

**Our
Commitment**



SKF India Limited
50 years of incorporation

Annual Report 2010

Contents

- 16 Financial Highlights
- 18 Letter to Shareholders
- 21 Notice
- 23 Directors' Report
- 28 Corporate Governance Report
- 41 Management Discussion & Analysis
- 47 Auditors' Report
- 50 Balance Sheet
- 51 Profit & Loss Account
- 52 Cash Flow Statement
- 53 Schedules 1 to 14



Board of Directors

Kamlesh C. Mehra	Chairman
Tore Bertilsson	<i>(from 21st October, 2010)</i>
Giuseppe Donato	<i>(upto 20th October, 2010)</i>
Narendra J. Jhaveri	<i>(upto 5th March, 2011)</i>
Prasad Menon	<i>(from 8th March, 2011)</i>
Henrik Lange	
Darius C. Shroff	
Tryggve Sthen	
Vartan Vartanian	
Rakesh Makhija	
Shishir Joshipura	Managing Director
Pradeep Bhandari	Company Secretary

Auditors

B S R & Associates	Godrej Castlemaine Bund Garden Road, Pune 411 001.
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Bankers

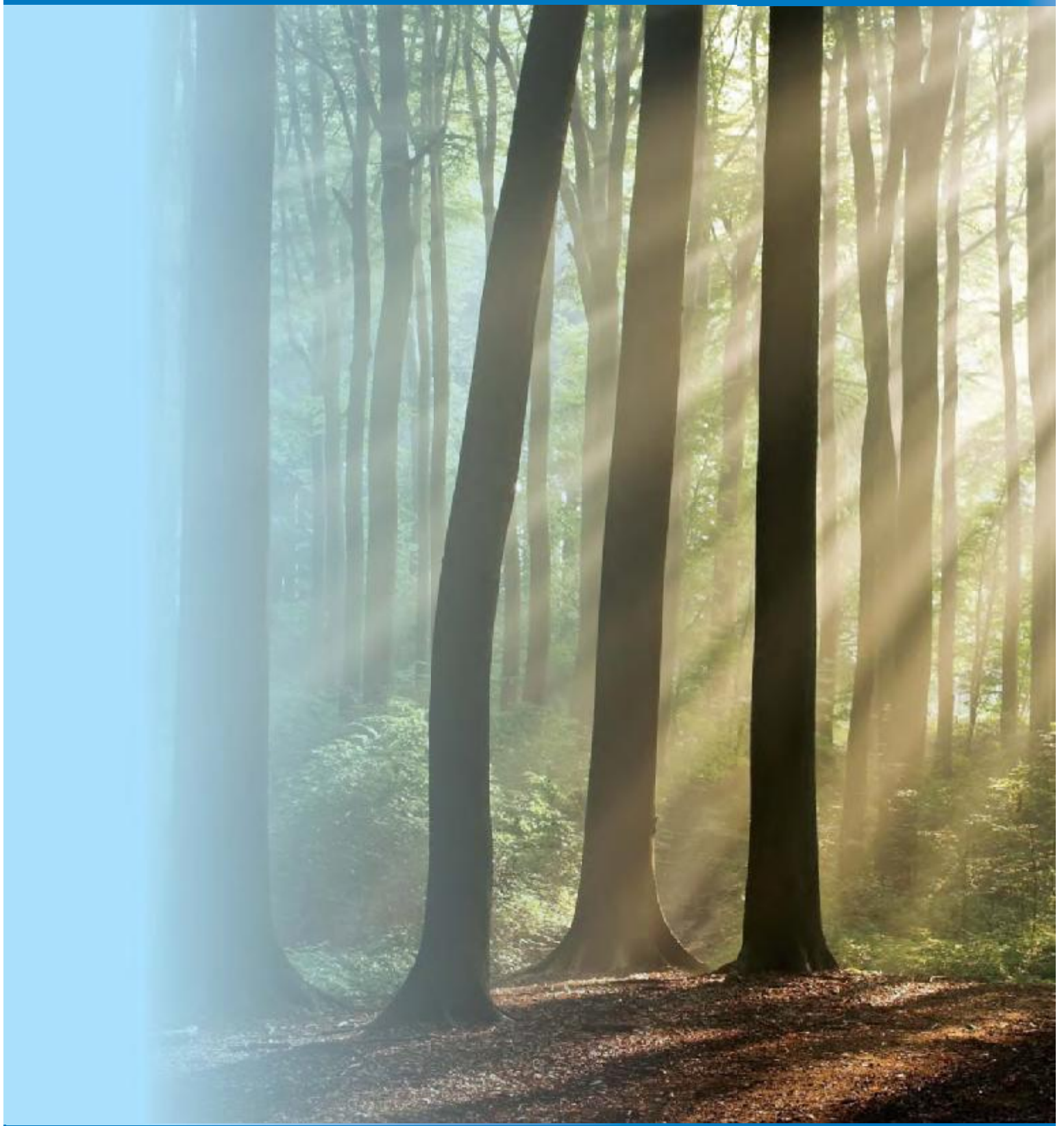
The Hongkong & Shanghai Banking Corp. Ltd.
HDFC Bank Limited

Registrars and Share Transfer Agents

TSR Darashaw Limited	6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011.
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Company Management Team

Shishir Joshipura	Managing Director
Harsha Kadam	Director - Two Wheeler Business, Global
Ranjan Kar	Director - Automotive Business
R. Manohar	Director - Demand Chain
Vithal Nayak	Director - Human Resources
Sudhir Rege	Director - Service Business
Amar Bhat	Director - Business Excellence & Sustainability
Chandramowli Srinivasan	Finance Director





**“For it matters not how small
the beginning may seem to be:
what is once well done is done
forever,”** Henry David Thoreau

Businesses world over face the challenge of driving profitable growth while ensuring sustainable development and fostering inclusive growth of the society.

At SKF India, we are committed to meeting this challenge by developing our business around our core values and ensuring that we grow in harmony with communities we live and work in.

Our commitment has shaped our journey in India and we are proud to have contributed to India's growth for the past 50 years. It is at this important juncture that we reiterate our commitment to take forward this journey with the same spirit and passion.





The SKF Commitment

Sustainability is recognised as both a way of working in SKF India and a key business driver for long-term growth. At SKF sustainability is encapsulated in the principle of SKF Care; comprising Business Care, Environmental Care, Employee Care and Community Care. Within each of these four cornerstones, we have defined focus areas and targets to drive continuous performance improvement and we strive to achieve them in our operations.

We are committed to delivering to our customers - innovative engineering solutions leveraging our technological prowess. Solutions that enable customers overcome their specific business challenges by improving reliability and efficiency of their operations and product. SKF is committed to this Customer First approach while delivering cutting edge solutions and constantly searching for doing things in a better way. Our teams are committed to leveraging the power of knowledge engineering to help customers establish a sustainable competitive advantage.

We are committed to doing our business in an ethical and transparent way, embracing our environmental and social responsibility. We believe in actively contributing to the sustainable development of society through the development of energy efficient products and solutions, and concurrently promoting development across the communities in which we live and work.



This is SKF

The SKF Group

SKF is a leading technology & solutions provider of products, solutions and services in the areas of rolling bearings, seals, mechatronics, services and lubrications systems. Services include technical support, maintenance services, condition monitoring and training.

Founded in 1907, SKF Group today is represented in more than 130 countries. The Group has more than 100 manufacturing sites, besides sales companies supported by about 15,000 distributor locations.

SKF India

SKF India is a part of the global AB SKF Group. SKF Group is present in India since 1923 and SKF India was incorporated in the year 1961.

SKF India services various industries from Agriculture machinery, Automobile, Cement, Defense, General engineering, Infrastructure - Power, Machine tools, Off-Road vehicles, Railways, Steel, to name a few.

The Company manufactures its products out of plants based in Bengaluru, Pune and Haridwar. SKF India employs over 2,000 people and has a strong distribution network with over 300 distributors and 14,000 plus retailers across the country.



Our Vision

“To equip the world with SKF knowledge.”

Our Mission

To strengthen SKF's global leadership and sustain profitable growth by being the preferred company for our:

- Customers, distributors and suppliers
- Employees
- Shareholders

Our Values

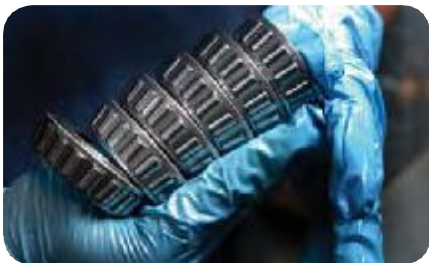
- Empowerment
- High ethics
- Openness
- Teamwork

Our Drivers

- Profitability
- Quality
- Innovation
- Speed
- Sustainability







Committed to helping customers boost productivity

The challenge for today's businesses is to continuously evolve with all their customers and add value on a sustainable basis. Driven by this challenge, companies are continuously innovating to meet and exceed their customer's expectations of higher value added offerings, faster service in ever expanding geographies; developing better products at optimal prices and forging partnership beyond transactions. Thus, organisations, irrespective of the industry of their presence, are under constant pressure to innovate and enhance their offerings.

SKF with its strong multi-dimensional unique competence and understanding of their businesses and applications, comprehends the needs of customers precisely and swiftly. SKF's fundamental strength lies in its ability to continuously develop technologies, products and services that enhance competitive advantages for its customers.

SKF classifies its technologies in five platforms: Bearings and units, Seals, Mechatronics, Services and Lubrication Systems. By utilising capabilities from all or some of these platforms, SKF develops tailor-made solutions to fulfil its commitment to customers. SKF's specialist teams also provide advanced integrated solutions for meeting the customers' needs in developing new products.

Merging the global knowledge of the SKF Group with its own strong local expertise, SKF India has uncovered innovative ways to reduce unplanned stoppages, improve availability, reduce energy use and boost productivity. Through some of the case studies discussed in the pages that follow, we present you our commitment to do so.

Optimising wind energy output

Wind energy is the leading source of renewable electricity and is ideal for large-scale power production in the future due to the ongoing technological advancements. SKF's innovative know-how and wide range of solutions are crucial to running a large proportion of the world's wind power turbines. SKF India, leveraging this global experience and know-how, offers a wide range of local production ability and solutions encompassing shaft bearings, gearbox bearings, seals, etc.

India's leading OEM in the renewal energy sector (wind power) was keen to find a feasible solution to the problem of frequent downtime and stoppages. The OEM was challenged with downtime which was the result of grease leakages from its slewing bearings. Slewing bearings play an important role in wind turbines - these bearings take full advantage of available wind and optimise energy output. The effectiveness of slewing bearings can make all the difference in terms of performance and reliability of wind turbines. The OEM, so far, had been importing the bearings.

After reviewing the problem faced, SKF India suggested a new design solution for sealing of the bearings. Using various proprietary simulation tools, SKF could test the solution and offer reliable performance. Appreciating the advantage of local manufacturing facilities and local support, the OEM also decided to switch to SKF for supply of slewing bearings for the pitch and yaw applications. This also ensured that procurement lead time for the OEM was minimised and it had a local application support partner.



Meeting demanding applications in the metals industry

Some of the most demanding applications for SKF products are in the metals industry, where the heat and load are extreme and lubrication is complicated. The demand for uptime is constant. SKF India, true to its commitment, has responded to these challenges with reliable products and solutions and tailored maintenance systems to help customers in the metal industry achieve outstanding performance.

The working environment in the metals industry is extraordinary in most respects. Production equipment is constantly exposed to high variable loads, extreme temperatures, dust, contaminants and humidity that can cause expensive unplanned stoppages and safety related issues. Recurring high speeds, shock loads and high torque further add to the pressure on the production assets.

A leading producer of metallurgical grade alumina and other aluminium products was having frequent premature failure of bearings in one of its critical equipment. The bearings used by the aluminium producer could not withstand the abrupt shock loads and ever changing vibrations resulted in machine downtime which adversely impacted its production. Like most industries, for the metal industry too, it goes without saying, that productivity is directly linked to profitability.

To meet this productivity challenge demand from the customer, SKF India relied on its experience and application specific expertise to offer an alternative solution along with the technical support. This resulted in a smoother production process minus unplanned downtime. It not only enabled cost-saving in terms of lower maintenance costs but also facilitated consistent, high-level production flow for our customer.

Reducing time to market

Every company, no matter where, no matter in what type of industry, has a hidden potential to perform better. At SKF India, we see ourselves as a catalyst in that improvement process. By getting involved early in the customer's development process, SKF India is equipped to transfer what it has learnt from a similar past experience. The problem and challenges are looked at from a fresh perspective.

SKF India joined hands with a large player at the forefront of the electric motor and agricultural pump industry in India for the development of an energy efficient motor. This new motor was a part of the customer's differentiation strategy in the market place. The project involved upgrading the standard efficiency motor to the qualification of high energy efficient motor class. A series of meetings, data compilation, data analysis, experimentation, testing sessions



were undertaken to study the energy loss and cost of execution. This was followed by development of a prototype and its testing. SKF India's insight of energy efficient motor designs and relation of various factors on its performance played an important role in arriving at the desired solutions. Using its knowledge engineering background, strong project management expertise and Six Sigma approach, SKF India suggested modification to the motor and recommended alternative type of bearings and seals to finally arrive at the desired levels of efficiency.

The teams of both companies worked very closely together and surpassed their goal to achieve desired efficiency levels. Partnering with SKF India, the customer effectively managed to reduce the time to market for its new enhanced product launch. Further, the outcome has prompted the customer to internally benchmark SKF India's systematic product development process and approach for future projects.

“Smart” solutions that help identify and address the root cause of machine problems

A multinational energy company subsequent to several successful oil & gas discoveries in North India was in the process of further developing its gas fields. The company required a single partner who would provide comprehensive onsite support for all condition

monitoring activities covering rotary, static and electrical equipment.

SKF offered an umbrella portfolio of condition monitoring services including vibration, thermography, oil analysis, electrical and non-destructive tests. As a part of the contract, SKF successfully identified and deployed partners for delivery of the services which were not part of its in-house offerings. SKF used its project management skills to develop a single dashboard to give the customer a total overview of the plant health thereby enabling them to take proactive actions and prevent failures well in time.

Through Condition Monitoring SKF India is committed to providing value-added “smart” solutions to assist customers in operating the most effective reliability programs possible. By utilising advanced technology to develop products that are capable of performing increasingly complex analysis and diagnostics, our goal is to provide our customers with vital information to optimise and enhance decision-making, and to help identify and address the root cause of machine problems. Our sophisticated data acquisition equipment and software collection and display machinery information allow detection of potential problems early-on.





Committed to sustainable development & community care

At SKF India, we are committed to environmentally sustainable and socially responsible growth. We develop products and solutions that contribute to better use of energy and place less strain on the environment we live in. We believe that our commitment to sustainable development will help in shaping the future. Our commitment to the future generations is also the basis for SKF India's active engagement in local development, training initiatives and sponsorships of various activities.

BeyondZero

SKF has always applied its engineering knowledge to reduce friction in various kinds of machinery, and our innovative bearing solutions have helped increase efficiency, improve reliability and save energy. Today, the Company's wide range of products and services contribute to conserving natural resources and protecting the environment.

Launched in 2005, BeyondZero depicts SKF's strategy and commitment to the environment. It consists of two simultaneous approaches in addressing current and future environmental challenges:

- 1) To reduce the negative environmental impacts from own operations/manufacturing process.
- 2) To innovate and offer new technologies, products and services, with enhanced environmental added value (positive impact) to customers.

The first part of BeyondZero is about reducing the environmental impact from SKF's manufacturing processes, which is regarded as a responsibility. The second part of BeyondZero is about SKF offering a range of products and solutions to support existing industries in reaching their environmental goals. This is the differentiator approach, where SKF translates environmental challenges into business opportunities, partnering customers to bring about new ideas and technologies that are more environmentally-sound.

CO₂

Carbon dioxide (CO₂) is by far the most significant greenhouse gas generated as a result of SKF's operations. Therefore, the Group has set a target to reduce CO₂ emissions by a minimum of 5% annually, irrespective of production volume.

SKF has a strong commitment to develop environment-friendly products and reduce the CO₂ emissions from its factories. SKF has extended this commitment to the development of its new facilities in India. Our Haridwar factory is built according to the Indian Green Building Council, Green Factory recommendations as per the Leadership in Energy and Environmental Design standard.

Water conservation

Focused rain water harvesting efforts and commitment to conserve natural resources has enabled the Company to save 40% of the water consumed at its manufacturing plants. Across the factory



locations, SKF India has created capacity for 1.05 million litres of water harvesting and facility to recharge 3 million litres of water to the ground to manage the depleting water table.

Farm land rain water harvesting systems that were implemented at the Bengaluru facility were awarded the “Most innovative water saving product” award by Confederation of Indian Industries (CII) in 2009.

Extending a helping hand

At SKF, we believe that a successful business entity of today and tomorrow is one that understands the importance of responding to community challenges, such as poverty, illiteracy and health. Our commitment to the future generations is the basis for SKF’s active engagement in local development, training initiatives and sponsorship of various activities. Our CSR initiatives are focused on making a meaningful difference in the hands of the recipients and we remain committed to touching lives and making a difference to communities around our business facilities.

The Assisi Home for the handicapped, a home for around 30 girls who are physically, visually and hearing challenged in Bengaluru, is a key beneficiary of the Company’s voluntary work. Besides voluntary participation in the development and upkeep of the Home, SKF’s team of doctors provides a healing touch to the residents of the Home through regular monthly visits.

During the year, the Company continued to contribute towards Nachiket Balgram - an orphanage that provides educational facilities to children up to Class IV. The organisation strives to improve the lives of these children by providing them with basic utilities, academic and sports material and food grain.

In addition, the Company continues to support the Udyog Dham leprosy centre (20 kms from SKF India’s Pune facility). The centre is dedicated to the rehabilitation of leprosy affected people. Besides providing a shelter to all-cured leprosy patients, the organisation also offers the patients with a source of livelihood by running a small workshop. To help the children of leprosy-affected patients integrate back into the society, the centre also sponsors their formal education at the local schools.

Nurturing healthy growth

SKF India has, over the years, put continuous efforts into shaping young talent from underprivileged sections of the society in the arena of sports. Taking this commitment forward, SKF India runs a Sports Academy to train and support young talent in football, cricket and hockey in Pune.

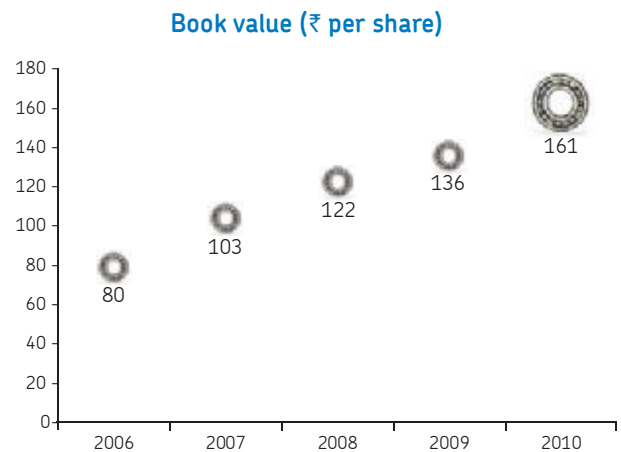
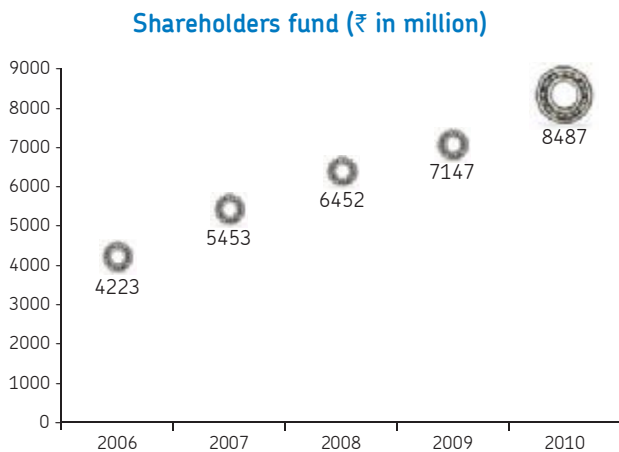
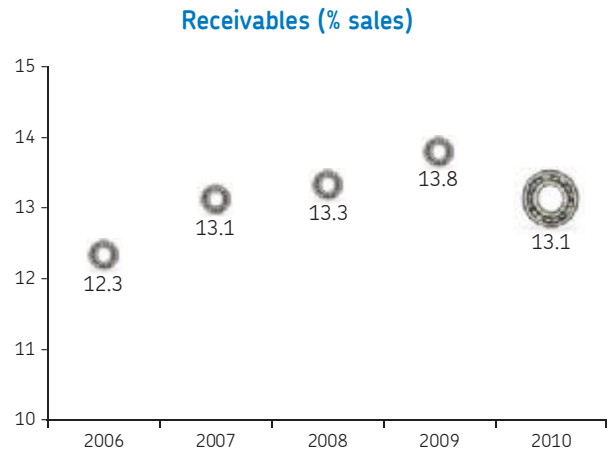
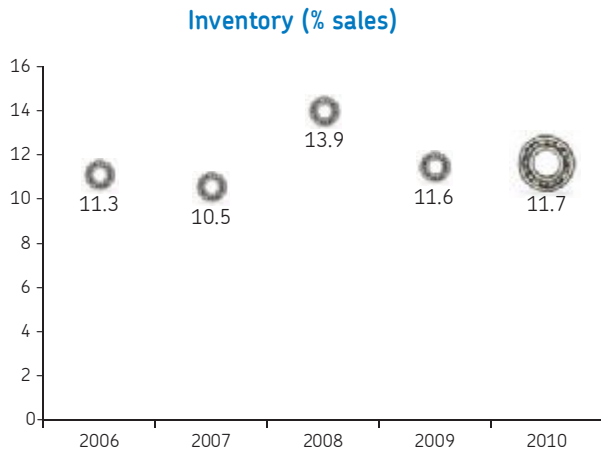
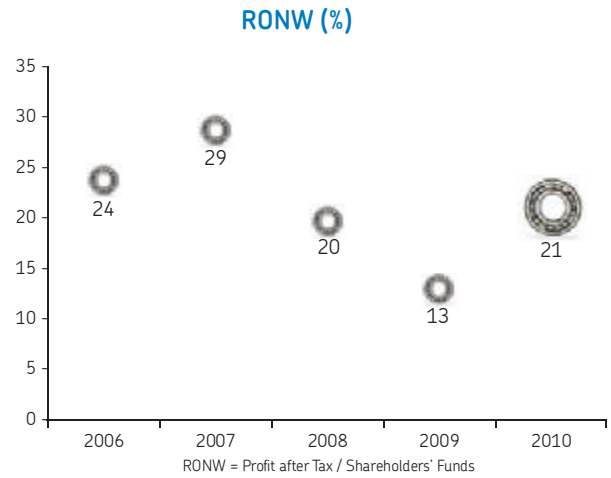
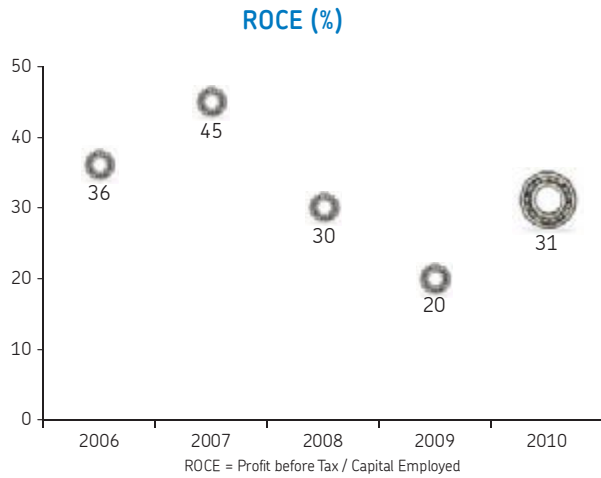
Moving forward, the Sports Academy will continue to encourage these aspiring children to represent the district, state and the nation through competitive participation. SKF is committed to promoting sports and sponsors various programmes around the world.

Financial Highlights

(₹ in million)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Net Sales	20684	15709	16202	15683	13425	7814	5813	4670	4072	3585
Profit before tax	2661	1431	1944	2474	1531	1031	883	506	330	103
Profit after tax	1770	942	1277	1607	1020	641	566	322	204	90
Cash earning per Share (₹)	40	23	30	36	24	17	18	13	11	9
Rate of dividend (%)	70*	40	45	60	45	35	25	25	20	10
Gross Block	8472	7693	7392	6697	6453	5889	5511	5429	5395	5446
Net Block	3193	2568	2387	1968	1842	1475	1238	1286	1459	1665
Total borrowings	0.1	1	2	2	1	2	65	463	889	1424
Share Capital	527	527	527	527	527	527	453	453	453	453
Reserves & Surplus	7960	6620	5924	4925	3695	2946	2112	1696	1513	1394
Book Value per Share (₹)	161	136	122	103	80	66	67	47	43	41
Shareholders' Nos.	25969	27350	28474	24430	25811	24269	28545	28382	29875	24150
Employees' Nos.	2107	1915	2078	2069	2024	1963	1968	1960	2038	2006

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

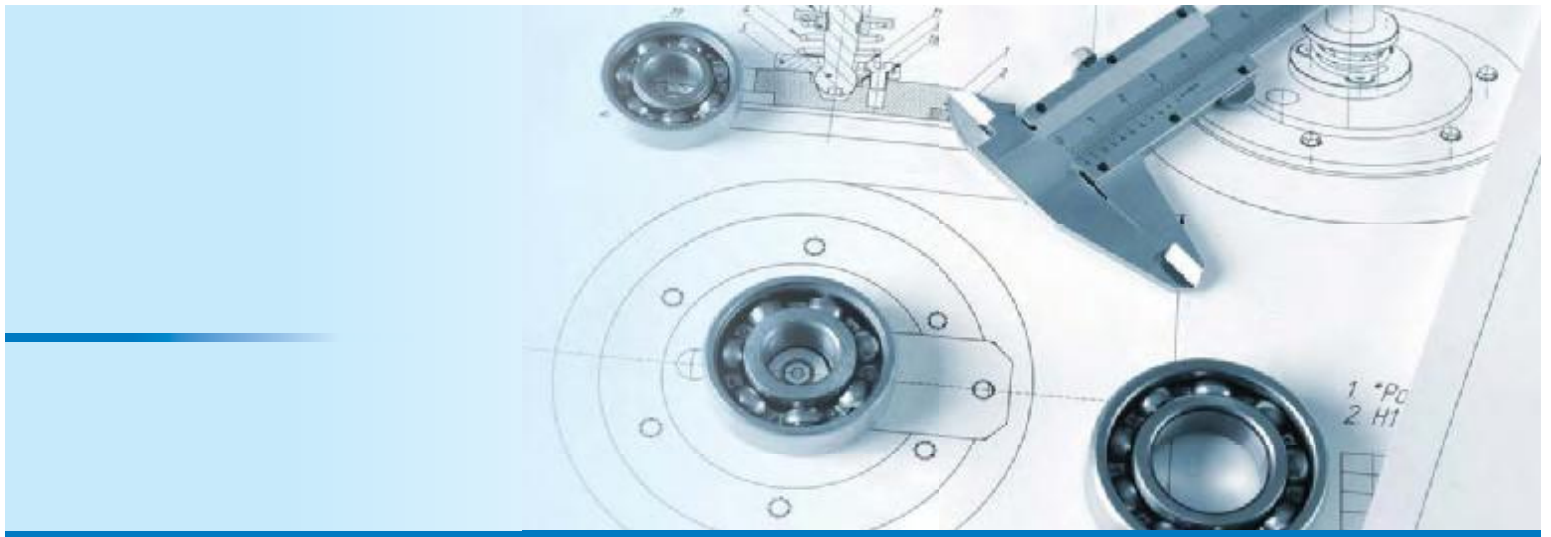


Letter to the Shareholders

“ It is my privilege to present to you the 50th Annual Report of SKF India. The total income stood at ₹ 20,684 million registering a growth of 32% & profit after tax stood at ₹ 1,770 million, an increase of 88% over the corresponding period of previous year. ”

Shishir Joshipura, Managing Director





It is my privilege to present to you the 50th Annual Report of SKF India. The total income for the year ended 31st December 2010 stood at ₹ 20,684 million registering a growth of 32% & profit after tax stood at ₹ 1,770 million, an increase of 88% over the corresponding period of the previous year.

SKF India was incorporated in the country 50 years ago and the journey so far is made possible due to the unflinching support we have received from all our stakeholders. On this momentous occasion of the Golden Jubilee, I thank all our customers, shareholders, suppliers & distributors for the trust and faith reposed in SKF India through these evolving years. I also express a deep sense of gratitude to all the employees, present and past for their valuable contribution in building SKF India.

At the core of our successful journey are our customers. Our commitment to offer value-added products and services to our customers supported by our power of knowledge engineering has played an important role in building the contours of our success. Let me explain what we mean by power of knowledge engineering. Our teams are trained to study, analyse and comprehend the needs of our customers while understanding the demands and challenges faced by them. The solutions we offer are formulated by drawing upon the rich knowledge bank of SKF Group which has over 100 years of rich experience to share. This multi-dimensional combination of rich experience, deep understanding of customer requirements coupled with our ability to create a unique solution is what we call "Power of knowledge engineering". This approach has enabled us to deliver significant benefits to customers and has

earned us the leadership position in the industry.

The growth and pace of India's economy along with the positive outlook for the automobiles and industrial sector provides our industry a new opportunity horizon. Despite the near term challenges faced by the Indian economy in terms of higher commodity prices, rising interest rate, rising inflation and global political unrest - which could impact demand and profitability - the long-term economic growth momentum driven by strong internal consumption, favourable demographics and expanding infrastructure base is expected to be positive. The expected momentum of market growth has spurred the industry to announce significant investment plans and the market is beginning to attract new players.

We started understanding this dynamics over a year ago and have already invested in a completely new plant at Haridwar to address the emerging demand. I am happy to share that we commenced commercial production at Haridwar in March 2010. This facility will serve the fast growing two wheeler market and the expanding after vehicle service market. Additionally, we expanded our capacity at Bengaluru unit to serve the automotive and industrial segment demands. As we embark on the next phase of our journey, our business portfolio of five technology platforms, namely Bearings, Seals, Lubrication Systems, Services and Mechantronics will significantly strengthen our endeavour to offer integrated solutions.

The growth and development of the Indian economy in the past few years has helped the country emerge as an important market. For

SKF Group, India has always been important and this commitment was further reiterated by the visit of the entire AB SKF board in September 2010.

The problem of environmental degradation and fast depleting natural resources threaten the future of mankind. The challenge of managing economic growth in a sustainable way has assumed a newfound significance. Our philosophy of SKF Care, comprising of Customer Care, Employee Care, Environmental Care and Community Care helps us address our growth demands in a sustainable way while enhancing our engagement with all our stakeholders.

Energy Efficiency has acquired significance on the agenda of Government and Industry alike. As a responsible corporate, at SKF India, we have constantly pursued and promoted sustainability in our business practises. In our ongoing endeavour to develop products and services that increase energy efficiency, we have introduced energy-efficient bearings. These bearings can reduce friction loss by 30-50%. It is our commitment to use SKF's expertise to create products so efficient that over their operating lives they will save more energy than was consumed to manufacture them. We remain committed to reducing our existing carbon footprints through our 'BeyondZero' program.

Our CSR initiatives are aimed at making a meaningful difference in the lives of our neighbouring community members. I am happy to state that our employees continued to voluntarily participate and drive the company's CSR initiatives during the year.

After guiding the company's fortune for several years, two senior members of our board - Mr. Giuseppe Donato and Mr. Narendra Jhaveri have decided to step down from the Board

of the company. On behalf of the Board, I wish to place on record our gratitude for the invaluable contribution and guidance received. At the same time, we are joined by Mr. Tore Bertilsson & Mr. Prasad Menon, both of whom will bring wealth of industry knowledge and experience. I am sure we will benefit immensely from the inputs provided by them.

A key to success is having the right people with the right capabilities who know how to win in a competitive marketplace. To match the pace of growth and development at SKF India, we will continue to build our leadership pipeline from within and will not shy away from "importing" skill sets from outside, should the need arise. I am sure that we will continue to receive co-operation, commitment and passion from all employees - together we have crossed a significant milestone and we are poised to cross many more.

I would like to take this opportunity to thank all of you for your support and the trust reposed in me, in my first year of operations with SKF India. As our business evolves, sustainable & profitable growth will remain a fundamental target and we will pursue it aggressively while remaining true to our values. We will balance business priorities with our commitment to grow responsibly in harmony with the environment and the society at large.



Shishir Joshipura
Managing Director

Notice

NOTICE IS HEREBY GIVEN that the Fiftieth Annual General Meeting of the Members of SKF India Limited will be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400 001 on Tuesday, May 3, 2011 at 2.30 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, 2010 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, 2010.
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. H. Lange 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. B S R & Associates, Chartered Accountants, (Firm’s Registration Number 116231W with the ICAI) the retiring Auditors of the Company be and are hereby reappointed as Statutory Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company and that the Audit Committee / Board of Directors of the Company be and are hereby authorised to fix their remuneration.”

Special Business

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution** :

“RESOLVED THAT Mr. Tore Bertilsson, who was appointed as a Director of the Company effective October 21, 2010 in the casual vacancy caused by resignation of Mr.G. Donato and who holds office upto the day of this Annual General Meeting under Section 262 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member of the Company signifying his intention to propose Mr. Bertilsson as a candidate for the office of the Director, be and is hereby appointed as a Director of the

Company, whose term of office shall be liable to determination by retirement of Directors by rotation.”

7. To consider and, if thought fit, to pass with or without modification, the following resolution as a **Special Resolution** :

“RESOLVED THAT pursuant to Article 131(3) of the Articles of Association of the Company, clause 49 of the listing agreement with stock exchanges, and provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956, such sum by way of commission not exceeding in the aggregate one per cent per annum of the net profits of the Company computed in the manner laid down in Section 198 of the Companies Act, 1956 for each of the five financial years of the Company commencing from April 1, 2011 be paid to and distributed amongst such Directors of the Company excluding the Managing Director, Whole-time Director(s) or Non- resident Director(s), as may be determined by the Board, the proportion and manner of such payment and distribution may be as decided by the Board from time to time.”

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. The relevant Explanatory Statement as required by Section 173 of the Companies Act, 1956 in respect of Item Nos. 6 and 7 of the Notice is annexed hereto.
3. Profile of the Directors being appointed / reappointed as required under Clause 49 of the Listing Agreement are provided in the report on compliance of Corporate Governance.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, April 27, 2011 to Tuesday, May 3, 2011, 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 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 26, 2011; and

- (ii) in respect of shares held in the dematerialised 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 26, 2011.
6. Members may please note that the dividend warrants will 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. Beneficial Owners of shares in demat form are advised to get particulars of their Bank account updated with the Depository Participant (DP) as in terms of SEBI Guidelines and the regulations of NSDL & CDSL, their Bank Account details, as furnished to the DP, will be printed on their dividend warrants. The Company will not entertain requests for change of such bank details printed on their dividend warrants.
8. The amount outstanding in unpaid dividend account in respect of financial year 2004 will be transferred to the 'Investor Education and Protection Fund' maintained with the Central Government after the end of seven years from the date the said dividend was transferred to unpaid dividend account.

By Order of the Board
SKF India Limited

P. Bhandari
Company Secretary

Registered Office :

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

Date: February 23, 2011

Annexure to the Notice

Explanatory Statement under Section 173 of the Companies Act, 1956 :

Item No.6

At the meeting of the Board of Directors of the Company held on October 21, 2010 the Board appointed Mr. Tore Bertilsson as a Director of the Company in the casual vacancy caused by the resignation of Mr. G. Donato effective from October 21, 2010.

Mr. Tore Bertilsson will hold office of Director upto the date of the ensuing Annual General Meeting of the Company and is eligible for appointment.

Notice in writing has been received from a member along with the prescribed deposit under section 257 of the Companies Act, 1956, signifying his intention to propose Mr. Bertilsson as a candidate for the office of Director.

The Directors recommend the Resolution for Member's approval. No Director other than Mr. Bertilsson is concerned or interested in this resolution.

Item No.7

At the Forty-Fifth Annual General Meeting of the Company held on April 27, 2006, the shareholders had approved the payment of commission upto 1% per annum of the net profits of the Company to Directors (other than Managing / Whole-time Directors and the Non-resident Directors) effective from April 1, 2006 for a period of five years. The period of five years will expire on March 31, 2011.

In view of continued business activities of the Company, it is appropriate that pursuant to the provisions of the Companies Act, 1956, a commission not exceeding in the aggregate 1% per annum of the net profits of the Company computed in the manner laid down in Section 198 of the Companies Act, 1956 may be paid for each of the five financial years of the Company commencing from April 1, 2011 and be distributed amongst such Directors of the Company excluding Managing / Whole-time Director(s) or Non-resident Director(s) as the Board may decide from time to time.

The proportion and manner of such payment and distribution would be as the Board may from time to time decide.

Apart from commission proposed to be paid to Directors in terms of the special resolution, the Directors also receive sitting fees for each of the Board or Audit Committee Meetings attended as the case may be.

The Directors commend the Special Resolution for Member's approval.

All the Directors of the Company except Mr. S. Joshipura, Managing Director and Non-resident Directors may be deemed to be interested in this resolution.

By Order of the Board
SKF India Limited

P. Bhandari
Company Secretary

Registered Office :

Mahatma Gandhi Memorial Building,
Netaji Subhash Road, Mumbai 400 002.
Date: February 23, 2011

Directors' Report

To the Members,

This year marks our fiftieth year and the Directors have pleasure in presenting the Fiftieth Annual Report together with the Audited Financial Statements for the year ended December 31, 2010.

Financial Results

	Year ended Dec 31, 2010 ₹ in million	Year ended Dec 31, 2009 ₹ in million
Net Sales & Services	20,684.1	15,709.3
Other Income	247.6	131.2
Total Income	20,931.7	15,840.5
Operating Expenditure	18,137.4	14,243.7
Depreciation	333.4	289.8
Financial Income	(207.4)	(131.6)
Financial Expense	7.6	7.6
Profit before tax	2,660.7	1,431.0
Provision for taxation	890.5	488.5
Profit after tax	1,770.2	942.5
Balance brought forward from last year	3,840.2	3,238.7
Profit available for appropriation	5,610.4	4,181.2
The appropriations are as follows:		
Proposed dividend on Equity Shares	369.1	210.9
Tax on Proposed dividend	61.3	35.8
Transfer to General Reserves (including compulsory transfer to Reserves required under Section 205(2A) of the Companies Act, 1956)	1,000.0	94.3
Leaving a balance of	4,180.0	3,840.2

Dividend

Your Directors are pleased to recommend a dividend of ₹ 7 per share (70%) for the year ended December 31, 2010 including Golden Jubilee Special Dividend of ₹ 1 per share, out of the current year's profit, as compared to ₹ 4.0 per share for the preceding year ended December 31, 2009. 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 ₹ 369.1 million as compared to

₹ 210.9 million for the previous year. This would involve a cash outflow of ₹ 430.4 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 26, 2011 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

Indian economy continued to build on its strong recovery and achieved robust growth rates exceeding 8% in all quarters of the year. The growth was well spread across the segments of the economy and in some cases specially in automotive sector the surging demand exceeded all expectations. Whilst this led to improved capacity utilization at factories of most automotive component vendors, it also led to inability of some component vendors to keep pace with the production schedules of the automotive OEMs. Your Company benefited from the investment made last year at Haridwar which continued to make progress towards achieving its installed capacity. The Company also made investments in enhancing capacities in the Bengaluru facility while continuing its focus on productivity improvement measures across all plants.

In this year of all round economic growth, your Company has achieved credible financial results. Our sales continued to develop very positively, driven by strong performance in our Automotive Division, and a continued good development in Industrial Division. The Company focused on deeper customer relationships and improved its value proposition to the customers, resulting in growth in volume. The continued focus on engineering solution for customers is helping in maintaining our position as the market leader.

Your Company achieved a significant milestone as its Sales surpassed the ₹ 20 billion mark reflecting the leadership position of the Company. As a reflection of strong intrinsic value the revenue growth was translated into higher profitability growth on the back of strong customer relationship and higher value offerings. Operating profits (EBIT) grew to ₹ 2,460.9 million from ₹ 1,307.0 million over the last year. Operating margin stood at 11.9% for 2010 up from 8.3% in the previous year.

Profit after tax increased to ₹ 1,770.2 million, a growth of 88% over 2009. Our Earnings per share for the year was ₹ 33.6.

The rapid recovery of the growth momentum in year 2010 was comforting. A couple of concerns emerged which will need careful monitoring over the next few quarters namely inflation and economic fall outs of changing geo-political situation across the globe. An immediate fallout of the global development is the volatility in the commodity prices and the resultant pressures on margins. The continued rise in interest rates as a measure for battling inflation could impact the growth.

Your Company has laid the foundation for growth with several building blocks during 2010 which will help achieve its strategic goals –

- New factory at Haridwar to meet growing demand for auto sector
- Solution factory at Pune to offer value added solutions to our customers
- Sourcing domestically large industrial bearings for our industrial business.

Your Company will continue to drive strategies that will be customer-centric to capture growth opportunities. We will continue to, build capabilities to meet the market demands and further consolidate our position. Your Company is confident that year 2011 will bring newer opportunities and is well positioned to leverage the same.

Liquidity

Your Company continues to remain debt-free and maintains sufficient cash to meet strategic objectives. There are no long-term borrowings. During 2010, internal cash flows have more than adequately covered working capital requirements, investments and dividend payments. As on December 31, 2010, your Company had cash & cash equivalents amounting to ₹ 2,119.1 million.

Golden Jubilee Year

The year 2011 is the Golden Jubilee year of the Company. SKF India has had an exciting journey of five decades to reach its present position supported by all its stakeholders. Your Company is confident of building on its past success and creating an even better future.

Safety, Health and Environment (SHE)

Minimizing the environmental impact of our operations assumes utmost priority in the face of challenges faced by mankind to protect our earth. We are committed to maintain the highest standards of SHE by complying and even going beyond the minimum standards to keep our planet safe for future generations. Our comprehensive SHE policies as well as dedicated measures taken are a testament to our commitment to the cause.

Greatest emphasis is given to safety measures for Zero accidents, safety training for employees, use of green principles in our product development and incorporating resource reduction and recycling in our plants. Reducing our existing carbon footprint through program 'Beyond Zero' and tailoring our processes to minimize the impact on the environment continue to rank high on the list of priorities.

The year 2010 saw further significant steps in the direction of building a robust Safety, Health and Environment system in the organization. Number of activities were carried out during the year to enable sustainable operations some of which were:

- Conducted 'On the Job' training and training through 'One Point Lesson' following TPM methodology. More than 4,500 man days of training in a year in sustaining the awareness on safety.

- A dedicated 'Safety Management Team' in place for prevention of unsafe incidents at the plant level.
- A separate Sustainability team has been formed to increase awareness level of each employee about Global warming.
- SKF is certified to ISO 14001 & OHSAS 18001, new factory Haridwar has also been recommended for certification during the year.
- Continued awareness program by releasing every week a daily tip on 'Save the Planet earth' to educate all our employees to conserve energy.
- Water conservation and capture programs including rain water harvesting thereby achieving over 7% reduction in net water consumption as compared to year 2009.
- Well equipped Industrial Effluent Treatment Plants complying with 'Zero Discharge' condition.

Awards / Recognition

Your Directors are glad to report that during the year, the Company was recognized and felicitated for exemplary performance in various fields significant amongst which are the following:

- 'First Prize' and prestigious Sona Kaizen Trophy at 10th CII-TPM National Conference.
- First Prize at CII - 4th National Conference & Competition on Six Sigma in the Lean Manufacturing Organizations category
- Star Performance Award from Engineering Export Promotion Council of India (EEPC), sponsored by Ministry of Commerce & Industries for contribution in Export.
- 'Best Kaizen Award' from Toyota for the Pune region. (Consecutive 2nd year in the row)

Corporate Social Responsibility

As responsible corporate citizens, we have always endeavored to make contribution towards betterment of society in and around the areas of our operation. Our CSR initiatives are aimed at helping our surrounding communities become self-reliant.

SKF India has always believed in sport as an essential part of a society's mental and physical wellbeing. The sports academy set up by your Company for underprivileged children is an example of an initiative in this area. The objective is to nurture young talent at grass roots level and develop community participation.

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, 2010 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

A detailed report on the Corporate Governance system and practices of the Company and certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance and a separate section on Management Discussion & Analysis forms part of the Annual Report.

Your Company is committed to transparency in all its dealings and places high emphasis on business ethics. Certificate from CEO/CFO, inter alia, confirming the correctness of the financial statements, compliance with Company's code of Conduct, adequacy of the Internal Control measures and reporting of matters to the Audit Committee in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, is also enclosed as a part of the Annual Report.

Deposits

The Company discontinued accepting fixed deposits from Public and Shareholders in the year 2001. The amounts outstanding are those amounts which have not been claimed by the deposit holders on maturity even after sending reminders. A sum of ₹ 0.1 million from Public remained unclaimed as at December 31, 2010.

Pursuant to Section 205C of the Companies Act, 1956 an amount of ₹ 0.78 million lying as deposits and an amount of ₹ 0.08 million towards interest on fixed deposits which remained matured and unclaimed for a period of seven years from the date they became due for payment have been transferred to Investor Education and Protection Fund set up by the Central Government.

Personnel

The Board of Directors commends the continued dedication of employees at all levels and the industrial relations continue to be peaceful and cordial.

The information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 forms part of this Report.

Directors

Mr. Giuseppe Donato resigned as Director of the Company with effect from October 21, 2010. The Board places on record its gratitude for the valuable services rendered and guidance provided by Mr. Donato during his tenure with the Company. Mr. Tore Bertilsson is appointed as Director to fill in the casual vacancy caused by resignation of Mr. Donato with effect from October 21, 2010.

In accordance with the requirements of the Companies Act, 1956 and the Company's Articles of Association, Mr D.C. Shroff, Mr. H. Lange and Mr. T. Bertilsson (who has been appointed to fill up the casual vacancy caused by resignation of Mr. G. Donato and who holds office upto the date of this Annual General Meeting) retire by rotation and being eligible have offered themselves for re-appointment.

The Company has received notice under Section 257 of the Act along with the requisite deposit, in respect of the above person, proposing the appointment as a Director of the Company. Resolutions seeking approval of the Members for their appointment have been incorporated in the Notice of the Annual General Meeting and a brief detail about them has been provided in the Corporate Governance Report.

Auditors

M/s. B S R & Associates, Chartered Accountants, who are the Statutory Auditors of the Company, continue to hold office until the conclusion of the Fiftieth Annual General Meeting and offer themselves for re-appointment. In terms of Clause 41(1)(h) of the Listing Agreement, the statutory auditors of your Company are subjected to the Peer Review Process of the ICAI and hold a valid certificate issued by Peer Review Board of ICAI.

A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Cost Auditors

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit of the Company. The Board has appointed M/s. N. I. Mehta & Co., Cost Auditor of the Company for the year 2010. The Cost Audit is under process and the Company will submit the Cost Auditors' report to the Central Government in time.

Acknowledgement

The Board wishes to acknowledge and thank all stakeholders for their valuable sustained support and encouragement towards the conduct of the efficient operations of the Company. Your Board is particularly indebted to its Principals, AB SKF who have supported the Company at all times.

For and on behalf of the Board
SKF India Limited

K C Mehra
Chairman

Pune, February 23, 2011

Annexure to the Directors' Report

Information as per section 217(1) (e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended December 31, 2010

Disclosures

A. Conservation of Energy :

Pune Plant

- During the year 2010 various energy saving projects have been completed.

Some of the major projects were-

- Implementation of Energy Audit & green belt project recommendations.
- Harmonic level measurement & use of harmonic filtration units for reduction in power losses.
- Improvement & maintaining power factor
 - Optimization of automatic power factor controllers at incoming feeders.
 - During the year discount availed from State Electricity Board was 22.5% higher than previous year

- Energy measurement & audits

- New digital meters are installed with communication port. This will help in Interconnection & PC based automatic energy monitoring.

- Implementation

- Grinding Motor on SPC machines CH01 and CH02 down sized from 11 KW to 7.5 KW resulting into saving of 15000 units.
- Optimization of conveyors in DGBB carried out. This project resulted in reduction of 20 conveyor motors which helps in reducing power consumption by 26000 units.
- In Centralized AC system, pump motors are connected in STAR mode to optimize energy uses.
- Fresh air fan pulley trimming done to optimize electrical energy consumption for 2 additional fans.

Additional Proposal of Activities

- Implementation of six sigma green belt project recommendations.
- Installation of harmonic filtration units for reduction in power losses for two more Distribution Boards
- Isolation of Illumination load feeder & use of servo controlled voltage stabilizer.
- Monitoring of Channel wise electric power consumption with KW and power factor.

Bengaluru Plant

- Heat Treatment

- Energy efficient operation of heat treatment furnaces resulted in annual energy savings of 3865 kwh.

- Use of low pressure compressed air

- Load on 5 bar compressed air system was reduced by connecting many 5 bar circuits to 3.5 bar system in a systematic manner and this yielded higher energy savings.

- Heating, Ventilation and Air Conditioning

- Energy reduction measures initiated on water chillers were carried out successfully during the year. Reduction on loading of chillers was realized by reducing the load on process cooling and comfort cooling as well as loss of energy was avoided by strengthening the insulation of chilled water pipe lines.

- Factory Lighting

- Installation of LED lights, electronic chokes, CFL lamps and 28 watts T5 lamps were extended further in the factory and this helped in achieving higher energy savings

- Variable voltage Drive

- For channel-2 & 6 flex link motors, variable voltage drives were installed that regulated the power factor which helped in achieving an energy savings of 18550 kwh.

- Hydraulic Power Packs for Grinding machines

- Elimination of an independent power pack for one of the bore grinders was achieved by connecting this machine to the hydraulic power pack of SGB machine. Implementation of this innovative idea in all the channels helped in achieving energy savings of 235550 kwh per annum.

Impact of measures taken:

The measures stated above have resulted in annual energy savings during the year 2010.

B. Technology Absorption:

- The Company has been consistently supported by AB SKF in keeping updated on technology developments. The Company receives technical know-how from AB SKF on continuous basis. This has been used extensively in wide range of products giving competitive edge in the market.

- MacPherson Strut Bearing Units (MSBU) at Pune Plant

- Capabilities added through technology absorption from SKF, France for the manufacturing of MacPherson Strut Bearing Units (MSBU) for use in Car Suspension. Presently 4 sizes of bearings being made from MSBU

- Channels at Bengaluru Plant

- Increase in channels capacity by 3.2% in 2010 as compared to 2009 due to technical modifications on Grinding and Assembly machines for pure output and efficiency improvements

- New Bearings/Variants Developments

- 10 new bearing variants developed.
- Tooling & process development for CP & A (Customized Product & Assembly).
- VAS; one way clutch - series production started at the automotive customer.

C. Foreign Exchange Earnings and Outgo:

- Exports are mainly to automotive customers wherein the products are delivered mainly to four wheeler OEM's. The Company will focus further on European market and Latin America along with other markets.

- The information on foreign exchange earnings and outgo is contained in Schedule XIV paras 13 to 16 of the Accounts.

Annexure to Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended 31-12-2010

Name	Age	Designation	Gross Remuneration ₹	Qualification	Experience	Date of commencement of employment	Particulars of Last Employment	
							Employer	Post last held
Mr Ajay Naik	42	GM- Factory Manager	2,668,709	Dip. In ME	21	16-Jun-1989	Nil	Nil
Mr Amar Bhat	46	Director-Business Excellence & Six Sigma	4,752,335	BE Instrumentation	23	10-Oct-2002	Tata Home Finance Ltd.	GM-HR & Administration
Mr Anil Jaiswal	49	Sales Manager-Asia	5,457,161	BE Mechanical	25	10-May-1993	TVS Suzuki Ltd.	Assistant Sales Engineer
Mr B Jagadeesh	51	GM-HR	2,851,398	B.COM, B.S.COMM, PGDPM	15	9-July-2008	Essilor India	Head - Corp. HR
Ms Bharati Deshpande	41	GM- Controlling	2,780,197	M.COM, CWA	18	10-Sep-1994	Nucron Pharma Pvt. Ltd.	Costing Executive
Mr Harsha Kadam	45	Director-TW BU Global	5,144,110	BE Mech, PGDIM Finance, PGDIM HR	21	26-Jul-1990	Chemical Industries Consulting Bureau	Project Engineer Trainee
Mr K Ramakrishnan *	43	Director-Demand Chain	4,287,575	BE, MBA	19	14-Feb-2005	Johnson & Johnson	VP [Finance]
Mr Kjell Bogvad *	57	Director-Industrial Business Unit	14,746,058	MSC, MBA	33	1-Jan-2008	SKF Multitec AB	Director - Mechatronic
Mr Lokesh Saxena	41	GM- ETW BU India-Sales & Marketing & Exports	2,801,138	BE [MECH], MBA	16	5-Dec-2001	MICO	Asst. Manager - Sales
Mr Mandar Vaidya	44	GM-Sourcing	2,575,401	ME, AUTO ENGG, AMIE, ICWA, MGMT DEV. PROGRAMME	24	20-Jan-2003	Mahindra & Mahindra	Reg. Resources Mgr [India]-Group Purchasing
Mr Pradeep Govil	56	VP- Textile Business	3,019,147	B. SC, B. Text [TECH]	33	1-Jul-1988	Machinery Mfg. Corp. Ltd.	Technical Officer
Mr R Manohar	55	Director-Demand Chain & Sourcing	4,888,497	M.Tech, AICWA	29	28-Aug-2008	Delphi Automotive Systems	Regional Category Team Manager
Mr Rajesh Pasricha	52	GM- Railway Business	3,220,008	BE Electrical, MBA	29	30-Nov-1981	Snow Temp Engg Company Ltd.	Purchase officer
Mr Rajesh Thantry	38	GM- Strategic Markets Industrial Division Sales, India	2,566,295	ME (MECH)	15	27-Jul-1996	Crompton Greaves	Product Executive
Mr Ranjan Kar	49	Director-Automotive Business Unit	5,787,596	B Tech, PGDM	24	4-Feb 2003	Exxon Mobil India	Regional Business Dev. Manager
Mr Rudragouda Patil	38	Group IT Compliance Manager	2,785,574	M COM, CISA	15	17-Apr-2006	Wipro Technologies	SR. IS Security Consultant
Mr S Chandramowli	48	Finance Director	7,314,472	M Com, CA	26	15-Apr-1991	K S B Pumps Ltd.	Executive Officer-Accounts
Mr Salil Kale	44	GM - SLS India	2,623,924	BE, MBA	21	12-Mar-2007	New Holland Tractors	Sr. Manager - Purchase
Mr Samir Kukade	43	GM- HR	2,513,807	B.Com, MSW, DLL+LAW, HRD	20	15-Jul-2003	Britons Carpets Asia Pvt. Ltd.	HR + Admn. Manager
Mr Shishir Josphipura	49	Managing Director	12,598,135	BE Mechanical, APM	26	1-Dec-2009	Thermax Limited	Executive Council Member & Group Business Head
Mr Shoaib Shaikh	47	VP-Vehicle Service Market	4,590,549	B Com, MBA	23	20-Jul-2004	Fuchs Lubricants Ltd.	Chief Manager
Mr Shyam Daye	47	GM- Factory Manager	2,744,030	Graduate Engineer	23	10-Apr-1987	Nil	Nil
Mr Soami Pamnani	47	DGM- Application Engg	2,449,165	B.Tech [Mech]	24	17-Aug-1987	Furnace & Foundry Equipments Co.	Trainee - Production Engineer
Mr Srikant Savangikar	52	VP- Factory Manager	3,400,848	BE Production	30	2-Jul-1991	NRB Bearings	Production Superintendent
Mr Sudhir Rege	49	Director-Service Business Unit	5,475,566	BE Mechanical, MMS	23	1-Feb-2002	Ingersoll Rand India Ltd.	Head of Torrington Business
Mr Sunil Chrungu	48	GM- Sales	3,022,602	BE Mechanical	22	6-Nov-2007	Castrol India Ltd	National Manager-Performance Lubricants
Mr Sumit Mitra	40	GM- Reliability Systems & Solution Factory	2,427,357	IIM KOLKATA	18	7-Feb-2005	Dalmia Cement	DGM - Corporate Initiatives
Mr T G G Nair	54	GM- Application Development Center	2,978,504	BE Mechanical	29	14-Apr-1981	Nil	Nil
Ms Veena Apte	52	VP Leadership Academy	3,659,658	MA, PhD	27	13-Dec-2006	Bilcare Ltd.	Head-Human Resources
Mr Venkatesh Inamdard	48	GM- National Sales	3,586,322	BE Mechanical	26	29-Dec-2006	ITW India Ltd.	Business Head
Mr Vithal Nayak	47	Director-Company Human Resources	8,127,176	BE Mechanical, MMS	22	21-Jan-2002	Lupin Limited	Head of HR, IR, Pers & Admn.

* Employed for only part of the year.

Notes: a) Gross remuneration as above includes salary, bonus, other allowances, Company's contribution to provident fund and superannuation scheme, leave travel assistance, leave encashment and expenditure incurred on providing accommodation, medical and other facilities, but excludes contribution to gratuity fund made on the basis of actuarial valuation.

b) None of the employees is a relative of any Director of the Company.

For and on behalf of the Board
SKF India Limited

K. C. Mehra
Chairman

Pune, February 23, 2011

CEO/CFO Certificate

We hereby certify that -

- We have reviewed financial statements and the cash flow statement for the year ended December 31, 2010 and that to the best of our knowledge and belief;
 - these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company

and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.

- We have indicated to the Auditors and the Audit Committee;
 - significant changes in internal control during the year;
 - significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Shishir Josphipura
Managing Director/CEO

Chandramowli Srinivasan
Finance Director/CFO

Pune, February 23, 2011

Corporate Governance Report

Philosophy on Code of Corporate Governance

Corporate Governance is the application of best management practices, compliance of laws and adherence to ethical standards to achieve the company's objective of enhancing stakeholder value and discharge of social responsibility. The Corporate Governance framework includes corporate structures, culture, policies and the manner in which the Corporate entity deals with various stakeholders, with transparency being the key word. Accordingly, timely, adequate and accurate disclosure of information on the performance and ownership forms the cornerstone of Corporate Governance.

Caring for stakeholders is part of its ideology for SKF India Ltd. The Company believes that all its operations and actions must serve the underlying goal of enhancing stakeholder value. Our governance practices go beyond the mere letter of statutory and regulatory requirements. With this in mind a number of policy documents are in place:

- Values* - High Ethics, empowerment, openness and teamwork
- Code of conduct* - It demands that our employees conduct the business with impeccable integrity and by excluding any consideration of personal advantage
- Business policy* - It covers a comprehensive range of issues such as inside information, work ethics, personal conduct, policy on prevention of sexual harassment, health, safety, environment and quality
- Whistle blower policy* - Our whistle blower policy encourages disclosure of any wrongful conduct and protects the whistle blower from any adverse personnel action
- Environment policy* - The Company is committed to achieving excellence in environmental performance and promotion of clean environment. These are the fundamental concerns in all our business activities.
- Risk Management* - Our risk management procedures ensure that the management controls various business related risks through means of a properly defined framework.

The practice of Corporate Governance in SKF is at three interlinked levels:

Strategic supervision	By the Board of Directors
Strategic management	By the Country Management Team (CMT)
Executive management	By the Business unit supported by functions

The above structure ensures greater management accountability and credibility, facilitates increased autonomy of businesses, performance discipline and development of business leaders. Decision making and execution in this environment is driven by its governance structures, ethics and value systems.

The Company is in compliance with the requirements of Corporate Governance in terms of Clause 49 of the Listing Agreement executed with the Stock Exchanges. The details of compliance are as follows:

1. Group Structure

The SKF Group is the leading global supplier of products, solutions, and services within rolling bearings, seals, mechatronics, services and lubrication systems. Services include technical support, maintenance services, condition monitoring and training. SKF India Limited is an affiliate of Sweden based SKF Group, which was founded in 1907. Today, SKF is represented in more than 130 countries and has more than 100 manufacturing sites.

2. Board of Directors

The Board provides leadership, strategic guidance, objective and independent view to the Company management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosures. The day to day business is conducted by the executives and the business heads of the Company under the direction of the Board led by the Chairman. The Board acts as the nerve centre of the organisation, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company. In addition to reviewing and approving specific corporate actions as required by law, the Board reviews corporate strategy, major plans of action, corporate performance, company's accounting and financial reporting systems. The Chairman interacts with Non-Executive Directors to enable them to freely express their views on various matters concerning the business of the Company.

2.1 Composition

The composition of the Board is in conformity with Clause 49 of the Listing Agreement, as amended from time to time. In terms of the Articles of Association of the Company, the strength of the Board shall not be less than three nor more than thirteen.

The size and composition of the Board conforms to the requirements of the Corporate Governance code under the Listing Agreement with the Stock Exchanges. Mr. H. Lange, Mr. T. Sthen, Mr. V. Vartanian, Mr. R. Makhija and Mr. T. Bertilsson as members on the Board of Directors represent the interest of parent company.

As on year end, Board consists of nine members, including the Chairman who is a Non-Promoter, Non-Executive Independent Director. The Board comprises of eminent members with considerable professional expertise and experience. None of the Directors are related to each other. Apart from Mr. Shishir Joshipura, Managing Director, all other members of the Board are Non-Executive Directors, including three members who are Independent Directors. The Independent Directors of the Company furnish a declaration at the time of their appointment as also annually that they qualify the conditions of their being independent as laid down under clause 49. All such declarations are placed before the Board. One-third of the Directors who are liable to retire by rotation shall retire every year; and approval of the shareholders is sought for the re-appointment of such retiring members who are so eligible. The Managing Director is appointed by the shareholders for a maximum period of five years at a time, but is eligible for re-appointment upon completion of term.

The Board at its meeting held on 21st October, 2010 appointed Mr. Tore Bertilsson as a Director, to fill the casual vacancy caused by the resignation of Mr. G. Donato. Mr. G. Donato who was on the Board of the Company has resigned from the Board with effect from 21st October, 2010 and the Board recorded its sincere appreciation for the excellent guidance, contribution and valuable services rendered by Mr. Donato during his tenure as a member.

2.2 Profiles of Directors seeking appointment / re-appointment are furnished below:

Mr. D.C. Shroff

Mr. D. C. Shroff, aged 66 years, is a Solicitor and Advocate. He is a Senior Partner of Crawford Bayley & Co., a leading firm of Solicitors & Advocates, having over 42 years of experience in the legal profession. He has rich experience

in the field of law & corporate affairs with special focus on Industrial and Corporate Law.

Mr. Shroff was first appointed as a Director on the Board of the Company on April 3, 1993 and since then he is a member of the Board of Directors of the Company. Mr. Shroff will retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Mr. Shroff is also on the Board of Ingersoll-Rand (India) Limited, GMM Pfadler Limited, Kulkarni Power Tools Limited, Siemens Limited, Unifrax India Limited, UTV Software Communications Limited in addition to other private companies.

Mr. Shroff is also a Member of the Audit Committee of Ingersoll-Rand (India) Limited and GMM Pfadler Limited; the Chairman of the Share Transfer-cum-Investors Grievance Committee of Ingersoll-Rand (India) Limited and Siemens Limited; Member of the Remuneration Committee of GMM Pfadler Limited and Siemens Limited; and Member of Corporate Governance Committee of Siemens Limited

Mr. Shroff is also the Chairman of the Audit Committee, Member of the Share Transfer/ Investors' Grievance Redressal Committee and Remuneration Committee of the Company.

Mr. H. Lange

Mr. Henrik Lange, aged 49 years, holds a Bachelor of Science degree in International Economics and Business Administration from Gothenburg University, Sweden. He is having professional experience of over 20 years in various senior positions in the field of Finance and Manufacturing. Mr. Lange has held several positions including Finance Controller, SKF UK Limited; Managing Director, SKF Poland, and SKF Austria; Senior VP and Group Business Development, AB SKF, Sweden within the SKF Group.

Mr. Lange was first appointed as a Director on the Board of the Company in 2006 and since then he is a member of the Board of Directors of the Company. Presently Mr. Lange is the President, Industrial Division of Aktiebolaget SKF. He is also on the Board of SKF GmbH, Germany, SKF Sverige AB, Sweden, SKF Japan Limited, Japan, Willy Vogel AG, Germany, SKF (China) Investment Co. Limited, China, SKF (Dalian) Bearings and Precision Technologies Co. Limited, China, PartnerTech Ltd, Sweden, Association of Swedish Engineering Industries, Sweden, and GU School of Executive Education AB, Gothenburg, Sweden.

Mr. T. Bertilsson

Mr. Tore Bertilsson, aged 59 years, holds a Bachelor of Science degree in Economics, from Gothenburg University, Sweden and has done Global Management Programme from

Corporate Governance Report (Continued)

London Business School. He is associated with SKF Group since 1989 and has rich professional experience for more than 37 years. During this period he held several positions including Treasury Director and Chief Financial Officer at SKF. Before joining SKF he was the Senior Vice President – Head of Corporate, Treasury & International Division of Skandinaviska Enskilda Banken and prior to which he was Regional Director in Trygg-Hansa Insurance Company and in FinansScandic AB.

Presently, Mr. Bertilsson is Executive Vice President and Chief Financial Officer and a member of the Group Management of Aktiebolaget SKF. He is also on the Board of Gamla Livforsakringsbolaget SEB Trygg Liv, Agrenska AB, AB Ludvig Svensson, PRI Pensionsgaranti, SKF Sverige AB, SKF International AB, SKF Reinsurance Co Limited, SKF Forvaltning AB, SKF (UK) Limited, PEER Bearing Company Limited and SKF (China) Investments Company Limited.

2.3 Board Meetings

The Board meets at least once a quarter to formulate the strategy, review the performance and to deliberate and consider other items on the agenda. The Board of Directors reviews and approves company strategies and oversees the actions and results of management to ensure that the long term objectives of enhancing stakeholders' value are met. The day to day business is conducted by the Executive Director and the Business Heads of the Company under the direction and supervision of the Board led by the Chairman. During the year under review, five Board meetings were held on 19th February; 23rd April; 20th July, 21st October and 20th December, 2010. The Board has complete access to all information with the Company. The agenda of the meeting is pre-circulated with presentations, detailed notes, supporting documents and executive summary. The following information is regularly provided to the Board as a part of the agenda papers sent well in advance of the meetings or is tabled in the course of the Board meeting:

- Minutes of the meetings of Board, Audit, Remuneration and Share Transfer /Investors' Grievance Redressal committee
- Major financial and business strategies and corporate actions;
- Quarterly, half yearly and annual Financial results of the Company
- Cost Audit Report and Reconciliation of Share Capital Audit Report

- Investment Plan
- Funds flow and investment of funds
- Review of Foreign exchange exposure and exchange rate movement, if material
- Appointment of auditor including cost auditor
- Information on recruitment and remuneration of key executives below the Board level
- Critical risks faced by the Company and plans for their mitigation;
- Sale of investments, assets which are not in the normal course of business
- Contracts in which director are deemed to be interested
- Significant development in Human Resources Industrial Relations
- Legal notices concerning non-compliance, demands and penalties of any regulatory, statutory or listing agreement, if any
- Matters requiring statutory / board approvals

Business heads and Functional heads in the beginning of the year present to the Board members Annual Strategic & Operating Plans of business for their review, inputs and suggestions. Senior Management personnel are invited to provide additional inputs for the items being discussed by the Board as and when necessary.

The meeting dates for the entire financial year are scheduled in the beginning of the year and an annual calendar of meetings of the Board and its committees is circulated to the Directors. This enables the Directors to plan and facilitates attendance at the meetings of the Board and its committees. The Company has obtained Directors and Officers liability insurance coverage in respect of any legal action that might be initiated against Directors.

2.4 Attendance & other Directorships

As mandated by the Clause 49, none of the Directors are Directors of more than 15 Companies, members of more than 10 Committees and Chairman of more than 5 Committees in which they are member. Each Director informs the Company about the Board, Committee positions he occupies in other companies including Chairmanship and notifies changes during the term of their directorship in the Company. The Company facilitates participation in the deliberations of the Board by Directors who are unable to attend any meeting of the board through teleconference, subject to their accessibility and availability.

The names and category of Directors on the Board, details of attendance at the Board meetings held during the year and at the last Annual General Meeting, directorship of other companies and membership / chairmanship in committees are as follows:

Name of Director	No. of Board Meetings attended	Attendance at the last Annual General Meeting	Directorship in other companies (other than SKF India)	No. of Committees in which Chairman/ Member (other than SKF India)	
				Member	Chairman
Non-Executive Independent					
Mr. K. C. Mehra Chairman	4	Yes	3	1	1
Mr. D. C. Shroff	5	Yes	6	3	2
Mr. N. J. Jhaveri	5	Yes	9	3	2
Non-Executive non Independent					
Mr. G. Donato (Resigned w.e.f. 21.10.2010)	-	No	-	-	-
Mr. T. Sthen	2	No	-	-	-
Mr. H. Lange	1	No	-	-	-
Mr.V. Vartanian	1	No	-	-	-
Mr.T. Bertilsson (Appointed w.e.f. 21.10.2010)	-	N.A.	-	-	-
Mr. R. Makhija	5	Yes	-	-	-
Executive					
Mr. S. Joshipura Managing Director	5	Yes	2	-	-

- Notes: a. This excludes alternate directorships / directorships of private limited companies and foreign companies wherever applicable.
b. None of the Directors is related to any other Director.
c. Audit and Share Transfer/ Investors' Grievance Redressal Committees only.
d. Apart from the above attendance, Mr. G Donato, Mr. K. C. Mehra, Mr. V. Vartanian, Mr. T. Bertilsson and Mr. H Lange participated in the Board Meeting through teleconference during the year.

2.5 Country Management Team (CMT):

The Board of Directors of the Company provides leadership and strategic guidance, while the Country Management Team (CMT) administers the affairs of the company's business on a day to day basis. The CMT consists of Managing Director, Finance Director and Business Heads responsible for their respective functions and businesses. The CMT meets as and when required but at least once in a month to develop and implement policies, procedures and practices that attempt to translate the Company's core purpose and mission into reality. The CMT identifies, supervises, measures, monitors and minimizes the risk factors in the business and ensures safe, sound and efficient operations.

2.6 Risk Committee

SKF manages risks as an integral part of its decision making process. The Board of Directors is regularly apprised regarding key risk assessment and risk mitigation mechanisms. The Finance Director has been designated as Risk Manager responsible for the overall risk governance in the Company who reports directly to the Board.

3. Audit Committee

The Audit Committee comprises of three Non-Executive Independent Directors and the Managing Director. All the members of the Committee are well versed with finance & accounts / legal matters and general business practices and

Corporate Governance Report (Continued)

Mr. N.J. Jhaveri has accounting and financial management expertise. Mr. Chandramowli Srinivasan, Finance Director represents as Head of Finance function and the Company Secretary of the Company acts as the Secretary of the Audit Committee. The statutory auditor and internal auditor's representatives are permanent invitees to all Audit Committee meetings. The cost auditor is invited to meetings whenever matters relating to cost audit have to be considered. The Committee is empowered to seek any information it requires from any employee or to obtain legal or other independent professional advice when considered necessary.

The Board of Directors at its meeting held on 19th February, 2010 appointed Mr. S. Joshipura as a Member of the Audit Committee in place of Mr. R. Makhija who has been appointed as President, Asia of SKF Group based in Shanghai, China.

3.1 Scope of Audit Committee

The Committee assists the Board in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the company and its statutory requirements. The terms of reference of the audit committee are in accordance with clause 49(II) of the Listing Agreement entered into with the relevant Stock Exchanges and include:

- Reviewing, with the management, the quarterly, half yearly and annual financial results before placing them before the Board;
- Reviewing with the management, the company financial statements before submission to the Board for approval, with particular reference to:
 - a. Changes, if any, in accounting policies and practices and reasons for the same;
 - b. Significant adjustments made in the financial statements arising out of audit findings;
 - c. Disclosure of any related party transactions;
 - d. Qualification in the draft audit report, if any.
- Ensuring completeness of coverage, accurate, timely and proper disclosure of financial reporting;
- Reviewing of Management Discussion and Analysis report and cost audit reports;
- Review of internal audit reports, discussion with internal auditors, any significant findings and actions arising out of reports;
- Reviewing with the Management internal audit plan including the frequency of internal audit

- Discussion with auditors, any significant findings and follow up there on;
- Recommending the appointment of statutory auditor and their fees;
- Statement of significant related party transactions

The internal and statutory auditors of the Company discuss their audit findings and updates & submit their views directly to the Committee. Meetings with internal auditors focus on detailed reviews of the processes and internal controls of the Company.

3.2 Meetings and attendance

During the year under review four meetings of the Audit Committee were held on 18th February, 22nd April, 20th July and 21st October, 2010. The minutes of the Audit committee are placed before the Board of Directors. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956. The composition of the Audit Committee and the details of meetings attended by the members thereof are as follows:

Name of Director	Category	No. of Meetings Attended
Mr. D. C. Shroff	Chairman	4
Mr. K. C. Mehra	Member	3
Mr. N. J. Jhaveri	Member	4
Mr. R. Makhija	Member	1
Mr. S. Joshipura *	Member	3

* Mr. S. Joshipura appointed as Member of Audit Committee in place of Mr. R. Makhija effective 19th February, 2010.

The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

4. Remuneration Committee

The Remuneration Committee of the Board is constituted to formulate and recommend to the Board from time to time, a compensation structure for whole-time members of the Board. Presently the Company has only Executive Director whose remuneration is reviewed by the Committee. All compensation / remuneration payable to the other Directors are as approved by the shareholders in the General Meeting.

The Remuneration Committee, comprises of three Non-Executive Directors which recommends / reviews the remuneration package of the Managing Director. The Board

of Directors at its meeting held on 19th February, 2010 reconstituted the Remuneration Committee and appointed Mr. R. Makhija as a Member in place of Mr. G. Donato. The composition of the reconstituted Remuneration Committee is as under :

Mr. K. C. Mehra	Chairman
Mr. R. Makhija	Member
Mr. D. C. Shroff	Member

During the year, the Committee met once on 19th February, 2010 in which Mr. K. C. Mehra, Chairman of the committee and Mr. D. C. Shroff participated.

4.1 Remuneration policy for Executive Directors

The remuneration structure of the Managing Director is based on the performance and defined criteria. The yearly increments are decided by the Board of Directors within the limits approved by the members pursuant to provisions of the Companies Act, 1956. The remuneration comprises of salary, performance linked incentives, perquisites and benefits as per company rules, contribution to provident fund and superannuation fund.

Details of remuneration to Mr. Shishir Joshipura, Managing Director for the year are as under:-

Description	Amount ₹
Salary	8,731,959
Perquisites	33,548
Deferred Benefits (PF and Superannuation)	1,189,436
Stock Options	Nil
Performance Linked Incentives	2,643,192
Total	12,598,135

Mr. S. Joshipura, Managing Director has service contract of five years with the Company from 1st December, 2009 till 30th November, 2014 with a notice period of six months by either of the parties.

4.2 Remuneration policy for Non-Executive Directors

The Company has no pecuniary relationship or transaction with its Non-Executive Directors other than payment of sitting fees to them for attending Board and Committee Meetings, payment of commission, which has been approved by the shareholders and payment of dividend on equity shares, if any, held by Directors in the Company. Independent Directors are paid a sitting fee of ₹ 20,000 for every meeting of the Board and ₹ 10,000 for every meeting of Audit

Committee and ₹ 5,000 per meeting for the Remuneration & Share Transfer/ Investors' Grievance Redressal Committee. The Independent Directors apart from receiving commission which is subject to approval of members do not have any material pecuniary relationships or transactions with the Company or its Promoters which may affect independence of the Director. Mr. D. C. Shroff is a Senior Partner of Crawford Bayley & Co., Solicitors and Advocates, who are rendering professional services to the Company. The Company has paid ₹ 8,032 as professional fees to Crawford Bayley & Co. during the year 2010.

The remuneration including commission payable to the Directors during the year under review was in conformity with the applicable provisions of the Companies Act, 1956, duly considered and approved by the Board and the members. The Company has accordingly provided for the commission to its Non-Executive Independent Directors in addition to sitting fees for the meetings of Board and Committee attended by them except in case of Mr. G. Donato, Mr. H. Lange, Mr. T. Sthen, Mr. V. Vartanian, Mr. T. Bertilsson and Mr. R. Makhija representing the SKF Group who do not draw any remuneration from the Company.

The details of the remuneration paid/ payable to other Non-Executive Directors are as under:-

Name of the Director	Sitting Fees ₹	Commission* ₹	Total ₹
Mr. K. C. Mehra	140,000	1,100,000	1,240,000
Mr. D. C. Shroff	205,000	950,000	1,155,000
Mr. N. J. Jhaveri	140,000	900,000	1,040,000

*payable subject to approval of annual accounts by the Shareholders at the forthcoming Annual General Meeting to be held on 3rd May, 2011.

5. Share Transfer / Investors' Grievance Redressal Committee

The Committee oversees all matters connected with the share transfer and monitors redressal of shareholder grievances and their resolution. The other matters being looked after by the Committee includes matters pertaining to transfer of shares, issue of share certificates etc. Each month a report is obtained from Registrar and Share Transfer Agent on correspondence / communication received from the shareholders. The Company follows the practice of inquiring from BSE / NSE regarding any pending shareholder's grievances. During the year, stock exchanges at the end of every quarter have confirmed that no such shareholder grievance pertaining to your Company is pending.

Corporate Governance Report (Continued)

The Board of Directors at its meeting held on 19th February, 2010 reconstituted the Share Transfer / Investors' Grievance Redressal Committee and appointed Mr. S. Joshipura as Member in place of Mr. R. Makhija. The composition of the Share Transfer / Investors' Grievance Redressal Committee is as under :-

Name of the Members	Category
Mr. K. C. Mehra	Non-Executive Independent
Mr. D. C. Shroff	Non-Executive Independent
Mr. S. Joshipura	Executive

The details of meetings attended by the Members during the year are as follows:-

Name of the Members	Category	No. of meetings attended
Mr. K. C. Mehra	Non-Executive Independent	05
Mr. D. C. Shroff*	Non-Executive Independent	12
Mr. S. Joshipura (w.e.f. 19.2.2010)	Executive	10
Mr. R. Makhija (Upto 19.2.2010)	Non-Executive Non Independent	-

* Mr. D. C. Shroff was elected as a Chairman of the Committee.

The Committee met 12 times during the year 2010. The dates on which the Share Transfer / Investors' Grievance Redressal Committee Meetings were held are as follows :

21st Jan, 2010	17th Feb, 2010	5th March, 2010
9th April, 2010	17th May, 2010	3rd June, 2010
6th July, 2010	2nd Aug, 2010	9th Sept, 2010
18th Oct, 2010	11th Nov, 2010	20th Dec, 2010

To expedite the process of physical transfer of shares, the Board has delegated the authority to Registrar & Share Transfer Agent for physical transfer of shares. The physical transfers of shares approved are ratified at the subsequent Share Transfer / Investors' Grievance Redressal Committee. Mr. P. Bhandari, Company Secretary acts as a Compliance Officer of the Company.

The detailed particulars of investors' queries handled by the Company and also by the Registrar during the year are given hereunder:

Particulars	Total Received	Total Replied	Total Pending
Non Receipt of Interest/ Dividend Warrants	335	334	1
Inquiry pertaining to Non Receipt of Shares sent for transfer	13	13	-
Inquiry on Dematerialisation of Shares	6	6	-
Name Correction	6	6	-
Letters Received From SEBI and other Statutory Bodies	2	2	-
Change of address requests updated	124	124	-
ECS/Mandate Registration requests	73	73	-
Loss of Shares	159	159	-
Request for Nomination Forms	4	4	-
Tax / Exemption Form / PAN related	1	1	-
Transmission of Securities	40	40	-
Exchange/Sub-Division of Old Shares	166	166	-
Dividend/Interest Queries including request for changes on live warrants	89	89	-
Document Registration	67	66	1
Others (Miscellaneous)	159	159	-
	1,244	1,242	2

1244 letters/complaints were received by the Company out of which 1242 letters/complaints were replied to the satisfaction of shareholders during the year under review. 2 Outstanding letters / complaints as on 31st December, 2010 have been attended by the 1st week of January, 2011.

3 requests for transfer and 4 requests for dematerialisation were pending for processing as on 31st December, 2010. The pending transfers have been processed by 5th January, 2011 and all pending dematerialisation requests have been processed by 6th January, 2011. The Committee expresses satisfaction with the Company's performance in dealing with the shareholders' grievances and its share transfer system.

6. General Body Meetings

Details of General Meetings:

Location, date and time of General Meetings held during the last three years:

Financial Year ended	Location of the meeting	AGM/ EGM	Date	Day	Time	Special Resolutions
31.12.2007	Y.B. Chavan Centre General Jagannath Bhosale Marg Opposite Mantralaya, Mumbai-21	AGM	23.4.08	Wed	3.30p.m	None
31.12.2008	M.C.Ghia Hall Bhogilal Hargovindas Building, 2 nd Floor, 18/20 K.Dubash Marg, Kala Ghoda, Mumbai-01.	AGM	23.4.09	Thur	3.00p.m.	None
31.12.2009	M.C. Ghia Hall Bhogilal Hargovindas Building, 2 nd Floor, 18/20 K.Dubash Marg, Kala Ghoda, Mumbai-01.	AGM	23.4.10	Fri	2.00p.m.	None

7. Disclosures

7.1 Related Party Transactions

The Company has not entered into any transactions of material nature, with its Promoters, the Directors, or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. The disclosure in respect of related party transactions is given in schedule of the notes to the accounts. All contracts with the affiliates entered into during the said period have no potential conflict with the interests of the company at

large and are carried out on arm's length basis at fair market value. The Company does not have any subsidiary company.

7.2 Accounting Treatment

The Company has complied with all applicable Accounting Standards in preparation of its financial statements.

7.3 Senior management of the Company make annual disclosures relating to all material financial and commercial transaction where they have personal interest, if any, that may have a potential conflict with the interest of the Company at large. During the previous year, no such transactions have been entered into where senior management of the Company had personal interest.

7.4 Compliances

The Company has complied with the requirements of Stock Exchanges, Securities and Exchange Board of India and other statutory authorities on matters relating to capital markets during the last three years and consequently no penalties or strictures have been imposed on the Company by these authorities.

7.5 Prevention of Insider Trading:

The Company has framed its Insider Trading Regulations wherein rules for the preservation of price sensitive information, pre-clearance of trade, monitoring and implementation of the code of conduct are framed. This code is applicable to all Directors and such employees of the Company who are expected to have access to unpublished price sensitive information relating to the Company. The rules prohibit purchase and /or sale of shares of the Company during certain prohibited periods.

Shares held by the Directors as at 31st December, 2010 are as under:

Name of Director	No. of shares held
Mr. K. C. Mehra	Nil
Mr. D. C. Shroff	20,000
Mr. N. J. Jhaveri	Nil
Mr. T. Sthen	Nil
Mr. T. Bertilsson	Nil
Mr. H. Lange	Nil
Mr. V. Vartanian	Nil
Mr. R. Makhija	Nil
Mr. S. Joshipura	Nil

There is no change in the shareholding of the Directors as compared to previous year.

Corporate Governance Report (Continued)

7.6 Code of Conduct

The Board of Directors has adopted the code of conduct for Directors and senior management and the same has been placed on the company's website. All board members and senior management personnel have affirmed compliance with the code of conduct for the current year.

8. Means of Communication

- The Company has over 25,000 shareholders. The main channel of communication to the shareholders is through annual report which includes inter alia, the Directors' Report, the Report on Corporate Governance and audited financial results. The Annual General Meeting is the principal forum for face-to-face communication with shareholders, where the board answers to specific queries of the shareholders.
- The quarterly/ half-yearly/annual results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and are published in one English daily newspaper and in one daily vernacular newspaper and are also posted on the Company's website. Printed copy of the Chairman's Speech is distributed to the shareholders at the Annual General Meeting.
- The Corporate Filing and Dissemination System (CFDS) portal jointly owned, managed and maintained by BSE and NSE is a single source to view information filed by listed companies. All disclosures and communications to BSE & NSE are filed electronically through CFDS portal and hard copies of the said disclosures and correspondences are also filed with the stock exchanges.
- The website of the Company www.skfindia.com acts as the primary source of information regarding the operations of the Company. Quarterly financial results & media releases are displayed on the Company's website. A presentation on annual performance of the Company was made to analysts and institutional investors during the year.
- The Management Discussion and Analysis Report forms part of this annual report.

9. General Shareholder Information

9.1 Annual General Meeting

Day, Date and Time: Tuesday, May 3, 2011 at 2.30 p.m.

9.2 Venue:

M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400 001.

9.3 Financial Calendar

The Company follows January–December as its financial year. The results for every quarter are published in the month following the quarter except for the quarter October–December, for which the audited results are published in the month of February as permitted under the Listing Agreement.

9.4 Date of Book Closure

Wednesday, 27th April, 2011 to Tuesday, 3rd May, 2011 (both days inclusive)

9.5 Dividend payment date

After 3rd May, 2011

9.6 Registered Office

Mahatma Gandhi Memorial Building, Netaji Subhash Road, Mumbai – 400 002.

9.7 Listing of Equity Shares on Stock Exchanges

The Company's shares were listed on 7th May 1962 on the Bombay Stock Exchange Limited. Equity Shares of the Company are presently listed on the following Stock Exchanges:

Bombay Stock Exchange Limited	National Stock Exchange of India Ltd.
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.	Exchange Plaza, Plot No.C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

2,488 shares kept in abeyance as per Bombay Stock Exchange directives at the time of rights issue in November 2001, shall be listed as and when allotted based on applications received from the shareholders.

The Company has paid the listing fees for the period April 1, 2010 to March 31, 2011 to both the Stock Exchanges where the shares of the Company are listed.

9.8 Stock Code

Bombay Stock Exchange Limited – BSE SC-CODE 500472

National Stock Exchange – NSE Symbol – SKFINDIA EQ

Securities ISIN nos. with NSDL and CDSL

Equity Shares : INE640A01023

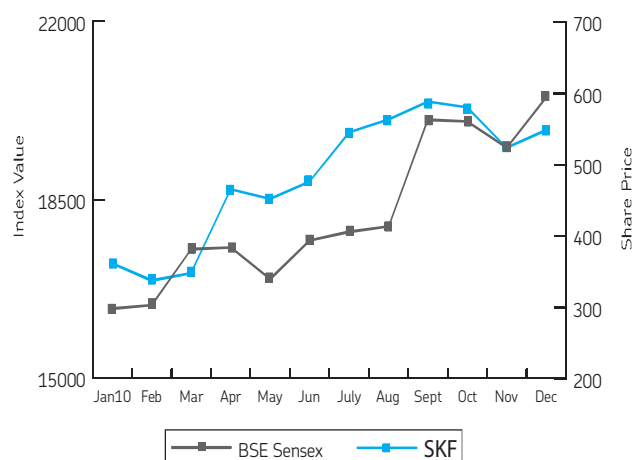
9.9 Stock Price Data

Month	Bombay Stock Exchange		National Stock Exchange		Indices: Sensex	
	High	Low	High	Low	High	Low
Jan 2010	395.00	350.10	394.80	350.00	17,790.33	15,982.96
Feb 2010	373.75	318.20	373.70	317.10	16,669.25	15,651.99
March 2010	372.00	337.35	374.80	335.00	17,793.01	16,438.45
April 2010	495.00	350.95	496.00	351.00	18,047.86	17,276.80
May 2010	488.90	418.15	488.00	416.15	17,536.86	15,960.15
June 2010	503.70	434.00	502.95	432.85	17,919.62	16,318.39
July 2010	558.00	458.15	557.80	461.50	18,237.56	17,395.58
August 2010	594.95	541.00	595.00	535.00	18,475.27	17,819.99
September 2010	630.00	558.00	628.70	547.00	20,267.98	18,027.12
October 2010	610.00	547.05	610.00	547.10	20,854.55	19,768.96
November 2010	598.00	518.00	603.00	517.00	21,108.64	18,954.82
December 2010	568.00	518.00	569.00	516.30	20,552.03	19,074.57

9.10 Performance in comparison with BSE SENSEX

Performance of the Company's Share Price in comparison to the BSE SENSEX is given below:

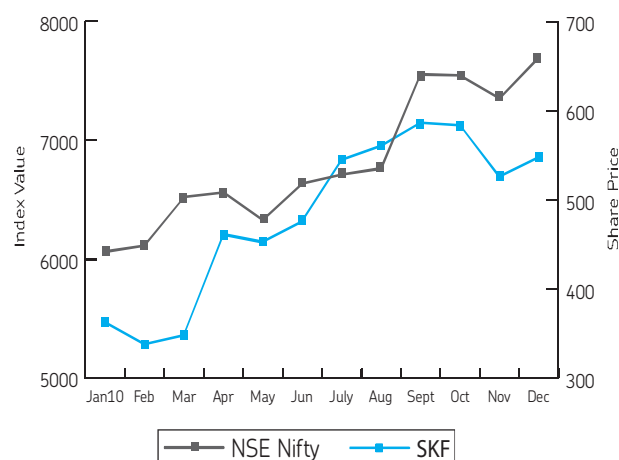
Relative Performance of SKF India Limited



9.11 Performance in comparison with NSE NIFTY

Performance of the Company's Share Price in comparison to the NSE NIFTY is given below:

Relative Performance of SKF India Limited



Corporate Governance Report (Continued)

9.12 Share Transfer System

Presently, the share transfers received in physical form are processed and the share certificates are returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

Distribution of shareholding as on 31st December, 2010

No. of Equity shares	No. of share-holders	% of share-holders	No. of shares	% of share-holding
1 to 500	22,916	88.25	2,749,593	5.21
501 to 1000	1,673	6.44	1,241,754	2.36
1001 to 2000	807	3.11	1,160,331	2.20
2001 to 3000	209	0.80	505,964	0.96
3001 to 4000	107	0.41	387,411	0.74
4001 to 5000	54	0.21	248,320	0.47
5001 to 10000	93	0.36	671,442	1.27
10001 and above	110	0.42	45,767,723	86.79
	25,969	100.00	52,732,538	100.00

Category of shareholders	No. of shareholders	% of Voting strength	No. of shares held
Foreign Holding (FILs, OCBs & NRIs)	618	14.38	7,580,522
FIs, Insurance Companies & Banks	47	3.97	2,095,368
Other Corporate Bodies	744	2.92	1,537,450
Promoters	3	53.58	28,254,568
Directors	1	0.04	20,000
Mutual Funds	37	12.01	6,333,600
Others	24,519	13.10	6,911,030
Total	25,969	100.00	52,732,538

GDRs/ ADRs etc:

There are no outstanding GDRs / ADRs / Warrants or any other convertible instruments which are likely to impact the equity capital of the Company.

9.13 Plant Locations

- Chinchwad, Taluka Haveli, Pune - 411 033, Maharashtra

- Plot 2, Bommasandra Industrial Area, Hosur Road, Bengaluru - 560 099, Karnataka
- Plot No 2, Industrial Park II, Salempur- Mehdood, Haridwar - 249402

Address for correspondence

Compliance Officer

Mr. P. Bhandari, Company Secretary
SKF India Limited
Mahatma Gandhi Memorial Building,
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Registrars and Share Transfer Agents:

TSR Darashaw Limited
6-10 Haji Moosa Patrawala Industrial Estate,
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Tel. : + 91 22 66568484
Fax : + 91 22 66568496
E-mail : csg-unit@tsrdarashaw.com

Dedicated email id for investors: The Company has designated an exclusive email id for investors i.e. investors@skf.com

All queries for shares held in physical form only should be forwarded to registrar & share transfer agents at the above mentioned address. For any assistance from the Company, members may contact Ms. Dilnavaz Gulestani, Assistant Manager - Legal & Secretarial at the registered office of the Company. The Company periodically reviews the operations of share transfer agents and an independent audit/ verification is carried out by a qualified professional for efficiency and effectiveness of services at regular intervals. A qualified practicing Company Secretary carried out Reconciliation of Share Capital Audit confirming that total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with depositories.

10 Other Information for Shareholders

10.1 As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, the Company has transferred all unclaimed equity dividends up to the financial year 2002 to the General Revenue Account of the Central Government. Members who have so far not claimed or collected their dividend for the said financial year(s), may claim the same from the Registrar of Companies, Maharashtra by submitting an application in the prescribed form.

In terms of the amended provisions of Section 205C of the Companies Act, 1956 the Company is obliged to transfer dividends which remain unpaid or unclaimed for a period of seven years (from the date of the transfer into the Unpaid Dividend Account) to the credit of the Investor Education and Protection Fund (the Fund) established by the Central Government. Accordingly, the Company has transferred unpaid/unclaimed dividend up to the financial year 2003 to the Fund and no claim shall lie against the Company or the Fund in respect of dividends remaining unclaimed or unpaid and transferred to the Fund. Members who have not yet encashed their dividend warrants for the years 2004 to 2010 may approach the Company for revalidation / issue of duplicate dividend warrants as the unpaid/unclaimed dividends for the aforesaid financial years are required to be transferred to the Investor Education & Protection Fund (IEPF) constituted by the Central Government under Section 205C of the Companies Act, 1956 after seven years from the date of declaration.

Details of unpaid dividend

Financial Year	As on 31.12.2010 (₹)
2004	757,640
2005	687,621
2006	1,079,708
2007	1,335,173
2008	1,867,827
2009	1,542,756
2010	1,677,816

- 10.2. Equity Shares of the Company are under compulsory demat trading by all investors with effect from 31st May, 1999. Considering the advantages of scripless trading, shareholders are requested to consider dematerialisation of their shareholding if not already done so as to avoid inconvenience in future.
- 10.3. Members/Beneficial Owners are requested to quote their Folio Nos./DP & Client ID Nos., as the case may be, in all correspondence with the Company.
- 10.4. The dividend is paid under two modes i.e. National Electronic Clearing Services (NECS) and Physical dispatch of Dividend Warrant. NECS facility is a centralized version of ECS facility. The NECS system takes advantage of the

centralized accounting system in banks. Accordingly, the account of a bank that is submitting or receiving payment instructions is debited or credited centrally at Mumbai. The branches participating in NECS can, however, be located anywhere across the length and breadth of the country. NECS has no restriction of centres or of any geographical area inside the country.

11.0 Compliance under Non-Mandatory Requirement of Clause 49

The Company complied with all the mandatory requirements and has adopted non-mandatory requirement as per details given below:

- Remuneration Committee: The Company has constituted Remuneration committee as detailed in para 4 herein above.
- Shareholders' Rights: The quarterly and half yearly results are published in the newspaper and also displayed on the website of the Company. The results are not separately circulated to the shareholders.
- Audit Qualifications: The auditors have not qualified the financial statements of the Company.
- Training of Board Members: The Directors are facilitated to get familiar with the Company functions at the operational levels. Periodic presentations are made at the Board and other Meetings on business and performance updates of the Company, business environment, business strategy and risks involved. Periodic updates and programs for Board members are also conducted on relevant statutory changes and laws.
- Whistle Blower Policy: The Company follows Group Whistle Blower Policy wherein employees aware of any alleged wrongful conduct are encouraged to make a report directly at the Group level. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

For and on behalf of the Board
SKF India Limited

Pune
February 23, 2011

K.C. Mehra
Chairman

Certificate

To,

The Members of SKF India Limited

We have examined the compliance of conditions of Corporate Governance by SKF India Limited ('the Company') for the year ended 31 December, 2010 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our knowledge and according to the information and explanations given to us, we certify that

the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For B S R & Associates
Chartered Accountants
Firm Regn. No.-116231W

Bhavesh Dhupelia
Partner
Membership No.: 042070

Pune
23 February 2011

Declaration regarding Compliance by Board Members and Senior Management Personnel with the Company's Code of Conduct

This is to confirm that the Company has adopted a Code of Conduct for all Board Members and Senior Management and the same has been placed on the Company's web site. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct in respect of the financial year ended 31st December, 2010.

Pune
February 23, 2011

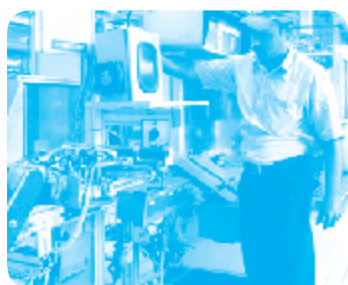
Shishir Joshipura
Managing Director/CEO

Management Discussion and Analysis

Industry structure & development

The Indian bearing market comprising ball and roller bearings is estimated to be ₹ 66 billion in size. The Industry structure can broadly be classified into the organised sector and the unorganised sector. The organized bearing sector contributes close to 65% of the total market size. Of the total domestic demand, almost 35% is met through the imports route.

The bearings industry can further be classified based on the rolling element used in the bearings into basic bearing family categories like deep groove ball bearings, tapered roller bearings, cylindrical roller bearings, spherical roller bearings, needle roller bearings etc.



Leveraging its approach of knowledge engineering, SKF India provides solutions across five platforms namely Bearings and units, Seals, Mechatronics, Services and Lubrication Systems, to a wide spectrum of industries to help customers become more efficient, competitive and ultimately more profitable.

and other special bearings for special applications. Ball bearings are the most widely used bearings, constituting a significant segment of the market followed by the Tapered Roller bearings. The major users of bearings in India are Original Equipment Manufacturers (OEMs). The automobile segment consumes the largest share of bearings, followed by the industrial sector. Bearings are used in many user industry segments such as Automobile, Agriculture machinery, Defense, General engineering, Infrastructure - Cement, Off-Road vehicles, Power, Railways, Steel, Machine tools, to name a few.

Building on the strong foundation and global experience of its parent company, SKF India has emerged as a key player in the Indian Industry and enjoys market leadership position. Leveraging its approach of knowledge engineering, SKF India provides solutions across five platforms namely Bearings and units, Seals, Mechatronics, Services and Lubrication Systems, to a wide spectrum of industries to help customers become more efficient, competitive and ultimately more profitable.

Opportunities

In 2010, the Indian economy rebounded robustly from the global financial crisis in large part because of the strong domestic demand reflected in GDP growth of over 8.5% (advance estimate) in 2010. By all estimates the growth is expected to sustain its momentum

over the next five year horizon. The economy has emerged from the slowdown caused by the global crisis with remarkable rapidity. Now that growth is firmly in place, fiscal consolidation is progressing rapidly, and monetary policy has reverted to a stronger focus on moderating inflationary pressures, while ensuring adequate liquidity and credit growth.

This growth is also broad based as agriculture is rebounding, manufacturing continues its momentum, and private services is picking up. Fundamentals are continuing to improve on the back of strong domestic savings, improving exports, and increasing domestic demand for goods and services.

Automotive sector

India is one of the fastest growing automotive markets in the world, and it is already the second largest two-wheeler manufacturer globally. It has already emerged as the 'small car capital' of the world, and the car market is expected to grow at a steady pace. India is expected to become the fourth largest passenger vehicle market in the next three years, from the current seventh position. Global truck makers too are looking at the huge potential offered by India.

Supported by a favourable economic scenario, the automotive segment registered strong recovery across all segments during 2010. As per the future estimates projected by Society of Indian Automobile Manufacturers (SIAM), strong outlook for the sector growth is projected in 2011, buoyed by continued growth in the economy, industrial production and rising disposable income of the expanding middle class households.

Despite the hardening interest rates for auto loans, rising fuel price and inflationary pressure from the economy, industry analysts expect double digit growth. Many new launches of next generation platforms are planned by various OEMs during 2011, which will help in expanding the size of the market. Also, with the continued recovery of the automotive market, opportunities for exports from Indian manufacturers will increase, both for finished automobiles as well as auto components.

The continued capacity expansion by major OEMs, in line with market demand, will continue to encourage auto component manufacturers to invest in new capacities and expand operations. We expect the automotive industry to continue to be the highest consumer of bearings. Looking at the expanding demand horizon, various bearing manufacturers have also announced expansion plans. At SKF India, we have undertaken our own capacity expansion programme and we will continue to invest in line with the opportunities in the future.

Industrial sector

Domestic industrial activity witnessed a sustained improvement during 2010 as is evident from the strong IIP figures reported and is expected to continue to grow at a robust growth rate. Growth across the country's core sectors (comprising six key infrastructure industries) accelerated by 5.3% in 2010 over the corresponding period last year. As per the Planning Commission report, the projected investment in infrastructure is expected to double to US\$ 1 trillion in the 12th Five Year Plan. The increased infrastructure spending by the Government coupled with the commencement of capacity expansion plans that were deferred due to liquidity crunch & economic slowdown has led to resumption in domestic investment activity.

The growth in the manufacturing sector is expected to be at the back of investment in infrastructure where investments in road, railways and power generation will result in a multiplier effect across various core sectors of cement, steel, equipment, machinery, etc. This increase will translate into increased demand for industrial bearings, lubricants, seals, etc.

Seeing the opportunity outlook, several leading players across the bearings industry have initiated expansion plans. The Indian market potential, over the long run, has also caught the attention of world-renowned Japanese bearing majors, some of whom are expected to foray into the Indian market in the coming years.

Leveraging our global experience and know-how, we will continue to offer a wide range of products and knowledge solutions to these sectors. We will use every opportunity to leverage our competitive strengths – of an established and creditable brand, focused knowledge engineering approach to the business, technology leadership, pan India distribution network, our ability to offer value-added solutions and excellent logistics – to our advantage. Going ahead, we shall further develop our delivery capabilities to match customer growth plans, expand strategic reach in emerging markets, get closer to customers through value-added products delivered with speed and build a reliable supplier base.

Threats

A key threat to the industry emanates from volatile commodity prices. Steel and alloy steel form the basic material for the manufacture of bearings and constitute the single largest component of bearing cost. Globally, commodity prices have started to firm up after a brief period of relatively steady prices. Due to input cost pressures, and improving demand for steel from various sectors, steel prices have continued to remain firm. This, coupled with rise in borrowing cost

due to higher interest rates, could impact the growth of the user industries.

Automotive sector is perceived as a strong cyclical industry. Its

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performance is often a lead indicator for the macro-economy. The automotive sector, which is the major consumer of bearings, is very sensitive to factors like commodity raw material input pricing (metal, plastic), interest rates (most sales are financed and the auto business has high working capital needs), fuel pricing, etc. Continued unfavourable developments on these cost points coupled with limited ability of the industry to pass on increases to customers may lead to correction in demand.

Stringent emission norms along with demand for higher energy efficiency will call for investment in new technology, R & D and even new production facilities.

Cheap low quality imports pose a major challenge to both, domestic bearings customers and producers. Many of these imported bearings are sold in the market as spurious bearings, taking advantage of the lack of awareness among customers. Countries are resorting to subsidising their export-oriented industries which may prove to be a big threat for the domestic bearings industry. The pricing and demand-supply gap have also prompted customers to opt for cheaper imported options.

Spurious product supplies of inferior quality, which are unsafe and unreliable, continue to attract the price-conscious replacement market. Ball bearings are the most widely counterfeited products and constitute majority of the total counterfeit bearings market. With the accelerated reduction in customs duty over the years, this activity has acquired significant dimension.

Increasing competition from new entrants, increased demand for localised production and supply chain readiness for growth are other major challenges that we may face going ahead.

SKF India is geared to meet the challenges and is working to mitigate

the risks posed by these threats. The Company is leveraging its Group's global purchasing power to manage the input cost better. We continue to develop value added solutions for the automobile sector while diversifying our presence in equal measure to the fast growing industrial sector. We are also investing in improving customer awareness of energy efficient products and making the same available to the market. War on spurious is a well focused activity and extends from educating users to creating deterrent measures by partnering with the law enforcing agencies in the market, while continuously evolving technologically advanced solutions.

Outlook

In the long-term, the Indian economy is projected to grow rapidly and demand conditions are expected to remain strong. Amid growing demand in the industrial and automotive sectors, organisations are taking the crucial call to invest in new production lines, with their existing plants running at near full capacities. The demand is sustainable, if one looks at the penetration levels in automobiles, which are very low in the country.

India will continue to grow, and will continue to build more roads, ports, airports and power plants, and other infrastructure, causing equipment makers and engineering companies to benefit from this.

In the near term, higher commodity prices, rising interest rate and inflation, removal of government incentives and stringent emission norms may dampen demand.

Infrastructure has been the focal point in various Government programmes. The liberal allocation for infrastructure and initiatives taken by the Government are expected to give a fillip to all-round economic growth in the medium term.

As the diverse demand of consumers for better and improved products grows, and product liability & safety issues get more

stringent, a qualitative leap in the performance of bearings will be required. Meeting these two requirements competitively will be the key challenge in the future. In many applications, bearings are the limiting factor in increasing the power density of the equipment. Bearings are also one of the first components to get damaged. Hence, working with customers and helping them make optimum design choices is an important customer expectation now.

As we embark on the next phase of our journey, we commit ourselves to our values of technology and innovation leadership, with our customers being at the heart of our existence. We are well-positioned to take on the future towards delivering greater customer value.

Our core approach to provide customers superior solutions and higher value through innovation in products and services will further help us become the preferred supplier in all the business segments. Innovation and constant technology upgradation from the Group will continue to enhance our competitive edge, and enable our business to move up the value chain and ensure that SKF India is well-positioned in the future.

Risks and concerns

Like any other business, the bearings business also is exposed to generic and specific industry risks. Macro concerns regarding inflation, fiscal and current account deficit could lead to significant multiple compressions from the current levels.

The infrastructure constraints if not effectively addressed can worsen and could become an impediment to economic growth. Though the Government has identified infrastructure, as a major focus area inability to build and expand critical infrastructure investment could be an area of concern.

The risks to the business also arise from volatility in capital inflows, higher interest rate and inflation shocks.

Over the past decade, the recurring failure of WTO to have trade agreement among members prompted India to enter into a raft of Free Trade Agreements (FTAs) with other countries. While some of these trade pacts have brought in the intended benefits, like increased trade volumes as well as enhanced investment flow, these agreements have their own pitfalls.

A recent study by FICCI on the import of auto components has revealed that India has been experiencing a significantly widening trade deficit in the automotive component for the past five years. The total imports of



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auto components have increased almost three times. Imports were nearly one-fourth of the domestic production in 2004-05, but the ratio has now increased to one-third.

The automotive segment, being the biggest consumer of bearings, will bear the brunt of the negative impact of FTAs. If the current trend continues, the share of imports in the domestic market will increase from the current 30% to 40% in 2012-13, as per the FICCI study. The FTAs could impact the industry's plans to achieve the targeted size of US\$ 40-45 billion in the auto components industry by 2016 under the Automotive Mission Plan announced in 2006.

At SKF India, we have in place an Enterprise-wide Risk Management (ERM) framework, which helps in identification, assessment, measurement, monitoring, mitigation and reporting of all risks associated with the activities conducted by the Company. The risk management system is spearheaded by the Finance Director. The central ERM team coordinates with each business unit and function. These units / functions are the primary source for risk identification.

The Company's risk management process endeavours to:

- Assess existing risk management measures,
- Monitor movement in existing risks,
- Identify, assess, define measures to respond to the new risks and
- Escalate new risks, report risk management measures to the Board on a periodic basis.

Mitigation plans for the key 'business risks' are identified with timelines and owners. The responsibility for risk mitigation lies with the risk owners; the ERM team oversees the mitigation process through periodic reviews.

Internal control systems and their adequacy

We have a comprehensive system of internal controls, with the objective of safeguarding the Company's assets, ensuring that transactions are properly authorised and providing assurance on integrity, objectivity and reliability of financial information. The management of SKF India duly considers and takes appropriate action on recommendations made by the statutory auditors and internal auditors.

Internal Audit function develops an Annual Audit Plan, based on the risk profile of business processes of various functions, and the audit

activities are undertaken accordingly. The Audit Plan is approved by the Audit Committee, which regularly reviews compliance to the plan. The scope of the audit is designed for assessing and improving controls, efficiency, and is communicated to the concern process owners.

During the year, the Audit Committee met regularly to review the reports submitted by the Internal Audit Function. All significant audit observations, and follow-up actions thereon, were reported to the Audit Committee. SKF India has well documented control

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descriptions and standard operating procedures specific to each transaction flow, which are documented in the form of SKF Internal Control Standard (SICS). These controls are further classified into various risk categories - high, medium and low. During the year, all controls defined as high risk, and some of the medium risks, were tested by an external auditor. The standards are designed to provide a reasonable minimum assurance regarding safeguarding of assets and reliability of operating & financial information.

The Internal Audit Function assesses opportunities for improvement in processes, systems & controls, provides recommendations, after review by the senior management and Audit Committee. The Internal Audit functions closely with the external auditors. It provides independent, objective and reasonable assurance of the adequacy and effectiveness of the organisation's risk management, control and governance processes. The effectiveness of the internal controls is continuously monitored by the Audit Committee. The follow-up on the implementation of corrective actions, arising out of previous audit findings in the form of status report, is presented to the Audit Committee in every meeting.

SKF India has well-defined delegation of powers, with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing the annual business plan have been laid down. The Company has established a process for legal compliance, wherein, after every 3 years, a compliance audit is carried out by an external legal firm. During the year, a full legal compliance audit, covering all manufacturing facilities along with

branches and distribution centers, was carried out. No major non-compliance was reported by the external auditor. This compliance audit provides assurance to the management that the Company is regularly complying with the laws of the land.

Financial and segment performance

SKF India operates in a single segment, namely in bearings and related components, which are used in a wide range of applications across industries.

The Company continued to enjoy leadership position in terms of market share among the domestic organised sector. During the year under review, domestic revenue of the Company was up by 30%, and exports sales were higher by 61%. The share of export in the total sales was higher at 8%, as compared to 7% in the previous year.

In this year of all round economic growth, SKF India has achieved credible financial results. Our sales continued to develop very positively, driven by strong performance in our Automotive Division, and a continued healthy development in our Industrial Division. The Company focused on deeper customer relationships and improved its value proposition to the customers, resulting in growth in volume. The continued focus on engineering solutions for customers is helping us maintain our position as the market leader.

The rapid recovery of the growth momentum in the year 2010 was comforting. A couple of concerns emerged which will need careful monitoring over the next few quarters namely inflation and economic fall outs of changing geo-political situation across the globe. An immediate fallout of the global development is the volatility in the commodity prices and the resultant pressures on margins. The continued rise in interest rates as a measure for battling inflation could impede the growth.

SKF India has laid the foundation for growth with several building blocks during 2010 which will help achieve its strategic goals –

- New factory at Haridwar to meet growing demand for auto sector
- Solution factory at Pune to offer value added solutions to our customers
- Sourcing domestically large industrial bearings for our industrial business

We have benefited from the investment made last year at Haridwar which continued to make progress towards achieving its installed capacity. We have also made investments in enhancing capacities in the Bengaluru facility while continuing our focus on productivity improvement measures across all plants.

Human resources

In today's rapidly changing business environment, the organisation that is efficient and effective wins. The employees of our Company are the engine that drives it forward. People always have been, and shall continue to be, central to SKF's growth story. At SKF India, we put great emphasis on creating amicable working conditions and efficient work spaces for our personnel. The result is high efficiency, timely delivery and an atmosphere of cheerful bonhomie. During the year, the Company has continued several successful programmes and initiated a number of new programmes to enhance

employee motivation, satisfaction and growth. Some of the employee-focused initiatives included:

- Enabling growth through mentoring programmes and 'Disha' programme for pursuing higher studies
- Facilitating the communication process through open forums for employees with senior management
- Conducting 'Leadership Development Programme' to groom employees and help them gain valuable insights into the leadership roles they may be asked to assume in future



SKF India achieved a significant milestone as its Sales surpassed the ₹ 20 billion mark reflecting the leadership position of the Company.

SKF India achieved a significant milestone as its Sales surpassed the ₹ 20 billion mark reflecting the leadership position of the Company. As a manifestation of strong intrinsic value, the Revenue growth was translated into higher profitability growth on the back of strong customer relationship and higher value offerings. Operating profits (EBIT) grew to ₹ 2,460.9 million from ₹ 1,307.0 million over the last year. Operating margin stood at 11.9% for 2010 up from 8.3% in the previous year. Profit after tax increased to ₹ 1,770.2 million, a growth of 88% over 2009. Our Earnings per share for the year was ₹ 33.6.

- Conducting product, customer service and other training programmes based on individual competency mapping
- Organising family connect programmes to bring families together and establish a bond between the Company and the families of employees

Learning and development on a continuous basis plays a key role across the entire life cycle of the individual. During the year, SKF India continued to invest in managerial and technical capabilities for the development of its employees through various training programmes. Employees were encouraged to participate in Six Sigma Black Belt and Green Belt projects for self development (The Company was awarded Best Six Sigma Project in the national convention of CII).The Company runs a 'Learning Centre' at its Pune facility. The centre conducts global training programmes with renowned international faculty. In the year 2010, employees were provided with training towards their competency development, including training in thrust technology areas.

SKF India aspires to create a congenial environment which drives excellence and nurtures personal growth. The Company's intent is to work towards creating a culture which encourages and promotes innovation, both at an organisational level and at the individual level. SKF India is focused on being the preferred employer of choice for its existing employees, as also for the talent it wishes to attract to support its future growth.

The year 2010 was yet another year of industrial harmony and peace. A four-year wage settlement agreement at SKF factory in Bengaluru was signed during the year. As at the end of the year, there were 2,107 employees on your Company's rolls.

Cautionary statement

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable laws and regulations. These statements are based on certain assumptions and expectations

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of future events. Actual results could differ materially from those expressed or implied, since the company's operations are influenced by many external and internal factors beyond the control of the Company. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events. Readers are cautioned that the risks outlined here are not exhaustive. Readers are requested to exercise their own judgment in assessing the risks associated with the Company.

For and on behalf of the Board
SKF India Limited
K.C. Mehra
Chairman

Pune, February 23, 2011

Auditors' Report

To the Members of SKF India Limited

1. We have audited the attached Balance Sheet of SKF India Limited ('the Company') as at 31 December 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) on the basis of written representations received from the directors of the Company as at 31 December 2010 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 December 2010 from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act 1956; and
 - (f) in our opinion, and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2010;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For B S R & Associates
Chartered Accountants
Firm Regn. No.-116231W

Bhavesh Dhupelia
Partner
Membership No.: 042070

Pune
February 23, 2011

Annexure to the Auditors' Report

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on verification between the physical fixed assets and the book records were not material and were properly dealt in the books of account.
- (c) Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory, except goods-in-transit, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

ANNEXURE TO THE AUDITORS' REPORT (Continued)

(Referred to in our report of even date)

- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material and were properly dealt with in the books of accounts.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods sold and services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotation, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, except for purchases of certain items of inventories, fixed assets and services which are for the Company's specialised requirements and similarly for sale of certain goods and rendering of services which are for the specialised requirements of the buyers and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
- (vi) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder/the directives issued by the Reserve Bank of India (as applicable) with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 in respect of manufacture of bearings, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 December 2010 for a period of more than six months from the date they became payable.
- There were no dues on account of cess under section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.
- (b) According to the information and explanations given to us, the following dues of Income-tax/Sales tax/Wealth tax/Service tax/Customs duty/Excise duty/Cess (as appropriate) have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of the Dues	Amount (₹ Million)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	5.1	AY 2006-2007	CIT (A)
Income Tax Act, 1961	Income Tax	9.3	AY 2007-2008	CIT(A)
Tamil Nadu Value Added Tax Act	Value Added Tax	1.2	2005 - 2006	Commercial tax officer
Maharashtra Sales Tax Act, 1958	Sales Tax	1.1	2002 - 2003	Maharashtra Sales Tax Tribunal
Delhi Sales Tax Act	Sales Tax	1.3	2005-2006	Objection Authority Department of Trade & Taxes, New Delhi
West Bengal Sales Tax Act	Sales Tax	2.4	2006-2007	Commissioner (Appeals)
Karnataka Sales Tax	Sales Tax	0.3*	2003-2004	Karnataka Appellate Tribunal
Karnataka Value Added Tax	Central Sales Tax	1.2*	2005-2006	Commissioner Appeals
Karnataka Sales Tax	Sales Tax	2.7*	2006-2007	Commissioner Appeals
Karnataka Sales Tax	Sales Tax	1.3*	2008-2009	Commissioner Appeals
Karnataka Value Added Tax	VAT	1.4*	2006-2007	Joint Commissioner of Commercial Taxes (Appeals)
Central Excise Act, 1944	Excise Duty	2.6	1999-2000	CESTAT
Central Excise Act, 1944	Excise Duty	1.6	1997-1998	CESTAT
Central Excise Act, 1944	Excise Duty	4.9*	1995	CESTAT
Finance Act, 1994	Service tax	1.3	1997-2000	CESTAT
Finance Act, 1994	Service Tax	14.3	2006-2008	CESTAT
Finance Act, 1994	Service Tax	0.1	2008-2009	CESTAT
Finance Act, 1994	Service Tax	0.7	2005-2006	Commissioner Appeals

* Amount paid under protest

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of
- the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For B S R & Associates
Chartered Accountants
Firm Regn No.: 116231W

Bhavesh Dhupelia
Partner
Membership No: 042070

Pune
February 23, 2011

Balance Sheet as at December 31, 2010

(₹ in Million)

	Schedule	December 31, 2010	December 31, 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	527.3	527.3
Reserves and Surplus	2	7,959.8	6,620.0
		8,487.1	7,147.3
Loan Funds			
Unsecured Loans	3	0.1	1.0
		0.1	1.0
Deferred Tax Liability (Net)	4	30.0	-
TOTAL		8,517.2	7,148.3
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	8,112.9	7,142.2
Less: Depreciation and Impairment		5,279.0	5,125.5
Net Block		2,833.9	2,016.7
Capital Work-in-Progress (Including Capital Advances)		359.1	551.0
Deferred Tax Asset (Net)	6	-	8.4
Current Assets, Loans and Advances			
Inventories	7	2,417.2	1,820.4
Sundry Debtors		2,711.1	2,162.9
Cash and Bank Balances		2,119.1	2,892.6
Loans and Advances		2,338.5	1,359.9
		9,585.9	8,235.8
Less : Current Liabilities and Provisions			
Current Liabilities	8	3,301.7	3,026.0
Provisions		960.0	637.6
		4,261.7	3,663.6
Net Current Assets		5,324.2	4,572.2
TOTAL		8,517.2	7,148.3

Significant Accounting Policies and Notes to the Financial Statements 14
The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

For B S R & Associates
Chartered Accountants
Firm Regn. No. 116231W

Bhavesh Dhupelia
Partner
Membership No. 042070

Pune, February 23, 2011

For and on behalf of the Board,

K. C. Mehra
Chairman

Shishir Joshipura
Managing Director

N. J. Jhaveri
T. Sthen
T. Bertilsson
V. Vartanian

D. C. Shroff
Rakesh Makhija
Henrik Lange

Directors

P. Bhandari
Company Secretary

Pune, February 23, 2011



Profit and Loss Account for the year ended December 31, 2010

(₹ in Million)

	Schedule	Year ended December 31, 2010	Year ended December 31, 2009
INCOME			
Sales and Services	9	21,930.4	16,647.3
Less: Excise Duty		1,246.3	938.0
Net Sales and Services		20,684.1	15,709.3
Other Operating and Miscellaneous Income	10	247.6	131.2
		20,931.7	15,840.5
EXPENDITURE			
Manufacturing and Other Expenses	11	18,137.4	14,243.7
Depreciation / Amortisation	5	333.4	289.8
		18,470.8	14,533.5
PROFIT BEFORE INTEREST AND TAX			
Financial Income	12	(207.4)	(131.6)
Financial Expenses	13	7.6	7.6
PROFIT BEFORE TAX			
Provision for Taxation		2,660.7	1,431.0
- Current Tax - Net (refer Note 17 of Schedule 14)		852.1	519.5
- Deferred Tax - Net (refer Note 17 of Schedule 14)		38.4	(31.1)
- Fringe Benefit Tax - Net (refer Note 17 of Schedule 14)		-	0.1
NET PROFIT AFTER TAX			
Balance brought forward from previous year		1,770.2	942.5
		3,840.2	3,238.7
PROFIT AVAILABLE FOR APPROPRIATION			
APPROPRIATIONS			
Proposed dividend		369.1	210.9
Tax on proposed dividend		61.3	35.8
Transfer to General Reserve		1,000.0	94.3
Balance carried to Balance Sheet		4,180.0	3,840.2
		5,610.4	4,181.2
Earning Per Share (₹) (refer Note 22 of Schedule 14)			
- Basic and Diluted		33.6	17.9
Nominal Value of Equity Shares (₹)		10.0	10.0
Significant Accounting Policies and Notes to the Financial Statements 14			
The schedules referred to above form an integral part of the Profit and Loss Account			

As per our report attached

For B S R & Associates
Chartered Accountants
Firm Regn. No. 116231W

Bhavesh Dhupelia
Partner
Membership No. 042070

Pune, February 23, 2011

For and on behalf of the Board,

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Directors

P. Bhandari
Company Secretary

Pune, February 23, 2011

Cash Flow for the year ended December 31, 2010

(₹ in Million)

	Year ended December 31, 2010	Year ended December 31, 2009
A. Cash flow from Operating Activities		
Profit before tax	2,660.7	1,431.0
Adjusted for :		
Depreciation / Amortisation	333.4	289.8
Net Profit on sale of Fixed Assets	(37.3)	(5.8)
Financial (Income) / Expense	(199.8)	(131.6)
Unrealised foreign exchange loss/(gain) (net)	13.8	(7.1)
	110.1	145.3
Operating Profit before working capital changes	2,770.8	1,576.3
Adjusted for :		
Inventories	(596.8)	424.5
Trade Receivables	(548.2)	(12.4)
Other Receivables	(110.8)	165.3
Trade Payables	229.0	604.4
Other Payables	161.3	64.1
	(865.5)	1,245.9
Cash generated from operations	1,905.3	2,822.2
Direct taxes paid (net of refunds)	(758.4)	(547.3)
Net cash flow from Operating Activities (A)	1,146.9	2,274.9
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(968.0)	(551.2)
Sale of Fixed Assets	46.5	86.1
Interest Earned	120.3	105.6
Interest Earned on Inter Corporate Loan	59.4	7.9
Inter Corporate Loan	(910.0)	(685.0)
Net cash used in Investing Activities (B)	(1,651.8)	(1,036.6)
C. Cash flow from Financing Activities		
Repayment of Borrowings	(0.9)	(0.5)
Financial Income	-	4.3
Financial Expense	(7.6)	0.1
Dividend paid (including tax on distributed profits)	(246.3)	(276.0)
Net cash used in Financing Activities (C)	(254.8)	(272.1)
Net changes in Cash and Cash Equivalents (A+B+C)	(759.7)	966.2
Cash and Cash Equivalents at beginning of the year * (net of foreign exchange)	2,878.8	1,912.6
Cash and Cash Equivalents at the end of the year * (net of foreign exchange)	2,119.1	2,878.8
Net changes in Cash and Cash Equivalents	(759.7)	966.2

* Note : Cash and cash equivalents includes ₹ 9 mio (previous year ₹ 8.6 mio) of restricted cash balance relating to unclaimed dividend.

As per our report attached

For B S R & Associates
Chartered Accountants
Firm Regn. No. 116231W

Bhavesh Dhupelia
Partner
Membership No. 042070

Pune, February 23, 2011

P. Bhandari
Company Secretary

For and on behalf of the Board,
K. C. Mehra
Chairman
Shishir Joshipura
Managing Director

N. J. Jhaveri
T. Sthen
T. Bertilsson
V. Vartanian
D. C. Shroff
Rakesh Makhija
Henrik Lange

Directors

Pune, February 23, 2011

Schedules forming part of the Financial Statements

(₹ in Million)

	December 31, 2010	December 31, 2009
1. SHARE CAPITAL		
Authorised		
100,000,000 Equity Shares of ₹ 10 each (Previous year		
100,000,000 Equity Shares of ₹ 10 each)	1,000.0	1,000.0
Issued, Subscribed and Paid up		
52,732,538 Equity Shares of ₹ 10 each		
(Previous year 52,732,538 Equity Shares of ₹ 10 each) fully paid	527.3	527.3
(i) Of the above shares :		
19,823,540 Equity Shares of ₹ 10 each (Previous year		
19,823,540 Equity Shares of ₹ 10 each) are issued as fully paid up		
bonus shares by capitalisation of ₹ 198.2 Million from Reserves		
and Securities Premium account.		
7,470,030 Equity Shares of ₹ 10 each (Previous year 7,470,030 equity		
shares of ₹ 10 each) were issued at a premium of ₹ 54/- per share		
against conversion of warrants.		
2,488 Equity Shares of ₹ 10 each (Previous year 2,488 Equity shares of		
₹ 10 each) are not allotted and held in abeyance.		
28,254,568 Equity Shares of ₹ 10 each (Previous year 28,254,568 Equity		
Shares of ₹ 10 each) are held by the Swedish holding company, AB SKF		
and its subsidiaries.		
	527.3	527.3
2. RESERVES & SURPLUS		
(i) Securities Premium Account		
As per last Balance Sheet	705.1	705.1
(Premium on issue of Equity Share)		
(ii) General Reserve		
As per last Balance Sheet	2,074.7	1,980.4
Transfer from Profit and Loss Account	1,000.0	94.3
	3,074.7	2,074.7
(iii) Profit and Loss Account		
Balance as per Profit and Loss Account	4,180.0	3,840.2
	7,959.8	6,620.0
3. UNSECURED LOANS		
(a) Fixed Deposits	0.1	0.9
(b) Interest Accrued and due on item (a) above	-	0.1
	0.1	1.0
4. DEFERRED TAX LIABILITY (NET)		
Provision for Doubtful Debts	(9.0)	-
Disallowance Under Section 43B	(69.9)	-
Voluntary Retirement Scheme expenditure deductible in future	(41.5)	-
Interest on Self-Assessment tax	(1.8)	-
Difference between Book and Tax Depreciation	152.2	-
	30.0	-

Schedules forming part of the Financial Statements
(₹ in Million)

5. FIXED ASSETS (At Cost)

Description	Gross Block			Depreciation/Amortisation			Net Block	
	As at January 1, 2010	Additions during the year	Deductions during the year	As at December 31, 2010	For the year	Deductions during the year	As at December 31, 2010	As at December 31, 2009
Tangible Assets								
Freehold Land	265.5	-	-	265.5	-	-	265.5	265.5
Buildings (See Note 1)	292.7	253.8	-	546.5	14.3	-	381.1	141.6
Plant, Machinery and Tools	6,369.9	856.4	174.3	7,052.0	293.1	173.0	2,030.8	1,468.8
Furniture, Fixtures and Office Equipments	96.7	13.6	-	110.3	6.0	-	80.2	72.6
Vehicles	88.3	32.8	14.8	106.3	16.0	6.9	69.9	61.0
Intangible Assets								
Softwares	29.1	3.2	-	32.3	4.0	-	6.4	7.2
	7,142.2	1,159.8	189.1	8,112.9	333.4	179.9	2,833.9	2,016.7
	6,763.2	628.7	249.7	7,142.2	289.8	169.4	2,016.7	
Capital work-in-progress including capital advances ₹ 46.7 Million (Previous year ₹ 77.8 Million)								
							359.1	551.0

Notes :

- 1 Cost of shares of ₹ 500/- in various Co-operative Housing Societies, held under Bye-laws of the Society in respect of residential flats are included under 'Buildings'.
- 2 Figures in light print are in respect of the Previous Year.

Schedules forming part of the Financial Statements

(₹ in Million)

	December 31, 2010	December 31, 2009
6. DEFERRED TAX ASSET (NET)		
Provision for Doubtful Debts	-	5.6
Disallowance Under Section 43B	-	58.8
Voluntary Retirement Scheme expenditure deductible in future	-	55.6
Interest on Self-Assessment tax	-	1.9
Difference between Book and Tax Depreciation	-	(113.5)
	-	8.4
7. CURRENT ASSETS, LOANS AND ADVANCES		
(i) Current Assets		
(a) Inventory - At lower of cost or net realisable value		
Raw Materials and Bought-Out Components [including material in transit ₹ 77.9 Million ; (Previous year ₹ 19.9 Million)]	516.0	352.0
Stores and Spares [including material in transit ₹ 0.1 Million (Previous year ₹ 16.6 Million)]	231.3	178.3
Manufactured Components	66.9	33.9
Work-in-progress	88.8	92.1
Finished Products [Including material in transit ₹ 113.8 Million (Previous Year ₹ 204.7 Million)]	1,514.2	1,164.1
	2,417.2	1,820.4
(b) Sundry Debtors (unsecured)		
Over six months		
- Considered good	13.0	-
- Considered doubtful	20.0	14.8
Under six months		
- Considered good	2,698.1	2,162.9
- Considered doubtful	7.1	1.7
	2,738.2	2,179.4
Less : Provision for Doubtful Debts	27.1	16.5
	2,711.1	2,162.9
(c) Cash and Bank Balances		
Cash on hand	0.5	0.7
Balances with Scheduled Banks		
- On Current Account	58.3	242.6
- On Deposit Account	2,051.3	2,640.7
- Unclaimed Dividend Account	9.0	8.6
	2,119.1	2,892.6
(ii) Loans and Advances (unsecured, considered good)		
- Advances recoverable in cash or in kind or for value to be received	569.5	484.1
- Inter Corporate Loan	1,628.6	694.1
- Advance Income Tax (Net of provision)	86.1	120.6
- Advance Fringe Benefit Tax (Net of provision)	-	5.0
- Other Deposits	54.3	56.1
	2,338.5	1,359.9
	9,585.9	8,235.8

Notes:

Details of balances recoverable from companies under the same management included in debtors and loans & advances above are as under :

Schedules forming part of the Financial Statements

(₹ in Million)

Name of the party	Outstanding balance As at December 31, 2010	Outstanding balance As at December 31, 2009
SKF Gmbh, Germany	41.1	75.5
SKF Industrie S.P.A, Italy	4.4	1.3
SKF Sverige Ab, Sweden	15.1	2.3
SKF Argentina	14.3	6.5
AB SKF Goteborg, Sweden	1.9	8.8
Systemhouse Helsingborg	-	0.1
SKF International AB (Treasury Centre), Göteborg	226.6	-
Willy Vogel Ag, Germany	0.3	-
SKF France S.A., France	0.7	0.2
Transrol S.A.S., Chambéry, France	-	0.5
Aeroengine Bearings Uk Ltd.	-	0.4
SKF Espanola S.A.	-	1.0
SKF Actuation System (Liestal) AG (Magnetic Elektromotoren AG)	1.1	-
SKF European Distribution Centre (Edc), Belgium	19.5	17.3
SKF Usa Inc., Usa	3.3	11.1
SKF De Mexico, Mexico	3.9	30.9
SKF Do Brasil Ltda., Brazil	61.9	26.9
SKF Technologies India Pvt. Ltd., India	1,643.5	761.6
SKF South East Asia And Pacific Pte. Ltd., Singapore	-	3.1
SKF China Sales Hong Kong	-	7.9
SKF Shanghai Bearings Co. Ltd., Shanghai	0.0	1.2
SKF Korea Ltd, Pusan	0.2	-
SKF Bearing Industries (Malaysia) Sdn. Bhd, Nilai	0.1	-
SKF Malaysia Sdn. Bhd., Kuala Lumpur	0.3	-
SKF Sealing Solutions (WUHU) CO., LTD (former Anhui CR Seals Co. Ltd.), Anhui	0.2	-
P.T. SKF Indonesia	7.4	18.4
SKF (China) Investment Co. Ltd., Shanghai	1.5	0.2
SKF China Sales, China	20.2	4.5
SKF Dalian Bearings	0.1	-
SKF B.V.	0.6	0.9
SKF (UK) Limited, United Kingdom	-	0.1
Economos (Qingdao) Seal Tech Co. Ltd, Qingdao	0.2	-
Economos India Private Ltd, New Delhi	0.1	-
	December 31, 2010	December 31, 2009
8. CURRENT LIABILITIES AND PROVISIONS		
(i) Current Liabilities		
Sundry Creditors		
- Micro, Small and Medium Enterprises (refer Note 18 of schedule 14)	4.1	19.7
- Others	3,088.1	2,843.6
Unclaimed Dividend *	9.0	8.6
Advances from Customers	26.4	16.9
Interest Accrued but not due	0.5	0.2
Other liabilities	173.6	137.0
	3,301.7	3,026.0
(ii) Provisions		
Provision for Taxation (Net of advance tax)	34.8	11.3
Provision for Wealth Tax (Net of advance tax)	1.1	0.7
Provision for Compensated Absences, Gratuity and other Employee Benefits	326.4	283.7
Proposed Dividend	369.1	210.9
Tax on Proposed Dividend	61.3	35.8
Other Provisions (refer Note 7 of schedule 14)	167.3	95.2
	960.0	637.6
	4,261.7	3,663.6

* There is no amount due and outstanding as at Balance Sheet date to be credited to Investor Education and Protection Fund.

Schedules forming part of the Financial Statements

(₹ in Million)

	Year ended December 31, 2010	Year ended December 31, 2009
9. SALES AND SERVICES		
Gross Sales (including Excise Duty)	21,780.5	16,550.1
Income from Services	149.9	97.2
	21,930.4	16,647.3
10. OTHER OPERATING AND MISCELLANEOUS INCOME		
Export Incentives	90.9	52.8
Credit of Discount on DEPB Purchase	30.1	36.6
Sale of Scrap	37.1	29.8
Profit on Sale of Fixed Assets (Net)	37.3	5.8
Excess provision Written Back	11.1	6.2
Miscellaneous Income	41.1	-
	247.6	131.2
11. MANUFACTURING AND OTHER EXPENSES		
(i) Raw Materials consumed :		
Opening Stock	34.6	215.2
Add : Purchases	201.9	191.6
Less : Closing Stock	26.9	34.6
	209.6	372.2
(ii) Bought Out Components consumed :		
Opening Stock	317.4	403.1
Add : Purchases	5,429.5	3,702.8
Less : Closing Stock	489.1	317.4
	5,257.8	3,788.5
(iii) Decrease / (Increase) in Stock of Finished Goods :		
Opening Stock	604.1	967.7
Less : Closing Stock	877.9	604.1
	(273.8)	363.6
(iv) Excise Duty on Closing Inventory (Net of Opening Provision)	31.4	(40.4)
(v) (Increase) / Decrease in Stock of Semi-Finished Goods :		
Opening Stock	126.0	114.3
Less : Closing Stock	155.7	126.0
	(29.7)	(11.7)
(vi) Cost of Traded Goods Sold :		
Opening Stock	560.0	324.0
Add : Purchases	8,391.5	6,197.9
Less : Closing Stock	636.3	560.0
	8,315.2	5,961.9

Schedules forming part of the Financial Statements

(₹ in Million)

	Year ended December 31, 2010	Year ended December 31, 2009
(vii) Employees Cost :		
Salaries, Wages and Bonus	1,174.5	1,045.4
Contribution to Provident and Other Funds	100.3	102.1
Welfare Expenses	184.7	148.3
Voluntary Retirement Scheme (refer Note 25 of Schedule 14)	-	167.6
	1,459.5	1,463.4
(viii) Expenses for Manufacture, Administration and Selling :		
Stores and Spares consumed	719.8	516.3
Power and Fuel	347.3	275.6
Repairs to Machinery	267.6	197.0
Repairs to Buildings	38.8	14.4
Rates and Taxes	113.6	110.0
Insurance	22.9	18.7
Rent	32.4	36.7
Directors' Commission / Sitting Fees	3.5	2.8
Royalty	112.7	89.4
Travelling	201.6	115.7
Communication	31.0	28.0
Provision for Doubtful Debts / Bad Debts written-off (Net)	14.6	1.3
Expenditure on IT	283.6	253.8
Logistic Cost	329.7	251.5
Selling Expenses	162.6	89.3
Miscellaneous expenses	485.7	345.7
	3,167.4	2,346.2
	18,137.4	14,243.7
12. FINANCIAL INCOME		
- Interest Income on Bank Deposits	117.8	110.3
[Tax deducted at source ₹ 11.8 Million (Previous year ₹ 10.6 Million)]		
- Other Interest Income	89.6	21.3
[Tax deducted at source ₹ 5.9 Million (Previous year ₹ 1.0 Million)]		
	207.4	131.6
13. FINANCIAL EXPENSES		
Bank Charges	7.6	7.6
	7.6	7.6

Schedules forming part of the Financial Statements

14 NOTES TO THE FINANCIAL STATEMENTS

(1) SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles (GAAP) in India and comply with the Accounting Standards ('AS') prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards, under the Companies (Accounting Standards) Rules, 2006 and with the relevant provisions of the Companies Act, 1956, ('the Act') to the extent applicable. The significant accounting policies are as follows :

(a) Use of Estimates

The preparation of financial statements in accordance with Generally Accepted Accounting Principles ('GAAP'), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to the accounting estimates is recognised prospectively in current and future periods.

(b) Fixed assets and Depreciation/ Amortization :

Fixed assets are stated at cost of acquisition less accumulated depreciation/amortisation and provision for impairment. The cost of acquisition includes inward freight, duties, taxes and other directly attributable incidental expenses, net of cenvat credit and excluding foreign exchange fluctuation gains / (loss) on imported assets.

Depreciation is provided on the straight line method, at the rates specified in Schedule XIV to the Companies Act, 1956 or based on the estimated useful lives of the assets, whichever is higher. The rates of depreciation used by the Company are as follows :

	Rate per annum (%)
Buildings	1.63 / 3.34
Plant, Machinery and Tools	4.75 / 10.34 / 16.21
Furniture, Fixture and Office Equipment	4.75 / 6.33
Vehicles	9.50 / 18.00
Intangible Assets	33.33

Assets individually costing less than ₹ 5,000 are depreciated at the rate of 100% per annum.

Capital Work in Progress includes Advances paid to acquire Fixed Assets and the cost of Fixed Assets that were not put to use for their intended use.

(c) Intangible assets.

Acquired intangible assets representing software is recorded at its acquisition price and is amortised over its estimated useful life on a straight line basis, commencing from the date the asset is available for its use. The management has estimated the useful life for such software as three years. The useful life of the asset is reviewed by the management at each Balance Sheet date.

(d) Impairment of Assets

In accordance with AS 28 - Impairment of Assets, the carrying amounts of the Company's assets including intangible assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indications exist, the assets recoverable amount is estimated, as the higher of the net selling price and the value in use. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating units exceeds its recoverable amount. If at the Balance Sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is assessed at the recoverable amount subject to a maximum of depreciable historical cost.

14 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

(e) Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to Profit and Loss Account.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined at Standard Cost adjusted on a FIFO basis for variances. Cost includes all cost of purchase and cost incurred in bringing the inventories to their present location and condition. Excise Duty is included in the value of Finished Products.

(g) Revenue Recognition

(i) Sale of goods is recognised on despatch to customers. 'Net Sales' exclude amounts recovered towards excise duty, sales tax, octroi and freight and is net of discounts.

(ii) Service Income is recognised on the completion of activity relating to services.

(iii) Export Incentives are recognised when the right to receive credit as per the terms of Incentives is established in respect of the exports made and when there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

(iv) Interest income is recognised on time proportion base taking into account the amount outstanding and the rate applicable

(h) Warranties

Warranty costs are estimated by the Management on the basis of a technical evaluation and past experience. Provision is made for estimated liability in respect of warranty cost in the year of sale.

(i) Employee Benefits

(i) Short term employee benefits

Employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and are recognised in the period in which the employee renders the related service.

(ii) Post employment benefits (defined benefit plans)

The employees' gratuity scheme is a defined benefit plan. The present value of the obligation under such defined benefit plan is determined at each Balance Sheet date based on an actuarial valuation carried out by an independent actuary using the projected unit credit method. The liability for gratuity is funded annually to a gratuity fund maintained with an approved trust managed by the Company. Actuarial gains and losses and past service costs are recognised immediately in the Profit and Loss Account.

(iii) Post employment benefits (defined contribution plans)

Contributions to the Provident Fund and Superannuation Fund which are defined contribution schemes, are recognised as an expense in the Profit and Loss Account in the period in which the contribution is due.

(iv) Long term employee benefits

Long term employee benefits comprise of compensated absences. These are measured based on an actuarial valuation carried out by an independent actuary using the projected unit method at each Balance Sheet date unless they are insignificant. Actuarial gains and losses and past service costs are recognised immediately in the Profit and Loss Account.

14 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

(v) The Company pays contribution to recognized Provident Fund (in respect of employees of Pune unit and Head Office, Mumbai). The guidance on implementing AS 15, Employee Benefits (Revised 2005) issued by the Accounting Standards Board (ASB) states that provident funds set up by the employers, which requires interest shortfall to be met by the employer, needs to be treated as defined benefit plan. Pending the issuance of the guidance note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the provident fund liability. Accordingly, the Company is unable to exhibit the related disclosures.

(vi) Voluntary Retirement Scheme costs are charged off to Profit and Loss Account in the year in which they are incurred.

(j) Foreign Currency Transactions

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of the respective transactions. Monetary foreign currency assets and liabilities remaining unsettled at the Balance Sheet date are translated at the rates of exchange prevailing on that date.

Gains / losses arising on account of realisation / settlement of foreign exchange transactions and on translation of foreign currency assets and liabilities are recognised in the Profit and Loss Account.

(k) Income Tax

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period).

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that the assets can be realised in future; however where there is unabsorbed depreciation or carried forward losses under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

(l) Provisions and Contingencies

Provision is recognised in the Balance Sheet when, the Company has a present obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. A disclosure by way of a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

(m) Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. Diluted EPS is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity and equivalent diluted equity shares outstanding during the year, except where the result would be anti dilutive.

(2) The company reviewed the disclosure of segmentwise reporting and is of the view that it manufactures Bearings and related components which is a single segment in accordance with Accounting Standard 17, 'Segment Reporting', issued under Companies (Accounting Standards) Rules, 2006.

(3) In accordance with Accounting Standard 18, 'Related Party Disclosures', issued under Companies (Accounting Standards) Rules, 2006, the Company has compiled the required information in the attached table.

14 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

(i) List of Related Parties & relationship:

Holding Company

AB SKF (Head Office) Goteborg, Sweden

Sr. No.	Name of the Related Party
Affiliate Companies (All under the common control of AB SKF)	
1	SKF Actuation System (Liestal) AG (Magnetic Elektromotoren AG)
2	Oy SKF AB, Finland
3	P.T. SKF Indonesia, Indonesia
4	RFT S.p.A., Italy
5	RKS S.A.-SKF Slewing Bearings, France
6	SKF (China) Sales Co. Ltd., China
7	SKF (Dalian) Bearings and Precision & Co. Ltd.
8	SKF (Thailand) Ltd, Thailand
9	SKF (U.K.) Limited, United Kingdom
10	SKF Actuators AB, Goteborg, Sweden
11	SKF Argentina S.A., Argentina
12	SKF Australia Pty. Ltd., Australia
13	SKF B.V., Netherlands
14	SKF Bearings Bulgaria EAD, Bulgaria
15	SKF Canada Ltd, Scarborough, Ont., Canada
16	SKF China Ltd., China
17	SKF Condition Monitoring Centre (Livingstone) Ltd, UK
18	SKF Coupling Systems AB, Hofors, Sweden
19	SKF de Mexico, S. A. de C. V. Mexico D.F., Mexico
20	SKF del Peru S.A., Peru
21	SKF do Brasil Ltda., Brazil
22	SKF Equipements, France
23	SKF Espanola S.A., Madrid, Spain
24	SKF European Distribution Centre (EDC), Belgium
25	SKF European Financial Service Centre, EFC, Nieuwegein, Netherlands
26	SKF France S.A., France
27	SKF GmbH, Germany
28	SKF Industrie S.p.A, Italy
29	SKF International AB
30	SKF Japan Ltd., Japan
31	SKF Korea Ltd, Korea
32	SKF Linearsysteme GmbH, Germany
33	SKF Malaysia Sdn. Bhd. Malaysia
34	SKF Österreich AG., Austria
35	SKF Philippines Inc., Philippines
36	SKF Sealing Solutions (WUHU) CO., LTD, China

Sr. No.	Name of the Related Party
37	SKF Sealing Solutions AB, Sweden
38	SKF Shanghai Bearings Co. Ltd., China
39	SKF South Africa (Pty) Ltd., South Africa
40	SKF Asia Pacific Pte. Ltd., Singapore
41	SKF Sverige AB, Sweden
42	SKF Technologies India Pvt. Ltd., India
43	SKF USA Inc., Kulpsville/Lansdale, PA, USA
44	SKF Venezolana S.A., Caracas, Venezuela
45	SKF Ukraine, Ukraine
46	Transrol S.A.S., Chambéry, France
47	SKF Lubrications Systems, France SAS
48	SKF Lubrications Systems, Germany AG
49	SKF Mekan AB, Sweden
50	Berger Vogel S.r.l., Italy
51	Polyseal, USA
52	Jaeger Industrial Co., Ltd., Taiwan
53	ABBA LINEAR TECH CO LTD (Taipei), Taiwan
54	SKF Engineering and Research Service B.V., Nieuwegein, Netherlands
55	Economos India Private Ltd, New Delhi, India
56	SKF Sealing Solutions GmbH, Leverkusen-Opladen, Germany
57	SKF Aero France S.A., Saint-Vallier-sur-Rhone, France
58	SKF Linear Motion & Precision Technologies, USA
59	SKF NV/SA, Belgium
60	SKF Automotive Component Corp., Changwon (Pusan)
61	SKF Bearing Services Taiwan, Taipei
62	SKF Chilena S.A.I.C, Santiago
63	SKF International AB (Treasury Centre), Göteborg
64	SKF Bearing Industries (Malaysia) Sdn. Bhd, Nilai
65	SKF Automotive Technologies Co.
66	SKF Lubrication Systems Japan Ltd
67	SKF Economos GmbH, Judenburg
68	SKF Actuation system(Pinghu) Co., Ltd (former Jaeger (Pinghu) Precision Actuatronic Ltd)
69	SKF Lubrication Systems USA Inc
70	Beijing Nankou SKF Railway Bearings Co.Ltd., Beijing
71	SKF Hellas S.A., Athens
Key Management Personnel	
1	Mr. Rakesh Makhija (upto December 31, 2009)
2	Mr. Shishir Joshipura (w.e.f December 1, 2009)

14 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

(ii) Balances outstanding and transactions during the year with related parties :

(₹ in Million)

Sr. No.	Nature of the transaction	Volume of transactions during		Amount Outstanding Receivable/ (Payable) as on December 31	
		2010	2009	2010	2009
A	Purchase of Raw Materials & Finished Goods				
	SKF Asia Pacific Pte Ltd, Singapore	3,884.6	2844.8	(774.0)	(641.9)
	SKF GmbH, Germany	904.0	695.0	(136.4)	(176.2)
	Others	2,555.5	1515.0	(843.3)	(725.5)
B	Purchase of Capital Goods / Services				
	SKF France S.A., France	94.1	30.7	*	*
	Others	13.1	79.6	*	*
C	Administrative and Management services				
	SKF SVERIGE AB	51.4	157.7	*	*
	AB SKF	388.3	110.5	*	*
	Others	31.5	50.4	*	*
D	Sale of Goods & Services				
	SKF USA Inc., USA	189.5	117.7	3.3	11.1
	SKF GmbH, Germany	644.9	510.9	41.1	75.5
	SKF European Distribution Centre (EDC), Belgium	191.4	58.4	19.5	17.3
	SKF do Brasil Ltda., Brazil	244.0	69.7	61.9	26.9
	Others	423.5	297.9	314.1	155.9
E	Loan				
	SKF Technologies India Pvt. Ltd., India	943.6	685.0	1628.6	685.0
F	Interest Income on Loan				
	SKF Technologies India Pvt. Ltd., India	83.9	17.0	-	9.1
G	Royalty				
	AB SKF	112.7	89.4	(101.5)	(80.5)
H	Proposed Dividend				
	AB SKF	172.5	98.6	(172.5)	(98.6)
	SKF (UK) Ltd.	23.8	13.6	(23.8)	(13.6)
	Others	1.5	0.9	(1.5)	(0.9)
I	Remuneration paid				
	Mr. Rakesh Makhija	-	18.5	-	(3.8)
	Mr. Shishir Joshipura	12.6	2.3	(2.6)	-

* Amount Outstanding as at December 31, 2010 and Decemebr 31, 2009 is included in the outstandings against purchase for raw materials and finished goods for the respective years as it is not practicable to bifurcate the same.

	December 31, 2010	December 31, 2009
(4) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	200.5	486.8
(5) Contingent Liabilities		
Claims against the Company not acknowledged as debts		
(i) Income-tax and Surtax	4.5	4.5
(ii) Excise duty	9.2	9.2
(iii) Service Tax	15.0	14.3
(iv) Others	147.7	31.4
	176.4	59.4
(6) Miscellaneous expenses [refer Schedule 11(viii)] include payments made to auditors as follows : (Exclusive of service tax)		
(i) Audit fees	2.8	2.5
(ii) Taxation Matters	0.8	0.6
(iii) Other services	-	-
	3.6	3.1

(7) Disclosure as per Accounting Standard – 29

(₹ in Million)

Particulars	Disputed Statutory Matters	Warranty	Other Obligations	Total
Opening Balance	20.7	17.9	56.6	95.2
	18.9	14.1	49.1	82.1
Addition	10.8	16.4	172.2	199.4
	5.5	11.0	56.7	73.2
Utilisation	-	3.2	100.3	103.5
	1.2	3.9	49.2	54.3
Reversal	5.2	7.5	11.1	23.8
	2.5	3.3	-	5.8
Closing Balance	26.3	23.6	117.4	167.3
	20.7	17.9	56.6	95.2

- (i) The provision for Disputed Statutory Matters are on account of legal matters, where the Company anticipates probable outflow. The amount of provision is based on estimate made by the Company considering the facts and circumstances of each case. The timing and amount of cash flows that will arise from these matters will be determined by the relevant authorities only on settlement of these cases.
- (ii) The provision for warranty and coupons (included in Other Obligations) is on account of warranties/coupons given on products sold by the Company. The provision is based on the historical data/ estimated figures. The timing and amount of the cash flows that will arise from these matters will be determined at the time of receipt of claims from customers.
- (iii) Other Obligations also includes provisions on account of disputes pertaining to rent with previous landlords. The timing and amount of cash flows that will arise from these matters will be determined by the relevant authorities only on settlement of these cases.

Figures in light print are in respect of the Previous Year.

	December 31, 2010	December 31, 2009
(8) Disclosure as per Accounting Standard - 15 - (Revised 2005)		
i) Defined Contribution Plan -		
The Company has recognised the following amounts in the Profit and Loss Accounts for the year		
Contribution to Employee Provident Fund - RPFC	18.6	8.1
* Contribution to Employee Provident Fund - Trust	41.7	38.8
Contribution to Superannuation fund	25.7	26.1
	86.0	73.0
ii) Defined Benefit Plan -		
The following table set out the status of the gratuity plan as required under AS 15 (Revised 2005):		
(a) A reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):		
Opening DBO as on January 1, 2010	400.3	460.1
Current service cost	21.4	21.4
Interest cost	31.5	25.9
Actuarial (gain) / loss	(13.8)	(9.8)
Liabilities Extinguished on settlements	-	(81.0)
Benefits paid	(11.7)	(16.3)
Closing DBO as on December 31, 2010	427.7	400.3
(b) A reconciliation of the opening and closing balances of the fair value of plan assets:		
Opening fair value of plan assets	391.3	403.0
Expected return	31.7	29.5
Actuarial gain / (loss)	(7.0)	(11.9)
Contribution by the employer	4.5	77.2
Assets Distributed on Settlements	-	(90.2)
Benefits paid	(11.7)	(16.3)
Closing fair value of plan assets	408.8	391.3
(c) A reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets to the assets recognised in the balance sheet:		
Present value of the defined benefit obligation at the end of the period	427.7	400.3
Fair value of the plan assets at the end of the year	408.8	391.3
Liability recognised in the balance sheet	18.9	9.0
(d) The total expense recognised in the Profit and Loss Account:		
Current service cost	21.4	21.4
Interest cost	31.5	25.9
Expected return on plan assets	(31.7)	(29.5)
Actuarial (gains) / loss	(6.9)	2.1
Losses / (Gains) on "Curtailments & Settlements"	-	9.2
Net Gratuity cost	14.3	29.1
(e) For each major category of plan assets, following is the percentage that each major category constitutes of the fair value of the total plan assets:		
	%	%
Government of India securities	40	38
Corporate bonds	34	37
Special deposit schemes / others	26	25
(f) Actual return on plan assets		
	24.7	17.6
(g) Following are the Principal Actuarial Assumptions used as at the balance sheet date:		
Discount rate	8.2%	7.7%
Expected rates of return on any plan assets	8.0%	8.0%
Average Salary escalation rate for Management	10.0%	10.0%
Average Salary escalation rate for Non Management for Each Year	3.0%	3.0%
Average Salary escalation rate for Non Management Every Third Year	6.5%	6.5%
(h) Experience Adjustments		
	(₹ in Million)	(₹ in Million)
	December 31, 2010	December 31, 2009
Experience adjustments on plan liabilities	6.5	25.6
Experience adjustments on plan assets	(6.9)	(11.9)
	December 31, 2008	December 31, 2008
	5.9	34.7

The estimates of the future salary increases, considered in Actuarial valuation, take account of inflation, seniority, promotion and other relevant factors

* Including Contribution to Recognised Provident Fund Scheme (in respect of employees of Pune and Head office, Mumbai) a defined benefit scheme, in the absence of actuarial valuation for Provident Fund Liability (refer note 1 (i) (v) schedule 14)

14 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

(9) Spares consumed :

	December 31, 2010		December 31, 2009	
	% of total consumption	₹ in Million	% of total consumption	₹ in Million
Imported	20	56.4	21	45.1
Indigenous	80	224.1	79	167.3
	100	280.5	100	212.4

(10) Raw Materials and Bought-Out Components consumed:

	December 31, 2010		December 31, 2009	
	Quantity '000 Units	₹ in Million	Quantity '000 Units	₹ in Million
(a)				
(i) Raw Materials- Steel	2,817*	209.6	5,101*	372.2
(ii) Bought-Out Components - Rings	312,750	3,035.7	255,012	2,284.7
Others (See Note (iii) below)		2,222.1		1,503.8
		5,467.4		4,160.7

* Quantity in M. Tonnes

	December 31, 2010		December 31, 2009	
	% of total consumption	₹ in Million	% of total consumption	₹ in Million
(b) Imported	45	2,459.9	27	1,140.5
Indigenous	55	3,007.5	73	3,020.2
	100	5,467.4	100	4,160.7

Notes:

- The consumption in value has been reported on the basis of Opening Stock plus Purchases less Closing Stock and includes the adjustment of excesses and shortages as ascertained on physical count and write-off of obsolete and unserviceable raw materials and components.
- The consumption in value shown above is net of sale of raw material on high sea to suppliers - NIL (Previous year ₹ 124.7 mio).
- The consumption in value shown above is a balancing figure based on total consumption shown in Profit & Loss Account.

(11) Opening and Closing Stock :

(a) Manufactured Goods	Opening Stock		Closing Stock	
	Nos. in '000	₹ in Million	Nos. in '000	₹ in Million
Ball and Roller Bearings	6,096	513.6	9,154	748.1
Others - Kits & Vogel	9,004	821.5	6,096	513.6
		44.5		52.7
		44.9		44.5
Textile Machinery Components	39	3.9	28	3.6
	214	18.8	39	3.9
		562.0		804.4
		885.2		562.0
Excise duty on Finished Products manufactured and not cleared from factories		42.1		73.5
		82.5		42.1
		604.1		877.9
		967.7		604.1

14 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

(b) Traded Goods	Opening Stock		Closing Stock	
	Nos. in '000	₹ in Million	Nos. in '000	₹ in Million
Ball Bearings, Roller Bearings	1,030	355.3	3,447	522.5
	1,399	283.7	1,030	355.3
Goods in Transit		204.7		113.8
		40.3		204.7
		560.0		636.3
		324.0		560.0

Figures in light print are in respect of the previous year.

(12) Information for each class of goods :

(a) Manufactured and sold during the year ended December 31, 2010.

Class of Goods	Installed Capacity	Production	Sales (Net of excise duty)	
	Nos. in '000	Nos. in '000	Nos. in '000	₹ in Million
Ball Bearings, Roller Bearings	163,446	125,491	118,642	10,427.1
	132,073	103,027	103,246	8,013.5
Others - Kits & Vogel				365.2
				422.0
Semi-Processed Products		6,809	6,809	16.8
		4,233	4,233	8.5
Textile Machinery Components	3,900	1,084	1,073	213.5
	3,900	615	786	139.8
				11,022.6
				8,583.8

(i) Installed capacity is per annum, as certified by the management.

(ii) Production includes quantities used for internal consumption.

(iii) Licensed capacity has not been shown as the industry has been delicensed.

(b) Traded Goods purchased and sold during the year ended December 31, 2010.

Traded Goods	Purchases		Sales	
	Nos. in '000	₹ in Million	Nos. in '000	₹ in Million
Ball Bearings, Roller Bearings	22,512	8,391.5	20,095	9,511.6
	12,077	6,197.9	12,446	7,028.4
		8,391.5		9,511.6
		6,197.9		7,028.4

Figures in light print are in respect of the previous year.

	December 31, 2010	December 31, 2009
(13) Expenditure in Foreign Currency :		
Professional and consultation fees	22.0	14.7
Royalty	112.7	89.4
Others	488.9	339.9
Trading goods	2,364.8	1,904.0
(14) C.I.F. value of imports :		
Raw Materials	85.5	232.9
Components, Stores and Spares etc.	1,836.2	1,051.8
Capital Goods	214.4	209.4
(15) Amounts remitted in foreign currency on account of dividends to Non-resident shareholders :		
Number of Shareholders	3	3
Number of Shares held	28,254,568	28,254,568
Amounts remitted	113.0	127.1
Year to which Dividend relates	2009	2008
(16) Earnings in foreign exchange :		
F.O.B. value of Exports	1703.4	1058.9
Export of Services	1.7	0.3
Commission Income	5.2	-

- (17) a) The provision for taxation is net of reversal of excess provision for earlier years ₹ 4.1 Million (Previous Year ₹ 3.9 Million).
- b) The provision for taxation is inclusive of short provision for earlier year ₹ Nil (Previous year ₹ 0.04 Million).
- c) The provision for deferred taxation is inclusive of short provision for earlier years ₹ 5.0 Million (Previous Year ₹ 3.9 Million).
- d) The provision for Fringe Benefit Tax (FBT) is net of reversal of excess provision for earlier years ₹ Nil (Previous Year ₹ 4.0 Million).

(18) Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'):

The Company has amounts due to suppliers under Micro, Small and Medium Enterprises Development Act (MSMED Act) as at December 31, 2010

The disclosure pursuant to the said Act is as under :

Particulars

	December 31, 2010	December 31, 2009
Principal Amount outstanding to suppliers under MSMED Act, 2006 beyond the appointed date	0.75	0.50
Interest accrued on the dues to suppliers under MSMED Act on the above amount	0.01	0.01
Payments made to suppliers (other than interest) beyond the appointed date, during the year	26.74	15.82
Interest paid to suppliers under MSMED Act (other than section 16)	Nil	Nil
Interest paid to suppliers under MSMED Act (section 16)	Nil	Nil
Interest due and payable to suppliers under MSMED Act for payments already made	0.52	0.22
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED	0.53	0.23

Note : The above information has been compiled by the Company on the basis of information made available by vendors during the year 2010.

- (19) The net exchange difference arising during the year recognised in the Profit and Loss Account is ₹ 7.2 Million gain (Previous Year ₹ 14.8 Million Loss).
- (20) During the current year, certain employees of SKF India Limited have been granted stock options under AB SKF Performance Share Award Agreement. Pursuant to this, AB SKF has debited ₹ 7.1 mio (Previous year ₹ 0.2 mio) to its Profit and Loss Account.

	December 31, 2010	December 31, 2009
(21) Remuneration to Directors:		
Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956		
Profit before tax as per Profit and Loss Account	2,660.7	1,431.0
Add: Depreciation / Amortization provided in books	333.4	289.8
Directors' remuneration / Sitting fees	16.1	23.6
Provision for doubtful debts	14.6	1.3
(Profit) / loss on sale of fixed assets (net) under Sec. 349 of the Companies Act, 1956	(37.3)	(5.8)
Wealth tax (net of earlier year's provisions)	0.9	0.6
	327.7	309.5
	2,988.4	1,740.5
Less: Depreciation as per Section 350 of the Companies Act, 1956 (Including amortization of Intangibles)	333.4	289.8
(Profit) / loss on sale of fixed assets, (net)	(37.3)	(5.8)
	296.1	284.0
Net profit as per Section 309(5)	2,692.3	1,456.5
a) Commission to non whole-time Directors - maximum of 1% of net profit - ₹ 26.9 mio (Previous Year ₹ 14.6 mio), restricted to (as determined by the Board of Directors)	3.0	2.3

	December 31, 2010	December 31, 2009
b) Managerial remuneration to Managing Directors maximum of 5% of net profit - ₹ 134.6 mio; (Previous Year ₹ 72.8 mio)	12.6	20.8
Details of above ;		
Salary and bonus	11.4	15.9
Value of perquisites		1.6
Contribution to Provident Fund	0.5	1.5
Contribution to Super Annuation Fund	0.7	1.8

As the liability for gratuity and leave encashment is provided for on an actuarial basis for the Company as a whole, the amount pertaining to the Managing Directors is not ascertainable and, therefore, not included.

- (22) The earnings per share (basic & diluted), computed as per the requirement under Accounting Standard 20 on 'Earnings per Share' issued by The Institute of Chartered Accountants of India, is as under:

Profit attributable to Equity Shareholders (₹ Million)	1,770.2	942.5
Basic / Weighted average number of Equity Shares outstanding during the year	52,732,538	52,732,538
Nominal value of Equity Shares (₹)	10.0	10.0
Basic Earnings per share (₹)	33.6	17.9
Diluted Earnings per share (₹)	33.6	17.9

- (23) Foreign currency exposures

The details of foreign currency exposures that are not hedged by derivative instrument or otherwise are summarised below:

Particulars	Amount in foreign currency (In Million)		Equivalent amount in (₹ In Million)	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Payable				
EURO	16.2	10.0	963.3	670.1
USD	2.4	3.2	109.1	149.4
SEK	0.8	10.9	5.3	70.7
GBP	0.0*	-	1.1	-
YEN	9.9	21.2	5.4	10.7
CHF	0.1	-	3.9	-
			1,088.1	900.9
Receivable				
EURO	1.7	1.2	101.2	80.4
USD	4.2	2.3	188.3	107.4
SEK	16.9	4.3	111.9	27.9
SGD	0.2	0.1	6.9	3.3
YEN	0.4	-	0.2	-
EURO Creditors (Debit Balance)	-	0.4	-	26.8
HKD Creditors (Debit Balance)	-	0.4	-	2.4
SEK Creditors (Debit Balance)	-	0.4	-	2.6
			408.5	250.8
Bank				
EURO EEFC Bank Account	0.0*	0.9	0.4	60.3
USD EEFC Bank Account	0.1	0.8	2.6	37.4
			3.0	97.7

* Since denominated in Million

14 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

- (24) The Company has facility from banks for working capital / working capital demand loans which are secured by pari passu charge of :
- a) all tangible movable properties and assets, both present and future, including stocks of Raw Materials, Semi-finished goods and Finished goods, excluding movable Machinery Spares, Tools and Accessories and Stores and Spares
 - b) all present and future Book Debts outstanding, Monies receivable, Claims and Bills
- (25) During the year ended December 31, 2009 the company had announced a Voluntary Retirement Scheme for its employees. An amount of ₹ 167.6 Million incurred as VRS compensation under this scheme has been charged to the Profit and Loss Account for the year ended December 31, 2009
- (26) Prior year's figures have been regrouped wherever necessary to conform to current year's classification.

For B S R & Associates
Chartered Accountants
 Firm Regn. No. 116231W

Bhavesh Dhupelia
Partner
 Membership No. 042070
 Pune, February 23, 2011

P. Bhandari
Company Secretary

For and on behalf of the Board,
 K. C. Mehra
Chairman

Shishir Joshipura
Managing Director

N. J. Jhaveri
 T. Sthen
 T. Bertilsson
 V. Vartanian

D. C. Shroff
 Rakesh Makhija
 Henrik Lange

Directors

Pune, February 23, 2011

Balance Sheet Abstract and Company's General Business Profile

(As per Schedule VI, Part (IV) of the Companies Act, 1956)

(₹ in thousands)

I	Registration details :	
	Registration No.	11980 of 1961-62
	State Code	11
	Balance Sheet date	31st December, 2010
II	Capital Raised during the year :	
	Public Issue	Nil
	Rights Issue	Nil
	Private Placement	Nil
	Bonus Issue	Nil
III	Position of Mobilisation and Deployment of Funds :	
	Total Sources of Funds	12,778,860
	Total Application of Funds	12,778,860
	Sources of Funds :	
	Paid-up Capital	527,300
	Share application money pending allotment	0
	Reserves and Surplus	7,959,800
	Secured Loans	0
	Unsecured Loans	100
	Deferred Tax Liability	29,960
	Application of Funds :	
	Net Fixed Assets	3,192,976
	Investments	Nil
	Net Current Assets	5,324,200
	Miscellaneous Expenditure	Nil
	Accumulated losses	Nil
IV	Performance of the Company :	
	Turnover including Miscellaneous Income	21,139,121
	Total Expenditure	18,478,369
	Profit before Tax	2,660,652
	Profit after Tax	1,770,180
	Earnings Per Share (₹) - Basic	33.57
	Earnings Per Share (₹) - Diluted	33.57
	Dividend rate	70%
V	Generic Names of Principal products / services of the Company :	
	Item Code No. (ITC Code)	Product description
	84821000	Ball Bearings and Hub Bearing Units
	84822000	Tapered Roller Bearings
	84825000	Cylindrical Roller Bearings
	84482000	Textile Machinery Components

SKF India Limited

Registered Office:

Mahatma Gandhi Memorial Bldg, Netaji Subash Road,
Charni Road, Mumbai - 400 002.

Manufacturing Facilities:

Bommasandra, Bengaluru - 560 099.

Chinchwad, Pune - 411 033.

Salempur - Mehdood, Haridwar - 249 402.

www.skfindia.com