhija's appointment set out and amended as above, may be treated as an abstract under Section 302 of the Companies Act, 1956.

Except Mr.Rakesh Makhija, none of the Directors is concerned or interested in the resolution.

INSPECTION

The Memorandum and Articles of Association of the Company, the Principal Agreement dated 25th July, 2002 and Supplemental Agreement dated 24th April, 2003 as amended by the proposed Supplemental Agreement to be entered into between the Company and Mr. Rakesh Makhija are available at the Registered Office of the Company for inspection on any working day (except Saturday) during the normal working hours of the Company.

By Order of the Board

Ramesh C. Pandiya
Secretary

Registered Office :

Mahatma Gandhi Memorial Building,
Netaji Subhash Road,
Mumbai 400 002.

Date : 19th February, 2004