

Driving Responsible Growth

Annual Report 2021-22

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For the online version of the Annual Report, go to <https://www.skf.com/in/investors/financial-results> or scan the QR code

About SKF India

SKF India Limited (SKF India) is a leading supplier of solutions for rotating equipment in automotive and industrial segments.

We started operations as a ball-bearing manufacturing company in 1961. Over the years, we have evolved into a knowledge-driven engineering company that offers competitive advantages to customers, and at the same time, contributes to a sustainable society. At the centre of our responsible growth and value-creation strategy are our deep-rooted values and strong core, comprising experienced leadership, committed employees and robust processes.

Investor information

Market capitalization as at March 31, 2022	: INR 174,733.54 million
CIN	: L29130MH1961PLC011980
BSE code	: 500472
NSE symbol	: SKFINDIA
Bloomberg code	: SKF:IN
Dividend declared	: 145%
AGM date	: July 27, 2022
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 forwardlooking 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.

What we offer

Innovative solutions to reduce friction, improve productivity, achieve energy efficiency, increase equipment longevity and reliability across industries.

What we are focused on

Delivering responsible growth by aligning to the customer needs and transforming business landscape.

What we believe in

Engaging meaningfully with our stakeholders to enable inclusive growth for all.

What drives our journey

Our vision

A world of sustainable rotation

SKF India in numbers

	3 Manufacturing facilities
	12 Offices
	620 Distributors
	1,681 Workforce

Awards and recognitions



‘Towards quality performance with sustenance without major claims’ at the Yamaha Virtual Supplier Conference on April 21, 2022 under the ‘Quality’ category



Won at the 9th Annual Manufacturing Today Conference & Award - 2021, organised by Manufacturing Today, for our Pune, Haridwar and Bengaluru factories



CII Star Challenger Award (Challenger Trophy 2021)

Recognitions bestowed on our Pune factory



Gold Award to the Factory Maintenance Team for ‘Energy Conservation – Kaizen’ by QCFI



Gold Award to the Factory QPI Team at the 40th CII National Kai-Zen Competition



3 Gold Awards at the 54th QCFI Mini Convention



3 ‘Excellent’ ratings at the QCFI 35th National Convention on Quality Concepts (NCQCC-2021)



Runner-up (Large) in the Machinist Super Shop Floor Awards to the Factory Maintenance Team by Ace Micromatic



Par Excellence Award at the 46th International Convention on Quality Control Circles in November 2021 (ICQCC-2021 hosted by QCFI)



Platinum Award by CII for Heat Treatment at Muda at the 3M Competition (Muda, Mura, Muri)



Gold Award by CII for Factory Resetting at Mura at the 3M Competition (Muda, Mura, Muri)



3 Gold Awards at the Kaizen Competition on SMED – 2022

Recognitions bestowed on our Ahmedabad factory



Gold Award at the QCFI 32nd Annual Convention



2 Gold and 1 Silver Award at the QCFI Safety Kaizen Competition – 2022



Platinum Award at 42nd CII National Kai-Zen Competition - 2022 (Restorative Kaizen)



Silver Award at 42nd CII National Kai-Zen Competition - 2022 (Renovative Kaizen)



Excellent' rating at the 46th International Convention on Quality Control Circles in November 2021 (ICQCC-2021 hosted by QCFI)



Portfolio of innovative and sustainable offerings



Industrial



SKF'S OFFERING

- Supplying more than 40 industries globally with products and services, both directly and indirectly through a network of more than 140 distributors in India
- Broad product range of bearings, seals and lubrication systems
- Rotating shaft services and solutions for machine health assessment, reliability engineering and remanufacturing



SKF'S POSITION

- A leading position in industries such as railway, heavy industries and industrial distribution market, and a prominent position in other industries



MARKET DRIVERS

- Reliable rotation is crucial for many industries.
- Climate change and the actions to address it influence most of SKF's customer industries.
- Other drivers vary from application to application, e.g., low friction, low energy use, maintenance-free solutions and total cost of ownership.
- Digitalisation enables monitoring and predictive maintenance throughout the product life cycle.



Automotive



SKF'S OFFERING

- Customised bearings, seals and related products for wheel-end, driveline, e-powertrain, engine, suspension and steering applications to manufacturers of cars, light and heavy trucks, trailers, buses and two-wheelers
- Supplying the vehicle aftermarket with spare parts, both directly and indirectly through a network of more than 540 distributors in India



SKF'S POSITION

- One of the leaders in the development of components for automotive electrification and wheel-end solutions
- Strong position in application-driven powertrain solutions
- Strong position in the aftermarket with an extensive distribution network



MARKET DRIVERS

- The light vehicle market: Electrification, energy efficiency and reduction of emissions
- The truck market: Total cost of ownership, connectivity and integrated systems
- The aftermarket: Changing buying patterns, new channels, product performance and cost optimisation

Distinguished leadership

as on March 31, 2022



Mr. Gopal Subramanyam

Chairman and Independent Director

Mr. Subramanyam has 45 years of experience in manufacturing, ranging from high-precision components to heavy equipment and machinery. He is the former Chief Executive of two joint ventures (JVs) – L&T Komatsu Ltd., India and L&T Howden Pvt. Ltd., India. He is Advisor to the L&T Skill Development Mission and is member of the Academic Council of Nettur Technical Training Foundation (NTTF). He is a founder member of several greenfield and brownfield projects – noteworthy ones being Hydraulic Component at L&T, Bengaluru in technical collaboration with Poclain Hydraulics, France; Agriculture Tractor project; Hydraulic Excavators Manufacturing; and Super critical Technology Boiler plant auxiliaries manufacturing business at Hazira, Gujarat (JVC with MHPS, Japan and later JVC with Howden, UK).

He is a certified Business Excellence assessor of the CII-EXIM Business Excellence Award (based on the EFQM model) and a trained Director at the Masterbatch for Directors by the Institute Of Directors (GOD), India.

Mr. Manish Bhatnagar

Managing Director

As the Managing Director, Mr. Bhatnagar sets the strategic direction for the SKF Group in India and its wide portfolio of offerings in bearing technologies. He has over 29 years of global experience in various industries, including consumer goods, materials, healthcare and environmental solutions. He has a strong track record of using strategic leadership to drive robust growth across industries, building businesses to leadership positions and driving high-performance cultures. He has previously held progressively increasing leadership roles at General Electric, Underwriters Laboratories and Lakme Lever.

He has recently been inducted into the Group Management Team of AB SKF to provide strategic guidance to the Industrial business of the South-East Asia region (besides his role as the Managing Director of the Company).



Mr. Aldo Cedrone

Non-Executive Director

Mr. Aldo Cedrone has been associated with the SKF Group since 1989 in various positions, including as Automotive Division Director; Head – Powertrain and Electrical TW; Factory Manager; and Quality and Production Manager. He is responsible for 'One Implementation Plan for DGBB and Ball Bearing Units Product Lines' and also for all the bearing manufacturing units for the automotive market. He is engaged in planning and execution of restructuring projects for SKF. He is also a member of the car electrification hybridisation team.



Ms. Ingrid Viktoria Van Camp

Non-Executive Director

As on March 31, 2022, Ms. Van Camp is the President of SKF Group / SKF Technology / Management of Aktiebolaget SKF. She brings around 26 years of experience to the Group. She has previously served as President Business and Product Development, Director of Industrial Market Technology and Solutions, and Director of Product Innovation Lubrication BU, besides holding other positions within SKF.

Ms. Anu Wakhlu

Independent Director

Ms. Wakhlu is the Chairperson of Pragati Leadership Institute Pvt. Ltd., where she was previously the Executive Director on their Board for over 18 years, out of which she served six years as the Managing Director. She is credited with creating the organisational DNA to align with their vision and mission, and enabling leadership development for top management teams. As a Strategic HR Consultant, she has worked closely with the manufacturing sector, transforming their HR systems to add value to the business. She is also President of Soroptomist International, an international organisation dedicated to the growth and empowerment of women worldwide. She has over 30 years of experience as a certified executive coach, consultant and facilitator across industry segments.



Mr. Shailesh Sharma

Whole Time Director

Mr. Sharma leads manufacturing and operational excellence at SKF in India and South East Asia and provides oversight for robust performance of the manufacturing processes. With over 30 years' experience in precision engineering industries, Mr. Sharma provides strategic and tactical leadership for manufacturing operations at SKF.

Prior to this role, he managed the Bengaluru and Pune factories with an overall responsibility of plant operations. Mr. Sharma has technical leadership and subject matter expertise in operation management, people leadership, union management, engineering and automation, grinding process and new technology absorption.

Driving responsible growth – today and tomorrow

As a future-ready organisation focused on accelerating growth, SKF India is continuously investing in new products and markets by harnessing its customer insights and core strengths.

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We are actively strengthening our competitive position within each of our business segments, investing in our future and delivering attractive returns to our shareholders. To realise our goals, we will continue to have momentum on robust cash flow, backed by a disciplined cost and investment approach.

”



Message from the Managing Director

Dear Shareholders,

2021 was a successful and an eventful year for us as we delivered on our strategy and made important progress on driving responsible growth despite the challenges. While substantial work lies ahead, we are pleased with how we have responded thus far.

We generated the highest revenue for three consecutive quarters, recording exceptional revenue growth over FY 21-22, even though the second quarter was significantly impacted by COVID. During the year, we gained market share in our businesses, demonstrated strong cost discipline, continued to maintain high customer centricity, and sustained operational efficiencies, leading to a strong financial performance and increased shareholder value — reflections of which you will see in this report.

A strong year of delivering responsible growth

We have consistently talked about the strategies we focus on to build a more resilient and high-performance company. From maintaining a strong balance sheet, constantly investing, and nurturing talent, to serving customers and communities, we have been committed to driving responsible growth. With our deep understanding of almost all industrial applications, incredible brand, broad array of products and solutions, and relentless focus on application engineering and design, we believe SKF is well positioned for the future.

I am happy to share that we achieved strong financial performance in FY 21-22, with increased net income and continued organic growth, while also investing in talent and technology to support our customers. Our profit before tax stood at INR 5,309.6 million and revenue at INR 36,658.9 million, up 37% over FY21. What is important is that we have achieved this growth despite supply chain bottlenecks, unprecedented inflation in commodity prices and persistent global supply chain disruptions. During the year, we took several decisive actions to improve efficiencies and better position us for the current operating environment. We implemented price increases to mitigate some of the cost inflation impact, and will continue to implement more of these as needed to recover the impact of raw material cost increases. We also worked to mitigate supply chain constraints and related inefficiencies. However, full cost recovery will take time, given the persistent inflationary trends and the uncertainty created by the current geopolitical situation.

Our results affirm that we are on the right track and are well-positioned to navigate the challenging times. Looking ahead to FY23, we will focus on rigorous execution of our new strategic framework. We are actively strengthening our competitive position within each of our business segments, investing in our future, and delivering attractive returns to our shareholders. To realise our goals, we will continue to have momentum on robust cash flow, backed by disciplined cost and investment approach.

Enhancing focus on sustainability

We are constantly exploring ways to make all areas of our operations more environmentally sustainable. In FY 21-22, we continued to take important steps to promote sustainability, reduce our environmental impact and ensure progress towards our 2030 sustainability targets. As part of our Lean, Green and Digital manufacturing strategy, we are sourcing 42% of energy from renewable sources, which helped us reduce specific CO2 emissions by 21,850 tonnes during the year.

In 2021, SKF globally introduced its target to achieve a fully net zero supply chain by 2050. This is an important step for us and emphasises our commitment to sustainable

business. We even identified the material issues for SKF India to make progress on our environmental, social and governance (ESG) goals, and will set specific KPIs to accelerate our initiatives. This is a major commitment that requires full dedication from the entire organisation. It means that we must raise the bar in everything we do across the value chain, and continue to become better every single day.

Looking ahead, we will focus on building a long-term sustainable business where every customer, partner, supplier and employee can benefit in the shared value of our business success.

We have consistently talked about the strategies we focus on, to build a more resilient and high-performance company. From maintaining a strong balance sheet, constantly investing and nurturing talent, to serving customers and communities, we have been committed to driving responsible growth.

Nurturing a culture of employee engagement, health and safety

Our people and their experience and skills represent our Company's most important asset. We are committed to maintaining a culture in which the health, safety and well-being of all our employees is an integral part of our business.

Through regular trainings programmes and awareness sessions, we continued to advance employee health, safety, wellness and responsible business practices across our business and operations during FY21. We worked together as an organisation to enact additional safeguards and policies to protect our dedicated workforce, while meeting our customers' critical needs. During the year, we had five recordable accidents. We completed all major actions for ensuring the avoidance of similar accidents in future, including subsequent trainings. We have a zero-accident vision and have intensified our focus on this area by conducting various engagement and awareness

activities, such as safety week, trainings, quizzes and contests for employees.

We continued to work towards fostering an environment where everyone feels they belong and have opportunities to advance. Given our focus on creating a culture of continuous improvement and based on feedback from our employees, we have introduced culture-building initiatives and adapted to flexible ways of working to help people manage their well-being and health.

Recognising and rewarding performance is another priority for us and we continued to lay great emphasis on celebrating successes with our employees. The results of our latest employee survey show that we have been able to maintain the engagement level, trust and commitment of our workforce. That said, we are striving to empower each employee to demonstrate high productivity and achieve their true potential.

Making an impact in the communities

During the year, we continued making substantial impact in the communities where we operate. In addition to providing INR 1.4 million in COVID-19 surge relief, we supported Swedish Chambers of Commerce in their COVID-19 response efforts.

In addition, we work together with our NGO partners in several important areas, with a focus on maximum impact. One of the ways we empower communities is through our education programmes. We are proud to share that our STEM initiative reaches out to more than 15,000 students in 35 schools across Mysuru, Ahmedabad, Haryana, Pune, Haridwar and Bengaluru. By improving access to quality STEM learning, this programme catalyses greater diversity among students taking up STEM as a career, thus helping build India's future talent pipeline. This year, we doubled down on our efforts towards employee volunteerism to positively impact the lives of the communities where we live and work, offering initiatives that call for direct, hands-on involvement.

Driving intelligent and clean growth

As we look to FY23 and beyond, we will strive to capture new opportunities and accelerate profitable growth by targeting segments and products where we can provide significant value to our customers. By focusing on the rigorous execution of our new intelligent and clean strategic framework, we will be well positioned to meet the evolving customer demands.

Further, given the buoyancy in the Indian economy, we are optimistic about sustaining our growth momentum across both the automotive and industrial segments. Despite challenges such as supply chain constraints and commodity

By delivering against our new strategic priorities, bringing together our hands-on industry experience, and leveraging our vast product portfolio and knowledge, we will continue to create significant value for everyone associated with us.

price increases, the industry is showing positivity on the back of favourable government policies and consumer sentiment.

For instance, we are seeing most automobile manufacturers embracing new technologies, especially in the electric mobility space. These trends augur well for us and we are fully geared to capitalise on these emerging opportunities. We are actively strengthening our competitive position within each of our business segments, investing in our future and delivering attractive returns to our shareholders.

Looking ahead

We had a fantastic year, but nothing makes me prouder than the incredible people who have made SKF India the company it is today. The work we have done this year and the progress we have made with our customers gives me confidence that we are on the right path to achieve responsible growth in the future.

We march into the upcoming year with strong momentum as we believe that SKF has the unique ability to solve its customers' problems around rotating equipment. By delivering against our new strategic priorities, bringing together our hands-on industry experience, and leveraging our vast product portfolio and knowledge, along with 100+ years of hard work, innovation and dedication, we will continue to create significant value for everyone associated with us.

On behalf of our leadership team and all employees, we thank you for your trust and ongoing support.

Best wishes,

Manish Bhatnagar

A strong year for SKF

	As per Ind AS							As per Indian-GAAP (INR in million)		
	March 31, 2022	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
Net sales	36,036	26,329	27,959	29,960	27,686*	28,047*	31,848*	23,726	22,464	22,041
Profit before tax	5,310	3,963	3,868	5,242	4,555	3,756	3,945	3,062	2,530	2,831
Profit after tax	3,951	2,977	2,890	3,358	2,959	2,439	2,559	2,028	1,667	1,901
Cash earning per share (INR)	91	72	70	75	66	55	62	49	41	44
Rate of dividend (%)	145	145	1,300#	120	120	100	150	100***	75	75
Gross block	13,557	12,586	12,146	11,234	11,021	10,657	10,315	10,315	10,351	10,045
Net block	3,650	3,141	3,146	2,671	2,753	2,806	2,980	3,654	4,011	4,072
Total borrowings	-	-	-	900	850	340	650	-	-	-
Share capital	494.4	494.4	494.4	494.4	513.4	527.0	527.0	527.0	527.0	527.0
Reserves and surplus	18,363	15,144	18,558	16,475	17,860	17,585	16,119	13,635	12,228	11,026
Book value per share INR	381	316	385	332	356	343	316	269	242	219
Shareholders (nos.)	41,009	32,425	23,636	23,505	23,549	24,653	24,635	24,353	21,219	22,070
Employees (nos.)	1,681	1,762	1,716	1,759	1,779	1,789	1,824	1,962	2,052	2,053

* Net sales for Q1 of FY18, year ended March 31, 2017 and 15 months ended on March 31, 2016 includes Excise duty as per Ind AS, whereas 2014 and 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

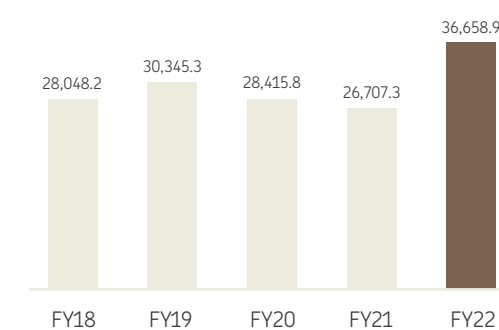
** Dividend of 70 % includes 10% golden jubilee special dividend

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

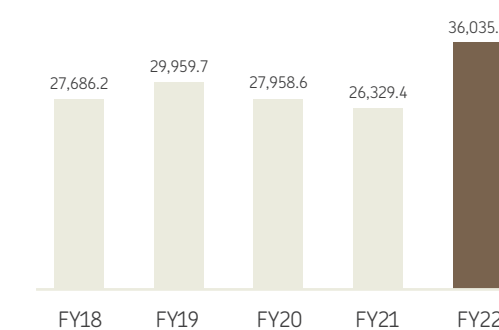
Special dividend 1300%

By remaining customer-focused at all times, SKF India has delivered a strong performance in FY22. Our results reflect the dedication and hard work of our talented people, who are focussed on creating value that matters for all our stakeholders—customers, shareholders, partners, and communities.

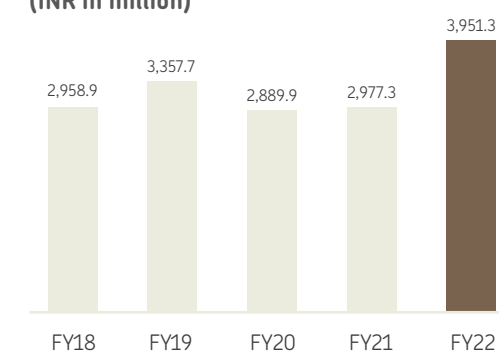
Revenue from operations (INR in million)



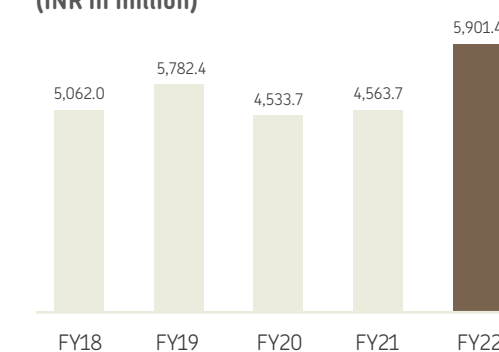
Net sales (INR in million)



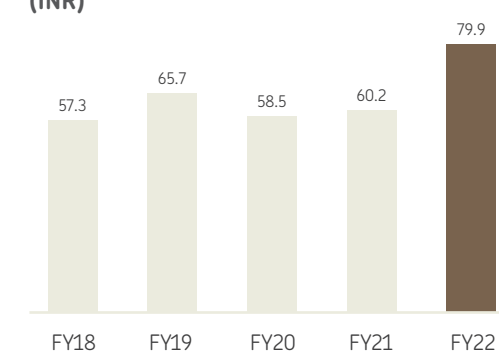
Profit added tax (PAT) (INR in million)



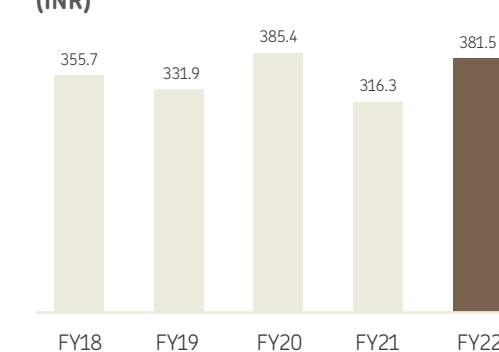
EBITDA (INR in million)



Earnings per share (EPS) (INR)



Book value per share (INR)



* Dividend figure for FY17 is at reduced capital after buyback of equity shares

** Dividend figure for FY19 is at reduced capital after buyback of equity shares

Special dividend figure for FY20