

Redefining tomorrow

Annual Report 2012



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Corporate Information

Board of Directors

Kamlesh C. Mehra

Chairman

Shishir Joshipura

*Managing Director and
Country Head, SKF India*

Darius C. Shroff

Henrik Lange

Prakash Telang

Prasad R. Menon

Rakesh Makhija

Tore Bertilsson

Tryggve Sthen

Vartan Vartanian

David Bishop

(alternate to V Vartanian)

Company Secretary

Pradeep Bhandari

Auditors

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

Bankers

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

Registrars and Share Transfer Agents

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

Country Management Team

Shishir Joshipura

*Managing Director and
Country Head, SKF India*

Anjali Nair

Director Human Resources, SKF India

Chandramowli Srinivasan

Director Finance, SKF India

Harsha Kadam

Director - Two Wheeler Business, Global

R Manohar

Director Purchasing, SKF India

Sudhir Rege

*Director Regional Sales and Service
(Industrial Markets), South Asia*

Shrikant Savangikar

*Director Business Excellence, Quality and
Sustainability, SKF India*

Mattias Axelsson

Head of SKF Logistic Service, SKF India

Shoaib Shaikh

Head of Vehicle Service Market, Asia

Letter to Shareholders



It is my privilege to present to you the Annual Report of SKF India Limited, for the year 2012. SKF India reported Net Sales of ` 2,204 crore for the year ended 31st December, 2012 as against ` 2,416 crore in the previous year. The Profit after Tax for the year 2012 dipped marginally to ` 190 crore as against ` 208.5 crore in the previous fiscal. Profit before Tax as a percentage of sales was 12.8% as compared to 13% last year. I thank all our customers for the trust and faith reposed in SKF India through the year. I also express a deep sense of gratitude to all the employees, suppliers and business associates for their valuable contribution.

2012 has been a challenging year. The ever changing economic environment posed several challenges for the growth drivers in form of fiscal imbalances, inflationary pressures and high interest rates. Continued challenges on policy front dampened the appetite for investment and the overall volatility in environment had a negative influence on consumer sentiment and demand. Infrastructure development suffered from lack of clarity on policy and high capital cost coupled with tight liquidity. Consequently, growth saw a marked slowdown impacting the industrial and automotive sectors and companies involved in servicing these sectors, including our own company, were also impacted.

As we understood the new norm of volatile growth with differentiated growth rates across the sectors, we improved

our focus on finding opportunities for improved efficiencies across our operations. These efforts enabled us to deliver a stable operating margin and will continue to help us in times to come.

Over the long term, the opportunity horizon remains promising driven from India's demographic dividend, pace of urbanisation and the emerging demand for goods and services. Upgrading basic infrastructure across the country and the planned positive interventions to integrate the young population into the economy through skill enhancement will eventually shape the potential of this opportunity. Industrial activity across the sectors will continue to develop to meet the demand of an underserved economy, while energy, a key constituent of growth will continue to see higher demand that will drive the growth for traditional and renewable power.

As we move forward, revival of economic growth and restoration of consumer confidence in the short term and medium term will depend largely on the pace of policy and structural reforms. Business leaders will have a different role to play in shaping the economy and your company recognises this.

We believe that technology and innovation will play an ever increasing role in determining the future leaders in the market place. These two levers will be the leading drivers for growth as organisations look to deliver ever improving

value to customers. SKF India is gearing itself to leverage the vast pool of knowledge available within and with the parent organisation to deliver higher value solutions to customers helping them improve their business. Our integrated approach combining the five platforms with knowledge engineering and excellence in everything we do will be an important enabler in this endeavour.

It is important that business growth takes place without compromising the sustainability of future. The earth's natural resources are depleting steadily and we all owe it to our future generations to consciously look within and be committed to a better tomorrow. Responsible leadership demands that organisations embrace sustainability and act with focussed efforts to address the challenges in front of us.

In May 2012, SKF Group formally launched the SKF BeyondZero™ portfolio of products and solutions which will enable us to help our customers be more energy-efficient and reduce their environmental impact. At the launch, there were twelve different solutions in the portfolio which have now risen to thirty-four by the end of the year. Combined with our local understanding and backed by the dedicated global support of the SKF Group, we take pride in bringing these diverse products and solutions to our customers that foster sustainability.

We continue to support and encourage communities located around our facilities. I am particularly happy to see the active and increased voluntary participation of our employees in different community care programmes undertaken by our Company. We continue to drive the vision for our community care towards making a meaningful difference to the lives we touch.

People are integral to an organisation's success. Training and enhancing employee engagement continues to be our focus area and several new initiatives continued during the year to strengthen the human capital development.

2012 was the year when your company was ranked in the top 50 Most Admired companies in India by Fortune magazine and Most Admired company in the Engineering and Capital

Goods sector. Dun & Bradstreet recognised SKF India as the 'Best Bearing Company in India' for the sixth consecutive year. Bajaj Auto conferred SKF India with Gold award for quality for supplying 'Zero Defect' products consistently for the past two years. Maruti Suzuki recognised SKF's effort for development of local R&D capability. These awards further strengthen our commitment to excel and drive us to higher performance.

Challenging times and a quest for higher performance call for continued commitment and support of all stakeholders and I take this opportunity to thank all our partners - our distributors and suppliers, our bankers and all stakeholders for their continued trust and support. At SKF, we remain committed to redefining tomorrow through innovation, technology and our customer focus.

Thank you,



Shishir Joshipura
Managing Director and
Country Head

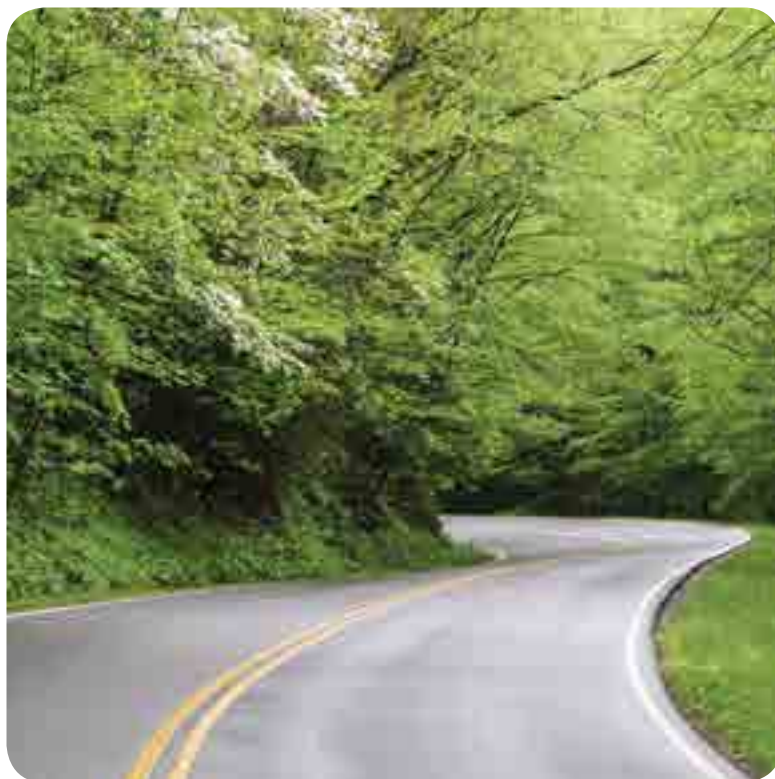


“The journey of
a thousand miles
begins with
one step.”



At SKF India, we have developed the art of taking small steps at a time and then turning them into strides and leaps that lead us towards our journey of thousand miles and beyond. It's a continuous journey that is punctuated by milestones of innovation and creativity that has helped us redefine markets and achieve our long-term goal of a global era of sustainable growth that balances economic, environmental and social needs of communities.

For us, the journey into the future continues with the clear goal of delivering value to our customers, while holistically embracing our sustainability agenda. We are committed to breaking new grounds, and redefining tomorrow by developing new products and efficient solutions that foster sustainability, and proactively find answers to our customers' challenges.





DID YOU KNOW?

- In May 2012, SKF launches an aggressive new climate strategy and announced its partnership with WWF to reduce greenhouse gas emissions. The SKF climate strategy includes aggressive targets for reducing greenhouse gas (GHG) emissions for SKF, its suppliers and logistics operations, as well as from its customer solutions. To support its customers, SKF also announced the launch of the BeyondZero™ portfolio.

Redefining Tomorrow-

Our commitment to BeyondZero™



BeyondZero™ is for us more than a phrase. It's a way of thinking, innovating and implementing. BeyondZero™ is our commitment to reduce the negative environmental impact and increase the positive impact in everything we do, so that the balance is increasingly positive.

To accomplish this, we consciously:

- Reduce energy consumption and emissions from our own manufacturing operations
- And also aim to improve the environmental performance of our customers' processes and products

We achieve this by employing the modern technologies to create more efficient products, which will actually save more energy through their operating lives than it took to manufacture them.

For inclusion in the SKF BeyondZero™ portfolio, a product, a service or solution must deliver significant environmental benefits without serious environmental tradeoffs. That means, it must:

- Help preserve the balance of the atmosphere
- Promote efficient and responsible use of land resources
- Avoid discharges into the water

Lifecycle assessments also indicate that by adapting the design of our products, greenhouse gas and other emissions can be reduced or avoided at other stages of the product lifecycle.

Pushing the boundaries with innovative and eco-friendly products



“A race horse that can run a mile a few seconds faster is worth twice as much. That little extra proves to be the greatest value.” - John D. Hess





By combining over 100 years of engineering knowledge and unmatched expertise in the field of tribology and related sciences, SKF globally and SKF India are developing products and solutions that are intelligent, sustainable and innovative. And by doing so, the Company is continuously reinforcing its position as the industry's frontrunner, committed to making a difference and redefining tomorrow.

With well defined sustainability objectives, SKF India remains focussed on continuously improving and upgrading its product portfolio spanning the five technology platforms - Bearings and units, Seals, Lubrication systems, Mechatronics and Services. The focus remains on expanding the products portfolio through innovation, while constantly redefining the existing portfolio with a clear objective of delivering value to customers. SKF has had significant product developments this year, with a clear aim to make customers more competitive and sustainable at the same time. Some of these products and solutions include:



New SKF Low Friction Engine Seal

With automotive industry efficiency and emission reduction in focus, SKF developed the SKF Low Friction Engine Seal, which reduces friction as compared to conventional seals and reduces vehicle CO₂ emission. The extended life of the SKF Low Friction Engine Seal means fewer seal replacements and less oil leakage, leading to a reduction in waste and less negative environmental impact.



New SKF Low Weight Hub Bearing Units

Like the revolutionary E2 Bearing, the new SKF Low Weight Hub Bearing Unit is another innovative product that contributes to reduced carbon emissions and fuel consumption, without compromising the performance requirements. The SKF Low Weight HBU combines steel with aluminium and weighs less than a standard HBU, and thus contributes to significant weight reduction in automotive wheel ends for both light commercial vehicles and premium cars.



SKF Energy Monitoring Service

To help customers optimise and monitor the efficiency of their pump systems, SKF India offers its energy monitoring service which typically demonstrates how energy use savings is greater in monitored services and year-to-year savings is also higher. Through this service, in some sectors like pulp and paper mills where number of pumps are sometimes touching almost 300, a very high potential for improvement has been observed.



New SKF Nautilus range extension

To meet the wind industry's requirements, SKF India offers a variety of products and services that improve the functional efficiency and cost effectiveness of wind turbines. With a focus on mainshaft efficiency, SKF has developed its SKF Nautilus bearing portfolio. These bearings have been specifically designed to support the mainshaft in wind turbines between 1.5 and 6 MW, and as such, they are absolutely critical to the performance of the turbine as a whole. The SKF Nautilus range extension brings a number of important improvements in design and functionality which provide increased reliability, reduced weight and cost and ultimately lower unit costs for wind energy.



CASM actuators

To provide fast, powerful linear movements, SKF CASM electric cylinders offer a robust, energy-saving alternative to pneumatic systems. The CASM modular concept enables easy connection to motors and control systems. Better level protection is provided as a result of an efficient sealing system, high-grade materials and precision assembly and due to a reduced number of components, the system is more cost-effective than hydraulic and pneumatic systems. Pneumatic systems require constant power to maintain air pressure - even when the actuators are not moving - while SKF electric cylinders only require energy during movement. This allows customers to realise an energy use reduction when they replace pneumatic cylinders with electric cylinders.



- DID YOU KNOW?**
- If all the new 1-50 HP motors with shielded, greased for life bearings were to be equipped with SKF E2 DGBB instead of the standard design, up to 290,000 tonnes of
- CO₂ emissions could be avoided annually.





New Sealed E2 Deep Groove Ball Bearing

The new SKF Sealed E2 DGBB reduces frictional losses in a bearing and is designed for grease lubricated, light to normal load applications. The new SKF Sealed E2 DGBB also enables longer bearing service life and is designed to improve application efficiency by reducing bearing power losses. The SKF Sealed E2 DGBB is suitable for applications in many industries, ranging from electric motors and two-wheelers to industrial conveyors and water pumps.



New range of SKF Hydraulic Seals

The new ranges of SKF Hydraulic Seals are designed to cater to the hydraulic cylinders industry's needs for improved performance. With an expanded range of hydraulic seals, SKF India can now offer OEMs and the aftermarket customers a wider choice of solutions. The ability to rapidly produce machined hydraulic seals with the SEAL JET system and the capability of problem-solving and delivering customised solutions, SKF India can now help in the full lifecycle management of the customers' hydraulic cylinder applications and improve its performance.



Upgraded SKF Explorer self-aligning roller bearings

SKF has upgraded its SKF Explorer self-aligning roller bearing assortment by improving wear resistance. This was done through a new heat treatment that substantially improves the hardness of the bearing steel without affecting toughness. This breakthrough is particularly important for applications where there are high levels of contamination or where lubrication conditions are inadequate.



Solar Linear Actuator systems

Solar tracking can increase a system's efficiency and SKF is meeting the need for dependable actuation systems (drives) for solar tracking. The SKF Solar Linear Actuator enables solar plants to generate more power while reducing maintenance, manpower and lifetime system costs. This is all accomplished by combining robust design, easy installation and virtually maintenance-free operation. Delivering a high static load to dynamic load ratio, increases the unit's ability to maintain position against high wind loads and limits backlash for accurate and consistent tracking.





Founding a new tomorrow on the pillar of Business Excellence

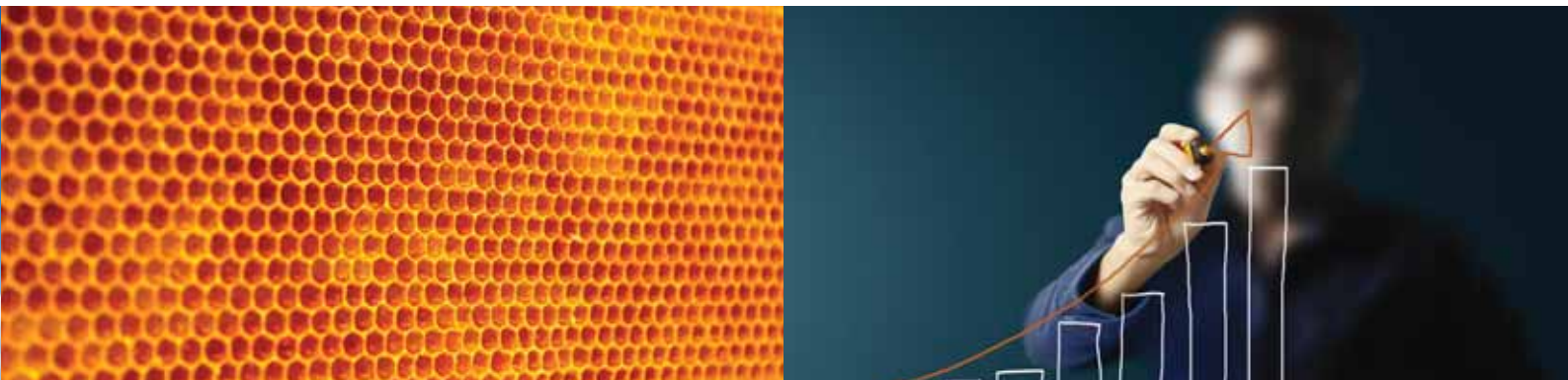
“Heaven is not a place, and it is not a time. Heaven is being perfect. And that isn't flying a thousand miles an hour, or a million, or flying at the speed of light. Because any number is a limit, and perfection doesn't have limits”

-Jonathan Livingston Seagull, written by Richard Bach

Our journey into a better tomorrow is also founded on this premise of limitless efforts to make the most of limitless possibilities. For SKF, Business Excellence is one of the key cornerstones on which our journey into the future rests. It is this philosophy that is continually inspiring us to deliver more value to our customers in the most effective and efficient way possible based on the knowledge of our employees, partners and our technology platforms.

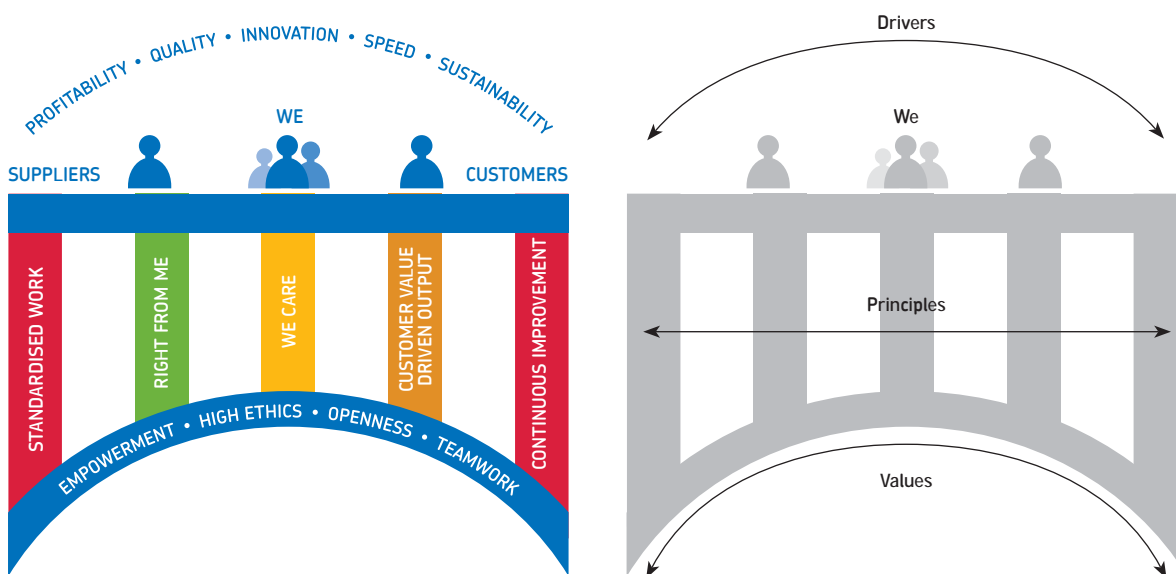
Business excellence builds on many of the initiatives we follow at SKF India, such as a well-recognised quality management system, SKF Six Sigma and Manufacturing Excellence.





The SKF Bridge of Business Excellence

The SKF Bridge of Business Excellence represents our role in linking customers and suppliers in the process value stream, and the principles and values that we support. Working together with our suppliers and customers enables us to deliver real value.



The SKF Business Excellence model is more than just about results - it actively challenges the organisation to consider whether it is achieving the right results in the best way possible.

The model starts with the SKF Values (Empowerment, High Ethics, Openness and Teamwork) and Drivers (Profitability, Quality, Innovation, Speed and Sustainability) which shape the organisation's thinking and principles, and which in turn influence the ways of doing things (methods) and outcomes (results). In doing so, the Business Excellence model provides a framework for making the right decisions, continuously and dynamically linking SKF's Values and Drivers to its Results.

Building a strong core of future-ready people



Capabilities. Experience. Expertise. Commitment to excel, always. At SKF India, people power is built on these values and ethos.

The dedication of our people, who are strongly linked with our vision, values and shared insight for excellence, has, over the years, steered SKF's progress in India to new levels of achievement. Our committed people force is, thus, one of the important strategic pillars of our foundation. At SKF India Limited, we are constantly working to build on our talent base through various skill enhancement and pragmatic training programmes. The Employee Care philosophy accentuates our focus, as an employer, on development of our employees' personal and professional skills, whilst creating a motivating work environment.

A concrete example enabling personal learning and development opportunities for our employees is the Competency Management Process (CMP) which was rolled out in India during the year. This process enables all employees to receive a 360 degree feedback from peers, managers, colleagues, etc. and identifies individual development needs and provides a roadmap for strengthening the employees' competencies.



DID YOU KNOW?

- Through the newly introduced Kushal Skill Training programme, about 22761 man-hours of training has been imparted until December 31, 2012 and a total of 832 people (including existing employees, channel operators, new graduates and apprentices) have undergone training.



Kushal Skill Training

As a continued initiative of Business Excellence in Manufacturing, SKF India launched a unique SKF Skill Centre in Pune. Named “Kushal” (meaning “The Skilled”) this centre offers comprehensive training programmes to create smooth transfer and enhancement of appropriate level of skills for employees working in various engineering and manufacturing processes. The knowledge is imparted by skilled seniors and ex-SKF shop floor colleagues.

Distribution Development Programmes

Our Business Excellence initiatives also embrace our distributors to enable them usher even higher efficiencies, and raise the bar of excellence to ultimately deliver higher value to customers. We actively engage with our channel partners to raise the level of professionalism by encouraging them to employ trained and qualified talent, conducting focussed training development seminars and integrating them closely with our vision and progress. These well structured training programmes encompass a mix of classroom, home study, e-learning and practical workshops covering various Products, Applications & Segments and even soft skill training. Industry experts are also involved in these training programmes to provide a very pragmatic view.

Together, these initiatives are important milestones that will redefine tomorrow and ensure that the SKF brand and network are partners in progress by choice for our customers, not just today, but for years to come.

Expanding our reach into tomorrow

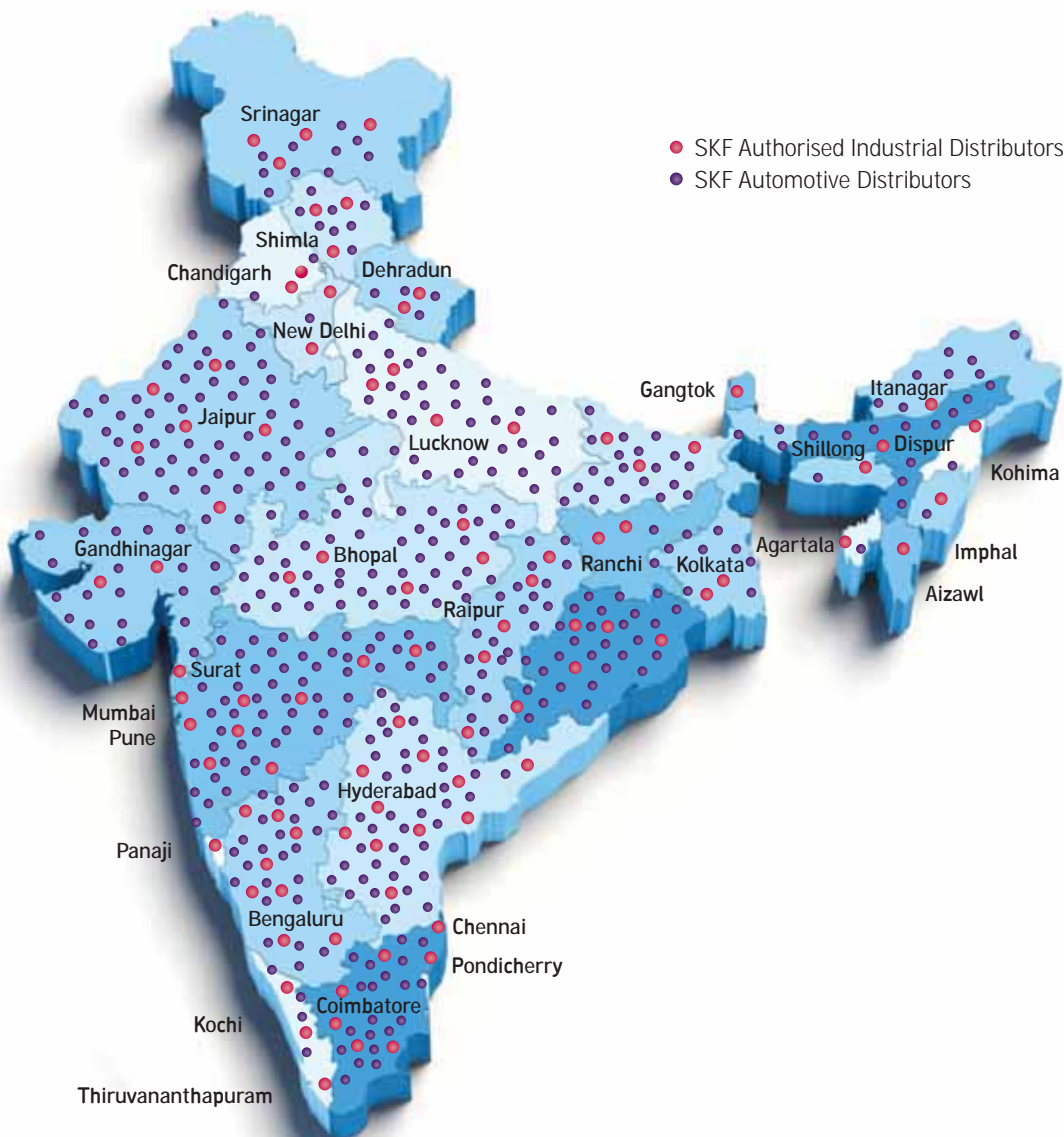


At SKF India, we are committed to expanding our coverage across our five technology platforms and be closer to customers by investing in the right infrastructure and building and even more robust logistics and distribution network.

We are proud to have one of the largest distributor networks in the country which enables us to have deeper penetration and higher servicing efficiencies. We are focussed on expanding our distribution network and categories, especially in Tier II & Tier III cities across the Industrial and Automotive sectors.



- **DID YOU KNOW?**
- Reliability Maintenance Institute (RMI) at Pune offers comprehensive training courses designed to help plants eliminate machinery problems and achieve maximum reliability and productivity by utilising the very latest in precision maintenance.



(Map not to scale)

Inspiring hope through Community Care



SKF India drives sustainability as a passionate ideological core and it is embedded in the organisation culture and recognised as a way of life. People are the vanguard of the new momentum envisaged to be infused to living its community care vision of promoting positive changes in the life of communities where SKF India is present and make a meaningful difference to these communities.

Nurturing young talent

The company continues to promote young talent and provide holistic development opportunities to the underprivileged children in the adjoining communities at Pune through the SKF India Sports Academy. The Sports Academy was established in 2005 with the help of the Pimpri Chinchwad Municipal Corporation (PCMC). Talented and inclined children from nearby schools are inducted for a period of 5 years and teams of boys receive coaching in football and cricket, while girls receive coaching in hockey. In addition to providing professional guidance to nurture their skills, SKF India Limited also provides necessary grooming and logistical support to help these children prepare for local and international sporting events. During the year, SKF India Limited sponsored a 16-member football team from SKF India Sports Academy to participate in Gothia Cup 2012, the world's largest youth football tournament in Sweden.

Sustainable building design and construction

SKF India Limited is committed to driving sustainability in every aspect of its business and all new facilities are designed and constructed to world-class standards in terms of environmental performance. The company has adopted the Leadership in Energy and Environmental Design (LEED) standard for all its major new facility constructions. The company has applied for certification for its facility in Haridwar.





Learning and Care

Continuing on our vision of Community Care, employees continue to volunteer and engage with NGOs where SKF is present. One such example is our association with Samarthanam - a trust for the disabled - in a day-long activity that saw 45 differently-abled children spending the day at the Bengaluru factory premises. Along with various interactive sessions, the children were counselled on topics ranging from 'how to face competitive exams' to 'time management'. The children were also taken for a walk-through of the shop-floor, so that they could look at the machines and have an exposure to how a world-class factory works.

Employees regularly volunteer in organising blood donation camps at various locations and it is heartening to see the enthusiasm for this gift of life. To promote environment awareness, SKF Haridwar embarked on a tree plantation drive and more than 130 trees were planted in one day.

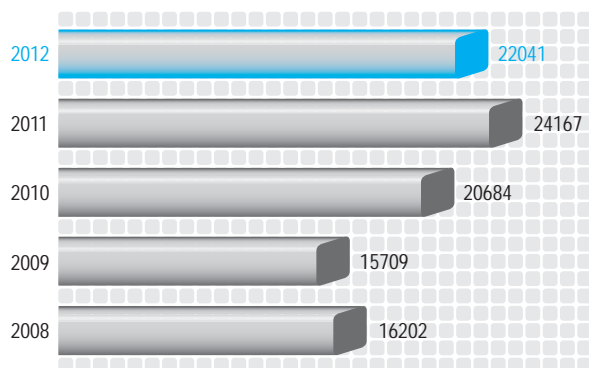
Financial Highlights

(` in million)

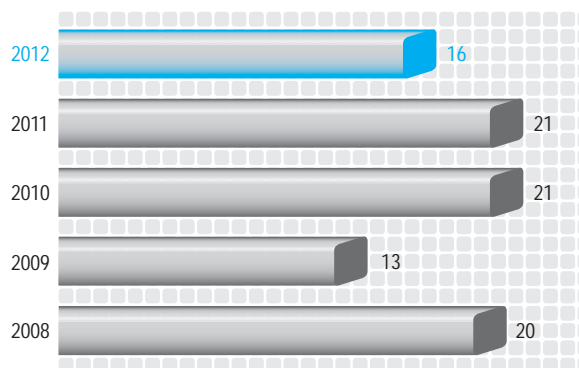
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net Sales	22041	24167	20684	15709	16202	15683	13425	7814	5813	4670
Profit before Tax	2831	3139	2661	1431	1944	2474	1531	1031	883	506
Profit after Tax	1901	2085	1770	942	1277	1607	1020	641	566	322
Cash earning per Share (`)	44	47	40	23	30	36	24	17	18	13
Rate of Dividend (%)	75	75	70*	40	45	60	45	35	25	25
Gross Block	10045	9190	8472	7693	7392	6697	6453	5889	5511	5429
Net Block	4072	3547	3193	2568	2387	1968	1842	1475	1238	1286
Total Borrowings	-	-	0.1	1	2	2	1	2	65	463
Share Capital	527	527	527	527	527	527	527	527	453	453
Reserves & Surplus	11026	9585	7960	6620	5924	4925	3695	2946	2112	1696
Book Value per Share (`)	219	192	161	136	122	103	80	66	67	47
Shareholders' Nos.	22070	23102	25969	27350	28474	24430	25811	24269	28545	28382
Employees' Nos.	2473	2194	2107	1915	2078	2069	2024	1963	1968	1960

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

Sales (₹ in million)

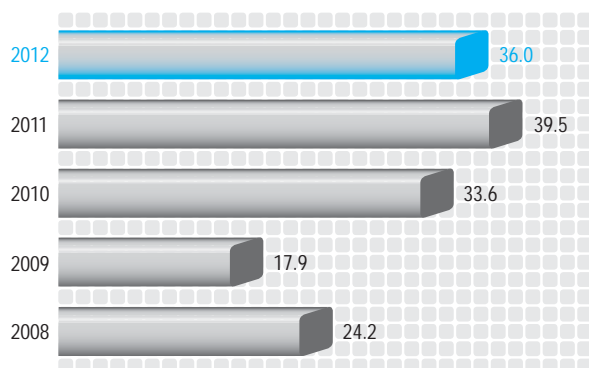


RONW (%)

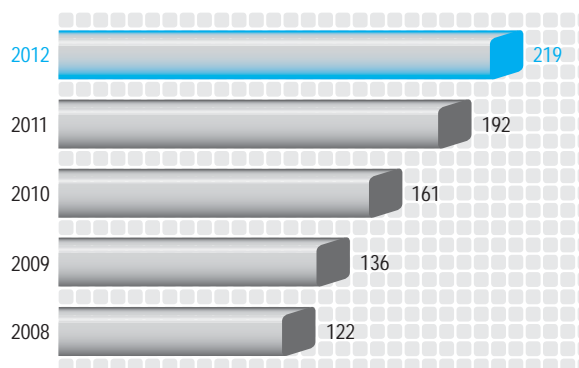


RONW = Profit after Tax / Shareholders' Funds

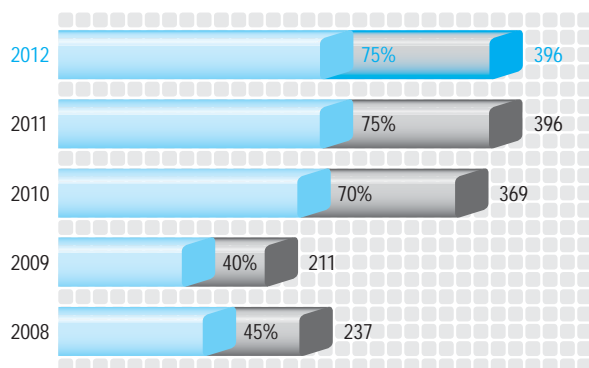
Earning per share (₹)



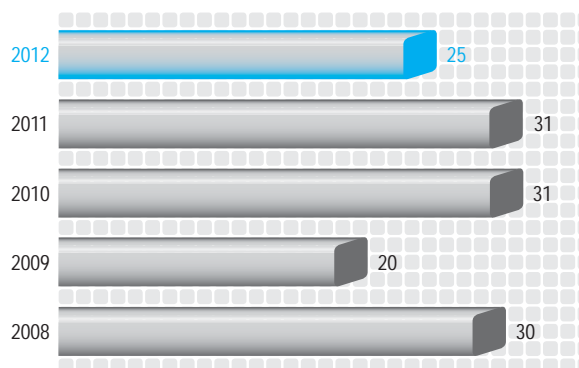
Book value (₹ per share)



Dividend (₹ in million)



ROCE (%)



ROCE = Profit before Tax / Capital Employed



Notice

NOTICE IS HEREBY GIVEN that the Fifty Second Annual General Meeting of the Members of SKF India Limited will be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 4th Floor, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400 001 on Tuesday, April 30, 2013 at 3.00 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, 2012 and the Statement of 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, 2012.
3. To appoint a Director in place of Mr. T. Sthen who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Rakesh Makhija 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 the vacancy caused by the retirement of Mr. D. C. Shroff a director of the Company who does not seek re-election be not filled.”

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

“RESOLVED THAT M/s. Price Waterhouse & Co., Bangalore, Chartered Accountants, (Firm's Registration Number 007567S with the ICAI) be and are hereby appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company in place of M/s B S R & Associates, Chartered Accountants, the retiring Auditors and that the Audit Committee / Board of Directors of the Company be and are hereby authorised to fix their remuneration.”

SPECIAL BUSINESS

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

“RESOLVED THAT Mr. Prakash M. Telang, who was appointed as an Additional Director of the Company effective 23rd October, 2012 and who holds office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 and Article 129 of the Articles of Association of the Company, 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. Telang 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.”

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. 5,6 and 7 above, is annexed hereto.
3. Particulars of the Directors being appointed / reappointed as required under Clause 49 of the Listing Agreement are provided in the report on Corporate Governance.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, April 23, 2013 to Tuesday, April 30, 2013, 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 22, 2013; and
 - (ii) in respect of shares held in the dematerialized form to those deemed members whose names appear in the statements as furnished by the depositories for this purpose as at the end of the business hours on April 22, 2013.

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 for renewal at the office of the Company's Registrars & Share Transfer Agent, M/s. TSR Darashaw Private 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 2006 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.
9. The Ministry of Corporate Affairs has introduced a 'Green Initiative in Corporate Governance' by allowing paperless compliances by companies. It has issued circulars stating that documents including Annual Report can be sent by e-mail to its shareholders. Your Company welcomes this green initiative for paperless communication, which is in line with its focus on eco friendly and sustainable products and services.

To support this green initiative in full measure, shareholders who have not registered their e-mail addresses, so far, are requested to do so in respect of electronic holdings with the Depository through their concerned Participants. Shareholders who hold shares in physical form are requested to fill and send the "Email Registration Form" which is available on SKF

India's website www.skfindia.com under Investor page section / Shareholder's Information.

10. Pursuant to Section 109A of the Companies Act, 1956, members are entitled to make a nomination in respect of shares held by them in physical form. Members desirous of making a nomination are requested to send their request in Form No.2B in duplicate (which will be made available on request) to the Registrar and Share Transfer Agent of the Company.

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: March 26, 2013

Annexure to the Notice

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

Item No.5

In accordance with the provisions of Section 256 of the Act and the Articles of Association of the Company, Mr. D. C. Shroff retires by rotation at the forthcoming Annual General Meeting. Mr. Shroff has not sought re-election. It has been decided by the Board that the vacancy so created on the Board of Directors of the Company should not be filled. The Board commends the resolution for approval by the Members.

Mr. Shroff is a Director of the Company since April 3, 1993 and is also the Chairman of the Audit Committee. The Board has placed on record its appreciation of the contribution made by Mr. Shroff to the Company.

Mr. Shroff is concerned or interested in this resolution.

Item No.6

The retiring auditors have expressed their unwillingness for their re-appointment. The Company has received a notice from a member, of his intention to propose M/s Price Waterhouse & Co., Bangalore, Chartered Accountants as Auditors in place of the retiring Auditors.

M/s Price Waterhouse & Co., Bangalore have intimated the Company that, if appointed, their appointment will be within the limit laid down under section 224 of the Companies Act, 1956

Item No.7

At the meeting of the Board of Directors of the Company held on 23rd October, 2012 the Board appointed Mr.Prakash M. Telang as

an Additional Director of the Company effective from 23rd October, 2012.

Mr. Prakash M. Telang will hold office of Director up to 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. Telang as a candidate for the office of Director.

The Directors recommend the Resolution at item 7 of the accompanying notice for Member's approval.

No Director other than Mr. Telang is concerned or 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: March 26, 2013

Directors' Report

To the Members,

The Directors of your Company are pleased to present the 52nd Annual Report, with the statement of the audited accounts for the financial year ended on December 31, 2012.

FINANCIAL RESULTS

	Year ended Dec 31, 2012 ₹in million	Year ended Dec 31, 2011 ₹in million
Net Sales & Services	22041.3	24167.2
Other Income	917.8	727.2
Total Income	22959.1	24894.4
Operating Expenditure	19691.9	21370.0
Depreciation	435.9	385.2
Profit Before Tax	2831.3	3139.2
Provision for taxation	930.5	1054.3
Profit After Tax	1900.8	2084.9
Balance brought forward from last year	5205.3	4180.0
Profit available for appropriation	7106.1	6264.9
The appropriations are as follows:		
Proposed dividend on Equity Shares	395.5	395.5
Tax on Proposed dividend	64.1	64.1
Transfer to General Reserves (including compulsory transfer to Reserves required under Section 205(2A) of the Companies Act, 1956)	1000.0	600.0
Leaving a balance of	5646.5	5205.3

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 7.5 per share (75%) for the year ended December 31, 2012 out of the current year's profit, as compared to ₹ 7.5 per share, for the preceding year ended December 31, 2011. 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 ₹ 395.5 million. This would involve a cash outflow of ₹ 462.7 million including tax on dividend.

OPERATIONS

The year posed prolonged challenging scenarios in the economic environment. High inflation, fiscal imbalances and resultant high interest rates continued to deter the sentiments.

A decline in the buoyancy in the Asian economies along with fragile recovery in advanced economies also affected export growth adversely.

A sharp drop in volumes led to a decline in sales by 9%. This coupled with inflationary pressures on cost and a weakening Rupee put additional pressure on margins. Despite the difficult business and macro environment, our profit before tax as percent to sales is only marginally lower at 12.8 per cent as compared to 13 per cent last year and Profit after Tax for the year as per cent to sales remains at 8.6% though lower by 8.8 per cent over the previous year. Exports constitute 6.2 per cent of the total sales as compared to 8.7 per cent of sales in the previous year reflective of the weakness in the global markets. The earning per share and cash earning per share for the year under review was ₹ 36.0 and ₹ 44.3 respectively.

Brownfield expansions at Pune and Haridwar facilities are planned in the coming years to create capacities to meet the expected growth in demand.

Business excellence is one of our core competitive strategies of doing business. Business excellence addresses the entire value chain and weeds out what is not relevant or sub-optimal. We continue to actively nurture and foster a culture of innovation by leveraging on our global knowledge base and delivering value to our customers.

Backed by the intrinsic strengths of SKF, driven by the experience of working with customers over 100 years and across geographies, your company continues to be the leader in its segment. SKF India Ltd will continue to leverage the parent company's well-developed global research and development facilities, competent talent to further strengthen its market leadership.

LIQUIDITY

Your Company continues to remain debt-free and maintains sufficient cash to meet strategic objectives. There are no long-term borrowings. During 2012, internal cash flows have covered working capital requirements, investments and dividend payments. The Balance Sheet remained strong with cash and liquid investments of ₹ 3070 million.

SUSTAINABILITY AND SAFETY

The philosophy of 'SKF Care' is embedded in everything that we do. SKF Care is integral to the processes and operations and our way of doing business. At SKF business decisions are guided by the principles of SKF Care which includes Business Care, Environmental Care, Employee Care and Community Care.

SKF's BeyondZero™ strategy describes SKF's overall commitments towards environment and sustainability. Being a responsible citizen, we at SKF strive to act in a way that not only secures strong financial performance but also supports environmental sustainability.

SKF BeyondZero™ consists of two simultaneous goals:

- Reduce the negative environmental impact from our own operations and those of our suppliers
- Innovate and offer our customers new technologies, products and services with enhanced environmental performance characteristics.

In this continuously changing world, ever-evolving sustainable and profitable technologies will define progress in future. SKF's knowledge engineering capabilities and its applications to manufacture innovative and energy-efficient solutions enable customers to achieve business profitability and their environmental goals.

Along with the above goals, safety at work place continues to remain a prime focus for the company. Your company continues to improve the EHS performance by implementing various programs and stringent practices towards the prevention of work place accidents and pollution, promotion of employee health and well being and reduction of environmental impacts.

AWARDS / RECOGNITION

Your Directors are glad to report that during the year, the company was recognised and felicitated for exemplary performance in various fields and some of the significant achievements are:

- SKF India ranked among the top 50 Most Admired Companies in India by Fortune Magazine - Ranked 1st in the Engineering and Capital Goods category and 3rd in the Auto Components category
- SKF India Ltd. was honored with the prestigious Dun & Bradstreet award 2011, for the 6th consecutive year, for its significant contribution to the bearing sector
- SKF Pune manufacturing facility was conferred the Gold Certificate of merit at the Ninth edition of Economic Times and Frost & Sullivan India Manufacturing Excellence award-2012
- SKF India was awarded in 2012 'Star performer' by the Engineering Export Promotion Council of India (EEPC), for excellence in exports of engineering goods and services during 2009-10
- SKF has been conferred as the best supplier in the 'Best Quality & Services' category and 'Improvement Orientation' category by Tata Steel
- SKF India awarded as the "Preferred supplier for local R&D capability development" by Maruti
- SKF India, Awarded Quality - Gold award from Bajaj Auto for Valuable Support and Contribution for the year 2011
- SKF India bags two awards at Productivity Improvement Case Competition 2012 organized by Pune Divisional Productivity Council, winner (best case study) in the management category and first runner up in the operator category.

These awards and recognitions came as a result of the focused effort towards evolution of your company from a bearing manufacturer and supplier to an integrated solutions provider.

We thank all our customers, suppliers, employees and all other stakeholders for their continued support and contribution to these awards. These recognitions further inspire us to aim higher in order to become competitive and deliver value in everything we do.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

As responsible corporate citizens, we have always endeavored to make positive contribution to the communities in which we operate. Your company's CSR initiatives are aimed at local community needs and contributes to the community development.

All the CSR activities are determined by the philosophy of 'making a meaningful difference in the lives we touch'. Your Company's CSR activities are conceived to help in the holistic development of the underprivileged children by engaging them in various activities such as sports, culture and education. Keeping this in mind, your company runs a sports academy for underprivileged children as it believes sport is an essential part of a child's mental and physical development

Your company also supports several NGOs guided by the above philosophy.

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 and there are no 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, 2012 and of the profit 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

Irrespective of the location, your company has undertaken the commitment that all new facilities must be designed and constructed to world-class standards in terms of environmental performance; and we do so by adopting the 'Leadership in Energy and Environmental Design' (LEED) standard for all our major constructions.

With clear focus on energy conservation, your company has launched 'SustEn' project to reduce carbon footprint and energy consumption costs, results for which will be visible in 2013 and beyond.

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 are set out as an 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. No amount of Principal or interest was outstanding as at December 31, 2012.

PERSONNEL

The Board of Directors commends the continued dedication of employees at all levels and the industrial relations continue to be peaceful and cordial. Your Company's dedicated and talented workforce has enabled it to remain at the forefront of the industry. Your Company remains committed to provide a challenging and rewarding work environment to all its employees.

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out as an annexure to the Directors' report. However, as per provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and the accounts are being sent to all the shareholders excluding the aforesaid information. Any shareholder desirous of obtaining such particulars may write to the Company Secretary at the registered office of the Company.

DIRECTORS

Mr. Prakash M. Telang was appointed as an additional Director with effect from October 23, 2012. Mr. Telang is an Independent Director. As per the provision of Section 260 of the Act, Mr. Telang holds office only up to the date of the forthcoming Annual General Meeting and is eligible for appointment.

In accordance with the requirements of the Companies Act, 1956 and the Company's Articles of Association, Mr. T. Sthen and Mr. R. Makhija retire by rotation and being eligible have offered themselves for re-appointment. 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.

Mr. D. C. Shroff, a Director of the Company who retires by rotation at the forthcoming AGM, has conveyed his decision not to offer himself for re-appointment. He is also the Chairman of the Audit Committee. The Directors place on record their appreciation of the valuable contribution made by him.

AUDITORS

M/s. B S R & Associates, Chartered Accountants, the retiring auditors have expressed their unwillingness for their re-appointment. The Company has received a notice to propose M/s Price Waterhouse & Co., Bangalore, Chartered Accountants, as statutory auditors in place of the retiring auditors who will hold office from the conclusion of the forthcoming Annual General Meeting until the conclusion of the next Annual General Meeting. 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. M/s Price Waterhouse & Co., Bangalore, hold a valid certificate issued by Peer Review Board of ICAI.

A certificate from the proposed 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. RA & Co. as Cost Auditors of the Company for the year 2012. The Cost Audit is under process and the Company will submit the Cost Auditors' report to the Central Government in time. The Cost Audit report for the financial year 2011 has been submitted on 30th March 2012 as against the due date of 28th June 2012.

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

Mumbai, March 26, 2013

K C Mehra
Chairman

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, 2012

Disclosures

A. CONSERVATION OF ENERGY :

Pune Plant

During the year 2012, **SustEn** project was launched to focus on various energy saving projects which were focused on compressed air systems, Heat treatment, production channels and general utilities. In all 13 projects were completed. This has resulted in savings of over 10.0 MINR.

The projects covered were:

- Implementation of Energy Audit & various green belt projects.
- Optimizing the compressed air pressure, identifying and eliminating air leakages.
- Solid State Control of heaters in HT furnaces.
- Harmonic level measurement & use of harmonic filtration units for reduction in power losses.
- Channel wise electrical power consumption and actions to reduce active power component.

Improvement & maintaining power factor

- Maintained overall power factor of the factory to 0.997.
- Optimization of automatic power factor controllers at SKF's main incoming feeders.
- In 2012 total discount availed from MSEB was 70 percent higher than in 2011.

Energy measurement & audits

- Specific energy consumption of all compressors mapped.

Energy Saving Projects completed during 2012.

- 2 Reciprocating old CPT compressors replaced with energy efficient screw compressors.
- Main compressor header pressure reduced from 75 PSI to 72 PSI to reduce electrical energy usage.
- Solid State control of heaters is provided on 4 heat treatment furnaces to optimize electrical consumption.

Bengaluru Plant

- Energy conservation measures continued in the following areas yielded an annual cost savings of around 2 MINR.
 - Compressed air
 - Water chilling for process cooling and comfort cooling.
 - Power factor improvement
 - Lighting.

Haridwar Plant

- The plant is constructed as green building - LEED/IGBC guidelines and other best practices resulting in lot of energy saving.
- **Installation of Flux control system for flexlink conveyors**
Induction motor flux control device installed on one channel resulting in saving of 16,312 KWH of energy per annum. The device will be installed in other channels which will accrue additional saving of 48,936 KWH per annum.

Compressed Air

Reduction in compressed air consumption is achieved by arresting leakages and optimization of header pressure. Total energy saving achieved is 5400 KWH per annum.

Additional Proposal of Activities

- Further Implementation of energy saving projects in the areas of compressed air systems, pumps and cooling towers.
- Replacement of 2 old 2000 KVA transformers with energy efficient transformers.
- Installation of 500KW solar energy plant as a renewable energy source.
- Monitoring of channel wise electric power consumption with KW and power factor.

B. TECHNOLOGY ABSORPTION :

- The Company has been consistently supported by its Parent Company, Aktiebolaget SKF (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.

Pune Plant

Installation of new MDGGB Channel:

New MDGGB channel installation has been completed with new Grinding machines. Production from this channel has started from second quarter of 2012.

Installation of new HBU1 Channel:

New HBU1 channel installation is in progress. New Grinding machines and Assembly machines have been added. The channel installation will be completed in first half of next year.

Bengaluru Plant

- Upgradation of Technical modifications on Grinding and Assembly machines was further enhanced, resulting into increase in efficiency and capacity improvements of the channels

Haridwar Plant

- The speed of production continued to increase during the year as the technology absorption improved
- Installation and commissioning of additional channel is on, which will further enhance the installed plant capacity

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

- Exports during the year were mainly for automotive customers. The company continued to explore new businesses for overseas market. Exports during the year were about 6% of the total sales
- The information on foreign exchange earnings and outgo is contained in the Notes to Financial Statements.

For and on behalf of the Board
SKF India Limited

K.C. Mehra
Chairman

Mumbai, March 26, 2013



Management Discussion and Analysis

INDUSTRY STRUCTURE AND DEVELOPMENT

2012 started holding out a promise for travel on road to recovery. Continued pressure of inflation, fiscal imbalances and resultant high interest rates however derailed this travel. The uncertainty in business environment was visible in the form of low investments, low capacity realisation and slowdown across sectors of industry.

The economy has not grown at forecasted pace and reforms introduced in the later part of the year brought in some much-needed reassurance from policy makers. Economic recovery in medium term is dependent upon a continued push on reforms coupled with country's dire need for infrastructure development; even as it is faced with challenges, both seen and unforeseen, in the form of global economic trends, geopolitical developments and domestic compulsions for the policy makers.

The size of Indian bearing market is estimated to be around INR 75 billion. Two-thirds of this demand is met through domestic production and the balance through imports. The growth of the bearing market is directly dependent upon the growth in the automotive and industrial segments.

The evolution of the market now increasingly demands efficient and integrated solutions from the manufacturers, paving the way for delivering solutions that achieve high energy and resource efficiency, improved reliability and productivity from all assets deployed.

Your company's expertise drawn from parent company's global knowledge base built over 100 years combined with its local talent helps deliver unique solutions to meet emerging needs of the market. Your company offers customised solutions across segments, helping customers to improve productivity, minimise maintenance, optimise designs for improved life, reliability, achieve high energy and resource efficiency.

OPPORTUNITIES

The Indian economy is expected to grow over medium to long term horizon on the back of a strong demographic dividend, high savings rate, a large and emerging middle class and growing internal consumption. The policy initiatives to address the structural problems of the economy coupled with steps to improve the investment climate are necessary conditions to bring growth back. The success of inclusive growth agenda for the country would be a critical factor to determine sustainability of any growth measure.

The demand for bearing industry is derived from two key user segments – automotive and industrial sector. The continued build up on the back of manufacturing capacity and capabilities has seen industrial segment emerge as an important segment almost equal in size as that of automotive segment.

AUTOMOTIVE SECTOR

The automotive segment witnessed a slowdown in demand due to a combination of rising and uncertain fuel prices, high interest rates and continued challenges on infrastructure development front. The segment is expected to continue facing these challenges in the coming year and is expected to leverage innovation by introducing several new models to generate demand.

Insufficient public transport system, the rising purchasing power of young, salaried and self employed and exploding urban population coupled with extremely low penetration levels in the rural areas will continue to create long-term demand for personal vehicles.

The market advancements in automotive segments will lead to demand for higher technology components on the back of emerging competitive forces and the new environmental regulations. Advent of hybrid and plug-in electric cars as alternative propulsion systems will call for advanced technology and resultant footprint for manufacturing of components.

Revival of manufacturing, mining and other key infrastructure segments, expansion of public transport systems, establishment of efficient supply chains between point of production and consumption and farm mechanisation will drive the demand for commercial vehicles and tractors.

INDUSTRIAL SECTOR

As the core fundamentals of the economy start improving, the industrial segment will see a revival. Infrastructural development will be a pivotal factor for revival of economic activity and the current five year plan has a strong focus in this area. The total investment in infrastructure sector in the Twelfth Plan is estimated to be fifty five thousand crores and is likely to pave the way for development of many related industries.

Investment in power and mining sectors is likely to attract investments in the transport and logistics such as ports, railways and roads. The development of dedicated freight corridors will enable movement of goods and development of industry along the corridor.

Electric power is a critical input into all the economic activity. The current five year plan aims to add another 88000 MW, out of which half of the capacity is expected to come from the private sector. Given the policy directions, renewable energy, especially wind and solar is likely to have a higher share of the new capacity. Some policy level support is still desirable for both these technologies as they develop on commercial scale and overcome the barriers of cost through innovation.

Skill-based manufacturing will be a key determinant for attracting investment into India. Global players are investing in captive research and development centres in the country which will lead to building technical competency in the sector as well as create more jobs to leverage the available talent.

Your company's continued commitment to technology development coupled with its reach will help it maintain and strengthen its position as market leader and bring innovative solutions to the industry. Your company's expertise and ability to offer solutions across the five technology platforms and to a wide range of segments will help the company secure its goals.

THREATS

Steel constitutes single largest component of bearing cost. Steel being a commodity, the pricing is influenced by global demand and supply situation and economic scenario. Volatility in the domestic steel prices has increased considerably in recent times due to shortage of iron ore caused by the restrictions imposed on the mining activities and depreciation of Rupee which directly impacts the scrap prices.

The automotive sector demand is influenced by the prevailing interest rate regime and the fuel prices. The commercial vehicles segment is also dependent upon growth in economic activity and reflects the trend in an almost direct correlation.

Delay and deficiency of infrastructure development hinders the economic growth. Delay in decision-making at policy level, inability to reign in fiscal deficit and high interest rates coupled with stubborn inflation would create an unfavourable investment climate. Continued non resolution of issues pertaining to fuel linkages, land acquisition and environmental clearances will continue to delay large projects and also contribute to suboptimal operations for existing facilities.

Counterfeit products are a cause of concern for all organised bearing manufacturers. It exists in all geographical markets across all segments across the product lines. It adversely impacts everybody - consumers, industry and the exchequer.

Your company is constantly working to mitigate the risks posed by these external threats. SKF works continuously with its suppliers and leverages global purchasing power to reduce input cost. Your company continuously updates its knowledge, quality levels and product development capabilities to design and manufacture the next generation of products. SKF India actively assists local law enforcement authorities in taking action against counterfeiters and by undertaking continuous communication activities towards customers and distributors.


OUTLOOK

The economy on both global and domestic front is going through several challenges. The domestic economy is faced with several constraints - persistent inflation, very high fiscal deficit, high interest rates, infrastructure bottlenecks and resultant slowdown in investments. This coupled with prolonged period of inaction on policy environment has made the growth rates come down significantly. In near term, these challenges will continue to impede the growth of economy and as these get addressed, the economy should recover over medium to long term.

The case of India's demographic dividend has remained unchanged and has potential to create favourable dynamics for internal consumption of goods and services on a sustained basis. Realisation of this potential presented by the growing young population is critically dependent upon appropriate policy intervention in the areas of education and healthcare. The opportunity by itself cannot translate into engine for growth and it is only through skill enhancement of the young and upgradation of basic infrastructure across education, health and environmental sectors that we could give shape to this potential. The rapid pace of urbanisation and gradual integration of rural economy into the mainstream have created a demand for improved infrastructure across the country. The inclusive growth agenda and the consumer push will call for extending and improving the road network, improved port connectivity, faster movement of goods to and from the ports to interior. The Twelfth five year plan proposes to address precisely these issues which is likely to create a demand for products and services, directly serving the infrastructure development agenda such as commercial vehicles, off highway and construction equipments, railway infrastructure to name a few.

Some of the world's biggest automobile manufacturers who have set up their local base in the recent past and the home grown manufacturers are formulating strategies for serving an underserved high potential market that is backed by the emerging middle class and the demand for mobility in rural areas. They are also concentrating on expanding capacities with a sharp thrust on localisation to improve competitiveness. The Indian consumer is increasingly demanding higher value, pushing manufacturers to deliver better performance in terms of efficiency and reliability of vehicles, thereby creating a demand for high technology products.

Energy is a fundamental driver for any economic growth. India's energy mix is largely dominated by traditional power and the recent policy directions of low carbon intensity energy coupled with creation of capacity in both public and private sectors will create opportunities to introduce technologies and solutions that address the need with minimum impact on the environment.



Manufacturing is acquiring an increasingly significant role in determining India's economic growth. India has the opportunity to attract investments in high skill manufacturing areas, leveraging availability of competitive manpower, a large domestic market and an improving policy environment. This is critical for creation of jobs and is likely to contribute to the growth of economy as higher discretionary spending ability is vested in many more hands. The core sector growth in medium to long term is thus foretold as these basic industries will continue to feed the demand of an underserved economy.

The growth in bearing demand is directly linked to the growth in core sectors as bearings are an integral part of every process industry. Fiscal consolidation, moderation in inflation and consequent reduction in interest rates should bring back the momentum for growth. The path of this recovery is more likely to be U shaped and will push organisations to discover innovative ways for staying ahead in the market.

Innovation and technology will play a key role in driving growth and creating competitive advantage. The Government has declared this decade as the 'Decade of Innovation'. SKF is constantly delivering innovative and energy efficient solutions to help customers become more competitive, and the parent company has hence established a Global Technical Centre in India to develop a wide range of applications and solutions for the local and global markets.

As we overcome the near term challenges posed by the environment, your company will continue to strive for growth by focussing on customers and creating value for them by bringing in world class technology and innovation in the form of products and services. 'Excellence in everything we do' will drive our actions both internally and externally to create increasingly higher value for our customers. This approach is reflective of your company's leadership and value based approach.

RISK AND CONCERNS

Any business or operation is subject to a variety of risks and uncertainties. Your company constantly endeavours to foresee such risks and pre-empt them or meet them with suitable precautions.

SKF follows a set of well documented risk identification and risk management policies. Risk identification is done at all levels of the organisation, starting from unit / function level risks. The process focusses on identifying strategic, operational, financial and business risks. Whenever a potential risk is assessed and identified, a mitigation plan is also identified with timelines and it is assigned to respective identified owners to ensure implementation and accountability.

Apart from these methods, additional independent processes for legal,

internal audits, quality assurance, environmental compliance and SICS (SKF Internal Control Standard) are in place to ensure proper risk assessment and mitigation.

Risk Manager ensures overseeing of the mitigation process through discussions and reviews; updates on status of mitigation and the residual risks that exist, subsequent to the mitigation are provided to the Audit Committee. A detailed review of the progress on safety is separately presented to the Board periodically.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has appropriate internal control systems for business processes, covering operations, financial reporting and compliance with applicable laws and regulations. Process controls are reviewed periodically and strengthened to create a robust control environment. The operating parameters are also monitored and controlled. Regular internal audits and management reviews ensure that the responsibilities are executed effectively.

An annual internal audit plan is prepared after taking feedback from the units / functions and statutory auditor keeping in mind the various risks identified in the risk register. This plan is then approved by the Audit Committee at the beginning of the year and is executed by internal audit team as well as by engaging external audit firm. The audit function independently tests the design, adequacy and operating effectiveness of the internal control system to provide a credible assurance to the Audit Committee regarding the adequacy and effectiveness of the internal control system.

The audit processes include review and evaluation of effectiveness of the operational risks perceived for each area under audit. Significant observations including recommendations for improvement of the business processes are reviewed by the Management before reporting to the Audit Committee. The plan and the internal audit reports are shared with the Statutory Auditors. The Audit Committee then reviews the Internal Audit reports and the status of implementation of the agreed action plan.

FINANCIAL AND SEGMENT PERFORMANCE

SKF India Ltd. operates primarily in the bearings and related components segment, which are used in a wide range of applications across industries. The volatility and turbulence in the economy, higher input cost, and production cuts planned in the industry has adversely affected the production and demand curves and the trend continued throughout the year across the automotive and industrial markets - the two major segments in which the company operates.

The total sales for the year 2012 stood at INR 22041 million. The sharp reduction in demand led to a lower level of production activity

to realign the inventories with actual demand. The profit before tax for the year was 12.8 percent of sales and the profit after tax was INR 1901 million.

In order to meet the existing challenging environment, your company is taking all measures to remain financially robust, focussing on efficiency and finding innovative ways to remain lean in order to optimise costs. Your company continues to focus on the 3 Cs - Customer, Cost and Cash to remain lean and agile and better geared to face the demands as the economy regains growth.

HUMAN RESOURCES

We encourage employees to be 'entrepreneurial' and focus on experimenting and being innovative. In order to move to greater heights, SKF India has adopted the theme "Change the Game" this year. Towards building a "People-Oriented Culture", as a part of the "Changing the Game" initiative, your organisation rolled out a country wide programme "Line Manager as People Manager".

Your company constantly urges its people to question the status quo and build strategic plans across every business and function. It uses the approach of Large Scale Interactive Process (LSIP) to ensure that every voice is heard and ideas are captured to drive a well-defined strategic approach.

A 'Campus Link' initiative was launched to drive strategic academia partnerships. This initiative focussed on recruitment of best-in-class talent. The development programme was designed to address the learning needs of this young talent pool. Social Media was used to build the networks and use communication styles that align with the nature of the incoming young talent.

Another major initiative taken during the year was the implementation of a uniform model of Business Excellence in all aspects of businesses, including non-manufacturing areas. This multi-pronged programme will bring out the best in our employees, deliver better service to our customers and benefit the company in terms of volume and profitability.

Your organisation also focusses on building strong relations among employees of various grades and divisions. Accordingly, we rolled out training programmes for all employees with a focus on collaborative relations across our manufacturing operations.

Your company is focussed on skill enhancement and development of its shop floor employees to empower them with knowledge to become more competent and self reliant. Kushal training centre which was established in Pune to facilitate multi-skilling and knowledge transfer has been a huge success and this model is being replicated in our Bengaluru facility.

Your company is constantly working towards making SKF a better place to work and towards that end we have launched nationwide employee engagement programme that encourage all employees to come together on a common platform.

We encourage a culture of ownership in everything we do and seek to create an environment of fairness, transparency and mutual respect wherein the aspirations of employees and goals of the enterprise are aligned to achieve mutual benefit on a long term continual basis, thereby enabling us to be a preferred employer.

The year 2012 was another year of industrial harmony and peace. As at the end of the year, there were 2,473 employees on your company's rolls.

Cautionary Statement

Statements in this report on Management's 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 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 21, 2013



Corporate Governance Report

PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance practices constitute the foundations on which successful commercial enterprises are built to last. The Company being a part of Sweden based SKF group has a strong legacy of fair, transparent and ethical governance practices. Our governance practices are ingrained in our value system and reflected in our business culture. For us, Corporate Governance is a continuous journey that seeks to provide an enabling environment to harmonise the goals of maximizing stakeholders value and maintaining a strong customer focus.

Corporate Governance today has emerged as an integral element in the business environment, it is not only a prerequisite for attaining sustainable growth but it is also an embodiment of the parameters of transparency and accountability. Transparency in terms of business practices which is done in a fair and ethical manner and accountability in terms of responsibility towards creditors, employees, shareholders and society in which it operates.

SKF applies the principles of governance as an instrument to maintain an efficient organisational structure with clear area of responsibility, the financial reporting is transparent and the company in all respects maintains relationship among the many stakeholders both internal and external, and the goal for which the organization is established. Our vision is to be 'The Knowledge Engineering Company' providing total business solutions through integrated value added solutions and innovation.

The Securities and Exchange Board of India (SEBI) regulates corporate governance for listed companies through Clause 49 of its Listing Agreement and the Company is in full compliance with all the requirements of Corporate Governance.

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 lays down business strategy, sets strategic goals and seeks accountability for their fulfillment. The Board provides strategic direction to the Company and exercises appropriate control to ensure that the business of the Company is conducted in the best interest of the shareholders and society at large. The Board is assisted by the Managing Director / Senior Management Personnel in ensuring effective functioning of the Company.

2.1 Composition

An active, informed and independent Board is necessary to ensure highest standard of Corporate Governance. The Board of Directors of your Company comprises of eminent members from diversified background having rich and varied expertise in the areas of technology, finance, law, general management

and entrepreneurship which includes Managing Director, nine non-executive directors of which four are Independent non-executive directors. Further, Mr. David Bishop, non-executive Director acts as an Alternate Director to Mr. V. Vartanian.

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 31st December, 2012, Board consists of ten members, including the Chairman who is a Non-Promoter, Non-Executive Independent Director. The Board is responsible for the recommendation of new Directors.

All the Directors have intimated periodically about their Directorship and Membership on the Board Committees of other companies. All such declarations are placed before the Board. The Directors of the Company are appointed by the shareholders at the General Meeting. All Directors except the Managing Director are subject to retirement by rotation and at every Annual General Meeting, one third of such Directors, if eligible, offer themselves for re-appointment. The Managing Director is appointed for a maximum period of 5 years and is eligible for re-appointment upon completion of the term.

The Board at its meeting held on 17th April, 2012 appointed Mr. David Bishop as an Alternate Director to Mr.V. Vartanian pursuant to the provisions of Section 313 and other applicable provisions of the Companies Act, 1956. The Board at its meeting held on 23rd October, 2012 also appointed Mr. Prakash M. Telang as an Additional Director of the Company effective 23rd October, 2012.

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

Mr. T. Sthen

Mr. Sthen, born in 1952, is an M.Sc. (M.S.E.E.) in Technical Physics and Electrotechnology from Linkoping Institute of Technology and Business Administration, Law, Astronomy, English at Vasteras / Uppsala University. He is President of the Automotive Business Area, AB SKF and his present responsibilities include global accountability within SKF Group for the overall results of the Automotive Business Area including Business Development, Sales, Product Development, Engineering and Manufacturing functions for the Cars, Trucks, Seals, Components and Vehicle Aftermarket Segment.

He is also a Director of SKF GmbH, Germany, SKF France S.A., P.T. SKF Indonesia, AEC Japan Co. Ltd., Japan, Green Cargo, RIV-SKF Officine di Villar Perosa S.p.A. and SKF de Mexico S.A. de C.V. In January 2013 he became a member of the Boston Power Board.

Corporate Governance Report (Continued)

Mr. R. Makhija

Mr. R. Makhija, aged 61 years, is a Chemical Engineer from IIT with more than 38 years of experience in the Industry. Mr. Makhija is the President of SKF - China and India, and a Member of the SKF Group Management. In this capacity, Mr. Makhija works closely with the Business Divisions to build a strong infrastructure and to drive growth in these important markets.

Mr. Makhija was associated with your Company for more than 7 years as the Managing Director and was also a Member of Audit Committee & Share Transfer / Investor Grievance Redressal Committee of the Company. During this period Mr. Makhija has taken several initiatives to focus on driving growth for which your Company has received recognition and awards from its various customers, suppliers and institution.

Prior to SKF, Mr. Makhija was the Country Manager and Managing Director of Honeywell International, overseeing all of Honeywell's businesses in India. Mr. Makhija before joining Honeywell has also spent considerable time in Netherlands working in various Project and Engineering Management Functions with Kinetic Technology International BV.

Presently he also represents as a Member on the Board of Wafangdian Bearing Co Limited and P.T. SKF Indonesia.

Prakash M. Telang

Mr. Prakash M. Telang aged sixty five, is a graduate in mechanical engineering from VNIT, Nagpur and MBA from IIM Ahmedabad. He has been conferred the coveted "Distinguished Alumnus" by both the institutes in their respective golden jubilee years. He joined the house of Tatas through the prestigious Tata Administrative Service in 1972 and retired in June 2012 after four decades of meritorious service as the Managing Director (India operations), Tata Motors Limited. During his service at Tata Motors Limited, he has been involved in many new product developments in both commercial vehicle and passenger vehicle space and in setting up many greenfield plants both in India and abroad, and also, in major acquisitions abroad. He is also credited with a massive cost reduction drive which helped Tata Motors Limited in a major turnaround about a decade before.

His prior job before Tatas was with M/s Larsen & Toubro Limited for three years.

Currently, Mr. Telang is the Chairman of Tata Hitachi Construction Machinery Company Limited. He is also on the board of directors of Tata Advanced Systems Limited, Tata Lockheed Martin Aerostructures Limited, Tara Aerospace Systems Limited and Persistent Systems Limited.

2.3 Conduct of Board proceedings

The Board meets at least once a quarter to review and discuss the performance of the Company, its future plans, strategies and other pertinent issues relating to the Company. The meetings are governed by a structured agenda. The Company Secretary in consultation with the Managing Director prepares

the detailed agenda for the meetings. All the agenda items are backed by comprehensive agenda notes and relevant supporting containing all the vital information, so as to enable the Directors to take informed decisions. The agenda of the meeting is pre-circulated with presentations, detailed notes, supporting documents and executive summary. Where it is not practical to send the relevant information as a part of the agenda papers, the same is tabled at the meeting.

The Finance Director and Business heads and other 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. A detailed presentation on the financial results at the time of approval of each quarterly results is presented to the Board by the Finance Director. Senior Management personnel are invited to provide additional inputs for the items being discussed by the Board as and when necessary.

The Board performs the following specific functions in addition to overseeing the business:

- Major financial and business strategies and corporate actions
- Reviewing and approving quarterly, half yearly and annual Financial results of the Company
- Reviewing and approving Investment Plan
- Significant sale of investments which are not in the normal course of business
- Review of Foreign exchange exposure and exchange rate movement, if material
- Appointment of auditor including cost auditor
- Review of Information on recruitment of key executives below the Board level
- Assess critical risks faced by the Company and review options for their mitigation
- Contracts in which Director(s) are deemed to be interested
- Review of significant development in Human Resources Industrial Relations
- Review of legal notices concerning non-compliance, demands and penalties of any regulatory, statutory or listing agreement, if any
- Presentations relating to safety & environment
- Fatal or serious accidents or dangerous occurrences, if any
- Matters requiring statutory / board approvals

The board is updated on the discussions at the Committee meetings and the recommendations through the Chairman of the various Committees. The important decisions taken at the Board meetings are communicated to the concerned departments/ divisions promptly. An action taken report on the decisions of the previous meeting is placed at the next

meeting of the Board for information and further recommended action(s) if any.

2.4 Board Meetings

During the year under review, four Board meetings were held on 23rd February; 17th April, 24th July and 23rd October, 2012. 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.

2.5 Attendance & other Directorships

As mandated by the Companies Act, 1956 and Clause 49 of the Listing Agreement, 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 members. All the Directors of the Company furnished a declaration at the time of their appointment as also annually that they qualify the conditions of their eligibility as Director. All such declarations are placed before the Board. No Director is related to any other Director on the Board in terms of the definition of 'relative' given under the Companies Act, 1956. The Company facilitates participation in the deliberations of the Board by Directors who are unable to attend any meeting of the Board through teleconference / video-conferencing, subject to their accessibility and availability.

The composition of the Board, details of their directorship, committee position as on 31st December, 2012 and attendance of directors at the Board meetings and at the Annual General Meeting held during the year under review are given below :

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) (Refer Note d)	
				Member	Chairman
Non-Executive Independent					
Mr. K. C. Mehra Chairman	4	Yes	3	1	—
Mr. D. C. Shroff	4	Yes	5	3	2
Mr. P.M. Telang (Appointed w.e.f. 23.10.2012)	1	N.A.	5	1	-
Mr. P. R. Menon	4	Yes	9	3	-
Non-Executive non Independent					
Mr. T. Sthen	2	Yes	-	-	-
Mr. H. Lange	2	Yes	-	-	-
Mr. V. Vartanian	2	No	-	-	-
Mr. David Bishop (Alternate to Mr. V. Vartanian from 18.04.2012)	N.A.	N.A.	-	-	-
Mr. T. Bertilsson	2	No	-	-	-
Mr. R. Makhija	4	Yes	-	-	-
Executive					
Mr. S. Joshipura Managing Director	4	Yes	2	-	-

- Notes:
- This excludes alternate directorships / directorships of private limited companies and foreign companies wherever applicable.
 - None of the directors is related to any other director.
 - None of the directors has received any loans and advances from the Company.
 - Audit and Share Transfer/ Investors' Grievance Redressal Committees only.
 - Mr. T. Bertilsson participated in the Board Meeting held on 17th April, 2012 and 23rd October, 2012 and Mr.T. Sthen participated in Board Meetings held on 23rd October, 2012 through video conferencing apart from attendance shown above during the year.

Corporate Governance Report (Continued)

2.6 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.

3. AUDIT COMMITTEE

The Audit Committee presently comprises of three Non-Executive Independent Directors and the Managing Director. All the members of the Committee are financially literate and bring in expertise in the fields of financial management, human resource development, strategy and general business practices. 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 composition of the Audit Committee meets with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. 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.

3.1 Scope of Audit Committee

The Board of Directors has in accordance with the requirements of clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, constituted an Audit Committee for overseeing the accounting, auditing and overall financial reporting process of the Company. The Audit Committee acts as a link between the Management, the Statutory Auditors, internal Auditors and the Board of Directors to oversee the financial reporting process of the Company. The Committee's purpose is to oversee the quality and integrity of accounting, auditing and financial reporting process including review of the internal audit reports and action taken report. The Committee also oversees the appointment, performance and remuneration of the internal and statutory auditors. The Committee also gives directions to the management in areas that needs to be strengthened.

The role of the Committee is as conceived under Clause 49 of the Listing Agreement as amended from time to time and includes:

- Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure

that the financial information is correct, sufficient and credible;

- Reviewing with the management, the Company financial statements before submission to the Board for approval, focusing primarily on:
 - Changes, if any, in accounting policies and practices and reasons for the same;
 - Significant adjustments made in the financial statements arising out of audit findings;
 - Disclosure of any related party transactions;
 - Qualification in the draft audit report, if any.
 - Compliance with listing and other legal requirements concerning financial statements
- 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;

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 23rd February, 16th April, 24th July and 23rd October, 2012. 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	4
Mr. P.R. Menon	Member	4
Mr. S. Joshipura	Member	4

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

4. REMUNERATION COMMITTEE

The Remuneration Committee has been constituted for reviewing and recommending a compensation structure for whole-time members of the Board. Presently the Company has only one Executive Director whose remuneration is reviewed by the Committee. Commission payable to non-executive independent directors is approved by the Board as per the mandate given 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 Remuneration Committee consists of the following members:

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

During the year, the Committee met twice on 22nd February, 2012 and 16th April, 2012 in which all the Members were present.

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	12,037,136
Perquisites	201,289
Deferred Benefits (PF and Superannuation)	1,529,677
Stock Award*	1,622,809
Performance Linked Incentives	955,538
Total	16,346,449

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.

* Managing Director is entitled for 'Stock Award' from the parent company being part of the long term variable salary.

4.2 Remuneration policy for Non-Executive Directors

The Company has no pecuniary relationship or transaction with its Non-Executive Directors. Independent directors are paid a sitting fee of Rs. 20,000/- for every meeting of the Board. During the year sitting fees for the Audit Committee meeting was Rs.20,000/- and Rs. 5,000/- per meeting is paid as sitting fees for each meeting of 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 not paid any amount towards professional fees to Crawford Bayley & Co. during the year 2012.

The commission to be paid to the independent Directors is decided by the Board every year, within the limits approved by the shareholders. 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. Mr. H. Lange, Mr. T. Sthen, Mr. V. Vartanian, Mr. David Bishop (Alternate Director to Mr. V. Vartanian) Mr. T. Bertilsson and Mr. R. Makhija representing the SKF Group do not draw any remuneration including sitting fees 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	190,000	1,250,000	1,440,000
Mr. D. C. Shroff	230,000	1,000,000	1,230,000
Mr. P. M. Telang	20,000	250,000	270,000
Mr. P. R. Menon	160,000	900,000	1,060,000

*payable subject to approval of annual accounts by the Shareholders at the forthcoming Annual General Meeting to be held on 30th April, 2013.

5. SHARE TRANSFER / INVESTORS' GRIEVANCE REDRESSAL COMMITTEE

The Committee consists of three directors of the Company. The Company has appointed TSR Darashaw Private Limited to act as Registrar and Transfer Agents of the Company. The broad terms of reference of this Committee include the following:

Corporate Governance Report (Continued)

- Review of investor complaints and their redress
- Review of queries received from investors
- Review of work done by the share transfer agent;
- Review of corporate actions related to shareholder issues.

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.

The composition of the Share Transfer / Investors' Grievance Redressal Committee is as under:-

Name of the Members	Category	No. of meetings attended
Mr. K. C. Mehra	Non-Executive independent	04
Mr. D. C. Shroff*	Non-Executive Independent	12
Mr. S. Joshipura	Executive	12

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

The Committee met 12 times during the year 2012. The dates on which the Share Transfer / Investors' Grievance Redressal Committee Meetings were held are as follows:

10 th January, 2012	23 rd February, 2012	12 th March, 2012
16 th April, 2012	8 th May, 2012	26 th June, 2012
24 th July, 2012	24 th August, 2012	28 th September, 2012
23 rd October, 2012	20 th November, 2012	10 th December, 2012

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 / Investor's Grievance Redressal Committee. The Company Secretary officiates as the Secretary of the Committee and is also designated as Compliance Officer in terms of the listing agreement with the Stock Exchanges.

An analysis of investor queries and correspondence done during the year are given hereunder:

Particulars	Total Received	Total Replied	Total Pending
Non Receipt of Interest/ Dividend Warrants	316	310	6
Inquiry pertaining to Non Receipt of Shares sent for transfer	5	5	0
Inquiry on Dematerialisation of Shares	2	2	0
Name Correction	4	4	0
Letters Received From SEBI and other Statutory Bodies	4	4	0
Change of address requests updated	82	80	2
ECS/Mandate Registration requests	42	42	0
Loss of Shares	157	155	2
Split /Consolidation / Renewal/ Duplicate issue of securities	0	0	0
Request for Nomination Forms	9	9	0
Tax / Exemption Form / PAN related	0	0	0
Transmission of Securities	44	44	0
Exchange/Sub-Division of Old Shares	95	95	0
Dividend/Interest Queries including request for changes on warrants	180	180	0
Document Registration	60	59	1
Redemption	3	3	0
Others (Miscellaneous)	284	283	1
	1,287	1,275	12

1,287 correspondence were received by the Company out of which 1,275 correspondence were replied to the satisfaction of shareholders during the year under review. 12 Outstanding correspondence as on 31st December, 2012 have been attended by 10th January, 2013.

Nil request for transfer and 5 requests for dematerialisation were pending for processing as on 31st December, 2012. Pending dematerialisation requests have been processed by 4th January, 2013. The Committee expresses satisfaction with the Company's performance in dealing with the shareholders' grievances and its share transfer system.

Others in above mainly includes change of address, general inquiries relating to annual report, depository system, updation of e:mail ids, verification of holdings and signature cases, etc.

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
31.12.2009	M.C. Ghia Hall Bhogilal Hargovindas Building, 4 th Floor, 18/20 K.Dubash Marg, Kala Ghoda, Mumbai 400001.	AGM	23.4.2010	Friday	2.00 p.m.	None
31.12.2010	M.C. Ghia Hall Bhogilal Hargovindas Building, 4 th Floor, 18/20 K.Dubash Marg, Kala Ghoda, Mumbai 400001.	AGM	03.5.2011	Tuesday	2.30 p.m.	"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 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.
31.12.2011	M.C. Ghia Hall Bhogilal Hargovindas Building, 4 th Floor, 18/20 K.Dubash Marg, Kala Ghoda, Mumbai 400001.	AGM	17.4.2012	Tuesday	3.30 p.m.	"RESOLVED that pursuant to Section 31 of the Companies Act, 1956, the existing Article 63 (1) in Articles of Association of the Company be and is hereby substituted by the following new Article 63(1). 63(1) Notwithstanding Anything contained In these Articles and In pursuance of Sections 77A, 77AA And 77B of the Act, the Company may, when and if thought fit, buy-back such of Company's own Shares or other Securities as it may Consider appropriate Subject to such limits, restrictions, terms and conditions, and approval as may be required under the provisions of the Act."

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

Corporate Governance Report (Continued)

carried out on arm's length basis at fair market value. The Company does not have any subsidiary company. All related party transactions during the year, whether in the ordinary course of business or not, were placed before the Audit Committee and to the Board on quarterly basis.

7.2 Risk Management

The Company follows a very structured approach to the identification and quantification of each risk and has a comprehensive risk management framework. Risks are identified through active involvement of business managers, senior management and at corporate level. The Company maintains a risk register and matrix which is regularly reviewed. The overall risk management programme is reviewed by the audit committee on behalf of the Board.

7.3 Accounting Treatment

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

7.4 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.

7.5 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.

7.6 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 policy and procedures are periodically communicated to the employees who are considered as insiders of the Company. Trading window closure, when the Directors and employees are not permitted to trade in the securities of the Company, are intimated to all Directors and employees, in advance, whenever required.

Shares held by the directors as at 31st December, 2012 are as under:

Name of Director	No. of shares held
Mr. K. C. Mehra	Nil
Mr. D. C. Shroff	20,000
Mr. P. R. Menon	Nil
Mr. T. Sthen	Nil
Mr P. M. Telang	1,000
Mr. T. Bertilsson	Nil
Mr. H. Lange	Nil
Mr. V. Vartanian	Nil
Mr. D. Bishop (Alternate to Mr. Vartanian)	Nil
Mr. R. Makhija	Nil
Mr. S. Joshapura	Nil

7.7 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 22,000 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 and NSE are filed electronically through CFDS portal and hard copies of the said disclosures and correspondences are also filed with the stock exchanges.
- National Stock Exchange of India Limited effective September 2011 had initiated submission of Corporate Governance Report and Shareholding Pattern by the listed companies through NEAPS, which is a web based application designed for Corporates. This interface is to enhance the quality and speed of submission and also assist the listed companies to move towards paperless submission of documents with the Exchange.

- Securities and Exchange Board of India has commenced processing of investor complaints in a centralized web based complaints redress system 'SCORES'. Accordingly, all complaints are viewed & Action Taken Reports are electronically submitted by the Company through SCORES.
- 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, April 30, 2013 at 3.00 p.m.

9.2 Venue:

M.C. Ghia Hall, Bhogilal Hargovindas Building, 4th 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 generally published in the month following the quarter except for the quarter October–December, for which the annual audited results along with the last quarter are published in the month of February as permitted under the Listing Agreement.

9.4 Date of Book Closure

Tuesday, 23rd April, 2013 to Tuesday, 30th April, 2013 (both days inclusive)

9.10 Stock Price Data

Month	Bombay Stock Exchange		National Stock Exchange		Indices: Sensex	
	High	Low	High	Low	High	Low
Jan 2012	646.00	557.15	648.00	555.15	17,258.97	15,358.02
Feb 2012	699.95	604.00	700.00	605.00	18,523.78	17,061.55
March 2012	699.00	630.00	702.00	641.00	18,040.69	16,920.61
April 2012	728.00	646.00	728.80	645.00	17,664.10	17,010.16
May 2012	680.00	630.10	684.45	628.00	17,432.33	15,809.71
June 2012	651.05	606.05	648.45	605.40	17,448.48	15,748.98
July 2012	647.00	595.00	655.00	591.10	17,631.19	16,598.48
August 2012	632.00	596.00	633.00	594.90	17,972.54	17,026.97
September 2012	674.90	557.50	675.00	601.00	18,869.94	17,250.80
October 2012	690.00	631.15	702.00	641.05	19,137.29	18,393.42
November 2012	660.00	580.25	648.00	580.00	19,372.70	18,255.69
December 2012	664.00	615.00	655.90	622.00	19,612.18	19,149.03

9.5 Dividend payment date

After 30th April, 2013

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

Phiroze Jeejeebhoy Towers, Exchange Plaza, Plot No.C/1, Dalal Street, Mumbai 400 001.

National Stock Exchange of India Ltd.

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, 2012 to March 31, 2013 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 Corporate Identity Number (CIN)

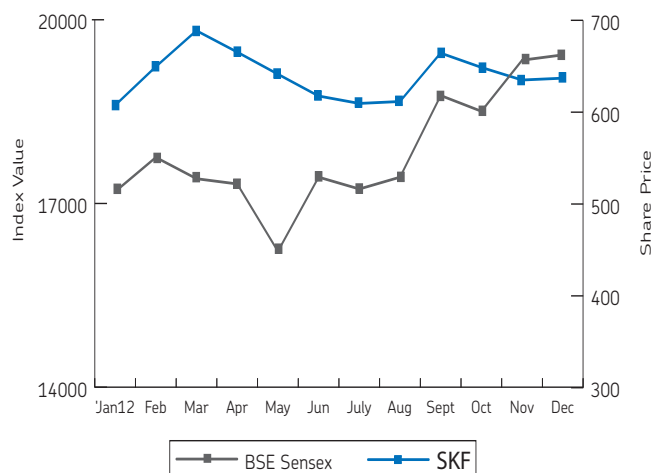
Our Corporate Identity Number (CIN), allotted by Ministry of Corporate Affairs, Government of India is 'L29130MH1961PLC011980', and our Company Registration Number is 011980.

Corporate Governance Report (Continued)

9.11 Performance in comparison with BSE SENSEX

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

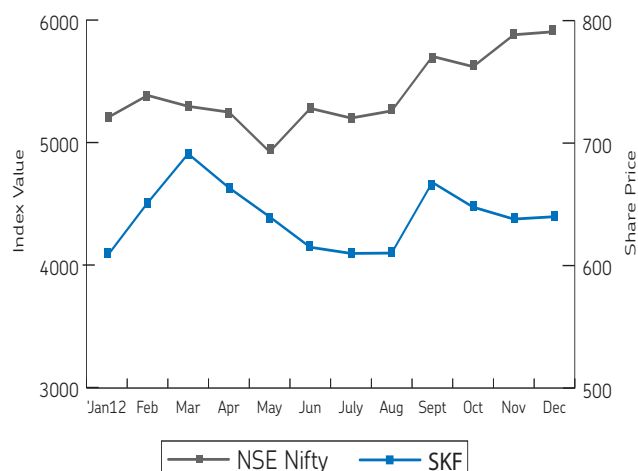
Relative Performance of SKF India Limited



9.12 Performance in comparison with NSE NIFTY

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

Relative Performance of SKF India Limited



9.13 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 , 2012

No. of Equity shares	No. of share-holders	% of share-holders	No. of shares	% of share-holding
1 to 500	19,596	88.79	2,266,667	4.30
501 to 1000	1,280	5.80	971,951	1.84
1001 to 2000	688	3.12	991,674	1.88
2001 to 3000	174	0.79	422,370	0.80
3001 to 4000	94	0.43	338,648	0.64
4001 to 5000	53	0.24	244,664	0.47
5001 to 10000	76	0.34	553,121	1.05
10001 and above	109	0.49	46,943,443	89.02
Total	22,070	100.00	52,732,538	100.00

Category of shareholders	No. of shareholders	% of Voting strength	No. of shares held
Foreign Holding (FIIs, OCBs & NRIs)	488	16.12	8,503,306
FIs, Insurance Companies & Banks	44	3.40	1,796,274
Other Corporate Bodies	528	3.16	1,664,319
Promoters	3	53.58	28,254,568
Directors	3	0.04	21,000
Mutual Funds	44	12.79	6,744,358
Others	20,960	10.91	5,748,713
Total	22,070	100.00	52,732,538

9.14 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.

9.15 Dematerialisation of Shares

The shares of the Company are in compulsory dematerialized segment and are available for trading system of both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

	No. of Shares	% of total capital issued
Held in dematerialized form in NSDL	50,295,783	95.38
Held in dematerialized form in CDSL	1,321,205	2.51
Physical	1,115,550	2.11
Total	52,732,538	100.00

9.16 PLANT LOCATIONS

- Chinchwad, Taluka Haveli, Pune - 411 033
- Plot 2, Bommasandra Industrial Area, Hosur Road, Bengaluru - 560 099
- Plot No 2, Industrial Park II, Salempur- Mehdood, Haridwar - 249402

Address for correspondence

Compliance Officer

Company Secretary
SKF India Limited
Mahatma Gandhi Memorial Building
Netaji Subhash Road, Mumbai 400 002
Phone : +91 22 66337777
Fax : +91 22 22042738
E-mail : investors@skf.com

Registrars and Share Transfer Agents:

TSR Darashaw Private Limited
6-10 Haji Moosa Patrawala Industrial Estate,
20, Dr.E. Moses Road, Mahalaxmi, Mumbai 400 011
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. During the year a Secretarial Audit by a qualified professional for compliance related to Companies Act and Listing Agreement was carried out. No significant findings were observed and the Company had complied with all the relevant provisions. 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 1995 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 2005 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 2006 to 2012 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.

The unpaid dividend list is also available on the website of the Company.

Details of unpaid dividend

Financial Year	As on 31.12.2012 (₹)
2006	1,053,269.00
2007	1,295,509.50
2008	1,832,826.00
2009	1,487,232.00
2010	1,546,988.00
2011	2,306,451.00
2012	2,606,655.00

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.

10.5 “Go Green” Initiative:

As a continuing endeavour towards the “Go Green” Initiative, the Company had sent intimation of annual report, dividends paid during the year 2011 by e-mail to those shareholders whose e-mail addresses were made available to the Depositories or Share Transfer Agents. The physical copy was also made available for the un-delivered e-mail cases. Shareholders are requested to support this Green Initiative by providing e-mail addresses for receiving electronic communications.

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:

- (a) Remuneration Committee: The Company has constituted Remuneration committee as detailed in paragraph 4 herein above.

- (b) 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.
- (c) Audit Qualifications: The auditors have not qualified the financial statements of the Company.
- (d) 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.
- (e) 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 21, 2013

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, 2012 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 Registration Number: 116231W

Pune
February 21, 2013

Shiraz Vastani
Partner
Membership No-103334

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, 2012.

Pune
February 21, 2013

Shishir Joshipura
Managing Director/CEO



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 2012, the Statement of Profit and Loss 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, Statement of Profit and Loss 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, Statement of Profit and Loss 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 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 December 2012 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 2012;
 - (ii) in the case of the Statement of Profit and Loss, 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 Registration No.-116231W

Shiraz Vastani

Partner

Pune

21 February 2013

Membership No: 103334

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 off 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.
- (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 quotations, 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 ₹ 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 and fixed assets 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) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with its 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, Investor Education and Protection Fund and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.
- 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, Investor Education and Protection Fund and other material statutory dues were in arrears as at 31 December 2012 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the following dues of Income-tax, Sales tax, Wealth tax, Service tax, Customs duty and Excise duty (as appropriate) have not been deposited by the Company on account of disputes:

Sr. No.	Name of the Statute	Nature of the Dues	Amount (₹ Million)	Amount paid under protest (₹ Million)	Period to which the amount relates	Forum where dispute is pending
1	Income Tax Act, 1961	Income Tax	13.4	13.4	AY 2005 – 2006, & 2007 – 2008	ITAT
2	Income Tax Act, 1961	Income Tax	14.8	7.6	AY 2002 – 03, 2004 – 05 & 2008-2009	CIT (Appeals)

Annexure to the Auditors' Report (Continued)

Sr. No.	Name of the Statute	Nature of the Dues	Amount (₹ Million)	Amount paid under protest (₹ Million)	Period to which the amount relates	Forum where dispute is pending
3	Karnataka Value Added Tax Act – CST (The Central Sales Tax Act, 1956 – Karnataka)	Central Sales Tax	8.0	8.0	F.Y 2005 – 06, F.Y 2006 – 07 F.Y 2007 – 08 F.Y 2008 – 09 F.Y 2009 – 10	Joint Commissioner
4	The Central Sales Tax Act, 1956 – Karnataka	Central Sales Tax	0.3	0.3	FY 2003-2004	Assessing Authority
5	Maharashtra Sales Tax Act, 1958	Sales Tax	1.7	0.6	FY 2002 – 2003	Maharashtra Sales Tax Tribunal
6	The Central Sales Tax Act, 1956 – Delhi	Central Sales Tax	14.4	-	FY 2005 – 06 FY 2006 – 07 FY 2007 – 08	Objection authority Department of Trade & taxes
7	West Bengal Value Added Tax 2003 & The Central Sales Tax Act, 1956	Value Added Tax & Central Sales Tax Act	95.8	2.6	FY 2006 – 07 FY 2007 – 08 FY 2008 – 09 FY 2009 – 10	Senior Joint Commissioner, Sales Tax
8	Central Excise Act, 1944	Excise Duty	147.0	20.0	FY 1994-95, FY 2006 -07 to January 2011, January 2009 to December 2009, February 2005, February 2011 to March 2011.	CESTAT, Mumbai
9	Central Excise Act, 1944	Excise Duty	155.0	-	January 2007- March 2011	Appeal to be filed with CESTAT Bangalore
10	Central Excise Act, 1944	Excise Duty	1.6	-	1997-98 & 1998 - 99	Commissioner Appeals Bangalore
11	Central Excise Act, 1944	Excise Duty	2.7	-	1999-2000	CESTAT, Bangalore
12	Finance Act, 1994	Excise Duty	1.0	-	2007 – 2009	Appeal to be filed with CESTAT Mumbai
13	Finance Act, 1994	Service Tax	2.6	1.3	1997-2000	CESTAT, Mumbai
14	Finance Act, 1994	Service Tax	0.7	0.3	2002 – 2005	Commissioner Appeals, Mumbai
15	Finance Act, 1994	Service Tax	107.8	-	April 2006 to May 2008	CESTAT, Mumbai
16	Finance Act, 1994	Service Tax	7.1	-	January 2009 to March 2011	Commissioner Appeals, Pune

- (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 or 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/other 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 Registration No.-116231W

Shiraz Vastani
Partner

Membership No: 103334

Pune
21 February 2013

CEO/CFO Certificate

We hereby certify that –

- (a) We have reviewed financial statements and the cash flow statement for the year ended December 31, 2012 and that to the best of our knowledge and belief;
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) 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.
- (b) 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.
- (c) 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.

- (d) We have indicated to the Auditors and the Audit Committee;
 - (i) significant changes in internal control during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) 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 Joshipura
Managing Director/CEO

Chandramowli Srinivasan
Finance Director/CFO

Mumbai, February 13, 2013

Balance Sheet as at December 31, 2012

(₹ in million)

	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	527.3	527.3
Reserves and surplus	3	11,026.3	9,585.1
		11,553.6	10,112.4
Non- current liabilities			
Deferred tax liability (net)	4	83.5	16.0
Other long term liabilities	5	-	8.3
Long-term provisions	6	192.5	171.6
		276.0	195.9
Current liabilities			
Trade payables	7	2,679.0	3,185.8
Other current liabilities	8	746.6	787.8
Short-term provisions	9	745.3	795.3
		4,170.9	4,768.9
TOTAL		16,000.5	15,077.2
ASSETS			
Non-current assets			
Fixed Assets			
Tangible fixed assets	10	3,479.5	3,181.1
Intangible fixed assets	11	0.9	2.8
Capital work-in-progress	12	591.2	363.2
Long-term loans and advances	13	2,433.2	2,274.9
		6,504.8	5,822.0
Current assets			
Inventories	14	2,486.2	2,800.1
Trade receivables	15	3,196.3	3,721.2
Cash and bank balances	16	3,069.8	2,244.4
Short-term loans and advances	17	700.7	444.5
Other current assets	18	42.7	45.0
		9,495.7	9,255.2
TOTAL		16,000.5	15,077.2
Significant accounting policies	1		
See accompanying notes to the financial statements	2-41		
The notes referred to above form an integral part of the financial statements			

As per our report of even date attached

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

Shiraz Vastani
Partner
Membership No. 103334

Pune, February 21, 2013

For and on behalf of the Board of Directors of SKF India Limited

K. C. Mehra
Chairman

Shishir Joshipura
Managing Director

P. R. Menon
T. Sthen
P. M. Telang

D. C. Shroff
Rakesh Makhija
V. Vartanian

P. Bhandari
Company Secretary

Directors

Pune, February 21, 2013

Statement of Profit and Loss for the year ended 31 December 2012

(₹ in million)

	Note	December 31, 2012	December 31, 2011
Revenue from operations	19		
Sale of products (gross)		23,535.1	25,485.9
Less: Excise Duty		1,687.9	1,500.3
Sale of products (net)		21,847.2	23,985.6
Sale of services		194.1	181.6
Other operating revenue		234.6	181.6
Total		22,275.9	24,348.8
Other income	20	683.2	545.6
Total revenue		22,959.1	24,894.4
Expenses			
Cost of materials consumed	21	5,895.7	6,188.6
Purchase of stock-in-trade	22	8,303.2	9,656.7
Changes in inventories of finished goods, work-in-progress and stock-in-trade	23	215.9	(128.6)
Employee benefits	24	1,694.2	1,651.3
Depreciation and amortization	25	435.9	385.2
Other expenses	26	3,582.9	4,002.0
Total expenses		20,127.8	21,755.2
Profit before tax		2,831.3	3,139.2
Income tax expense :			
Current tax		883.6	1,035.1
Short / (excess) income tax provision for earlier years		4.4	33.2
Deferred tax		41.2	(6.9)
Short / (excess) deferred tax provision for earlier years		1.3	(7.1)
Profit for the year		1,900.8	2,084.9
Earnings per equity share [nominal value of share ₹ 10 (previous year : ₹ 10)]			
Basic and Diluted	27	36.0	39.5
Significant accounting policies	1		
See accompanying notes to the financial statements	2-41		
The notes referred to above form an integral part of the financial statements			

As per our report of even date attached

For and on behalf of the Board of Directors of SKF India Limited

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

Shiraz Vastani
Partner
Membership No. 103334

Pune, February 21, 2013

P. Bhandari
Company Secretary

K. C. Mehra
Chairman

P. R. Menon
T. Sthen
P. M. Telang

Shishir Joshipura
Managing Director

D. C. Shroff
Rakesh Makhija
V. Vartanian

Directors

Pune, February 21, 2013

Cash Flow for the year ended December 31, 2012

	Year Ended December 31, 2012	(₹ in million) Year Ended December 31, 2011
A. Cash flow from Operating Activities		
Net profit before tax	2,831.3	3,139.2
Adjusted for :		
Depreciation / Amortisation	436.0	385.2
Net (Profit) / Loss on sale of Fixed Assets	(57.8)	5.6
Interest income	(445.4)	(339.0)
Unrealised foreign exchange gain / (loss) (net)	0.2	(0.2)
	(67.0)	51.6
Operating Profit before working capital changes	2,764	3,190.8
Adjusted for :		
Decrease / (increase) in inventories	313.9	(310.6)
Decrease / (increase) in trade receivables	524.9	(1,010.1)
(Increase) / decrease in Other current assets and other advances	(91.2)	67.9
(Decrease) / increase in trade payables	(506.8)	505.4
(Decrease) / increase in other payables and provisions	(128.7)	105.0
	112.1	(642.4)
Cash generated from operations	2,876.4	2,548.4
Direct taxes paid (net of refunds)	(886.0)	(1,032.8)
Net cash flow from Operating Activities (A)	1,990.3	1,515.6
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(883.4)	(853.7)
Sale of Fixed Assets	76.3	37.1
Deposits placed during the year	(3,367.3)	(1,353.5)
Deposits matured during the year	3,065.5	1,792.7
Interest Earned	233.1	155.1
Interest Earned on Inter Corporate Loan	210.2	166.7
Inter Corporate Loan Given	(1,350.0)	(460.0)
Inter Corporate Loan Received Back	1,005.0	-
Net cash used in Investing Activities (B)	(1,010.6)	(515.7)
C. Cash flow from Financing Activities		
Repayment of Borrowings	-	(0.1)
Financial Expense	-	(6.5)
Dividend paid (including tax on distributed profits)	(459.6)	(429.1)
Net cash used in Financing Activities (C)	(459.6)	(435.7)
Net changes in Cash and Cash Equivalents (A+B+C)	520.2	564.2
Cash and Cash Equivalents at beginning of the year (net of foreign exchange)	1,081.0	516.8
Cash and Cash Equivalents at the end of the year (net of foreign exchange)	1,601.2	1,081.0
Net changes in Cash and Cash Equivalents	520.2	564.2
The notes referred to above form an integral part of the financial statements		

As per our report of even date attached

For and on behalf of the Board of Directors of SKF India Limited

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

Shiraz Vastani
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Pune, February 21, 2013

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Pune, February 21, 2013

Notes to Financial Statements for the year ended 31 December 2012

1. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

1.1 Basis of preparation of financial statements

These financial statements have been prepared and presented on the accrual basis of accounting and comply with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government, the relevant provisions of the Companies Act, 1956 and other accounting principles generally accepted in India, to the extent applicable. The financial statements are presented in Indian rupees rounded off to the nearest million. This is the first year of application of the revised Schedule VI to the Companies Act, 1956 for the preparation of the financial statements of the Company. The revised Schedule VI introduces some significant conceptual changes as well as new disclosures. These include classification of all assets and liabilities into current and non-current. The previous year figures have also undergone a major re-classification to comply with the requirements of the revised Schedule VI.

1.2 Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in current and future periods.

1.3 Current-non-current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within 12 months after the reporting date; or
- the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The Company's normal operating cycle is less than 12 months.

1.4 Fixed assets and Depreciation/ Amortization

Tangible fixed assets

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and/or accumulated impairment loss, if any. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Notes to Financial Statements for the year ended 31 December 2012

Fixed assets and Depreciation/ Amortization (continued)

Exchange differences pertaining to long term foreign currency monetary items that are related to acquisition of depreciable assets are recognised as an expense in the Statement of Profit and Loss.

Depreciation is provided on the straight-line method, over the estimated useful life of each asset as determined by the management. The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. The rates of depreciation used by the Company are as follows:

Particulars	Rate per annum (%)
Buildings	1.63/3.34
Plant and equipments	4.74/10.34/16.21
Furniture and fixtures	6.33
Office equipments	4.75
Vehicles	9.50/18.00

Freehold land is not depreciated.

Depreciation is provided on a pro-rata basis i.e. from the date on which asset is ready for use.

Plant & equipment and furniture & fixtures, costing individually INR 5,000 or less, are depreciated fully in the year of purchase.

If the aggregate of such items of plant and equipment constitutes more than 10 percent of the total actual cost of plant and equipment, the depreciation rates applicable to such items are applied.

Depreciation for the year is recognised in the Statement of Profit and Loss.

The useful lives are reviewed by the management at each financial year-end and revised, if appropriate. In case of a revision, the unamortised depreciable amount is charged over the revised remaining useful life.

A fixed asset is eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal.

Losses arising from retirement or gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

Intangible fixed 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. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates. An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Losses arising from retirement and gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

1.5 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.

1.6 Operating lease

Assets acquired under leases other than finance leases are classified as operating leases. The total lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the Statement of Profit and Loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit.

Assets given by the Company under operating lease are included in fixed assets. Lease income from operating leases is recognised in the Statement of Profit and Loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease income are recognised as expenses.

1.7 Inventories

Inventories which comprise raw materials, work-in-progress, finished goods, stock-in-trade, and stores and spares are carried at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is determined at Standard Cost adjusted on a FIFO basis for variances. In the case of manufactured inventories and work in progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Net realisable value is the estimated selling price in the ordinary course of business,

Notes to Financial Statements for the year ended 31 December 2012

Inventories (*continued*)

less the estimated costs of completion and the estimated costs necessary to make the sale. The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products. Raw materials and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value. The comparison of cost and net realisable value is made on class of item. Excise duty is included in the value of Finished Products.

1.8 Employee Benefits

Short term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

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 Statement of Profit and Loss.

With respect to employees who are members of SKF India Limited Provident Fund Scheme ('the Trust') contribution for provident fund to the Trust is a defined benefit plan as the Company has an obligation to make good the shortfall, if any, between the return from investments made by the Trust and notified interest rate. Both the employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the employee's salary. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government.

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 Statement of Profit and Loss in the period in which the contribution is due.

For employees other than members of SKF India Limited Provident Fund Scheme, both the Company's and employees' contribution is paid to Regional Provident Fund Commissioner (RPFC) on a monthly basis

Compensated absences

The employees can carry-forward a portion of the unutilised accrued compensated absences and utilise it in future service periods or receive cash compensation on termination of employment. Since the compensated absences do not fall due wholly within twelve months after the end of the period in which the employees render the related service and are also not expected to be utilised wholly within twelve months after the end of such period, the benefit is classified as a long-term employee benefit. The Company records an obligation for such compensated absences in the period in which the employee renders the services that increase this entitlement. The obligation is measured on the basis of independent actuarial valuation using the projected unit credit method.

Termination benefits

Voluntary Retirement Scheme costs are charged off to the Statement of Profit and Loss in the year in which they are incurred.

1.9 Revenue Recognition

Revenue from sale of goods in the course of ordinary activities is recognised when property in the goods or all significant risks and rewards of their ownership are transferred to the customer and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of the goods and regarding its collection. The amount recognised as revenue is exclusive of sales tax, value added taxes (VAT) and service tax, and is net of returns, trade discounts and quantity discounts.

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

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.

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

1.10 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 Statement of Profit and Loss.

1.11 Provisions

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

Notes to Financial Statements for the year ended 31 December 2012

Provisions (continued)

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.

Disputed statutory matters

Provision in respect of disputed statutory matters relating to claims, litigation, assessment, fines, penalties, etc. are recognised when it is probable that a liability has been incurred, and the amount can be estimated reliably.

1.12 Contingent liabilities and contingent assets

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

1.13 Income taxes

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.

1.14 Earnings per share (EPS)

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. Share Capital

Authorised

100,000,000 (previous year : 100,000,000) equity shares of ₹ 10 each

Issued, subscribed and paid-up

52,732,538 (previous year: 52,732,538) equity shares of ₹ 10 each

	December 31, 2012	December 31, 2011
Authorised		
100,000,000 (previous year : 100,000,000) equity shares of ₹ 10 each	1,000.0	1,000.0
Issued, subscribed and paid-up		
52,732,538 (previous year: 52,732,538) equity shares of ₹ 10 each	527.3	527.3

(a) Reconciliation of shares outstanding at the beginning and at the end of the reporting period

At the commencement and at the end of the year

	December 31, 2012		December 31, 2011	
	Number	Amount	Number	Amount
At the commencement and at the end of the year	52,732,538	527.3	52,732,538	527.3

(b) Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder on a poll are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid. Failure to pay any amount called up on shares may lead to forfeiture of the shares. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

2. Share Capital (Continued)

(c) Shares held by holding company and their subsidiaries

	December 31, 2012		December 31, 2011	
	Number	Amount	Number	Amount
Equity shares of ₹10 each fully paid up held by				
(a) Holding company				
Aktiebolaget SKF (AB SKF)	24,639,048	246.4	24,639,048	246.4
(b) Subsidiaries of holding company				
SKF U.K. Limited	3,402,000	34.0	3,402,000	34.0
SKF Forvaltning AB	213,520	2.1	213,520	2.1
	28,254,568	282.5	28,254,568	282.5

(d) Particulars of shareholders holding more than 5% shares of a class of shares

	December 31, 2012		December 31, 2011	
	Number	% of total shares in the class	Number	% of total shares in the class
Equity shares of ₹ 10 each fully paid up held by-				
Aktiebolaget SKF, holding company	24,639,048	46.8%	24,639,048	46.8%
SKF U.K. Limited, fellow subsidiary company	3,402,000	6.5%	3,402,000	6.5%

(e) 2,488 (previous year : 2,488) equity shares of ₹ 10 each are not allotted and held in abeyance.

	December 31, 2012	December 31, 2011
3. Reserves and surplus		
(i) Securities premium account		
At the commencement and at the end of the year (Premium on issue of Equity Shares)	705.1	705.1
	705.1	705.1
(ii) General reserve		
At the commencement of the year	3,674.7	3,074.7
Amount transferred from Profit and Loss Balance	1,000.0	600.0
	4,674.7	3,674.7
(iii) Surplus (Profit and loss balance)		
At the commencement of the year	5,205.3	4,180.0
Profit for the year	1,900.8	2,084.9
Appropriations :		
Proposed dividend on Equity shares [₹ 7.5 per share (previous year ₹ 7.5 per share)]	395.5	395.5
Tax on proposed dividend as above	64.1	64.1
Transfer to General Reserve	1,000.0	600.0
	5,646.5	5,205.3
	11,026.3	9,585.1

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
4. Deferred tax liabilities (net)		
Deferred tax liabilities		
Excess of depreciation/ amortisation on fixed assets under income-tax law over depreciation/ amortisation provided in accounts	190.6	155.3
	190.6	155.3
Deferred tax assets		
Provision for employee benefits	72.0	75.3
Provision for obsolete stock	2.9	1.0
Expenditure covered by section 43B of Income-tax Act, 1961	19.7	54.6
Provision for doubtful trade receivables	12.5	6.6
Interest on Self-Assessment tax	-	1.8
	107.1	139.3
Deferred tax liability (net)	83.5	16.0
5. Other long term liabilities		
Other long term liabilities	-	8.3
	-	8.3
6. Long term provisions		
Provision for employee benefits		
Compensated absences	148.9	126.8
Other provisions	43.6	44.8
	192.5	171.6

Long-term provisions

Additional disclosures relating to other provisions (as per Accounting Standard 29)

	Disputed statutory and other matters		Warranty		Other obligations		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011
At the commencement of the year	24.7	21.5	40.4	23.6	181.1	158.8	246.2	203.9
Provision made during the year	13.3	3.2	14.0	24.9	160.5	192.5	187.8	220.6
Provision utilised during the year	-	-	4.6	3.3	177.3	170.2	181.9	173.5
Unutilised provision written back during the year	-	-	18.3	4.8	0.3	-	18.6	4.8
At the end of the year	38.0	24.7	31.5	40.4	164.0	181.1	233.5	246.2
Non current portion	-	-	21.3	21.9	22.3	22.9	43.6	44.8
Current portion	38.0	24.7	10.2	18.5	141.7	158.2	189.9	201.4

- (i) Provision for disputed statutory and other matter: This represents provisions made for probable liabilities/ claims arising out of pending disputes/litigations with various regulatory authorities and those arising out of commercial transactions with vendors/ others. Above provisions are affected by numerous uncertainties and management has taken all efforts to make a best estimate. Timing of outflow of resources will depend upon timing of decision of cases.
- (ii) Provision for warranties: A provision is estimated for expected warranty claims in respect of products sold during the year on the basis of a technical evaluation and past experience regarding failure trends of products and costs of rectification or replacement.
- (iii) The provision for other obligations is on account of coupons given on products sold by the Company and other retailers and distributors incentive schemes. The provision for coupons is based on the historic data/ estimated figures. The timing and amount of the cash flows that will arise will be determined at the time of receipt of claims from customers.

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
7. Trade payables		
Trade payables	2,679.0	3,185.8
	2,679.0	3,185.8
For dues to micro and small suppliers, refer to note 31.		
8. Other current liabilities		
Employee related liabilities		
Salaries and Incentives	154.2	189.6
Other liabilities		
Liabilities for dealer incentives	186.7	212.3
Unclaimed dividend *	13.8	10.4
Statutory dues payable	275.5	257.3
Advances received from customers	20.7	41.1
Payables on account of capital purchases	66.2	13.9
Other liabilities	29.5	63.2
	746.6	787.8
* There is no amount due and outstanding as at Balance Sheet date to be credited to Investor Education and Protection Fund.		
9. Short term provisions		
Provision for employee benefits		
Provision for interest on Provident Fund (refer note 28)	-	83.5
Compensated absences	23.9	18.1
Provision for Gratuity	60.6	15.9
Other provisions		
Provision for taxation (net of advance tax)	9.7	15.5
Provision for Wealth Tax (net of advance tax)	1.6	1.3
Proposed dividend	395.5	395.5
Tax on proposed dividend	64.1	64.1
Other provisions (refer note 6)	189.9	201.4
	745.3	795.3

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

10. Tangible fixed assets

Description	Freehold land	Buildings (Refer note a and b as below)	Plant and equipment (Refer note b as below)	Furniture and fixtures (Refer note b as below)	Office equipments	Vehicles	Total
Gross block							
Balance as at 1 January 2011	265.5	546.5	7,052.0	96.5	13.8	106.3	8,080.6
Additions	-	168.2	553.6	6.0	9.4	40.7	777.9
Disposals	-	(6.0)	(32.5)	(2.9)	(4.8)	(17.6)	(63.8)
Balance as at 31 December 2011	265.5	708.7	7,573.1	99.6	18.4	129.4	8,794.7
Balance as at 1 January 2012	265.5	708.7	7,573.1	99.6	18.4	129.4	8,794.7
Additions	-	98.6	582.3	5.9	6.0	58.1	750.9
Disposals	-	-	(96.9)	(3.3)	-	(23.5)	(123.7)
Balance as at 31 December 2012	265.5	807.3	8,058.5	102.2	24.4	164.0	9,421.9
Depreciation							
Balance as at 1 January 2011	-	165.4	5,021.2	23.8	6.3	36.4	5,253.1
Depreciation for the year	-	17.3	337.6	5.9	1.0	19.8	381.6
Accumulated depreciation on disposals	-	(3.4)	(3.9)	(2.3)	(3.1)	(8.4)	(21.1)
Balance as at 31 December 2011	-	179.3	5,354.9	27.4	4.2	47.8	5,613.6
Balance as at 1 January 2012	-	179.3	5,354.9	27.4	4.2	47.8	5,613.6
Depreciation for the year	-	23.3	379.8	6.0	1.4	23.5	434.0
Accumulated depreciation on disposals	-	-	(90.1)	(0.9)	-	(14.2)	(105.2)
Balance as at 31 December 2012	-	202.6	5,644.6	32.5	5.6	57.1	5,942.4
Net block							
As At 31 December 2011	265.5	529.4	2,218.2	72.2	14.2	81.6	3,181.1
As At 31 December 2012	265.5	604.7	2,413.9	69.7	18.8	106.9	3,479.5

- a 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'.
- b The Company has leased following assets to SKF Technologies India Private Limited under operating lease. The carrying amount of the assets given on operating lease and depreciation thereon for the period are:

Description	December 31, 2012			
	Gross block	Depreciation for the year	Accumulated depreciation	Net block
Building	207.2	5.7	6.7	200.5
Plant and equipment	60.0	2.4	2.6	57.4
Furniture and fixtures	2.6	0.3	0.4	2.2

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

11 Intangible fixed assets

Description	Software
Gross block	
Balance as at 1 January 2011	32.3
Additions	-
Balance as at 31 December 2011	32.3
Balance as at 1 January 2012	32.3
Additions	-
Balance as at 31 December 2012	32.3
Depreciation	
Balance as at 1 January 2011	25.9
Depreciation for the year	3.6
Balance as at 31 December 2011	29.5
Balance as at 1 January 2012	29.5
Depreciation for the year	1.9
Balance as at 31 December 2012	31.4
Net block	
As At 31 December 2011	2.8
As At 31 December 2012	0.9

12. Capital work-in-progress

Description	Buildings	Plant and equipment	Furniture and fixtures	Office equipments	Total
Balance as at 1 January 2011	7.0	302.1	0.6	-	309.7
Additions	183.2	574.2	6.1	9.4	772.9
Assets capitalised during the year	(168.2)	(535.8)	(6.0)	(9.4)	(719.4)
Balance as at 31 December 2011	22.0	340.5	0.7	-	363.2
Balance as at 1 January 2012	22.0	340.5	0.7	-	363.2
Additions	88.4	820.5	5.9	6.0	920.8
Assets capitalised during the year	(98.6)	(582.3)	(5.9)	(6.0)	(692.8)
Balance as at 31 December 2012	11.8	578.7	0.7	-	591.2

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
13. Long-term loans and advances		
To parties other than related parties (unsecured, considered good)		
Capital Advances	28.5	71.7
Security Deposits	89.6	68.8
Other loans and advances		
- Advance tax recoverable (net of provision)	48.4	31.2
- Advance fringe benefit tax (net of provision)	0.1	0.1
- Others	66.6	48.1
To related parties (secured, considered good)		
Other loans and advances (*)	2,200.0	2,055.0
	2,433.2	2,274.9
<p>(*) Loan given to SKF Technologies India Private Limited (a fellow subsidiary) with original repayment starting from financial year 2013 onwards. The said loan together with interest is secured by first charge by way of hypothecation on all the fixed assets of the borrower. The maximum amount outstanding during the year is ₹ 2,448.3 million (previous year ₹ 2,099.0 million).</p>		
14. Inventories		
<i>(Valued at the lower of cost and net realisable value)</i>		
Raw Materials and Bought-Out Components [including material in transit ₹ 18.8 million (Previous year ₹ 111.0 million.)]	508.5	599.1
Stores and Spares [including material in transit ₹ 4.6 million (previous year ₹ 1.1 million)]	327.1	334.5
Work-in-progress	139.6	164.9
Finished Products [Including material in transit ₹ 117.0 million (previous Year ₹ 45.7 million)]	1,511.0	1,701.6
	2,486.2	2,800.1
15. Trade receivables		
(i) Receivables outstanding for a period exceeding six months from the date they became due for payment		
<i>(Unsecured)</i>		
- Considered good	39.2	98.9
- Considered doubtful	38.4	17.5
Less : Provision for Doubtful Debts	38.4	17.5
	39.2	98.9
(ii) Other receivables		
<i>(Unsecured)</i>		
- Considered good	3,157.1	3,622.3
- Considered doubtful	-	3.3
Less : Provision for Doubtful Debts	-	3.3
	3,157.1	3,622.3
	3,196.3	3,721.2

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
16. Cash and bank balances		
Cash and cash equivalents		
Cash on hand	0.6	0.5
Balances with Banks		
- On Current Account	85.0	133.3
- On EEFC Account	20.0	7.7
- On Deposit Account (with original maturity of 3 months or less)	1,495.6	939.5
	1,601.2	1,081.0
Other bank balances		
Bank deposits with original maturity of more than 3 months and remaining maturity of less than 12 months.	1,454.8	1,153.0
Unclaimed Dividend Account*	13.8	10.4
	3,069.8	2,244.4
*Unclaimed dividend account represents held for dividend remittance and hence are not available for use.		
Details of bank balances/deposits		
Bank balances available on demand/deposits with original maturity of 3 months or less included under 'Cash and cash equivalents'	1,600.6	1,080.5
Bank deposits due to mature within 12 months of the reporting date included under 'Other bank balances'	1,454.8	1,153.0
	3,055.4	2,233.5
17. Short-term loans and advances		
(i) To parties other than related parties (unsecured, considered good)		
Prepaid Expenses	46.0	40.7
Advances for supply of goods and rendering of services	66.0	69.9
Export benefits / duty entitlements	135.8	198.7
Short-term loans to employees	13.4	12.0
Advances to employees	2.8	5.6
Balances with Sales tax / Excise authorities	166.2	55.3
Other receivables	20.1	11.4
(ii) To related parties (considered good)		
Secured		
Current portion of long term loan to SKF Technologies India Private Limited (including interest accrued and due ₹ 48.3 million (previous year ₹ 44.0 million.) (Refer note 13)	248.3	44.0
Unsecured		
Others	2.1	6.9
	700.7	444.5
18. Other current assets		
(Unsecured and considered good)		
Interest accrued on fixed deposits with banks	42.7	45.0
	42.7	45.0

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
19. Revenue from operations		
(i) Sale of products		
Manufactured goods	13,399.8	14,020.5
Traded goods	10,135.3	11,465.4
Sale of products (gross)	23,535.1	25,485.9
Less : Excise Duty	1,687.9	1,500.3
Sale of products (net)	21,847.2	23,985.6
(ii) Sale of services	194.1	181.6
(iii) Other operating revenue		
Scrap sales	38.1	41.6
Miscellaneous operating income	196.5	140.0
	234.6	181.6
	22,275.9	24,348.8
Breakup of revenue from sale of products		
Manufactured goods		
Bearings	11,261.0	11,816.6
Others	450.9	703.7
Excise duty on manufactured goods	1,687.9	1,500.3
	13,399.8	14,020.5
Traded goods		
Bearings	10,135.3	11,465.4
	10,135.3	11,465.4
20. Other income		
Interest Income		
- Fixed deposits with banks	230.9	168.7
- On loan given to related party	214.5	176.8
Profit on sale of fixed assets (net)	57.8	-
Rental income	39.1	21.1
Export benefits	119.6	166.8
Miscellaneous Income	21.3	12.2
	683.2	545.6
21. Cost of material consumed		
Inventory at the beginning of the year	599.1	516.0
Purchases	5,805.1	6,271.7
Inventory at the end of the year	508.5	599.1
	5,895.7	6,188.6
Breakup of cost of material consumed		
Raw material - Steel	155.9	197.8
Bought out components - Rings	3,435.8	3,387.7
Bought out components - Rollers	843.0	1,093.7
Bought out components - Others	1,461.0	1,509.4
	5,895.7	6,188.6
Purchases of material		
Raw material - Steel	153.5	200.5
Bought out components - Rings	3,383.0	3,433.2
Bought out components - Rollers	830.0	1,108.4
Bought out components - Others	1,438.6	1,529.6
	5,805.1	6,271.7

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
22. Purchase of stock in trade		
Purchases of traded goods - Bearings	8,303.2	9,656.7
	8,303.2	9,656.7
23. Changes in inventories finished goods, work-in progress and stock in trade		
(i) Increase in inventory of finished goods :		
Opening inventory		
Bearings	864.7	748.1
Others	73.1	56.3
Excise duty on finished goods	161.7	141.5
	1,099.5	945.9
Less : Closing inventory		
Bearings	788.6	864.7
Others	45.3	73.1
Excise duty on finished goods	169.4	161.7
	1,003.3	1,099.5
	96.2	(153.6)
(ii) Decrease / (Increase) in inventory of work in progress :		
Opening inventory - Bearings	164.9	155.7
Less : Closing inventory - Bearings	139.6	164.9
	25.3	(9.2)
(iii) Increase in inventory of traded goods :		
Opening inventory - Bearings	602.1	636.3
Less : Closing inventory - Bearings	507.7	602.1
	94.4	34.2
	215.9	(128.6)
24. Employee benefits		
Salaries, Wages and Bonus	1,331.6	1,203.5
Contribution to Provident and Other Funds (refer note 28 a)	87.1	191.1
Compensated absences	38.8	25.4
Welfare Expenses	236.7	231.3
	1,694.2	1,651.3
Note: Breakup of contribution to funds		
Provident fund	68.4	55.0
Provision/ (Reversal) for shortfall in provident fund interest liability	(83.5)	83.5
Gratuity	70.6	23.3
Supperannuation	31.6	29.2
	87.1	191.1

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
25. Depreciation and amortisation		
Depreciation of tangible fixed assets	434.0	381.6
Amortisation of intangible fixed assets	1.9	3.6
	435.9	385.2
26. Other expenses		
Consumption of stores and spare parts	635.8	728.0
Excise duty related to increase/ decrease in inventory of finished goods	7.7	20.2
Power and Fuel	419.6	392.6
Repairs		
Building	37.5	30.3
Machinery	298.3	356.2
Royalty	287.2	138.0
IT Services	378.3	396.6
Service fees	7.1	488.9
Rent	50.3	32.3
Insurance	21.1	28.8
Rates and Taxes	142.5	124.9
Travelling	270.0	262.9
Legal and professional fees	118.6	118.2
Payment to auditors (Refer note below)	4.1	3.9
Advertising and sales promotion	139.5	116.2
Logistic Cost	232.3	306.0
Provision for doubtful trade receivables	20.9	-
Bad debts written off	-	6.4
Directors' Commission / Sitting Fees	4.0	4.0
Loss on sale of Fixed Assets	-	5.6
Miscellaneous expenses	508.1	442.0
	3,582.9	4,002.0
Note : Payments to auditors		
As auditor		
- Statutory audit	2.2	2.2
- Tax audit	0.8	0.7
- Limited review of quarterly results	0.7	0.7
- Other audit services	0.4	0.2
Reimbursement of expenses	-	0.1
	4.1	3.9

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
27. Earnings per share (EPS)		
Basic and diluted earnings per share		
The earnings per share (basic & diluted), computed as per the requirement under Accounting Standard 20 on 'Earnings per Share' is as under:		
Profit attributable to Equity Shareholders (Rs.million)	1,900.8	2,084.9
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 (₹)	36.0	39.5
Diluted Earnings per share (₹)	36.0	39.5
28. Employee benefits: Post-employment benefit plans		
(a) Defined contribution plans		
The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund, which is a defined contribution plan. The Company has no obligations other than to make the specified contributions in case of employees not covered under SKF Bearings India Limited. Provident Fund Scheme. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund and Superannuation fund is as follows:		
Particulars		
Employee Provident Fund - Regional Provident Fund Contribution	21.2	21.8
Superannuation fund	31.5	29.2
	52.7	51.0
(b) Defined benefit plans		
The Company operates a post-employment defined benefit plan that provides gratuity. The gratuity plan entitles an employee, who has rendered atleast five years of continuous service, to receive between 15 days to one month's salary for each year of completed service at the time of retirement/exit.		
The following table summarises the position of assets and obligations relating to the two plans.		
Present value of the defined benefit obligation at the end of the period	558.3	467.4
Fair value of the plan assets at the end of the year	497.7	451.4
Liability recognised in the Balance Sheet	60.6	16.0
Current	60.6	16.0
Non-Current	-	-
	60.6	16.0
Composition of plan assets		
	%	%
Government of India securities	37	42
Corporate bonds	28	34
Insurer managed funds	29	-
Special deposit schemes	-	19
Others	6	5

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
Employee benefits: Post-employment benefit plans (continued)		
Movement in the present value of defined benefit obligation		
Defined benefit obligation at 1 January	467.4	427.7
Current service cost	22.9	22.3
Interest cost	39.1	35.5
Actuarial (gain) / loss	55.3	(4.7)
Benefits paid by the plan	(26.4)	(13.4)
Defined benefit obligation at 31 December	558.3	467.4
Movement in fair value of plan assets		
Fair value of assets at 1 January	451.4	408.8
Expected return on plan assets	35.6	32.7
Actuarial gain / (loss)	11.1	(2.9)
Contribution by the employer	26.0	26.2
Assets Distributed on Settlements	-	-
Benefits paid by the plan	(26.4)	(13.4)
Fair value of assets at 31 December	497.7	451.4
Expense recognised in Statement of Profit and Loss		
Current service cost	22.9	22.3
Interest on obligation	39.1	35.5
Expected return on plan assets	(35.6)	(32.7)
Actuarial gain / (loss) recognised in the year	44.2	(1.8)
Total included in 'employee benefits'	70.6	23.3
Actual return on plan assets		
Expected return on plan assets	35.6	32.7
Actuarial gain / (loss)	11.1	(2.9)
Actual return on plan assets	46.7	29.8
Principal actuarial assumptions used as at the reporting date:		
The following are the principal actuarial assumptions at the reporting date		
Discount rate as at 31 December	8.2%	8.4%
Expected rates of return on any plan assets as at 1 January	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%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Assumptions regarding future mortality are based on published statistics and mortality tables. The calculation of the defined benefit obligation is sensitive to the mortality assumptions

The overall expected long-term rate of return on assets is 8%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

Employee benefits: Post-employment benefit plans (continued)**Five year information**

	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Defined benefit obligation	558.3	467.4	427.6	400.2	460.1
Fair value of plan assets	497.7	451.5	408.8	391.2	403.0
Surplus/(deficit)	(60.6)	(15.9)	(18.8)	(9.0)	(57.1)
Experience adjustments on plan liabilities	39.9	11.6	6.5	25.6	5.9
Experience adjustments on plan assets	11.1	(2.9)	(6.9)	(11.9)	34.7

Provident Fund

The Company has an obligation to fund any shortfall on the yield of the trust's investments over the administered interest rates on an annual basis. These administered rates are determined annually predominantly considering the social rather than economic factors. The Actuarial Society of India has issued the final guidance for measurement of provident fund liabilities during the year ended December 31, 2011. The actuary has accordingly provided a valuation and based on the below provided assumptions, shortfall recognised in the Statement of Profit and Loss during the year is Nil (previous year ₹ 83.5 million).

The details of fund and plan asset position as at December 31, 2012 is given below:

	December 31, 2012	December 31, 2011
Present value of the defined benefit obligation at the end of the period	1,198.6	1,108.2
Fair value of the plan assets at the end of the year	1,198.6	1,024.7
Liability recognised in the Balance Sheet	-	83.5
Current	-	83.5
Non-Current	-	-
	-	83.5
Composition of plan assets	%	%
Government of India securities	32	28
Corporate bonds	40	41
Equity shares of listed companies	-	-
Special deposit schemes	25	27
Others	3	4
Movement in the present value of defined benefit obligation		
Defined benefit obligation at 1 January	1,108.2	905.1
Current service cost	41.1	37.1
Interest cost	90.5	68.2
Actuarial (gain) / loss	(25.8)	101.4
Employees contribution	79.8	70.1
Liabilities assumed on acquisition / (settled on divestiture)	13.1	2.1
Benefits paid by the plan	(108.3)	(75.8)
Defined benefit obligation at 31 December	1,198.6	1,108.2

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
Employee benefits: Post-employment benefit plans (continued)		
Movement in fair value of plan assets		
Fair value of assets at 1 January	1,024.7	905.1
Expected return on plan assets	85.2	99.5
Actuarial gain / (loss)	63.0	(4.6)
Contribution by the employer	41.1	37.1
Contribution by the employee	79.8	70.1
Assets Distributed on Settlements / acquired on acquisition	13.1	(6.7)
Benefits paid by the plan	(108.3)	(75.8)
Fair value of assets at 31 December	1,198.6	1,024.7
Expense recognised in Statement of Profit and Loss		
Current service cost	41.1	37.1
Interest on obligation	90.5	68.2
Expected return on plan assets	(85.2)	(99.5)
Actuarial gain / (loss) recognised in the year	(88.8)	106.0
Total included in 'employee benefits'	(42.4)	111.8
Actual return on plan assets		
Expected return on plan assets	85.2	99.5
Actuarial gain / (loss)	63.0	(4.6)
Actual return on plan assets	148.2	94.9
Principal actuarial assumptions used as at the reporting date:		
The following are the principal actuarial assumptions at the reporting date		
Discount rate	8.2%	8.4%
Expected rates of return on any plan assets as at 1 January	8.5%	8.3%
Discount rate for the remaining term to maturity of the investment	8.2%	8.6%
Average historic yield on the investment	8.5%	8.3%
Guaranteed rate of return	8.3%	9.5%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Assumptions regarding future mortality are based on published statistics and mortality tables. The calculation of the defined benefit obligation is sensitive to the mortality assumptions.

Five year information

	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Define benefit obligation	1,198.6	1,108.2	905.1	936.9	883.6
Fair value of plan assets	1,198.6	1,024.7	905.1	875.5	786.3
Surplus/(deficit)	-	(83.5)	-	(61.4)	(97.3)
Experience adjustments on plan liabilities	(14.4)	2.1	1.1	22.1	-
Experience adjustments on plan assets	63.0	(4.6)	0.1	15.8	-

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
29. Contingent liabilities and commitments		
<i>(to the extent not provided for)</i>		
a) Contingent liabilities:		
Claims against the Company not acknowledged as debts		
(i) Income-tax and Surcharge	30.6	38.6
(ii) Excise duty	306.3	9.4
(iii) Sales tax	96.2	4.8
(iv) Service tax	116.6	2.9
(v) Others	46.6	39.7
	596.3	95.4
b) Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	256.5	660.9
	256.5	660.9

30. Derivative instruments

a. Hedged foreign currency exposures at the year end : ₹ Nil (previous year : ₹ Nil)

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

Particulars	December 31 2012		December 31 2011	
	Amount (in original currency in million)	Amount (in original currency in million)	Amount (in original currency in million)	Amount (in original currency in million)
Payable				
EURO	10.1	733.9	17.0	1,173.8
USD	5.2	288.2	3.1	165.7
SEK	1.6	13.5	2.2	16.5
GBP	0.0*	0.4	0.0*	0.3
YEN	68.8	43.5	4.3	3.0
CHF	0.0*	2.7	0.1	5.8
EURO Debtors(Credit Balance)	-	-	0.2	16.5
		1,082.2		1,381.6

Particulars	December 31 2012		December 31 2011	
	Amount (in original currency)	Amount (Rs. in million)	Amount (in original currency)	Amount (Rs. in million)
Receivable				
EURO	1.5	108.6	6.5	445.4
USD	1.6	88.0	1.3	64.7
SEK	14.4	121.5	-	-
SGD	0.7	31.4	-	-
YEN Creditor(Debit Balance)	0.1	0.1	6.0	4.1
		349.6		514.2
Bank				
EURO EEFC Bank Account	0.2	17.5	0.0*	0.1
USD EEFC Bank Account	0.0*	2.5	0.1	7.6
		20.0		7.7

* Since denominated in Million

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
31. Dues to micro and small suppliers		
Particulars		
The amounts remaining unpaid to micro and small suppliers as at the end of the year		
- Principal	2.7	2.5
- Interest	0.0*	0.0*
The amount of interest paid by the buyer as per the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act, 2006).	Nil	Nil
The amounts of the payments made to micro and small suppliers beyond the appointed day during each accounting year	32.9	36.2
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	0.6	1.0
The amount of interest accrued and remaining unpaid at the end of each accounting year	0.6	1.0
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under the MSMED Act, 2006	0.1	-

Note : The above information has been compiled by the Company on the basis of information made available by vendors during the year 2012.

* Since denominated in Million

32. Details of imported and indigenous raw materials, components and spare parts consumed during the financial year

Spare parts	December 31 2012		December 31 2011	
	% of total consumption	Rupees in million	% of total consumption	Rupees in million
Imported	18	52.3	21	79.4
Indigenous	82	245.9	79	295.2
	100	298.2	100	374.6
Raw Materials and Bought-Out Components				
	% of total consumption	Rupees in million	% of total consumption	Rupees in million
Imported	21	1,218.4	43	2,684.2
Indigenous	79	4,677.3	57	3,504.4
	100	5,895.7	100	6,188.6

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 a balancing figure based on total consumption shown in the Statement of Profit and Loss.

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

	December 31, 2012	December 31, 2011
33. Expenditure in Foreign Currency :		
Royalty	287.2	138.0
Professional and consultation	46.7	57.0
IT services	211.4	244.3
Service fees	7.1	488.9
Trade mark fees	172.8	-
Others	94.0	84.6
34. C.I.F. value of imports :		
Raw Materials	110.4	122.6
Components, Stores and Spares etc.	1,500.2	1,986.3
Trading goods	5,730.1	6,872.5
Capital Goods	391.4	129.1
35. Dividend remittances in foreign currency :		
Year to which the dividend relates	2011	2010
Amount remitted during the year (INR in million)	211.9	197.8
Number of non-resident shareholders	3	3
Number of shares on which dividend was due	28,254,568	28,254,568
36. Earnings in foreign exchange :		
F.O.B. value of Exports	1,354.1	2,084.4
Export of Services	5.4	25.8
Other Income	190.8	125.5

37. The net exchange difference arising during the year recognised in the Statement of Profit and Loss is ₹ 22 million loss (Previous Year ₹ 154 million loss).

38. Certain employees of SKF India Limited have been granted stock options under AB SKF Performance Share Award Agreement. Pursuant to this, AB SKF has (credited) / debited ₹ (2.6) million (Previous year ₹ 12.8 million) to its Statement of Profit and Loss. During the current year, the Company has reimbursed the cost incurred by AB SKF of ₹ Nil (Previous year ₹ 3 million) for stock options granted to certain employees under AB SKF Performance Share Award 2009.

39. Segment reporting

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.

40. The Company has facility from banks for working capital / working capital demand loans which are secured by pari passu charge of :

- 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
- all present and future Book Debts outstanding, Monies receivable, Claims and Bills. There are no borrowings outstanding as at 31 December 2012 under the above said facility

Notes to Financial Statements for the year ended 31 December 2012

41. Related party disclosures

(i) List of Related Parties & relationship:

a) List of related parties where control exists

Sr. No.	Name of the Related Party	Relationship
1	Aktiebolaget SKF	Holding Company

b) Names of the related parties with whom transactions were carried out and description of relationship:
Fellow subsidiary 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, GoteborgSweden
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 Ltd., 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., Kuala Lumpur, Malaysia
34	SKF Österreich AG., Austria
35	SKF Sealing Solutions AB, Sweden
36	SKF Shanghai Bearings Co. Ltd., China
37	SKF South Africa (Pty) Ltd.,South Africa
38	SKF Asia Pacific Pte. Ltd.,Singapore
39	SKF Sverige AB, Sweden
40	SKF Technologies India Private Ltd., India
41	SKF USA Inc., Kulpsville/Lansdale, PA, USA
42	SKF Ukraine, Ukraina
43	Transrol S.A.S., Chambéry, France

Sr. No. Name of the Related Party

44	SKF Lubrications Systems France SAS
45	SKF Lubrications Systems Germany AG (formerly known as Willy Vogel AG)
46	SKF Mekan AB, Sweden
47	Berger Vogel S.r.l., Italy
48	Polyseal, USA
49	Jaeger Industrial Co., Ltd., Taiwan
50	ABBA LINEAR TECH CO LTD (Taipei), Taiwan
51	Economos India Private Ltd, New Delhi, India
52	SKF Sealing Solutions GmbH, Leverkusen-Opladen, Germany
53	SKF Linear Motion & Precision Technologies, USA
54	SKF Automotive Component Corp., Changwon (Pusan)
55	SKF Bearing Services Taiwan, Taipei
56	SKF Chilena S.A.I.C, Santiago
57	SKF International AB (Treasury Centre), Göteborg
58	SKF Bearing Industries (Malaysia) Sdn. Bhd, Nilai
59	SKF Automotive Technologies Co, China
60	SKF Lubrication Systems Japan Ltd
61	SKF Economos GmbH, Judenburg
62	SKF Actuation system(Pinghu) Co., Ltd (former Jaeger (Pinghu) Precision Actuatronic Ltd)
63	SKF Lubrication Systems USA Inc
64	Beijing Nankou SKF Railway Bearings Co.Ltd., Beijing
65	SKF Hellas S.A., Athens
66	SKF Ball Screws and Services S.p.A. (former Gamfior S.p.A)
67	SKF Automotive Bearings Company Ltd, Shangai
68	SKF Polska S.A., Poznan
69	SKF Uruguay DC
70	Lincoln Helios (India) Limited
71	SKF Lubrication Systems The Netherlands B.V.
72	SKF Condition Monitoring Center (Luleå), Sweden
73	SKF Condition Monitoring Center Inc., San Diego, CA
74	SKF South East Asia (PTE) Ltd, Singapore
75	SKF Thailand Ltd., Bangkok
76	SKF (Shanghai) Automotive Technologies Co. LTD , China
77	Economos (Qingdao) Seal Tech Co. Ltd, China
78	SKF Denmark A/S., Broendby, Denmark
79	SKF Loziska a.s., Prague, Czech Republic
80	SKF Multitec S.P.A., Torino, Italy
81	SKF Latintrade Inc., Santiago, Colombia
82	SKF Venezoleana S.A., Venezuela
83	SKF Sealing solutions (wuhu) Co. Ltd., Anhui Province, China
84	SKF (Shanghai) Investment Consultancy Co. Ltd., Shanghai, China
85	SKF China (CEPA), Shanghai, China
86	SKF Actuation System (Taipei) Co Ltd, Taipei, Taiwan
87	SARMA, France

Key Management Personnel

1	Mr. Shishir Joshipura (Managing Director)
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Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

(ii) Disclosure of related party transactions:

Sr. No.	Nature of transaction / relationship / major parties	2012 Amounts for major parties	2011 Amounts for major parties
A	Purchase of Raw Materials and Finished Goods		
	Fellow subsidiary Companies		
	SKF Asia Pacific Pte Ltd, Singapore	3,999.6	4,307.8
	SKF GmbH, Germany	1,064.0	1,491.2
B	Purchase of Capital Goods / Services		
	Fellow subsidiary Companies		
	SKF GmbH, Germany	3.3	-
	SKF Osterreich AG., Austria	15.1	22.9
	SKF France S.A., France	12.2	16.6
	Economos India Private Limited	-	15.5
C	Administrative and Service Fees		
	Holding Company		
	AB SKF, Sweden	208.6	731.6
	Fellow subsidiary Companies		
	SKF Sverige AB, Sweden	-	14.3
D	Sale of Goods and Services		
	Fellow subsidiary Companies		
	SKF USA Inc., USA	189.2	198.5
	SKF GmbH, Germany	611.4	776.2
	SKF European Distribution Centre (EDC)	187.1	197.8
	SKF do Brasil Ltda., Brazil	65.5	337.6
E	Sale of Fixed Assets		
	Fellow subsidiary Companies		
	SKF Technologies India Private Ltd.	-	35.0
F	Technical and other service income		
	Holding Company		
	AB SKF, Sweden	172.4	118.4
G	Inter Corporate Loan Given		
	Fellow subsidiary Companies		
	SKF Technologies India Private Ltd.	1,350.0	460.0
H	Inter Corporate Loan Received Back		
	Fellow subsidiary Companies		
	SKF Technologies India Private Ltd.	1,005.0	-
I	Interest Income on Inter Corporate Loan		
	Fellow subsidiary Companies		
	SKF Technologies India Private Ltd.	214.5	176.8
J	Rent Income		
	Fellow subsidiary Companies		
	SKF Technologies India Private Ltd.	39.1	21.1
K	Royalty		
	Holding Company		
	AB SKF, Sweden	287.2	138.0
L	Trade Mark Fees		
	Holding Company		
	AB SKF, Sweden	172.8	-
M	Reimbursement of Expenses		
	SKF Technologies India Private Ltd.	50.9	22.9
	SKF SVERIGE AB	13.9	6.8
N	Dividend Paid		
	Holding Company - AB SKF, Sweden	184.8	172.5
	Fellow subsidiary Companies - SKF (UK) Ltd.	25.5	23.8
O	Performance Share Award		
	Holding Company - AB SKF, Sweden	-	3.0
P	Managerial Remuneration		
	Mr. Shishir Joshipura	16.3	12.0

"Major parties" denote entities who account for 10% or more of the aggregate for that category of transaction.

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

(iii) Amount due to/from related parties

Sr. No.	Nature of transaction / relationship / major parties	2012		2011	
		Amount	Amounts for major parties	Amount	Amounts for major parties
1	Accounts receivable	429.6		624.8	
	Fellow Subsidiary Companies				
	SKF International AB (Treasury Centre), Göteborg		329.2		304.3
	SKF Technologies India Pvt. Ltd., India		68.7		118.6
	P.T. SKF Indonesia		-		101.2
	SKF China Sales Company Ltd. Shanghai		20.3		27.8
	SKF Gmbh, Germany		-		47.8
	SKF Industrie S.P.A.		2.8		0.1
	SKF ATC Shanghai		1.9		0.9
	SKF Dalian Bearings		1.6		3.8
	SKF China Company Ltd. Shanghai		1.5		5.4
	Economos (Qingdao) Seal Tech Co. Ltd, Qingdao		1.2		1.2
	AB SKF Goteborg, Sweden		-		1.6
	SKF Lubrication Systems Germany AG		0.9		1.0
	Economos India Private Ltd, New Delhi		0.7		4.4
	Lincoln Helios (India) Limited		0.6		5.9
	SKF Sealing Solutions (WUHU) CO., LTD Anhui		-		0.8
	SKF Oesterreich AG		0.2		-
	SKF (Shanghai) Bearings Co.Ltd		0.0*		-
	Industrial Seals SWE		0.0*		-
	SKF ABC Shanghai		0.0*		-
2	Accounts payable	(1,736.6)		(1,993.9)	
	Fellow Subsidiary Companies				
	SKF Asia Pacific Pte Ltd		(732.6)		(764.2)
	SKF International AB		(745.7)		(1,098.0)
	AB SKF Goteborg, Sweden		(160.1)		(0.1)
	Economos India Private Ltd, New Delhi		(36.8)		(36.8)
	SKF Technologies India Pvt. Ltd., India		(26.3)		(23.9)
	SKF Dalian Bearings		(11.9)		(2.1)
	SKF Sverige AB		(10.0)		(20.9)
	SKF Gmbh, Germany		-		(12.2)
	SKF ATC Shanghai		(4.7)		(4.8)
	SKF Sealing Solutions Austria GMBH		(2.7)		(0.0)*
	SKF De Mexico		(1.5)		(1.8)
	RFT S.P.A		(1.3)		(2.7)
	SKF Bearing Bulgaria		(0.5)		(0.5)
	SKF France S.A. Montigny		(0.4)		(3.2)
	SKF LINEARSYSTEME		(0.3)		(0.2)
	Nankou SKF Bearings, China		(0.2)		-
	Product Division LSB (RKS), France		(0.2)		-
	SKF EDC		(0.2)		-
	SKF (Shanghai) Bearings Co.Ltd		(0.2)		-
	SKF Actuation System (Liestal) AG		(0.2)		(0.2)

Notes to Financial Statements for the year ended 31 December 2012

(₹ in million)

(iii) Amount due to/from related parties (Continued)

Sr. No.	Nature of transaction / relationship / major parties	2012		2011	
		Amount	Amounts for major parties	Amount	Amounts for major parties
	SKF CMC Livingston		(0.1)		(0.1)
	SKF Coupling Systems AB		(0.1)		(0.2)
	SKF Multitec SPA		(0.1)		(0.1)
	SKF Sealing solutions (wuhu) Co. Ltd		(0.1)		(0.1)
	SKF Danmark A/S		(0.1)		(2.8)
	SKF Polyseal		(0.1)		(0.1)
	SKF Actuation System (Pinghu)		(0.1)		(0.0)*
	SKF Venezolana S.A.		(0.1)		(0.1)
	Transrol S.N.C., France		(0.0)*		-
	SKF Malaysia SDN BHD		(0.0)*		(0.0)*
	Ovako Steel AB		(0.0)*		(0.0)*
	SKF Argentina S.A., Argentina		(0.0)*		(0.0)*
	P.T. SKF Indonesia		(0.0)*		(5.9)
	SKF Ukraine		(0.0)*		(2.7)
	SKF Netherland B.V., Netherland		(0.0)*		-
	SKF Equipements		(0.0)*		(0.0)*
	SKF Industrie S.p.A, Italy		-		(4.5)
	SKF Oesterreich AG		-		(2.3)
	SKF Transmission AB		-		(0.0)*
	SKF Sealing Solutions AB, Sweden		-		(0.2)
	SKF Lubrication Systems Germany AG		-		(2.3)
	SKF USA INC.		-		(0.8)
	SKF del Peru S.A., Peru		-		(0.1)
3	Loan (including interest accrued)	2,448.3		2,099.0	
	Fellow Subsidiary Companies				
	SKF Technologies India Private Limited		2,448.3		2,099.0
4	Royalty	(150.4)		(124.2)	
	Holding Company - AB SKF, Sweden		(150.4)		(124.2)
5	Managerial Remuneration	(1.0)		(0.3)	
	Mr. Shishir Joshipura		(1.0)		(0.3)

* Since denominated in Million

As per our report of even date attached

For and on behalf of the Board of Directors of SKF India Limited

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

Shiraz Vastani
Partner
Membership No. 103334

Pune, February 21, 2013

P. Bhandari
Company Secretary

K. C. Mehra
Chairman

P. R. Menon
T. Sthen
P. M. Telang

Shishir Joshipura
Managing Director

Directors

D. C. Shroff
Rakesh Makhija
V. Vartanian

Pune, February 21, 2013



SKF

SKF India Limited

Registered Office:

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

Manufacturing Facilities:

Bommasandra, Bengaluru - 560 099.
Chinchwad, Pune - 411 033.
Salempur - Mehdood, Haridwar - 249 402.

www.skfindia.com

SKF India Limited



Regd. Office : MAHATMA GANDHI MEMORIAL BUILDING,
NETAJI SUBHASH ROAD, MUMBAI - 400 002.

Attendance Slip

I hereby record my presence at the FIFTY SECOND ANNUAL GENERAL MEETING of the Company at M. C. Ghia Hall, Bhogilal Hargovindas Building, 4th floor, 18/20 K. Dubash Marg, Kala Ghoda, Mumbai - 400 001 at 3.00 p.m. on Tuesday, April 30, 2013.

SIGNATURE OF THE ATTENDING MEMBER/PROXY

- NOTES :
1. Shareholder/Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand it over at the entrance duly signed.
 2. Shareholder/Proxyholder wishing to attend the meeting should bring his/her copy of the Annual Report for reference at the meeting.

— ✂ —

SKF India Limited

Regd. Office : MAHATMA GANDHI MEMORIAL BUILDING, NETAJI SUBHASH ROAD, MUMBAI - 400 002.

Proxy

I/We.....
of.....being
a Member/Members of the above named Company, hereby appoint.....
..... ofor failing him/her
..... of
as my/our Proxy to attend and vote for me/us and on my/our behalf at the Fifty Second Annual General Meeting of the Company, to be held on Tuesday, April 30, 2013, and at any adjournment thereof.

Signed this day of 2013.

Ledger Folio / DP Client ID / BOID

No. of Shares



Signature

This form is to be used ^{* in favour of} the resolution. Unless otherwise instructed, the Proxy will act as he/she thinks fit.
* as against

* Strike out whichever is not desired.

NOTE : The Proxy must be returned so as to reach the Registered Office of the Company, SKF India Limited, Mahatma Gandhi Memorial Building, Netaji Subhash Road, Mumbai - 400 002, not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.