



Solutions for a better tomorrow

Annual Report 2009

BOARD OF DIRECTORS

Kamlesh C. Mehra

Chairman

Giuseppe Donato

Narendra J. Jhaveri

Phil Knights

(upto 15th October, 2009)

Henrik Lange

Darius C. Shroff

Tryggve Sthen

Vartan Vartanian

Rakesh Makhija

Managing Director

(upto 31st December, 2009)

Shishir Joshipura

Managing Director

(from 1st December, 2009)

Pradeep Bhandari

Company Secretary

AUDITORS

B S R & Associates

Godrej Castlemaine

Bund Garden Road,

Pune 411 001.

BANKERS

The Hongkong & Shanghai Banking Corp. Ltd.

HDFC Bank Limited

COMPANY MANAGEMENT TEAM

Shishir Joshipura

Managing Director

Kjell Bogvad

Director – Industrial Sales

Harsha Kadam

Director – Electrical & Two Wheeler Business

Ranjan Kar

Director – Automotive Business

R. Manohar

Director - Demand Chain

Vithal Nayak

Director – HR & Sustainability

Sudhir Rege

Director – Service Business

Chandramowli Srinivasan

Finance Director

REGISTRARS AND SHARE TRANSFER AGENTS

TSR Darashaw Limited

6-10, Haji Moosa Patrawala Industrial Estate,

20, Dr. E. Moses Road,

Mahalaxmi, Mumbai 400 011.

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“ We do not inherit the earth from our ancestors;
we borrow it from our children. ”



Our planet is fragile and our eco-system tenuous.

Our natural resources are fast being depleted, threatening the very existence of the world we live in, and raising the issues for a sustainable future for mankind.

As a responsible corporate, with a global legacy spanning over 100 years and a deep-rooted presence in India spanning over eight decades, SKF India has a demonstrated history of promoting sustainability in its business practices, while maintaining a fine balance between the economic, environmental and social needs of communities.

FOSTERING ENERGY EFFICIENCIES



As the Indian economy continues to demonstrate robust growth and India's GDP is expected to grow at a sustained brisk pace, it is estimated that India's energy demand is also likely to increase substantially. Thus, it is our responsibility to use energy resources judiciously and also manage our CO₂ emissions.

To conserve and preserve valuable energy resources, SKF India offers solutions imbuing energy efficiencies by virtue of servicing a wide range of industries including manufacturing, infrastructure, energy and transportation, etc. by offering global technology to the Indian customers.

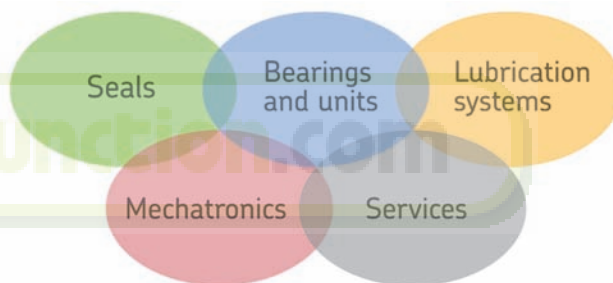
The Company seeks to safeguard energy resources for future generations by applying its engineering expertise with the aim of reducing friction so that machines operate more efficiently. An attempt that aims to promote significant decline in energy consumption – today, tomorrow and always. SKF is doing so by offering its customers access to its technical expertise and competence by integrating solutions across its 'Five Platforms' of Bearings and Units, Seals, Lubrication Systems, Mechatronics and Services.

The Company through its competitive advantage and value additions strives to help its customers and industry address obvious challenges and tap into the hidden potential of their businesses, operations and manufacturing processes to perform better and become more energy efficient.

SKF India's BeyondZero™ initiative reinforces its commitment to both, reduction of negative impacts and maximization of positive benefits. The ultimate goal is to use SKF's expertise to create products so efficient that over their operating lives they will save more energy in the future than was consumed to manufacture them.

FIVE PLATFORMS

The 'Five Platforms', stand for SKF's total technical knowledge and capabilities. SKF is able to offer its customers value propositions based on the technology from all or a selection of the Platforms.



BEARINGS & UNITS

The broad range of bearing types produced by SKF India offers customers an assortment of high-quality, high-performance, low-friction, standard and customized solutions to critical and standard applications. Units are product combinations integrated into solutions with unique performance, used in specific applications requiring a compact design, combined performance and light weight.

LUBRICATION SYSTEMS

SKF India offers products, solutions and vast support within areas such as industrial lubricants, lubrication consultancy, lubricator equipment, lubrication assessment, lubricant analysis, lubricant recommendations and automatic lubrication systems.

SEALS

SKF India provides innovative solutions in elastomers or engineered plastics to meet the needs of various industries for

static, rotating, reciprocating and bearing seals.

SERVICES

The service platform delivers value by addressing the entire life cycle of a particular asset. The design phase, is covered by different aspects of engineering consultancy and R&D services.

The operations stage, which is the main part of the asset life cycle, is covered by a variety of solutions including services and service-related products focusing on maintenance strategy, predictive maintenance, maintenance and logistic services.

The last part of the life cycle is covered by services and service related products focusing on upgrades, refurbishment, bearing dismounting and mounting, alignment, balancing and post-maintenance testing. A wide spectrum of training is available for customers, on and off site, around the globe.

MECHATRONICS

The mechatronics platform enhances customer value by combining SKF's strong mechanical experience and electronic technology. The platform covers systems for precision multi-axis positioning, intelligent monitoring and bywire applications, as well as components such as ball & roller screws, actuators, rail guides and sensor modules. A number of mechanical and electronic products are combined into modules and sub-systems addressing unique needs where SKF has specialist industrial-specific expertise.

Thus, through the power of knowledge engineering solutions, SKF at the global level, and SKF India at the local level strive to infuse sustainability and promote energy efficiencies for customers and the industries we serve.

SOME OF THE ENERGY SAVINGS INITIATIVES AT THE GLOBAL LEVEL BY SKF:

Value creation

SKF utilizes knowledge acquired by working closely with leading customers and by understanding their industry to develop new products and solutions which bring value to the customers by improving performance, improving production efficiency or by lowering cost. By working across different industries SKF is

Going strong

A LEADING INDIAN CEMENT MANUFACTURER HAD TO COPE WITH FREQUENT SHUTDOWN OF ITS CEMENT MILLS DUE TO WEAR AND TEAR OF THE WHITE METAL BEARINGS AND SUBSEQUENT RISE IN OPERATING TEMPERATURES IN THE PINION COUNTER SHAFT. THE PROBLEM CALLED FOR A UNIQUE AND CUSTOMIZED SOLUTION BY WHICH THE WEAR AND TEAR OF THE METAL BEARINGS COULD BE ELIMINATED, THUS MINIMIZING MACHINE DOWNTIME AND PRODUCTION LOSSES. THIS COULD BE DONE BY IMPLEMENTING ANTIFRICTION BEARING. THE SKF ANTI-FRICTION BEARINGS HAVE NOW BEEN RUNNING FOR MORE THAN 3 YEARS WITHOUT SINGLE BREAK-DOWN. NOT ONLY HAS IT RESULTED IN MACHINE UPTIME BUT ALSO HIGHER PRODUCTION AND RELIABLE OPERATION.

THE COMPANY IS FURTHER APPLYING ITS 'POWER OF KNOWLEDGE ENGINEERING' TO PROVIDE THE NECESSARY STRENGTHS TO ITS CUSTOMERS' EQUIPMENTS TO ENABLE THEM TO WORK UNDER EXTREME OPERATING CONDITIONS, THEREBY BOOSTING THEIR PERFORMANCE THROUGH COST EFFICIENT AND STREAMLINED PROCESSES & INNOVATIONS.



able to take products and services successfully developed for one industry and adapt them to make new customer solutions in other industries, adding considerable synergy effects to the process of creating value for customers.

SKF focuses on developing products and services to increase energy efficiency thereby reducing negative effect on the environment. Since friction causes energy loss, the reduction of friction in rotating components using SKF's unique combination of bearings, seals and optimum lubrication, helps reduce both energy use as well as CO₂ emissions. Considering that SKF has billions of bearings running in different applications around the world, this means important savings for the planet.

Some examples of value-creating, energy-saving SKF products and solutions are:

- The new family of energy-efficient bearings (SKF E2) which can reduce energy loss in a bearing by over 30%. The family now includes four different types of bearings – deep groove ball bearings, tapered roller bearings, spherical roller bearings and cylindrical roller bearings.
- Fly-by-wire actuation and auto throttle systems that help save weight in commercial, passenger and business airplanes, giving fuel savings of upto 100 litres per hour, meaning almost 5% per flight in some cases.
- Window blinds with electric actuation that help reduce annual energy used for heating and ventilation by up to 40%.
- Condition-monitoring units for wind energy windmills preventing downtime and making renewable energy production more efficient.
- Electric actuation in robots saving energy by up to 70% in some specific applications.
- Centralized lubricating systems and minimal quantity lubrication systems, saving lubricants in industrial applications by providing the exact amount of lubricant in the right place at the right time.
- SKF's maintenance strategies and practices saves significant amounts of energy and improves productivity in process manufacturing plants.
- SKF's re-manufacturing service repairs a worn out bearing at a significantly lower cost than a new product, saving energy and materials.

- SKF's reliability systems, asset management and mechatronics solutions, and the recently launched SKF Client Needs Analysis Energy and Sustainability tool, help customers calculate and realize energy savings in specific applications, products or throughout entire manufacturing processes.
- SKF's proprietary Documented Solutions Program helps identify and document energy savings so that customers can take measures to obtain similar results in other parts of the plant, or at plants in other parts of the world.

((Sealing challenges))

AN INDIAN TRACTOR MANUFACTURER WAS STRADDLED WITH INCREASING REPAIRS AND REPLACEMENT COSTS (ARISING DUE TO OIL LEAKAGES) IN THE WARRANTY PERIOD. AS POST-SALES COMPLAINTS INCREASED IT WAS ERODING THE OVERALL CREDIBILITY AND BRAND IMAGE OF THE COMPANY'S PRODUCTS IN THE MARKET.

SKF INDIA WAS ENGAGED TO DEVELOP A SOLUTION TO ELIMINATE ALL LEAKAGE DEFECTS. SKF INDIA'S TEAM ARMED WITH ITS DOMAIN KNOWLEDGE AROUND SEALING SOLUTIONS, APPLICATION ENGINEERING EXPERTISE & EXPERIENCE OF SIX SIGMA PROBLEM SOLVING METHODOLOGY SUCCESSFULLY SOLVED THE PROBLEM. SKF INDIA'S SOLUTIONS REDUCED FIELD FAILURES, REWORK COSTS, WARRANTY COSTS, FACILITATED CUSTOMER SATISFACTION AND ENHANCED BRAND IMAGE LEADING TO INCREASE IN MARKET SHARE.



SHAPING A SUSTAINABLE FUTURE



Besides developing and offering technical solutions that can significantly reduce energy consumption, SKF India, as part of its global commitment, addresses ways to reduce its own energy consumption and CO₂ emissions.

SKF India has committed to reduction in carbon dioxide emissions from energy consumption at all its factories, irrespective of production volume changes. SKF India's emission were reduced by 4.7% in 2009 following a reduction of 8% in 2008.

SKF India is continuously working on a number of programs to reduce the energy consumption within its own facilities. These

programs span across areas ranging from more efficient heating and ventilation systems, rain water harvesting initiatives, solar street lights, efficient production processes to ensuring adequate green space around facilities and encouraging activities that promote energy efficiency in everyday operations.

Focused rain water harvesting efforts and commitment to conserve natural resources has enabled the Company to save 40% of the water consumed at its manufacturing plants. Besides creating an additional capacity for 4 lakh litres of water harvesting (at the Bengaluru facility), the Company has also created the facility to recharge 26 lakh litres of water to the ground to manage the depleting water table.



(SKF Global Testing Centre, Bengaluru)

FOCUSING BEYOND BUSINESS



Nurturing energy efficiencies and sustainable business practices is just one aspect of SKF India's business solutions for a better tomorrow. SKF India strongly believes that the way to a better tomorrow lies beyond business; it transcends methodologies that impact the physical environment to capture solutions that reach out to the spirit of the community at large.

It is this belief that has motivated SKF India to build the philosophy of Corporate Social Responsibility into its business model to make it sensitive to the needs of people within the community it serves. The Company's CSR approach is all-inclusive, encompassing every level of its workforce and extending across the length and breadth of its operations.

VOLUNTARY SOCIAL INITIATIVES

The sensitivity of SKF India's employees to the need for community care is manifest in the scale of the voluntary work they regularly undertake among the underprivileged sections of the society.

The Assisi Home for the Handicapped, a home for around 30 girls who are physically, visually and hearing challenged in Bengaluru, was a key beneficiary of the Company employees' voluntary work during the year. SKF's team of doctors provided a healing touch to the residents of the Home through their regular monthly visits.

SKF India's Corporate Citizenship campaign at Bengaluru further extended to blood donation camps (Jeevan Daan), conduct of workshops for special people to expose them to the industry and its expectations, intervened with focused personality development workshops where employees shared their experiences and provided valuable insights. The Company's Gyan Daan programme, in support of Samarthanam Trust on Project "Tech-vision", helped a significant number of the specially-challenged to turn employable.

During 2009, the Company continued to contribute towards Nachiket Balgram - an orphanage that provides educational

facilities to children up to Class IV. The organization strives to improve the lives of these children by providing them with basic utilities, academic and sports material and food grain for the orphanage. In addition to this, the Company also continued to support 'Udyogdham' - a shelter for children of leprosy patients.

NURTURING HEALTHY GROWTH

Only a healthy body nourishes a healthy mind and spirit. Armed with this belief, SKF India has consistently engaged in a wide gamut of sports activities for the underprivileged.

SKF India's Sports Academy, instituted in 2005 for children from underprivileged families, provides them a platform that allows the children to direct their energies into constructive and productive activities, such as playing football, cricket and hockey (for girls).

The year saw the Sports Academy scale new levels of excellence with one of its students getting selected to represent Junior Team (Under 19 years) of Maharashtra State for National Junior Football Championships. Since the last two years, the Academy is also sponsoring four cricket academy students for coaching in the prestigious Deccan Gymkhana club of Pune.

The 35-member girls' Hockey Academy of SKF India was the proud recipient of the "Most promising Team of Year" award from among 70 participating teams in the prestigious "Agakhan Hockey Tournament" - an annual event in Pune where most school teams participate. The Girls' Hockey Team also won the "Dean Doctor Memorial Hockey Tournament".

Moving forward, the Sports Academy aims to provide sponsorship support to a select few - who have excelled in performance - when they go out of the Academy. It also strives to encourage these aspiring children to represent the district, state, national level through competitive participation. Facilities for expert dietician and consultants are also planned. The Company also plans to provide Gymnasium facility for academy students who demonstrate high potential.



FINANCIAL HIGHLIGHTS

Rs. in Millions

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Net Sales	15709	16202	15683	13425	7814	5813	4670	4072	3585	3677
Profit before tax	1431	1944	2474	1531	1031	883	506	330	103	82
Profit after tax	942	1277	1607	1020	641	566	322	204	90	69
Cash earning per Share (Rs.)*	23	30	36	24	17	18	13	11	9	19
Rate of dividend (%)	40	45	60	45	35	25	25	20	10	15
Gross Block	7693	7392	6697	6453	5889	5511	5429	5395	5446	5534
Net Block	2568	2387	1968	1842	1475	1238	1286	1459	1665	1979
Total borrowings	1	2	2	1	2	65	463	889	1424	2207
Share Capital	527	527	527	527	527	453	453	453	453	251
Reserves & Surplus	6620	5924	4925	3695	2946	2112	1696	1513	1394	1161
Book Value per Share (Rs.)*	136	122	103	80	66	67	47	43	41	56
Shareholders' Nos.	27350	28474	24430	25811	24269	28545	28382	29875	24150	22687
Employees' Nos.	1915	2078	2069	2024	1963	1968	1960	2038	2006	2161

* All prior years' figure has been made comparable to show values per share @ face Value Rs.10/-



Rakesh Makhija, President (Asia) & Shishir Joshipura, Managing Director

Dear Shareowner,

At this time last year, we were in the midst of what promised to be a very difficult year with deep negative sentiments. For the first few months it was, with industrial production in the negative territory and with what was happening in the rest of the world, it seemed easy to believe that India would follow the same course. But we have been fortunate, thanks to the timely steps taken by the government, that the economy turned the corner around May 2009 and we have not looked back since. Having said that, the deep and fast turndown that we experienced did its share of the damage and capital good investments have only recently started coming back in. The automotive sector has done better, especially cars and two wheelers which have seen an unprecedented boom over the last six months.

This will be my last letter as the Managing Director of SKF India. Effective January 1, 2010, I have accepted a new position as the President of Asia for the SKF Group, based in Shanghai. India will continue to be overseen by me and I will remain on the Board of the Company as a Non-Executive Director. Our new

leader for the Company is Shishir Joshipura who comes to us from Thermax, where he was the Executive Vice President for their Heating and Cooling Business Unit. He comes with a rich background and understanding of the Industrial sector and is actively engaged in the field of energy and environment. We are delighted to have Shishir on board and welcome him into the SKF family.

As I stated above, 2009 has been a year of mixed fortunes for the Company. From a weak first quarter, we have seen progressive improvements in our performance. The fourth quarter was the highest ever quarter for the Company and this augurs well for us as we move into 2010. All our businesses are back on track and our factories are fully loaded to cater to the demand that we see emanating from our customers. Our Haridwar factory is making rapid progress and is now ready for commercial production. As part of our global manufacturing footprint for Large Size Bearings, the factory at Ahmedabad is also ready for commercial production. The domestic sales