



Redefining  
tomorrow

Annual  
Report  
2012



## Contents

Letter to  
Shareholders

02

Financial  
Highlights

20

Notice

22

24 Directors' Report

28 Management Discussion & Analysis

32 Corporate Governance Report

44 Auditors' Report

48 Balance Sheet

49 Profit & Loss Account

50 Cash Flow Statement

51 Notes to Financial Statements

## Corporate Information

### Board of Directors

**Kamlesh C. Mehra**

*Chairman*

**Shishir Joshipura**

*Managing Director and  
Country Head, SKF India*

**Darius C. Shroff**

**Henrik Lange**

**Prakash Telang**

**Prasad R. Menon**

**Rakesh Makhija**

**Tore Bertilsson**

**Tryggve Sthen**

**Vartan Vartanian**

**David Bishop**

*(alternate to V Vartanian)*

### Company Secretary

**Pradeep Bhandari**

### Auditors

B S R & Associates  
Godrej Castlemaine  
Bund Garden Road  
Pune - 411 001.

### Bankers

The Hongkong & Shanghai Banking Corp. Ltd.  
HDFC Bank Limited

### Registrars and Share Transfer Agents

TSR Darashaw Private Limited  
6-10, Haji Moosa Patrawala Industrial Estate,  
20, Dr. E. Moses Road,  
Mahalaxmi, Mumbai - 400 011.

### Country Management Team

**Shishir Joshipura**

*Managing Director and  
Country Head, SKF India*

**Anjali Nair**

*Director Human Resources, SKF India*

**Chandramowli Srinivasan**

*Director Finance, SKF India*

**Harsha Kadam**

*Director - Two Wheeler Business, Global*

**R Manohar**

*Director Purchasing, SKF India*

**Sudhir Rege**

*Director Regional Sales and Service  
(Industrial Markets), South Asia*

**Shrikant Savangikar**

*Director Business Excellence, Quality and  
Sustainability, SKF India*

**Mattias Axelsson**

*Head of SKF Logistic Service, SKF India*

**Shoaib Shaikh**

*Head of Vehicle Service Market, Asia*

# Letter to Shareholders



It is my privilege to present to you the Annual Report of SKF India Limited, for the year 2012. SKF India reported Net Sales of ` 2,204 crore for the year ended 31st December, 2012 as against ` 2,416 crore in the previous year. The Profit after Tax for the year 2012 dipped marginally to ` 190 crore as against ` 208.5 crore in the previous fiscal. Profit before Tax as a percentage of sales was 12.8% as compared to 13% last year. I thank all our customers for the trust and faith reposed in SKF India through the year. I also express a deep sense of gratitude to all the employees, suppliers and business associates for their valuable contribution.

2012 has been a challenging year. The ever changing economic environment posed several challenges for the growth drivers in form of fiscal imbalances, inflationary pressures and high interest rates. Continued challenges on policy front dampened the appetite for investment and the overall volatility in environment had a negative influence on consumer sentiment and demand. Infrastructure development suffered from lack of clarity on policy and high capital cost coupled with tight liquidity. Consequently, growth saw a marked slowdown impacting the industrial and automotive sectors and companies involved in servicing these sectors, including our own company, were also impacted.

As we understood the new norm of volatile growth with differentiated growth rates across the sectors, we improved

our focus on finding opportunities for improved efficiencies across our operations. These efforts enabled us to deliver a stable operating margin and will continue to help us in times to come.

Over the long term, the opportunity horizon remains promising driven from India's demographic dividend, pace of urbanisation and the emerging demand for goods and services. Upgrading basic infrastructure across the country and the planned positive interventions to integrate the young population into the economy through skill enhancement will eventually shape the potential of this opportunity. Industrial activity across the sectors will continue to develop to meet the demand of an underserved economy, while energy, a key constituent of growth will continue to see higher demand that will drive the growth for traditional and renewable power.

As we move forward, revival of economic growth and restoration of consumer confidence in the short term and medium term will depend largely on the pace of policy and structural reforms. Business leaders will have a different role to play in shaping the economy and your company recognises this.

We believe that technology and innovation will play an ever increasing role in determining the future leaders in the market place. These two levers will be the leading drivers for growth as organisations look to deliver ever improving

value to customers. SKF India is gearing itself to leverage the vast pool of knowledge available within and with the parent organisation to deliver higher value solutions to customers helping them improve their business. Our integrated approach combining the five platforms with knowledge engineering and excellence in everything we do will be an important enabler in this endeavour.

It is important that business growth takes place without compromising the sustainability of future. The earth's natural resources are depleting steadily and we all owe it to our future generations to consciously look within and be committed to a better tomorrow. Responsible leadership demands that organisations embrace sustainability and act with focussed efforts to address the challenges in front of us.

In May 2012, SKF Group formally launched the SKF BeyondZero™ portfolio of products and solutions which will enable us to help our customers be more energy-efficient and reduce their environmental impact. At the launch, there were twelve different solutions in the portfolio which have now risen to thirty-four by the end of the year. Combined with our local understanding and backed by the dedicated global support of the SKF Group, we take pride in bringing these diverse products and solutions to our customers that foster sustainability.

We continue to support and encourage communities located around our facilities. I am particularly happy to see the active and increased voluntary participation of our employees in different community care programmes undertaken by our Company. We continue to drive the vision for our community care towards making a meaningful difference to the lives we touch.

People are integral to an organisation's success. Training and enhancing employee engagement continues to be our focus area and several new initiatives continued during the year to strengthen the human capital development.

2012 was the year when your company was ranked in the top 50 Most Admired companies in India by Fortune magazine and Most Admired company in the Engineering and Capital

Goods sector. Dun & Bradstreet recognised SKF India as the 'Best Bearing Company in India' for the sixth consecutive year. Bajaj Auto conferred SKF India with Gold award for quality for supplying 'Zero Defect' products consistently for the past two years. Maruti Suzuki recognised SKF's effort for development of local R&D capability. These awards further strengthen our commitment to excel and drive us to higher performance.

Challenging times and a quest for higher performance call for continued commitment and support of all stakeholders and I take this opportunity to thank all our partners - our distributors and suppliers, our bankers and all stakeholders for their continued trust and support. At SKF, we remain committed to redefining tomorrow through innovation, technology and our customer focus.

Thank you,



**Shishir Joshipura**  
Managing Director and  
Country Head



"The journey of  
a thousand miles  
begins with  
one step."



At SKF India, we have developed the art of taking small steps at a time and then turning them into strides and leaps that lead us towards our journey of thousand miles and beyond. It's a continuous journey that is punctuated by milestones of innovation and creativity that has helped us redefine markets and achieve our long-term goal of a global era of sustainable growth that balances economic, environmental and social needs of communities.

For us, the journey into the future continues with the clear goal of delivering value to our customers, while holistically embracing our sustainability agenda. We are committed to breaking new grounds, and redefining tomorrow by developing new products and efficient solutions that foster sustainability, and proactively find answers to our customers' challenges.





☐ **DID YOU KNOW?**

- ☐ In May 2012, SKF launches an aggressive new climate strategy and announced its partnership with WWF to reduce greenhouse gas emissions. The SKF climate strategy includes aggressive
- ☐ targets for reducing greenhouse gas (GHG) emissions for SKF, its suppliers and logistics
- ☐ operations, as well as from its customer solutions. To support its customers, SKF also announced the launch of the BeyondZero™ portfolio.



# Redefining Tomorrow-

## Our commitment to BeyondZero™



BeyondZero™ is for us more than a phrase. It's a way of thinking, innovating and implementing. BeyondZero™ is our commitment to reduce the negative environmental impact and increase the positive impact in everything we do, so that the balance is increasingly positive.

### To accomplish this, we consciously:

- Reduce energy consumption and emissions from our own manufacturing operations
- And also aim to improve the environmental performance of our customers' processes and products

We achieve this by employing the modern technologies to create more efficient products, which will actually save more energy through their operating lives than it took to manufacture them.

For inclusion in the SKF BeyondZero™ portfolio, a product, a service or solution must deliver significant environmental benefits without serious environmental tradeoffs. That means, it must:

- Help preserve the balance of the atmosphere
- Promote efficient and responsible use of land resources
- Avoid discharges into the water

Lifecycle assessments also indicate that by adapting the design of our products, greenhouse gas and other emissions can be reduced or avoided at other stages of the product lifecycle.

# Pushing the boundaries with innovative and eco-friendly products



“A race horse that can run a mile a few seconds faster is worth twice as much. That little extra proves to be the greatest value.” - John D. Hess

