



Annual Report

SKF India Limited 2015-16

At SKF, we firmly believe that an uncertain, complex, ambiguous and ever evolving business environment demands a differentiated response from leaders. We continue with our focus and commitment of delivering customer centric solutions that leverage our knowledge, technology and global footprint that help our customers win.

Driving Innovation. Delivering Excellence.

Contents

01	Corporate Information	20	Notice
02	Letter to Shareholders	26	Directors' Report
04	Driving Innovation Delivering Excellence	30	Annexures to Directors' Report
18	Financial Highlights	75	Financial Section



Corporate Information

Board of Directors

Rakesh Makhija
Chairman

Shishir Joshipura
Managing Director

Prakash M. Telang

Prasad R. Menon

Hema A. Hattangady

Stephane Le-Mounier

Company Secretary

Pradeep Bhandari

Auditors

M/s Price Waterhouse & Co., Bangalore LLP
Business Bay, 7th Floor, Tower A, Wing 1,
Airport Road, Yerwada
Pune - 411 006

Bankers

The Hongkong &
Shanghai Banking Corp. Ltd.

HDFC Bank Limited

Share Transfer Agent

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

Country Management Team

Shishir Joshipura

Anjali Byce

Chandramowli Srinivasan

Harsha Kadam

Sanjeebit Choudhury

Shoaib Shaikh

Shrikant Savangikar



Net Sales for
the 15 month year
ended March 31,
2016 amounted to
₹ 29555.6
million

Profit after
tax for the period
amounted to
₹ 2571.5 million
compared to
₹ 2027.7 million

Managing Director's Letter to Shareholders

Dear Shareholders

It is my privilege to present before you the Annual Report of SKF India for the year 2015-16. Net Sales for the 15 month* year ended March 31, 2016 amounted to ₹ 29,555.6 million as compared to ₹ 23,726.4 million in the previous year. The Profit after tax for the period amounted to ₹ 2,571.5 million compared to ₹ 2,027.7 million during the previous year.

The global economy has continued to struggle with challenges emerging from several quarters. The new geo political realities, changes in the established patterns of growth, a definitive global agreement for a sustainable growth and an ever increasing push for "localisation" at the back of a definitive slowdown in global demand determined a broad spectrum of challenges that demanded a differentiated response from Society, Business and Governments across the borders.

The expectations of the global community from India's economy to deliver on its

potential have never been as high as in the past couple of years. A new government, a promise of reforms, favourable demographic distribution, changing world economic order, and a growing middle class to name a few have all fuelled the expectations of growth from the Indian economy. As a developing economy with deep rooted democratic values; several challenges have to be overcome in the near term to realise this potential. Management of fiscal challenges, reforming the rules of the game while simultaneously creating a market (read raising per capita income), creating a fair and competitive environment for business and attracting capital are some of the near term challenges to be addressed by the government.

The Government's focus on reforms across different sectors of the economy, attracting investments in the manufacturing sector, increased spending on basic infrastructure of rail and road and the high priority "Make in India" programme promises to provide the much needed initial thrust to the economy in the near future.

Your Company met the twin challenges of a slowing global economy and a gradually developing potential of Indian economy through a concerted set of measures. We continued our journey of building a highly sustainable organisation following the principles laid down so aptly in the principle of SKF Care. Our approach is perhaps best demonstrated by a continued healthy bottom line in the current environment even as we sow the seeds for future growth by focussing on steps that will enable us to achieve profitable growth.

Last year I had spoken about our strategy of helping improve our customers' competitiveness by enhancing our competitiveness. This focus on leveraging our knowledge by delivering innovative solutions to our customers, finding solutions to their needs with enhanced focus on productivity improvements and strengthening our/their reach continued to form the core of our effort in this year too.

We have won approval for several of our innovative offerings across both Industrial

and Automotive business areas. In a significant development, your Company has won the approval from Indian Railways for supply of bearings for freight car application. Recognising the need of customers to make problem solving capabilities available at their doorsteps, your company established a new "solution factory" in Jamshedpur. This facility will enable us to serve the growing demand of services and solutions for the customers in eastern region of the country.

As India's industrial landscape moves from big cities to distant towns, the "last mile" connectivity in the form of a near to plant solutions capability is a vital need expressed by customers. Your Company took steps to strengthen its distribution system, put in place formal systems of interaction and feedback from key distributors and expanded its reach in the market by deploying an innovative model that quadrupled the number of engineers on front line without any increase in costs.

Productivity improvement is a continuous battle and we pushed the envelope to discover new frontiers of cost efficiencies by deploying the levers of innovation. We focussed on process innovation to eliminate wastage from our operations.

Your Company believes that the principles of sustainability are to be woven naturally in everything we do. The principle of SKF Care, which encompasses Business, Environment, Employee and Community Care is well known to you.

Business Care stands for a clear and dedicated customer focus, insistence on high quality in our product and service offering, and the delivery of strong and sustainable financial performance to our shareholders.

Your Company brings the principle of Environment Care to its operations through our award winning programme SustEn. This programme aims to harmonise our environmental footprint while improving our competitiveness by improving energy efficiency in our operations and increasing

the share of renewable energy in our energy mix.

Your Company announced its solar mission - a reflection of our commitment to the ongoing sustainability programmes which also aligns with India's National Solar Mission. A key step in this direction was the inauguration of one of the largest rooftop solar installations among manufacturing companies in Pune, with 1 MW capacity.

I am happy to share that your Company's Corporate headquarters in Pune which is designed to be energy and water efficient, uses solar energy and offers excellent air quality was awarded the prestigious LEED Platinum (Leadership in Energy and Environmental Design) rating by Indian Green Building Council, the highest level of green building certification.

We believe that Business has a role to play beyond the business. Community Care is an important aspect of your Company's endeavour to make a positive contribution to the underprivileged communities around our facilities. The emphasis in Community care is on areas that have a lasting impact on our future - education, empowerment and environment.

Your Company launched the YES (Youth Empowerment at SKF) Programme, the flagship CSR programme with an aim to empower young people with livelihood earning skills. This program aims to develop 5 centres across the country over the next five years. The first such centre was inaugurated at Pune. YES offers vocational skill development of underprivileged promising youths, to empower them with livelihood earning skills in area of vehicle maintenance and servicing in order to gain access to employability and entrepreneurship. It is immensely satisfying for me to mention that nearly 85% students of the first batch have found employment at the time of passing out. A YES centre at Bengaluru has also been made functional. With an initial investment of ₹ 20 million for the Pune and Bengaluru centres, this programme will prepare 5000 youth for employment in the next five years.

Our efforts have won recognition from Industry bodies and peers. Dun & Bradstreet rated us as the best bearings company for the 9th consecutive year, we were rated as the market leaders in the industrial bearing space by Frost & Sullivan, our Pune and Haridwar factory won the coveted Platinum and Gold awards at the Frost & Sullivan manufacturing excellence awards. Our continued focus on sustainability and carbon footprint reduction from our operations was recognised by the special commendation we received from CII - ITC sustainability awards.

We are moving into the new year full of optimism and confidence. Our team has built a strategic blueprint to leverage emerging opportunities. Our basic aim of helping our customers win, remains unchanged. We believe that innovation and excellence will be two key drivers helping us accelerate our progress. This passion for innovation finds expression in the theme for this year's report - Driving Innovation. Delivering Excellence.

I place on record my sincere appreciation to our distribution partners, suppliers and our bankers for their continued support. I would also like to share my gratitude to our customers for their continued trust, and our shareholders for their continued confidence. I take this opportunity to thank all employees for passionately being true to our business goals and embracing our objectives of working to always deliver value to our customers. Together, we remain confident of delivering continued value to all stakeholders.

Thanking you



Shishir Joshipura
Managing Director

*(The Company has changed its accounting year from calendar year to fiscal year April to March and the current accounting period of the Company covered 15 months and therefore previous year figures are not directly comparable)

The globally evolving and emerging landscape today is clearly changing business realities. Disruptive technologies and business models are rapidly changing the market map. Technological advances in the form of automation and digitisation are redefining business models. Customers, on the other hand, are seeking lower cost of ownership and longer life cycles for products and solutions. At SKF, we continue to provide a decisive and definitive competitive edge to our customers through customer centric solutions leveraging our four-pronged strategy fulcrumed on Technology, Reach, Excellence and People.

TECHNOLOGY



For over 100 years now, SKF has been synonymous with innovation that delivers unmatched value proposition to customers to best meet their needs. We consistently deliver high quality solutions across every technology area we operate in: Bearings and Units, Seals, Services, Lubrication systems and Mechatronics. We create new products, solutions and services that leverage cutting edge technology to create optimised asset performance across applications and industries. Our technology is trusted and relied upon by a wide range of industries - from automotive to aerospace, from renewable energy to railways and from mining to marine. Driving Innovation and creating winning solutions that create sustainable advantage while improving reliability, productivity, improving energy efficiency and reducing the carbon footprint defines our way of working. Our solutions are helping customers transcend into the digital world helping them adopt smart manufacturing practices.

REACH



Improving the capability and widening the reach of our network is central to serving needs of our expanding customer network. Today, our network is one of the largest in the industry with over 20,000 touch points comprising Distributors, Retail partners and Mechanic points. In March 2015, we launched the CustomiseRise strategy in industrial distribution business to increase our Reach and Penetration while improving technical capability of our Distributors across the country. Leveraging our network of Solution Factories and a focussed approach towards developing our markets and the distribution network capability is creating a strong foundation for further building our leadership and creating value for customers.

PEOPLE



People are our most valuable assets. They are the key differentiators who connect and create partnerships, nurture relationships and build lasting trust with our customers. At SKF, it is undoubtedly our people who are both at the core as well as at the fore of our growth and transformation over the years. Our people strategy ensures identifying, attracting, retaining, and growing the best talent in the industry - grooming and developing people to create Future Ready Leaders, aligning workforce with business goals and overall, empowering them to strive further and higher, both professionally as well as personally.

EXCELLENCE



Excellence is central to every SKF function, be it manufacturing, service and solutions, environment or community. Excellence in manufacturing is the foremost priority at every plant and underpins all our strategy and operations. It is our uncompromising focus on delivering excellence that has earned us the trust and respect of our customers, reflected in lasting relationships with our customers and peer recognition. Our commitment to excellence is enveloped in the principle of SKF Care focussing on delivering excellence to all stake holders.



Innovation driven growth

SKF is consistently driving innovation and delivering excellence through its products, solutions and services. We have always leveraged the knowledge we have and combined it with the latest in technology to drive our innovations. Our enduring focus has been to make our products more energy efficient, reduce overall cost of ownership and ensure improved productivity.

These innovations continue to provide a distinct competitive edge to our customers, giving them a definite advantage. Our innovation driven products and solutions coupled with our technology platforms,

enable optimised Rotating Equipment Performance. This is reflected in our new simplified vision of 'A world of reliable rotation'.

Our simplified vision is further augmented by our mission and powered by our drivers.

This year, we have had many success stories in our New Customised Offerings. Some of these include solutions for renewable energy, competitive solutions for idler bearings, pre-filled bearings for electrical motors, condition monitoring for railways and wind, Pinion solutions for commercial vehicles and the introduction of SIBCO® range of bearing housings and accessories.

Some of our innovative approaches won us business, customer recognition and created industry-wide awareness during the year.

SKF became the single source of bearings for a leading commercial vehicle manufacturer of India by modifying the

TRBs to suit the customer requirement. Rigorous testing was done at India and overseas to ensure its endurance, for the customer whose priorities were reduction in total cost of ownership, reduce downtime and breakdown cost, reduce life-cycle costs and increased service life.

A strong engagement and One SKF approach with this steel giant at all levels and departments have led to an outstanding performance by SKF in their selected Supplier Programme. SKF has been acknowledged for its contribution in the programme, where it is the only bearing manufacturer.

To address the dynamism and reach of the automotive market, SKF has launched a mobile application for the automotive aftermarket called SKF Parts Info. This handy tool brings all the knowledge of automotive aftermarket at the fingertips of thousands of dealers, retailers and mechanics.



VISION

A world of reliable rotation

MISSION

The undisputed leader in the bearing business

DRIVERS

Grow with profit

Quality

Innovation

Simplicity & Speed

Sustainability

SIBCO® range of bearing housings and accessories

In December 2015, SKF introduced SIBCO® range of bearing housings and accessories. The product assortment under the SIBCO® brand consists of housings, seals, sleeves, locating rings, lock nuts and lock washers. Indigenously designed and manufactured in Pune, the SIBCO® range of solutions help increase reliability and reduces maintenance for our customers. With the addition of the SIBCO® range, SKF is now a complete solution provider for the bearing housings and accessories market with a wide availability network.

Bearing housings are critical to conveyor and rolling applications as they help support the bearing and transmit the loads, thereby protecting the bearing and lubricants from contamination. Bearing housings play a key role in maximising the performance and service life of the incorporated bearing.

Complete
range including
accessories

Available across
125
distributors

Available at
more than
2000
retailers



Innovating for the Indian Railways for 2020 Vision

Deployed to support Indian Railways under their 2020 Vision, The SKF Multilog On-line System IMx-Bis, an SKF innovation which can be installed directly on the train bogies. The data from the system is routed through a single concentrator unit and uploaded wirelessly to the cloud.

Another innovation is the SKF Axletronic temperature monitoring system. This highly cost competitive on-board solution is used as safety support system for bearing temperature control for new train installations as well as for retrofitting. SKF also has the SKF Microlog CMXA 75

which can be used to check repairs in the workshop, or to perform condition monitoring of train bogie systems in operation.

Closer to customers

With an unmatched geographic reach covering length and breadth of India, SKF today has one of the largest network in the industry comprising over 20,000 touch points of availability through Distributors, Retailers and Mechanic points. In addition, our network of Solution Factories ensures quick and localised deployment of services based solutions. Reach is one of the key strategic imperatives for SKF, critically driving customer-centricity and ensuring our technology, products, solutions and services are increasingly getting closer to our customers.



Understanding of local market needs, efficient and quick delivery of products and solutions and providing support from knowledgeable SKF application engineers and specialists are among the essential tools that make the SKF distributor network a valuable resource for customers. SKF serves a large group of customers within the industrial and vehicle aftermarkets through distributors, dealers and retailers. During the year, the automotive aftermarket continued to serve end customers through a network of mechanics, driving the Perfect Fit programme, while the industrial distribution team launched the CustomeRise programme to increase reach and penetration among customers. The industrial distribution network also includes a network of Certified Maintenance Partners and an expanding retail network of Industrial Parts Supplier that is bringing SKF products and solution based services

at customers' doorstep. The distribution network is supported by a network of Solution Factories in Pune, Manesar and the newly opened facility in Jamshedpur.

