

Enabling growth in a challenging environment.

Annual Report
2020-21

SKF®



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Investor information

Market capitalization as at March 31, 2021	: INR 111205.7 million
CIN	: L29130MH1961PLC011980
BSE code	: 500472
NSE symbol	: SKFINDIA
Bloomberg code	: SKF:IN
Dividend declared	: 145%
AGM date	: July 23, 2021
AGM mode	: Video Conferencing ('VC') / Other Audio-Visual Means ('OAVM')

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 Section of this Annual Report.



Please find the online version of the Annual Report at <https://www.skf.com/in/investors/financial-results/index.html> or scan the QR code

2020 was an unpredictable year.

Amidst challenges, SKF India made significant progress to strengthen its market penetration. While the company remained determined to safeguard the health and safety of its employees, it also strived to ensure business continuity. SKF focused on strategic priorities, intensified customer engagement, emphasised on operational execution and disciplined cost control to drive investments, gain market share and enhance margins.

It is the dedication and strength of the workforce that enabled SKF to fulfil its strategic, operational and commercial priorities. Besides, SKF remained committed to improve business growth in the long-term through digitalisation across its value chain – to transform its business and adopt new ways of working. Over the years, SKF has established its credibility to meet the evolving needs of customers across industry segments and designed unique solutions through new business offerings to sustain growth and innovation across its operations.

It not only enabled SKF to build business excellence and drive incredible success, it has also positioned the company for prolonged growth.



SKF India Limited, incorporated in 1961, has evolved from a pioneer ball-bearing manufacturing company to a knowledge-driven engineering company that helps customers achieve sustainable growth and business excellence.

SKF

SKF India at a glance

Over the years, we have evolved our product offerings to meet the needs of diverse customers and cater to the changing industry dynamics. Today, we offer innovative solutions to reduce friction, achieve energy efficiency, increase equipment longevity and reliability. Our manufacturing units in Pune, Bengaluru and Haridwar cater to automotive and industrial sectors near the industrial corridors of Northern and Peninsular India. Our manufacturing facilities are integrated with state-of-the-art testing centers for product validation and conformance and a plug-and-play REP center for facilitating condition monitoring. We also encourage the use of sustainable solutions across our organization and have installed solar rooftops to meet our energy needs.

Numbers that define us

3

Manufacturing facilities

12

Offices

455+

Distributors

1762

Employees
(as on 31st March 2021)

Message from Managing Director



“

Underlying our exceptional performance is the efforts of our people, who showed tremendous resilience, responsibility and resolve to support one another, our customers, our communities, and our suppliers.

”

Manish Bhatnagar
Managing Director

Dear Shareholders,

As we all know, 2020 has been a uniquely challenging year and we have all been impacted by COVID-19, both in our professional and personal lives. Amidst a very challenging business landscape, your Company remained steadfast in executing its strategies, sustaining operational efficiencies, maintaining customer centricity, and ensuring cost discipline leading to a strong financial performance and increased shareholder value — which you will see in this report.

Our business was impacted in March 2020 as COVID-19 spread nationwide which led to a complete lockdown of the country for over six weeks. There were signs of gradual recovery towards the end of first quarter, partly led by automotive segment followed by an uptick in demand from the industrial segment, and the economic environment steadily improved by the end of the fiscal year.

Financial performance and strategic progress

The COVID-19 pandemic has brought unprecedented health crisis in our lives. And we have witnessed the most unpredictable times for businesses around the world. This posed significant headwinds, including lockdowns, travel restrictions, supply chain disruptions.

Your Company clocked Net Profits of INR 297.73 crore, up from INR 288.99 crore in FY20. Revenue stood at INR 2670.73 crore as compared to INR 2841.58 crore a year ago. We maintained a strong liquidity position and robust cash flow. We continued to drive execution on our strategic priorities, with a disciplined cost and investment approach. With a long-term vision in mind, we are transforming our ways of working with digitalization across the full value chain.

Reflecting on this performance in the backdrop of an extraordinary crisis makes it even more commendable, demonstrating the resilience and the spirit of winning of our people.

Ensuring health and safety of our employees

Underlying our exceptional performance is the efforts of our people, who showed tremendous resilience, responsibility and resolve to support one another, our customers, our communities, and our suppliers. We are incredibly proud of them and their family members who stood by us during these times.

From the very beginning of the pandemic, your Company prioritised the well-being, health, and safety of our own employees, and of our suppliers. We implemented comprehensive hygiene standards across all our locations and provided our employees with clear guidance – including introducing a structured program on safety behaviour for line managers and blue-collar employees, for encouraging and implementing mandatory safety protocols organisation-wide.

Your Company formed a special task force to monitor the situation on the ground and take necessary measures to support the employees in their time of need. Additionally, COVID Care centres were set up at multiple locations for employees and their families. The Company also facilitated online doctor consultations across India, organized vaccination camps and provided vaccination cost coverage for employees and their immediate family members.

Giving back to our communities

The events of the past year have demonstrated that societal issues disproportionately impact the most vulnerable. We continued deepening our relationships in the communities we serve as part of our Community Care initiatives. With the help of our NGO partners, we are using our resources, ingenuity, and collaborations with local municipal corporations to support our communities in the areas of education, skill development, employment, and environmental sustainability. From organizing vehicle disinfection camp at the peak of the lockdown, to providing PPE kits across

“

We maintained a strong liquidity position and robust cash flow. We continued to drive execution on our strategic priorities, with a disciplined cost and investment approach.

”

local hospitals and donating medical equipment to hospitals, your Company took several measures to strengthen communities that have been disproportionately impacted.

Environmental sustainability

Environmental sustainability is an integral part of SKF. To contribute to the global strategy of all our manufacturing sites around the world becoming carbon neutral by 2030, we have framed our strategy of Lean, Green and Digital. As part of this strategy, your Company has taken several steps for actively reducing the environmental impact of our manufacturing operations and products across our value chain. We formed partnerships for power purchase through renewable sources such as solar energy. As of now we are using 42% of our energy from renewable sources, helping us reduce specific CO₂ emission by 25000 tonnes. In addition, we are continuously adopting sustainable solutions in our manufacturing facilities to considerably reduce our carbon footprint, minimize consumption of plastic, paper, water, and oil/chemicals. By integrating sustainability into our overall strategy, we will be able to create value and generate more competitive advantage

Looking forward - 2021 outlook

While we entered 2021 with a robust balance sheet, deep customer relationships, a strong brand, and strategically positioned business, the country has been severely impacted with the second wave of the pandemic. With virus resurging in parts of the country, many states are still under lockdown and people are working from home. Keeping this in mind, we expect our fiscal year 2021 to be difficult, particularly in the first two quarters. However, we are hopeful for a timely and efficient vaccination program and a return to pre-COVID-19 levels of business.

The effects of second wave of COVID-19 have not changed our strategy and we remain confident of the growth opportunities ahead.

“

We formed partnerships for power purchase through renewable sources such as solar energy. As of now we are using 42% of our energy from renewable sources, helping us reduce specific CO₂ emission by 25000 tonnes.”

In closing, I would like to take this opportunity to thank the Board of Directors for their continued support, our employees for the year they just delivered, and the commitment with which they serve our customers, and our suppliers for their collaboration and support.

Last, I would like to thank our shareholders, for the trust you continue to place in us and for supporting us in our growth journey.

Looking forward, we remain optimistic about better days, and are focused on improving our capabilities and efficiencies to deliver value for our shareholders while taking the Company to greater heights.

Regards,

Manish Bhatnagar
Managing Director

Financial overview

(INR in million)

	As per Ind AS						As per Indian-GAAP			
	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	15 months ended on March 31, 2016	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Net Sales	26,329	27,959	29,960	27,686*	28,047*	31,848*	23,726	22,464	22,041	24,167
Profit before tax	3,963	3,868	5,242	4,555	3,756	3,945	3,062	2,530	2,831	3,139
Profit after tax	2,977	2,890	3,358	2,959	2,439	2,559	2,028	1,667	1,901	2,085
Cash earning per Share (INR)	72	70	75	66	55	62	49	41	44	47
Rate of dividend (%)	145	1300#	120	120	100	150	100***	75	75	75
Gross Block	12,586	12,146	11,234	11,021	10,657	10,315	10,315	10,351	10,045	9,190
Net Block	3,141	3,146	2,671	2,753	2,806	2,980	3,654	4,011	4,072	3,547
Total borrowings	-	-	900	850	340	650	-	-	-	-
Share Capital	494.4	494.4	494.4	513.4	527.0	527.0	527.0	527.0	527.0	527.0
Reserves & Surplus	15,144	18,558	16,475	17,860	17,585	16,119	13,635	12,228	11,026	9,585
Book Value per Share (INR)	316	385	332	356	343	316	269	242	219	192
Shareholders' Nos.	32,425	23,636	23,505	23,549	24,653	24,635	24,353	21,219	22,070	23,102
Employees' Nos.	1,762	1,716	1,759	1,779	1,789	1,824	1,962	2,052	2,053	2,165

* Net Sales for Q1 of 2017-18, year ended March 31, 2017 & 15 months ended on March 31, 2016 includes Excise duty as per Ind AS, whereas 2014 & prior period are excluding Excise duty as per Indian-GAAP.

In accordance with Ind AS 18- Revenue, GST (Goods and Services Tax) is not included in Net Sales w.e.f from July 1, 2017.




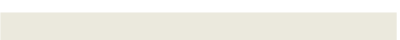

** Dividend of 70 % Includes 10% Golden Jubilee Special Dividend.

*** Dividend of 100% includes interim dividend of 75%.

Special Dividend 1300%




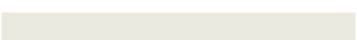

Sales

(INR in million)

FY21		26,329
FY20		27,959
FY19		29,960
FY18		27,686
FY17		28,047


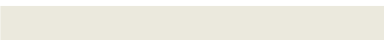



Return on Networth

(%)

FY21		19
FY20		15
FY19		20
FY18		16
FY17		13


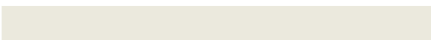



Earnings Per Share

(in INR)

FY21		60.2
FY20		58.5
FY19		65.7
FY18		57.3
FY17		46.3






Book Value

(INR per share)

FY21		316
FY20		385
FY19		332
FY18		356
FY17		343

Dividend

(INR in million and % of share)

FY21	 145%	716.9
FY20	 1300%	6426.9
FY19	 120%	593.3
FY18	 120%	616.1
FY17	 100%	513.4






* Dividend figure for 2016-17 is at reduced capital after Buyback of equity shares

** Dividend figure for 2018-19 is at reduced capital after Buyback of equity shares

Special Dividend figure for 2019-20

Return on Capital Employed (ROCE)

(%)

FY21		25
FY20		20
FY19		30
FY18		24
FY17		21

ROCE = PBT / Capital Employed

How SKF creates value

Resources



Financial

INR 15638.08 Mn

Equity

INR 3785.89 Mn

Assets



Manufacturing

3

Manufacturing Units

8

Warehouses\Distribution centres

4

Solution Factories



Intellectual

12

Patents in Process



Human

1762

No of employees

23 hr

Training Hours per employee

INR 2463.1 Mn

Employee benefit expenses



Social and relationship

1900+

Suppliers

455

Authorized Distributors

INR 89.73 Mn

CSR Spend 20-21

652 Hours

Employee volunteering hours

6

CSR YES Training centers

2

CSR Environmental Eco Impact Parks



Natural

INR 25 Mn

Renewable energy investment

53568 MWh

Total Energy use

Vision

A world of reliable rotation

Mission

The undisputed leader in the bearing business

How SKF Creates Value



Products

The product value proposition meets customers' products application needs and performance requirements of specific parameters such as speed, load, noise and physical environment



Rotating Equipment Performance

The Rotating Equipment Performance (REP) value proposition meets the needs of customers who operate critical machinery by maximizing performance.

...for increased customer value with SKF as partner...

