



## Annual Report 2007

**SKF India Limited**  
The Knowledge Engineering Company

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## Board of Directors

Kamlesh C. Mehra  
*Chairman*

Giuseppe Donato

Narendra J. Jhaveri

Phil Knights

Henrik Lange

Darius C. Shroff

Tryggve Sthen

Rakesh Makhija  
*Managing Director*

Pradeep Bhandari  
*Company Secretary*

BSR & Associates  
*Auditors*

Crawford Bayley & Co.  
*Solicitors*

The Hongkong & Shanghai Banking Corp. Ltd.  
Bank of India  
ICICI Bank Ltd.  
HDFC Bank Ltd.  
*Bankers*

TSR Darashaw Limited  
6-10, Haji Moosa Patrawala  
Industrial Estate, 20, Dr. E. Moses Road,  
Mahalaxmi, Mumbai - 400 011.  
*Registrars and Share Transfer Agents*



## Company Management Team

Rakesh Makhija  
*Managing Director*

Kjell Bogvad  
*Director - Industrial Sales*

Vilas Bondse  
*Director - Special Projects*

Ajay Chaubal  
*Director - Demand Chain*

Ranjan Kar  
*Director - Automotive Business*

Vithal Nayak  
*Director - HR & Sustainability*

Hemant Nighojkar  
*Director - Electrical & Two Wheeler Business.*

Sudhir Rege  
*Director - Service Business*

Jos Verelst  
*Finance Director*



# Letter to Shareholders

Dear Shareowner

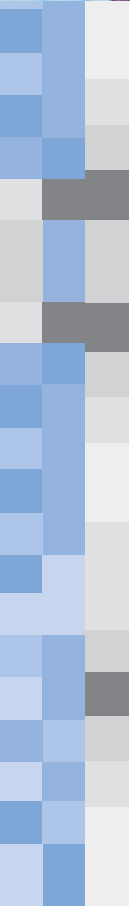
We continued our strong run into 2007. Sales growth at 17% over 2006 is less than the average growth levels that we have maintained over the last few years and has been impacted by the slowdown in the Automotive Sector. However our business portfolio is perfectly balanced between the Industrial and Automotive sectors and this ensured that we kept our growth momentum, both on our top line as well as significantly higher profitability levels. Our focus is on shareholder value and growth with profitability.

On most counts 2007 was a very challenging year. Higher interest rates and a concerted effort by the Government to curb inflation (thus draining out liquidity), resulted in a dramatic slowdown in the Automotive sector, especially the two wheeler segment which had seen strong double digit growth over the last many years. Our strategy to focus on exports has paid off, with exports almost doubling from 2006 levels and helping us to offset the slowdown in the automotive sector. At the same time, our industrial businesses which primarily address the process industries and mining/construction areas grew strongly. Our net profit at 1607 MINR is 57.6% higher than 2006 and reflects our focus on cost control, value creation and our five technology platform approach.

During the year, SKF India was awarded CNBC Asia's 'India Business Leader Award' for Talent Management. We are obviously very pleased to receive this award, and the credit for this goes to all our employees who, through their dedication and hard work made this possible. In a dynamic environment like India where talent is getting increasingly scarce, recognition of this nature is a huge motivator to us to continue to build a company based upon the best human practices.



Rakesh Makhija  
*Managing Director*



As we prepare for the next stage of our growth, it is obvious to us that we need to keep investing in great people and building a strong institution in India. Institutions are built around an agenda of national development, where our focus and direction is aligned to serving our customers and helping to build India into a world class nation. We set up the Application Development Center in Bangalore in 2005 with the objective of developing new products locally. Today it has become an integral part of our growth story with a pipeline of new products being developed in ADC. This center will get expanded in the future to include sophisticated testing and validation facilities. We were recently conferred the 'Best Supplier Award for Technology Partnership' by Kirloskar Pneumatic, and this award aptly reflects our business philosophy - Partner with Customers, use our Technology to help drive Quality and Efficiency, and offer true Measurable Value. Our growth, today and in the future is completely centered on **Solutions, Value** and **Partnership**.

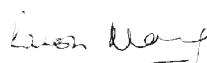
The Indian economy doubled in size over the last five years to become a trillion dollars in 2007. The economic projections for the next five years forecast the economy to double again to two trillion dollars by 2012, thereby adding a full trillion dollars in this period. This is clearly an aggressive view, but built around a mix of a heavy infrastructure spend, manufacturing and agricultural growth during this period. We clearly believe that is a likely case and our investments are planned around this development. We have committed to build a new factory in Haridwar, addressing the automotive industry that is coming up in Uttarakhand as well as many of our key customers setting up operations there. As part of SKF's global manufacturing footprint, the third Asian factory for Industrial Bearings will come up at Ahmedabad in Gujarat. This is expected to be

ready by Q2 2009 and will cater to segments such as Wind Power, Steel, Cement, mining/construction etc. All the domestic sales activities for this factory will be through SKF India thereby ensuring quick and easy service to our customers. Over and above these Greenfield investments, we continue to upgrade our existing factories at Pune and Bangalore for higher throughput and better efficiencies.

We have dedicated our Hundredth year, in 2007 to Sustainability. In the words of the SKF Group CEO, Tom Johnstone, "Sustainability for the SKF Group is about combining our responsibility to run and develop our business successfully with our responsibility to safeguard resources for future generations". Within SKF India we have laid out a detailed program to reduce carbon dioxide emissions from our factories. In Pune we are running a program called 'Light the Future Club', with the aim of reducing carbon dioxide emissions by over 15% in the next 15 months. This is being done through a mix of Six Sigma projects as well as implementation of TPM in our factories. From a community care perspective, we continue to expand our Sports Academy in Pune which has now over 100 school children, both boys and girls, engaged in sports like cricket, football and hockey. It is very heartening for us to watch the progress made by these children on their respective sports, besides excelling, in the words of a parent, in their academic programs.

We have set aggressive targets for ourselves. We will work very hard to fulfill our customers ever increasing requirements and expectations, with **Solutions, Value** and **Partnership**.

Yours Sincerely



Rakesh Makhija

# Awards & Appreciation



Auto Monitor Award for the  
'Green Manufacturer of the year'



'Best Supplier Award for Technology  
Partnership' by Kirloskar Pneumatic



"Autofit Rolling Trophy" at the 4th National  
Convention on Six Sigma organized by the  
Confederation of Indian Industries (CII)



Maharashtra Chamber of Commerce,  
Industries and Agriculture's R J Rathi Award  
for efforts in environmental pollution control.



Lucas TVS awarded SKF India the Best  
Supplier Award for 2007 based on  
consistent Quality, Cost, Delivery and Service.



CNBC Asia's 'India Business Leader  
Award' for Talent Management.

# Financial Highlights

(Rupees in Millions)



	2007	2006	2005	2004	2003	2002	2001	2000	1999 9 months	1998-99
Sales	15683	13425	7814	5813	4670	4072	3585	3677	2746	3483
Profit before tax	2474	1531	*1031	883	506	330	103	82	104	(445)
Profit after tax	1607	1020	*641	566	322	204	90	69	98	(443)
Cash earning per Share Rs.*	36	24	*17	18	13	11	9	19	16	(3)
Rate of dividend % p.a.	60	45	35	25	25	20	10	15	15	0
Gross Block	6697	6453	5889	5511	5429	5395	5446	5534	5431	5251
Net Block	1968	1842	1475	1238	1286	1459	1665	1979	2258	2309
Total borrowings	1	1	2	65	463	889	1424	2207	2453	2740
Share Capital	527	527	527	453	453	453	453	251	251	251
Reserves & Surplus	4925	3695	2946	2112	1696	1513	1394	1161	1139	1072
Book Value per Share Rs.*	103	80	66	67	47	43	41	56	55	53
Shareholders' Nos.	24430	25811	24269	28545	28382	29875	24150	22687	21971	22402
Employees' Nos.	2069	2024	1963	1968	1960	2038	2006	2161	2173	2192

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



## NOTICE

NOTICE IS HEREBY GIVEN that the Forty-Seventh Annual General Meeting of the members of SKF India Limited will be held at Y. B. Chavan Centre, General Jagannath Bhosale Marg, Opposite Mantralaya, Mumbai 400021 on Wednesday, April 23, 2008 at 3.30 p.m. to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at December 31, 2007 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend on Equity Shares for the year ended December 31, 2007.
3. To appoint a Director in place of Mr. D.C. Shroff who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. G. Donato who retires by rotation and being eligible offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
"RESOLVED THAT M/s. BSR & Associates, Chartered Accountants be and are hereby re-appointed as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on such remuneration plus service tax and out-of-pocket expenses, as may be mutually agreed between the Board of Directors / Audit Committee of Directors and the Auditors in connection with the audit of the Accounts of the Company for the year ending December 31, 2008."

### Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.  
Instrument appointing a proxy should however be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. Only bonafide members of the Company whose names appear on the Register of Members/Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.
3. The relevant details in respect of the re-appointment of Directors pursuant to clause 49 of the Listing Agreement with the Stock Exchange are given in the Corporate Governance Report.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, April 8, 2008 to Wednesday, April 23, 2008, both days inclusive, for the purpose of payment of dividend, if declared at the Annual General Meeting.
5. The dividend on equity shares, as recommended by the Board of Directors, if declared at this Annual General Meeting, will be paid:
  - (i) in respect of shares held in physical form to those shareholders whose names stand on the Register of

Members of the Company after giving effect to all valid transfer deeds in physical form lodged with the Company on or before April 7, 2008 and

- (ii) in respect of shares held in the dematerialized form to those deemed members whose names appear in the statements as furnished by the depositories for this purpose as at the end of the business hours on April 7, 2008.
6. Members may please note that the dividend warrants shall be payable at par at the designated branches of the bank printed on the reverse of the dividend warrant for an initial period of 3 months only. Thereafter, the dividend warrant should be surrendered at the office of the Company's Registrars & Share Transfer Agent, M/s.TSR Darashaw Limited. Members are, therefore, advised to encash dividend warrants within the initial validity period.
  7. Any change of particulars including address, bank mandate & nomination for shares held in demat form, should be notified only to the respective Depository Participants where the member has opened its demat account. However any change in particulars in respect of shares held in physical form should be sent to the Company's Share Transfer Agents M/s. TSR Darashaw Limited, 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011.
  8. The bank account details given by members in case of demat holding to their Depository Participants (DPs) and passed on to the Company by such DPs would be printed on the dividend warrants or paid through Electronic Clearing Service (ECS) of the concerned members. However, if any member(s) wants to receive dividend in any other bank account, he/she should change/ correct the bank account details with their concerned DPs. The Company would not entertain any such request from shareholders directly for deletion/change in the bank account details.
  9. The amount outstanding in unpaid dividend account in respect of financial year 2000 will be transferred to the 'Investor Education and Protection Fund' maintained with the Central Government after the end of 7 years on 23.04.2008. Members who have still not encashed their dividend are requested to encash the same at the earliest.
  10. Members desirous of obtaining any information as regards Accounts and Operations of the Company are requested to write at least one week before the meeting so that the same could be compiled in advance.
  11. Members / Members' proxies who wish to attend the meeting are requested to bring attendance slip sent herewith, duly filled in, and the copy of the annual report.

By Order of the Board  
P. Bhandari  
Company Secretary

Registered Office :  
Mahatma Gandhi Memorial Building,  
Netaji Subhash Road,  
Mumbai 400 002.

Date : February 22, 2008



## Directors' Report

To the Members,

The Directors have pleasure in presenting the Forty-seventh Annual Report together with the Audited Financial Statements for the year ended December 31, 2007.

### FINANCIAL RESULTS

	Year ended December 31, 2007 Rupees in million	Year ended December 31, 2006 Rupees in million
Net Sales & Services	15,683	13,424.9
Profit before depreciation and interest and reversal of provision/ prior period items	2652.4	1747.9
Deducting there from:		
Depreciation	308.3	288.2
Financial Income	(133.3)	(57.9)
Financial Expense	3.8	13.1
Profit before tax and reversal of provision/prior period items	2473.6	1504.5
Reversal of provision / Prior period Item	-	(26.9)
Profit before tax	2473.6	1531.4
Provision for taxation		
- Current	838.9	503.6
- Deferred	7.2	(9.8)
- Fringe Benefit Tax	20.4	18.0
Profit after tax	1607.1	1019.6
Balance brought forward from last year	1457.5	958.5
Profit available for appropriation	3064.6	1978.1
The appropriations are as follows:		
Proposed dividend on Equity Shares	316.4	237.3
Tax on Proposed dividend (including arrears of prior year)	60.8	33.3
Transfer to General Reserves (including compulsory transfer to Reserves required under Section 205(2A) of the Companies Act, 1956)	320.0	250.0
Leaving a balance of	2367.4	1457.5

### DIVIDEND

Your Directors are pleased to recommend a dividend of Rs 6.0 per share (60%) for the year ended December 31, 2007 as compared to Rs.4.50 per share for the preceding year ended December 31, 2006. The dividend if approved at the forthcoming Annual General Meeting will be paid out of the profits of the Company for the year and will absorb a sum of Rs. 316.4 million as compared to Rs. 237.3 million for the previous year. The quantum of dividend has gone up by 33 percent compared to previous year. This would involve a cash outflow of Rs 370.2 million including tax on dividend. The dividend, will be paid to those shareholders whose names appear on the Register of Members of the Company after giving effect to all valid share transfers lodged with the share transfer agent on or before April 8, 2008 and to those whose names appear as beneficial owners in the records of National Securities Depository Limited and Central Depository Services (India) Limited as on said date.

### OPERATIONS

Despite all the challenges in the market place, your Company in the year under review registered an overall growth of 16.8 per cent in sales, 51.7 per cent in profit before depreciation, interest and tax and 57.6 per cent in net profit after tax over previous year. Of the total sales revenue of the Company for the year 9.5 per cent is contributed by exports as compared to 5.2 per cent of sales in the previous year. The significant milestone achieved by your Company is that its Sales surpassed the Rs 15 billion mark reflecting the growing intrinsic strength of your Company. The operating profit margin (profit before interest and tax) has further increased from 10.9 percent to 14.9 per cent and overall efficiency has resulted into higher profit after tax (PAT) of 10.2 percent of sales as compared to 7.6 per cent in the previous financial year. The earning per share and cash earning per share for the year under review was Rs 30.5 and Rs 36.3 respectively.

## Directors' Report (Continued)

The continued improvement in the performance can be attributed to a continued focus on delivering value to its customers, improved pricing and effective cost management. This performance is the result of continuous thrust on product development, focused attention to new products and partnering with customers and suppliers. Your company continued its aggressive strategy in marketing of its products and has taken several initiatives to improve services and distribution levels by launching a number of new products and solutions like power transmission product & services where we are helping our customers reduce the energy losses in their business. In addition, we have increased focus internally within our manufacturing areas both to reduce energy consumption and carbon dioxide emissions.

Your Company remains a zero debt company. There are no long-term borrowings. Short-term borrowings are restricted to need based working capital requirements. The Company has created an excellent track record of efficient management of working capital. Net cash flow from operating activities during the year was Rs. 1337.0 million as compared to Rs. 1263.5 million.

Quality Management System TS16949, Environmental Certification ISO 14001 & Health and Safety Management Standard Certification OHSAS 18001 reflects your Company's continuous commitment towards quality and standards.

### PROJECT PLANNED

The Indian economy has been propelled with continuous growth. Your Company has envisaged a capacity addition program at Haridwar, Uttarkhand to manufacture bearings. Uttarkhand is becoming a hub for automotive industries. Number of our major customers are setting up manufacturing facilities in Uttarkhand to avail of tax concessions / benefits available there. The total capital outlay for the plant will be around 1,500 MINR and when fully operational, will add manufacturing capacity of 48 mn. bearings. The new plant is being designed to meet the SKF aspirations in the future. While planning and preparation are in advanced stage we expect to complete the project in the later half of the year 2008. In the initial years the project will cater to the two wheeler segment of the market. The new facility will strengthen your Company's leadership position in the domestic bearing market.

### CORPORATE SOCIAL RESPONSIBILITY

Your Company has always appreciated its social responsibility as a part of Corporate Governance philosophy. It follows the practice of addressing Corporate Social Responsibility (CSR) issues in an integrated approach covering the environment and social aspects. In its endeavor to discharge its responsibility, it has undertaken activities in the areas of community development, environment & sustained development to reach out to weaker sections of society.

### ENVIRONMENT MANAGEMENT

Your Company is taking a number of initiatives towards preservation of all elements of environment by using state-of-the-art pollution control systems, strict environment monitoring, judicious use of natural resources. Strict control is exercised during operation of the plants to optimize use of fuel. Advanced treatment facilities, recycling plants and closed cycle cooling water systems

have been installed at a number of stations to conserve water to the maximum extent. In order to improve further, a six sigma project on carbon dioxide emission was undertaken wherein the target is to reduce carbon dioxide emission by at least 5 per cent every year.

A separate Sustainability team has been formed to make every employee concerned and aware about Global warming which is a threat to human being. Workshops across all the locations of SKF were carried out during the year and on regular basis template showing how small contribution can 'save the planet earth' is being distributed. Sustainability at SKF is about combining our responsibility to run and develop our business successfully with our responsibility to safeguard resources for future generations.

In recognition of our efforts towards control and abatement of environmental pollution, SKF Pune factory has received prestigious MCCIA - Dr. R. J. Rathi award for Environmental Pollution control in Industries of Maharashtra during the year 2007.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirements of Section 217 (2AA) of the Companies Act, 1956 and on the basis of information and advice received by them your Directors confirm:-

1. that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on December 31, 2007 and of the profit or loss of the Company for the year ended on that date;
3. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that the Directors have prepared the annual accounts on a going concern basis.

### ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information relating to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo as required to be disclosed under section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure forming part of this Report.

### CORPORATE GOVERNANCE

Your Company is committed to good corporate governance practices. As per Clause 49 of the listing agreement, a separate section on Corporate Governance, Report on Management Discussion & Analysis and certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance forms part of the Annual Report.