

Creating customer value through

Rotating Equipment Performance



Annual Report 2017-18

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Corporate Information

Board of Directors

Rakesh Makhija
Chairman

Carl Orstadius
Managing Director
(effective 01.04.2018)

Shishir Joshipura
Managing Director
(upto 31.03.2018)

Hema A. Hattangady

Prakash M. Telang

Prasad R. Menon

Bernd Stephan

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

Carl Orstadius
Managing Director

Anjali Byce

Chandramowli Srinivasan

Shrikant Savangikar

Shoaib Shaikh

Mandar Vaidya

Creating Customer Value through Rotating Equipment Performance

Today a customer's expectations from their machinery and equipment have changed. In increasingly competitive markets, customers have grown to demand more from their machines in not just critical sectors but also from non-critical ones.

It is this increased expectation of machine functionality, efficiency and productivity from our customers that fits in wonderfully with our strategic value proposition of Rotating Equipment Performance (REP).

As a part of our core business, we continue to provide superior products and meet customer's requirements of performance, for their specific industries, on time and at a competitive price. But at SKF, we are also aware of the need of today's customers of a more comprehensive solution which allows them to improve their rotating equipment performance.

Our company now provides an integrated approach for customers to reduce their operating costs, run machines in a trouble free manner with reduced unplanned downtime and reduced total cost of ownership. Building on its global

reach, combined solutions from varied technologies, expert application engineering knowledge, quality service and its people, SKF has been working ceaselessly to create quantifiable customer value.

The SKF REP Value proposition addresses the issues that today's customers face on a regular basis; that of data collection and analysis, increased monitoring of plants for optimisation, increased asset reliability, and zero surprise failures.





In the year under review, we have taken our REP based solutions to several industries. Our REP proposition now enables customers to increase their focus on reliability with asset health management, move from time based reactive to predictive maintenance, and allows them to monitor health of their machines remotely. It also supports their requirement of increased output, increased speed, and Condition Monitoring through our Remote Diagnostic Center and online spindle monitoring.

SKF's new business model offerings support customers measure efficiencies in terms of performance and machine functionality. This performance based approach shall allow us to secure contracts in cement, steel and paper and pulp industries. We provide innovative solutions creating real measurable value for our customers.

Our company has been able to increase its share of business significantly in a well-known steel industry player, by providing suitable solutions impacting their pain areas of production losses, increasing maintenance costs and inventory carrying costs. SKF worked on an integrated contract for service and supply of bearings

to this customer, where we have partnered with the customer in increasing their machine efficiencies. This performance based contract gives the customer increased reliability and reduced downtime. Along with this, the customer is also assured of availability of right bearings at right time, with regular health checks.

Such contracts enable SKF to manage the customer's rotating equipment performance and will clearly demonstrate reliability and quantifiable value to the customer.

Our company is developing REP value propositions together with the industrial customers. Customers like Railways, Wind Turbine manufacturers and end user industries like Pulp & Paper, Food and Beverage are all customers that will benefit from this value proposition.

Another successful REP performance project has been with a paper and pulp manufacturer, which allows the customer to benefit from our Remote Diagnostic Centre (RDC) facility. Here SKF collects data and continuously filters it with our proprietary algorithms and analysis by our experts. This analysis leads to recommendations to

the customer to prevent sudden machine failures, timely maintenance and avoid loss of production. SKF has installed sensors that monitor machine functioning in critical machines allowing us to provide vibration analysis, health check and condition monitoring for the customer. The project is a huge success and has zero breakage, no unplanned downtime and increased production. A strong commitment and strong customer engagement have led to the successful execution of this project.

Our company is working on several such projects that build on a combination of services and products that we can provide to alleviate customer concerns. Our REP proposition is a key differentiator between SKF and its competition & sets us apart in being a pioneer in detecting, analysing and resolving customer issues.

SKF India maintains its focus on retaining our market leadership position and we continue to augment our engagement with our customers by supporting them in their goals of increased productivity, increased uptime, reduced total cost of ownership and planned downtime.

Board of Directors



Standing left to right : Bernd Stephan, Director, Rakesh Makhija, Chairman, Prakash M.Telang, Independent Director
Sitting left to right : Carl Orstadius, Managing Director, Hema Hattangady, Independent Director, P.R.Menon, Independent Director

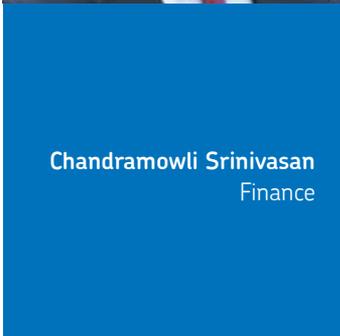
Country Management Team



Carl Orstadius,
Managing Director



Anjali Byce
HR



Chandramowli Srinivasan
Finance



Shrikant Savangikar
BE & Sustainability



Shoaib Shaikh
Automotive



Mandar Vaidya
Purchase





Managing Director's Letter to Shareholders

“

The organisation remains focused on growing further in the value chain. It combines the strength of its various platform offerings and the knowledge of a 100 years to provide integrated solutions through our “Rotating Equipment Performance” value proposition. This enables our customers to achieve their goals of productivity, profitability and sustainability.

”

Dear Shareholders,

As we draw the financial year 2017-2018 to a close, I am proud to present to you the Annual Report of SKF India Limited. For the year 2017-18, SKF India has reported Net Sales for the year ended March 31, 2018 amounting to ₹ 28,048 million as compared to ₹ 28,355 million in the previous year. The revenue figures for two years are not directly comparable due to the reclassification of revenue following the introduction of Goods and Services tax (GST), effective July 1, 2017. On a comparable basis, the sales for the year ended March 31, 2018 is 4.5% higher than the previous year. The Profit after Tax for the year ended March 31, 2018 amounted to ₹ 2,959 million compared to ₹ 2,439 million during the previous year.

The past year witnessed the largest reform in the country's indirect tax system with the introduction of the Goods and Services tax (GST). This massive initiative required all businesses to realign their business models and their ways of working, including having to adapt their ERP systems to the new tax regime. After an initial period of some disruption, most businesses settled down to the new tax laws.

While the past few years saw low oil and commodity prices, low interest rates, and ample liquidity amidst an environment of generally low global growth. All this has started to change now. Global growth is improving, oil prices and other commodity prices are firming up and interest rates have started to rise. As per the estimates provided by IMF, the strong momentum in global economic activity seen towards the end of 2017 is expected to continue in 2018 and 2019, driven by advanced economies where growth is expected to be around 2-2.5 per cent.

The Indian economy appears to have resumed its high growth trajectory with a revival in consumption spending and investment activity after having recovered

from the disruptions caused by the demonetisation and introduction of GST. We are looking forward to 2018-19 as the first year when we reap the full benefits of the reforms of the past years.

SKF India had started 2017 with an ambitious program under the Accelerate Asia directive. This was based on the strategic initiatives of growing faster than the economy, customer centricity and innovation based growth. It is with great pride that I share the success in achieving the goals set.

Your company has seen improvement in Industrial Sales driven by increased demand from steel, cement, material handling, F&B and mining & construction segment. The wind energy segment is yet to pick up and is estimated to do so only by the third quarter of FY 2018-2019. Indian Railways is a big opportunity for your company and with its massive upgrade and modernisation initiatives, key developmental projects, its focus on improving safety in trains, and expansion of locomotives, it will continue to be a big opportunity for us and hence an area of focus.

The strong demand for two wheelers and four wheelers has buoyed the Automotive segment. The commercial vehicles segment, which was in a prolonged slump, has finally rebounded strongly and is normally a strong lead indicator for the rest of the industrial sector. This strong growth in our Automotive sales is led not only by the upturn in the auto industry but also by your company's technologically advanced new product offerings like pinion bearings, Hub 3 and Split THU, which will help us grow more in the coming days.

Even as we grew in sales and profits, we continued to focus hard on our working capital. This helped us reduce inventories and trade receivables even when the liquidity in the market was impacted negatively due to GST and

even as we ramped up our inventories of imported products in our new Centralised Distribution centre at Chakan. The introduction of GST helped us to rationalise and reduce the number of distribution centres in the country.

With the strong performance on the sales side, we will focus on our Solutions and Services to carry forward our Rotating Equipment Performance value proposition. The company's offerings of asset reliability services, condition monitoring, predictive maintenance through our remote diagnostic centres and offerings of performance based business models will enable SKF to address the critical customer requirements. The new business models built combining all SKF technologies are helping us cater to the emerging requirements of reduced Total Cost of Ownership, increased reliability, decreased unscheduled stops, increased energy efficiencies and extended maintenance intervals.

The Rotating Equipment Performance value proposition is a true differentiator and enables us to offer a full range of services and solutions to both OEM and aftermarket customers across major industries, at each phase of their asset life cycle. The company can offer its expertise in providing solutions ranging from data analysis, asset reliability management, condition monitoring, remote diagnostics, remanufacturing, design verifications, vibration analysis and an optimal combination of SKF's different technologies. This showcases our efforts in constantly moving up in the value chain with integrated efforts in creating customer value. The projects implemented and executed successfully hold the potential to help our customers get all their operational and manufacturing concerns addressed by one solution provider.

We have had several firsts in our company this year. Keeping in tandem with our

vision of leveraging innovation for growth, your company is proud of its inroads into the innovation-based growth as a critical driver for the development in India. The company has been able to garner value-added businesses with the development of the Super Precision Bearings (SuPB) for an esteemed automotive customer where our engineers have worked hard to develop a rather clever solution for a long-standing problem. The pre-loaded bearings which have been created for the rear axle application for trucks is a critical application and need a specific solution that allows the Auto OEM increase warranties to its end customer. The pinion bearing, being a unitised solution, does away with the need of any spacers. This product is the culmination of several years of hard work by the team.

The SNH Housings launched in 2017 have a distinct advantage of being cost competitive and easily available. These robust housings and accessories are developed to reduce the risk of bearing damage and work to extend the service life. The launch of the SNH Housings helps SKF leverage the shift in the market trends and extend SKF product offerings in the market at multiple price and performance points.

Besides its continuous focus on operational and manufacturing excellence, your company is also proud of its strong CSR initiatives. In 2017 we launched our SKF Scholarship Program for Girls – Udaan. Under the purview of this program, your company provided scholarship to 40 meritorious girls to attain higher education through complete financial aid. This program covers all educational expenses starting from class 11 till the completion of a professional course for young girls from the Marathwada region in Maharashtra. The

first batch of 40 girls, selected through an intensive selection process and based on their economic backgrounds, have shown great progress and are working hard to move closer to their dreams. I am sure this will have a resonating impact on their immediate families and their communities at large.

The year continued to see your company being acknowledged by various industry and customer awards, reiterating our good work in CSR, quality of our products and solutions, and the path to growth as shown by the leadership. I am sure you all share my happiness with SKF India being adjudged as one of India's 'Most Admired Workplaces for 2017' by the Economic Times. This past year, SKF India also won the coveted CII-ITC Awards in Sustainability for Excellence in CSR. Your company also received a special commendation for Significant Achievement in Environment Management.

SKF India's Pune Factory received the Gold Award in India Manufacturing Excellence Awards 2017 by Frost and Sullivan. On the customer front, Bajaj Auto's Gold awards, for the 7th year in a row, along with The Harley Davidson award for excellent quality and delivery performance, is a testimony of our commitment to quality and customers.

At present, we are standing at the cusp of a revolution. Manufacturing 4.0 and IoT is all set to rewrite the rules of the game both for our operations and our customers. This is an exciting opportunity that will combine all our prowess in product and industry for a paradigm shift, both for us and for our customers. Our Industry Leadership position, which we all have coveted and retained over a long period of time, will call for us to assimilate the changes about to be unleashed by this transformation.

Looking ahead, your company is well placed to capture a healthy growth in the market with an extensive product portfolio which addresses the local needs appropriately both at performance and price points. The company is also moving on to leverage its technological prowess and a century of knowledge to address customers needs from the point of view of machine reliability and asset health management. Our REP value proposition will harness all our strengths in product, people, business operations and technology. It will help us address the emerging customer needs of increased uptime, increased speed, increased productivity and increased connectivity to monitor data and take right decisions.

I take this opportunity to thank all the employees for their passionate involvement and contribution to our business initiatives, and working resolutely to deliver value to our customers. I would also like to especially thank all our partners – our distributors and suppliers, our bankers and all stakeholders for their continued trust and support. At SKF India, we remain committed to creating and delivering value in a sustainable way.

Thank you,

Carl Orstadius
Managing Director