



Fostering sustainability

Annual Report 2018-2019



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Or simply scan to download

Investor information

Market capitalization as on
March 31, 2019: ₹99758.40 million

CIN: L29130MH1961PLC011980

BSE code: 500472

NSE symbol: SKFINDIA

Bloomberg code: SKF IN

AGM date: 23rd July, 2019

AGM venue: Kamalnayan Bajaj Hall, Bajaj
Bhavan, Ground Floor, Jamnalal Bajaj Marg, 226,
Nariman Point, Mumbai 400021

Disclaimer

This document contains statements about expected future events and financials of SKF India Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis of this Annual Report.

Corporate information

Board of Directors

Gopal Subramanyam

Chairman (effective 16.5.2019)

Manish Bhatnagar

Managing Director (effective 16.08.2018)

Aldo Cedrone

(effective 17.5.2019)

Anu Wakhlu

(effective 16.5.2019)

Bernd Stephan

Key Managerial Personnel

Manish Bhatnagar

Managing Director

Anurag Bhagania

Director Finance

Pradeep Bhandari

Company Secretary

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 Consultants Private Limited

6-10, Haji Moosa Patrawala Industrial Estate,

20, Dr. E. Moses Road,

Mahalaxmi, Mumbai 400 011.

Fostering sustainability

Circular economy, the new economic model that is fast gaining traction globally, is slated to be the next industrial revolution. It is a solution that enables us to look at economic, social and environmental benefits in a more sustainable manner.

At SKF, sustainability is an inbuilt function of the business – which extends beyond self, up to its customers, vendors, employees and its communities. SKF believes that future growth will be based on this circular and not the linear model of growth. This journey for a sustainable tomorrow is possible only with the involvement of all people who are associated with the businesses and are a part of the journey to growth.

SKF provides reliable rotation by combining hands-on experience of over 40 industries with in-depth knowledge across SKF technologies. The Company's strength lies in the ability to keep developing new technologies that are used to create value-added solutions offering competitive advantage to customers and contributing to a sustainable global society.

“

SKF is committed to integrating sustainability in everything it does ”



SKF India – towards building a sustainable future

SKF India Ltd ('SKF' or 'the Company') was incorporated in 1961 resulting from a collaboration between AB SKF, Associated Bearing Company Limited and Investment Corporation of India Ltd. Its presence in India can be traced back to 1923 when SKF Group had set up its trading arm in Kolkata. In 1965, its first manufacturing plant was commissioned in Pune.

SKF's product portfolio consists of bearings, seals, lubrication, condition monitoring and maintenance services. Today, with manufacturing facilities located in Pune, Bengaluru and Haridwar, with sales offices across India, and a supplier network of over 300 distributors, SKF continues to serve the markets with reliable solutions.

SKF provides sustainable solutions for companies across the automotive and industrial sectors to achieve a breakthrough in friction reduction, energy efficiency, and equipment longevity and reliability. With a strong commitment to innovation, SKF India offers customized value added solutions that integrate all its five technology platforms.

Over the years, the Company has evolved from being a pioneer ball bearing manufacturing company to a knowledge-driven integrated solutions provider, helping customers achieve sustainable and competitive advantage.

“

For 110 years, we at SKF have been reducing friction, making things run faster, longer, cleaner and safer. Doing this in the most effective, productive and sustainable way contributes to our vision of a world of reliable rotation. ”

Letter to the shareholders



“

Today, over 68% of our energy usage comes from green sources. In the past five years, we have reduced our CO₂ emissions by over 26%, despite a significant increase in production. Our supply chain has graduated to using reusable, long-lasting plastic packing instead of corrugated packaging, which we estimate has saved more than 1500 trees in this year itself. ”

Rotation is everywhere around us and this rotating movement of machines and equipment is the foundation for businesses globally. For companies to maintain profitability and an edge in today's competitive markets, it is essential that their rotating equipment is reliable and dependable. This reliability is central to what SKF does.

SKF offers solutions that connect machines using Industrial Internet of Things (IIoT) enabled monitoring. Our Rotating Equipment Performance (REP) solutions help businesses drive efficiencies and increase productivity through a combination of digitalized insights, advanced predictive diagnostics, technologically superior products and an in-depth understanding of markets.

Reliability of machines and equipment is closely intertwined with the global movement towards a circular economy where businesses are conscientiously using resources in an efficient and responsible manner. For SKF India, this sustainability is integrated into all our operations. It is not the responsibility of a single department or function but transcends across the entire organization. It helps us, our vendors, our customers, our employees and all communities around us achieve a more sustainable future.

SKF Care is our definition of sustainability and fostering sustainability means identifying processes, functions, resources and customers who adopt technologies and concepts that make a positive economic, social and environmental impact. The SKF Care framework is central to ensuring sustainability in our daily operations and across the entire value chain, both upstream and downstream. We are taking systematic steps to reduce negative environmental impact and create value for our customers and the environment.

In our own operations, we are constantly looking for new and more sustainable ways in how raw materials are selected, utilized and processed. Today, over 68% of our energy usage comes from green sources. In the past five years, we have reduced our CO₂ emissions by over 26%, despite a significant increase in production. Our supply chain has graduated to using reusable, long-lasting plastic packing instead of corrugated packaging, which we estimate has saved more than 1500 trees in this year itself.

Through our **Business Care** initiatives, we offer to customers our unrivalled application knowledge and in-depth industry experience to help them not only get the best performance from their plant equipment and meet their business objectives, but we also assist them in driving down their total cost of ownership and meeting their own sustainability goals, whether it is through reducing energy losses or improving asset utilization. As an example, SKF offers remanufacturing solutions to our customers for gearboxes and bearings, thus increasing the life of the product significantly without any loss in performance. In fact, our remanufacturing of over 6000 railway bearings this past year

has saved significant costs and reduced about 600 tonnes of CO₂ emissions.

Employee Care at SKF ensures employee well-being, safety and health in all our endeavours. Our permanent employees have received an average of 2108 hours of behavioural safety training and we have recently introduced a structured program on safety behaviours. In addition, we offer our employees opportunities for upskilling and leadership development, with over 28 hours of development interventions per employee for this year.

The shift towards automation, digitalization and IIoT needs constant upskilling of resources and we are addressing this need through our flagship **Community Care** initiatives. The Youth Empowerment at SKF (YES) program helps underprivileged young men and women gain training as automotive technicians to support them with meaningful jobs and entrepreneurship opportunities. I am happy to share that we have now trained over 1900 YES beneficiaries and 80% of them are currently employed in the industry. We also run a special Scholarship Program for Girls where we are financially supporting the ambitions and dreams of many underprivileged and deserving girls in the more remote districts of Karnataka and Maharashtra through their high school and undergraduate education. I am especially proud of the fact that both these programs have a strong commitment from our employees who volunteer in selection processes for these education initiatives.

Finally, our commitment to **Environment Care** has taken new wings with the Khadakwasla dam in Pune and the Mantapa lake in Bengaluru being taken up for revitalization. We are working with local communities and NGOs who understand the need for preserving and protecting our disappearing water resources.

Our fiscal results for FY 2018-2019 are detailed in this annual report and demonstrate the underlying strength of our business. Our revenue for FY 2018-2019 was ₹ 30,345 millions as compared to ₹ 28,048 millions for the same period in the previous year. Our operating margin was 13.5% and profit after tax was ₹ 3,357 millions.

I take this opportunity to thank our valued customers, whose trust and support has made us successful over the years. The dedication of our employees in driving outcomes in a sustainable and reliable manner is reflected in our results for this year. We look forward to their energy and commitment to helping your Company achieve its strategic direction in the future as well.

Our distributors, suppliers, bankers and all stakeholders are a part of our journey and will continue to be integral in creating and delivering value in a sustainable manner.

Thank you,

Manish Bhatnagar
Managing Director

Business care



Delivering value for our customers in the most effective and efficient way possible is fundamental to us. The continual support, trust and loyalty granted by our customers has made us successful over the years. ”

Strengthening growth: in an ethical and transparent way

SKF has a well-defined Code of Conduct that ensures compliance with all applicable laws and regulations. This is based on the Company's core values – high ethics, empowerment, openness and teamwork – across its four areas of responsibility as mentioned below:

- Towards the business
- Towards employees
- Towards the society
- To the environment

SKF has guidelines for conservation and safeguarding of energy, water and natural resources for the entire supply chain and promotes green procurement.

Four major suppliers, from whom SKF sources raw materials for manufacturing are ISO 50001:2011 certified. (Energy Management System).

Localization also plays an important role in India. It is not only a business aspect at SKF, but it also aims at empowering its suppliers to improve their capabilities. The Company conducts workshops for local vendors focusing on spreading awareness on the Code of Conduct, ethical business practices that SKF believes is needed in today's world.

Even for indirect material commodities, SKF promotes local producers which include packaging and tooling suppliers. The Company's Code of Conduct applies not just to its large vendors but also smaller vendors, suppliers and service providers as well as the non-government organizations (NGOs) associated with SKF. To make a larger impact and for ease of understanding, these regular trainings are carried out in local languages along with all written and supporting documentation for easy comprehension and consumption.

80%

Steel procurement
through sustainable sourcing

24%

energy mix is from
renewable sources

Energizing growth: the solar way



For future businesses, energy is vital and its conservation and optimum utilization is extremely critical.

SKF India has laid a strong foundation for sustainable energy. Its corporate office in Pune has been awarded the coveted LEED certification (Leadership in Energy and Environmental Design) by IGBC (India Green Building Council) Platinum rating. The solar rooftop in Pune produces 68% of its annual energy requirement. SKF has solar panels in its plants as well as own offices and even receives energy from farm solar.

With a long term view, SKF initiated the program 'SustEn' (Sustainable Energy). It focuses on the demand and supply side projects along with the use of bilateral power trading of renewable and non-renewable energy sources and rooftop solar installations. This has resulted in multiple benefits such as:

- Reduction in specific energy consumption
- Reduction in GHG emissions
- Improved renewable energy mix

Through the adoption of a 'three-pronged approach', SKF has further strengthened this initiative. The key factors for the same include:

- Reduction in energy consumption through six sigma projects at all locations
- Bilateral and trading models of sourcing
- Solar installation

As a result, it has made a positive impact by reducing energy consumption over the years. This has been achieved by sourcing green power through bilateral power purchase agreements (power wheeling from hydel and wind energy source, solar rooftop and offsite solar purchase).

26.4%

Reduction in CO₂ emission in tonnes
per million Indian rupees in 2018

68%

Green energy used
in SKF India's Pune offices

Manufacturing 4.0: a proactive revolution

With the wave of digitalization, the engineering world is gearing up for a new revolution in long-term sustainability. Manufacturing 4.0 is the combined offering of advanced manufacturing technologies, data management and handling techniques, and automation to increase productivity, machine reliability and plant performance of the customer. The modern day smart manufacturing set-up demands smart diagnostic solutions to increase productivity and to reduce the need for unplanned downtime.

SKF understands the need for digitalization of rotating equipment. The Company has been working towards increasing reliability and has been monitoring equipment remotely for several years. SKF provides solutions which help customers consolidate all data in one place and increase asset efficiencies.

The smart sensors are placed on critical applications at manufacturing plants, that monitor machine health on a real-time basis and highlight issues well in advance. The real-time data with 24x7 availability for the customers is also backed up by experts to support critical inputs and analysis from the Remote Diagnostic Centre at Pune. SKF

can thus predict potential failure in advance and also provide possible recommendations on corrective measures using big data analytics.

This concept is tested at the Company's factories on SKF's operations. It learns from this in-house monitoring and uses those insights to develop "smart" solutions and innovative products and services for customers.

At SKF Pune factory, it has installed vibration sensors on 3 components at the "bottle-neck" machines and 9 other critical components. These sensors monitor the machine for performance, asset health and reliability. Real-time data from these sensors can be seen on the HMI display for operator information. The data is shared via the cloud with Remote Diagnostic Centre, where it is analysed further for any anomalies or deviations which could result in machine failure or sudden breakdown. This was a pilot project, the success of which was replicated at SKF's Bengaluru factory, with the same machines.

The measurable benefits include zero surprise failures, predictive approach to maintenance, 24x7 real-time data and reduced dependency on skilled and scarce resources.

45%

of downtime is due to failure of a rotating equipment

~90%

of maintenance services are "reacting to critical crisis"