



WE CARE

Annual Report 2013

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Corporate Information

Board of Directors

Kamlesh C. Mehra
Chairman

Shishir Joshipura
Managing Director

Darius C. Shroff
(up to 30.04.2013)

Henrik Lange

Prakash Telang

Prasad R. Menon

Rakesh Makhija

Tore Bertilsson
(up to 12.07.2013)

Tryggve Sthen

Vartan Vartanian

David Bishop
(alternate to V Vartanian)

Company Secretary

Pradeep Bhandari

Auditors

M/s Price Waterhouse & Co., Bangalore
Muttha Towers, 5th Floor, Suite No. 8,
Off Airport Road, Yerwada
Pune - 411 006

Bankers

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

Share Transfer Agent

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

Anjali Byce

Chandramowli Srinivasan

Harsha Kadam

K Ramakrishnan

Mattias Axelsson

Pallavi Deshmukh

Shoaib Shaikh

Shrikant Savangikar

Sudhir Rege

Letter to Shareholders



“We initiated a focused program to work more closely with our customers to help them reduce costs, eliminate waste and deliver higher value to their customers.”

Dear Shareholders,

It is my privilege to present to you the Annual Report of SKF India Ltd. for the year 2013. SKF India reported Net Sales of ` 22,464 million for the year ended 31st December, 2013 as against ` 22,041 million in the previous year. The profit after tax for the year 2013 was ` 1,667 million (after absorbing an exceptional cost of ` 221 million) compared to ` 1,901 million in the previous year.

The year in review posed many challenges to the Company on several different fronts. Weak economic indicators and subdued industrial productivity made growth a challenge. Specific concerns for the Company stemmed from the steep depreciation in the value of the Rupee, higher interest rates, intractable inflation and continuous pressure on demand. Supply side bottlenecks aggravated the circumstances and the lack of traction in structural reforms constrained economic expansion. These trends impacted the overall sentiment in the manufacturing sector - specifically in the automotive and industrial segments.

Yet, our endeavor amidst these circumstances was to deliver higher value to our customers, while improving our internal productivity. We stretched our resources to derive maximum yield from its deployment and focused on increasing our operational efficiency.

These challenges demanded an innovative response from us.

We derive strength from our customer focus and ability to continuously innovate and develop new products, solutions and services which meet the needs of customers across diverse industries. This very capability of creating and delivering offerings that bring real benefits and value to customers provided SKF India the foundation of stability in this adverse environment. We initiated a focused program to work more closely with our customers to help them reduce costs, eliminate waste and deliver higher value to their customers. Closer engagement with winning customers and focus on acquiring new customers by expanding our network enabled us to reap benefits.

In addition, we initiated a focused program to reduce costs, eliminate waste from our operations, and improve market share of product-lines that offered higher margins. Our performance reflects the results of these

efforts and re-emphasizes our strong business model whose cornerstone is sustainability. While our efforts have improved our efficiency, on the macro side, it is still difficult to see a fast turnaround in the near future.

In mid to long-term, the India story holds good potential and economic recovery can begin with the initiation of reform programs and global recovery.

In addition, restart of stalled projects, debottlenecking of the core sectors, containment of inflation and resultant easing of interest rates will help the economic activity of the country to get back on the growth path. The summer of 2014 will also see a new government at the Center and expectations are high that it will usher in a new era of governance.

The healthy development of the manufacturing and industrial sector is key to realizing India's long term potential in a sustainable way. We have talked about India's demographic dividend and the huge potential it holds for development of India's economy. An enabling environment which will equip the incoming generation with necessary skills and knowledge will be a basic building block for realizing this potential.

The country's traction on the path to growth is powered by the National manufacturing policy and while there may be some debate about adequacy of the postulates of this policy, the need of the hour is to start this journey. As India embarks on this journey, technology and innovation will play a pivotal role in defining success in a sustainable way.

Our business strategy is well placed to capture opportunities presented by the unfolding of these measures. Our hands-on efforts at building a portfolio of technology-led efficient products and service offerings over the years have enabled us to overcome the volatility of our customer segments to a great extent.

We believe that sustainability will be a business imperative for all organizations and will increasingly be interwoven into everyday activities. At SKF India, we understand this business imperative, and strive to integrate sustainability into our core business activities. Sustainability is one of our key drivers and it manifests itself in the principle of SKF Care, which encompasses Business

Care, Environmental Care, Employee Care and Community Care. Our success as an organization is based on the power of knowledge engineering and our commitment to the SKF Care principles.

As the name suggests, Business Care implies a clear and dedicated customer focus and the delivery of strong and, sustainable financial performance to shareholders in accordance with the highest standards of ethical behavior. You will find examples of application of this principle in our daily work life in this report.

Every stage in our value chain presents us with the possibility to reduce the environmental impact of our operations. Taking this approach forward which aligns with our Beyond Zero philosophy, we launched project "SustEn" across the country. The project aimed to reduce the energy consumption and carbon footprint by moving away from carbon intensive sources of energy and reducing our energy bills, enabling our operations to become more sustainable and competitive. I am happy to share that the project achieved tangible benefits and it was even more satisfying to see the very conscious and active efforts by the teams and employees in embracing the project objectives, devising intricate strategies ultimately leading to its success.

Since inception, this project has yielded 41 MINR savings with reduction of 1,730 tons of CO₂ emission. This is an encouraging beginning with scope to do more.

Our teams were trained to deliver higher value to our customers. This initiative was extended to include our distribution partners with the rollout of the DD curricula program. We also initiated structured programs to ensure industrial harmony with the union and management collaboration workshops.

Our most fundamental responsibility towards the society is to manage our business and operations in a responsible and accountable manner. As good corporate citizens, we are expected to have a positive impact through our interactions with society. It gives me immense pleasure to have announced the introduction of a girls' football team in our SKF Sports Academy, Pune from this year continuing our efforts to make a meaningful difference in the communities neighboring our operations. Moving forward, plans are

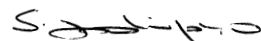
on the anvil to replicate this model in other locations in the country. This will further our efforts in nurturing potential and provide growth opportunities to the children from the underprivileged sections of the society.

On another note, the year 2013 saw the calamity created by nature's fury in Uttarakhand in July. It was a painful loss and besides the tragic loss of life, property and damage to the environment, floodwater also engulfed the Srinagar Industrial Training Institute (ITI). This Institute has been a source of good talent for our Haridwar factory. SKF employees across the nation voluntarily contributed one day's salary and this contribution was equally matched by the Company and the total corpus was used for restoration of ITI and Chief Minister's relief fund. SKF Haridwar employees also worked in close coordination with the Institute in Uttarakhand to help in the restoration of its operations.

SKF India remains committed to growing the business in a sustainable and responsible way today and tomorrow. If we are to achieve more, we cannot shy away from doing more. Our efforts have won us a few accolades during 2013. Dun & Bradstreet rated us as the best bearings company for the 7th consecutive year, we were rated as the market leaders in the industrial bearing space by Frost & Sullivan, the Pune factory also won the coveted Gold award at the Economic Times & Frost & Sullivan manufacturing excellence awards.

I place on record my sincere appreciation to our distribution partners and suppliers for their continued support. I would also like to share my gratitude to our customers for their continued trust, and our shareholders for their continued confidence. I look forward to 2014 which we all earnestly hope will usher a new era of opportunities. One in which all our stakeholders work in unison with the singular aim of delivering more value, while deriving higher levels of benefit. Together, we shall redefine our tomorrows through innovation, use of new technology and new levels of customer connect.

Thanking you,



Shishir Joshipura
Managing Director

We Care

A seed that is not nourished properly does not foster a healthy sapling; and a sapling if not nurtured well withers away with the first waft of strong winds.



Growth, to be meaningful, impactful and sustainable, needs to be nurtured with care. Care that is all-inclusive and holistic.

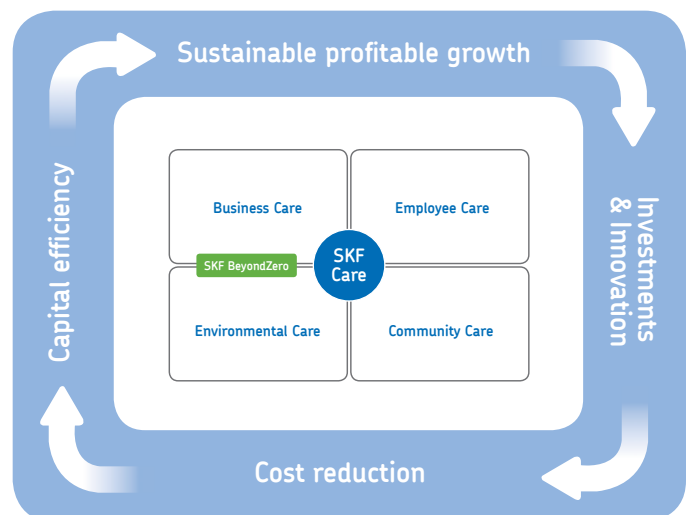
- Care that encompasses every aspect of an organization’s business operations - across technology and people.
- Care that continuously protects the society at large from environmental degradation and resource depletion.
- And care that goes beyond business to impact and empower people both within and outside the organization’s operational fabric.

For us, at SKF India, care is an integral part of our growth plans. It is the value system that steers our future-driven journey and the inspirational core that exemplifies the fundamental and inherent strength

of our business. It is the foundation on which we have built our pillars of sustainable profitable growth, capital efficiency, investment & innovation and cost reduction.

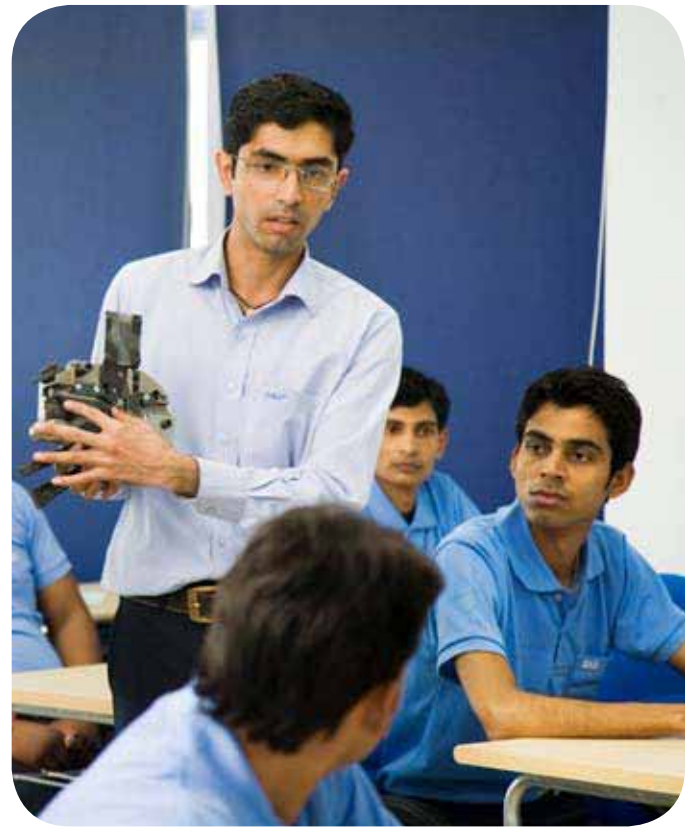
Whether it is our business methodology, our environment-focused and employee-centric approach, our approach to environment, or our CSR philosophy, the extent and impact of our care is universally manifest. It is evident in the tangible and measurable impact it has across the SKF India landscape and also the intangible force it triggers beyond business.

This Annual Report captures these tangible and intangible results through some interesting stories which demonstrate that **We Care**.



We Care about doing Business right

A **perfect business** strategy is all about doing business the right way thereby ensuring sustained stakeholder confidence and growth for years to come.



SKF India's growth charter is led by this philosophy of doing business in the proper manner, with due and diligent care to every aspect, across the value chain. From offering better products and innovating new solutions to customizing them, we believe in proactively giving our customers the best value proposition in the industry. This helps them improve their operational and product performances, while helping us accelerate business growth.

This Business Excellence stratagem, which encapsulates the Quality, Six Sigma and Group Project Management (GPM2) approach, enables us to deliver value to our customers in the most effective and efficient way by reducing waste and eliminating non-value added activities.



A look at some of the ways in which we have grown our business and delivered business excellence:

Partnering with machine tool customer for strategic growth

A leading machine tool OEM in India was looking for a strategic partner to expand its supplier base, and concurrently give a qualitative and quantitative boost to its product portfolio and Machine Tool Segment business. SKF India proved to be the perfect choice, both in terms of its quality product portfolio and its reliability core. Starting with LLT profile rail guides, the partnership eventually expanded to include bearings and other product lines. The SKF knowledge in the machine tool segment proved an added benefit for the customer. With this tie-up, we have not only expanded our relationship with this customer but have also augmented our business excellence strength.

Delivering unique solutions to an engineering company

An engineering company was battling with problems of frequent bearings failure and mismatch in decibel norms for its new application of silent running gear boxes for a lift manufacturer. With its business getting adversely impacted, the company was looking for immediate solutions. SKF India stepped in with its recommended solution of replacement of the existing metal shield DGBBs with rubber seals. The company accepted the recommendation to its benefit. It was not only able to achieve increased mechanical efficiency of its gear boxes, thus leading to lower failures and higher customer satisfaction, but also lower life cycle cost as an added advantage. For us, at SKF India, this has translated into volume growth and will provide greater opportunities for cross selling.

Setting new benchmarks in quality excellence for a Mining customer

Some critical applications of a major mining OEM, such as the pulley, needed a high quality solution. Armed with a technical proposal for bearing housing assembly, and a visit to the customer premises to further highlight the benefits of SKF offerings, we successfully signed the important deal. Excellent coordination with internal teams enabled extremely fast turnaround of the project, surpassing even the customer's expectations on the delivery time. The gain in lead time is helping the customer enable project execution for the end user in minimum possible timeframe. The platform has been set for building sustainable business partnership over a strong platform for future growth in this segment.



The SKF Global Quality Workshop held in July 2013 has identified the key focus areas for the company to build on its excellence platform further during 2014, with the thrust being on improvement in customer responsiveness, supplier process improvement and strengthening of quality system.

We Care about doing Business right



Sealing the perfect relationship with the cement industry

Issues in sealing system can be really troublesome, as this customer discovered while operating the slide ring for their horizontal ball mill running on slide shoes. We knew we had to come up with a solution that would improve their sealing efficiency, reduce maintenance cost and improve mean time to replace/repair. Our solution, evolved with the help of the Mining Mineral Processing and Cement segment team, lay in customized seals. Our offering enabled the customer to reduce oil leakages and lubrication consumptions. In the absence of dust accumulation between seal lips, the risk of shaft scoring was also reduced. Eventually, this led to increased stiffness due to broader width of seal, and also increased sealing efficiency. For us, this project has laid the foundation of replicating this achievement with other cement manufacturers in India.

Upping the quality for aluminum company to reduce downtime

A leading national aluminum company was faced with the bleak prospect of shutdown of its Captive Power Plant (CPP) due to constant failures with existing bearings. What aggravated the application woes was the absence of a proper Root Cause Failure Analysis (RCFA) to correctly diagnose the problem. The company turned to us for an alternative. Our pioneering team immediately began work on addressing the problem and came out with an innovative TRB product ingeniously developed at SKF. While the product's unique features, logarithmic profile and improved roller end/flange contact help in reducing downtime. The customer further gained from our strong RCFA reports and internal technical support systems. This new business foray has delivered a tangible benefit for us in terms of increased revenues, while opening up avenues for further growth in other power units.

Giving reliability a new meaning for turbine manufacturer

While searching for a bearings supplier, a leading turbine manufacturer in India was focused on the reliability factor as much as timely and quality supply. They found ideal supplier in SKF India and benefitted by reduction in long term lead time as well as cost.

Putting the foot on the accelerator for the locomotive customer

For an electric locomotive to face constant failures in its axle box bearings can be a tough problem indeed for any manufacturer. And when reliability, cost and delivery are also issues, then finding a good, single approved source of bearings becomes a necessity rather than a matter of choice. We met our customer's challenge by indigenously manufacturing the bearing at an SKF facility with polyimide cage. Successful stringent field trials over 18 months ensured total customer confidence and SKF was approved as a bulk supplier, thus helping us bridge the gaps in increasing production of three phase locomotive by the customer.

Diving deep into business excellence

To further strengthen our manufacturing and Business excellence processes an intensive program "Business Excellence going forward" was launched. Guided by the lean principles and focused on waste elimination coupled with value addition for the customer in every aspect of our business, we got the SKF group assessor to undertake a well-defined two-week process of assessment of the current situation in our Pune and Bangalore factories. The process involved diving into the details of the processes, identifying the opportunity for waste elimination and also of gaps in the lean journey. Right tools and methods were identified and the Management team analyzed the output of the deep dive activity to define the process of master scheduling to reach the next level in lean. What emerged was a greater focus on being highly responsive to the needs of our customer in real time and on strengthening the ability to produce the right quality and at the right time.

Taking solutions to the customer's doorstep

The business environment of today demands immediate solutions at the customer's doorstep. Delivering quality products and solutions locally becomes imperative in such an environment. It is, thus, important to align services to the customer's immediate needs. In an effort to further address this vital and growing need, we have set up our second Solution Factory in Manesar, Gurgaon. The Manesar facility will serve as the local unit and focus on spindle repair, reconditioning and maintenance services for automotive manufacturers, ancillary manufacturers and industrial machinery customers in the region. The SKF Solution Factory at Manesar (the first and central factory is in Pune) is the key to SKF India's overall business plans to take SKF's maintenance consulting and asset management services closer to customers, reduce time of delivery and speed of service deployment, and compliment SKF India's leadership in the market. The SKF Solution Factory is a unique proposition from SKF where people and technology come together to create optimized asset performance across industries.

Finding the perfect fit

Mechanics are the last leg in the auto retail business and are one of the most crucial links between the end customer and SKF. We decided to cater to mechanics through an initiative for the after market segment - the Perfect Fit Program, which includes a loyalty program for garage owners/mechanics. A total of 3,500 mechanics are currently enrolled with this program, which works at multiple levels, enabling the creation of a set of loyal repeat purchase mechanics to complete the value chain. For the mechanics, this leads to multiple benefits while we succeed in creating a sizeable set of loyal customers through insights into their purchase behavior. The program allows us to run specific reward programs aimed at specific target groups, resulting in greater product penetration and product visibility at the deepest level.



The way we conduct our operations, and our strength in developing and delivering customized solutions, has led to significant augmentation in our business in recent times. It is now our focused endeavor to sustain, or even grow, this momentum.

We Care for our Environment

Environment focus is a sine qua non of sustainable business growth and a vital component of the development agenda of any organization.



Responsible growth, in fact, is inexorably linked to environment protection, which necessitates a harmonious synergy between the two. In the contemporary milieu, the growth of a business takes on a more holistic meaning when it is undertaken concurrently with a well defined agenda to nurture the environment.

At SKF India, we are highly focused on the need to ensure global environmental sustainability. It is our constant endeavor to build on the quality aspects of our products and processes to achieve the twin goals of reducing the negative environmental impact from our own operations and those of our products, thereby enabling a strong positive impact. As a responsible global citizen, we believe in providing products and solutions that use minimal energy, as per the principles ingrained in the SKF BeyondZero™ philosophy.

We keep constant track of the quantum and type of energy used to make our products, to the energy used by our products when applied by our customers. Keeping this in mind, we take full care to make our products and processes energy efficient and safe.

A glance at some of the initiatives undertaken by us to ensure greater environmental benefit of our products and solutions.

Energizing sustainable growth

Sustainable growth, we believe, is one of the biggest drivers of long-term profitable business. At SKF, we are cognizant of the need to enable energy saving through products and solutions that result in cut down in costs while minimizing CO₂ emission, thus reducing the carbon footprint.

Our umbrella energy project - 'SustEn' - is a focused campaign to optimize energy utilization and improve carbon footprint resulting from the company's manufacturing operations. Covering 95 sub projects across all locations - Pune, Bangalore and Haridwar, the project has been developed with participative methodology using 'One SKF' approach, with the aim to reduce energy bills by ` 110 million per annum and achieve CO₂ Emission Reduction by 4000 Tons/year by 2015. Among the key project initiatives are replacement of old air compressor with energy efficient compressor having IE3 motor; optimization of compressed air supply pressure; optimization of use of heat treatment furnaces; mandatory use of variable frequency drives; and installation of solar power plants in Pune.

The project has yielded path-breaking results on CO₂ emissions, consumption and energy cost reduction over base period. It has also resulted in innovative supply side sourcing through open access mechanism at our facilities while bringing about a change in the power mix with the proportion of green power contribution steadily increasing. The demand side consumption reduction phase I projects have been completed at all location and phase II has been launched for 2014. Additionally, a 100 kWp roof top solar power plant has been commissioned at Pune corporate building, and a 1 MW roof top solar power plant - the only one of its kind in India, is in the final stages of completion.

The success of our initiatives is evident not just in the reduction in carbon footprint and the ensuing savings but also in awards and recognition we have received. With reduction of 1,730 tons of CO₂ emission, the SustEn project has yielded significant savings since inception. In 2012 alone, the CO₂ reduction was a significant 9%, as a result of the project, which is rooted in an urgent need that we feel to cut down on energy costs, resulting from upward revision in electricity rates and the aging of our plants and machinery, among other factors. The increasing carbon footprint has also been a cause for concern, prompting us to initiate proactive measures to achieve higher degree of sustainability.



In an endorsement of the success of the project, SKF Haridwar has been awarded IGBC silver rating - a small but measurable step in making a difference to the global environment safety campaign.

We Care for our Employees

Motivated and satisfied employees make for a successful organization and are instrumental in building a strong foundation for holistic and far-reaching growth.



Our people have always been the core of our growth strategy and the drivers of its success. The HR philosophy at SKF India is rooted in the SKF values of empowerment, ethics, transparency/openness and team work. We have, in fact, a structured Employee Care program in place to develop the personal and professional skills of our employees in an environment that encourages, inspires and motivates.

The program encompasses various bold and exceptional initiatives aimed at creating a better work environment, where our people have the space to nurture and grow.

Empowering people to build efficiencies

As we grew and expanded operations, we identified within our organizational fabric the acute need for a more focused and well-framed Human Resource (HR) policy that would be better aligned to the complexities of our huge work force.



A unique initiative - **Proactive Employee Relations** - focused on developing a strategic approach across all SKF facilities was launched. The initiative was aimed at bringing about a key shift from being reactive towards industrial relations management to adopting a proactive employee relations mindset.

On an intangible level, these initiative will lead to reduced resistance to change initiatives, thereby minimizing the risk of litigation and industrial dispute. They will enable a more participative work environment, leading to higher productivity and efficiency across functions.

Leading the way through excellence

Leadership issues are as much an area of concern in an organization of the size and scale of SKF India as employee issues. In fact, for a market-oriented business and customer-centric business like ours, developing a leadership hierarchy assumes a certain level of criticality. Our Leadership Team has successfully addressed this subject through another distinctive initiative - ACE Sales Excellence initiative.

The ACE initiative was launched in Pune in 2013 as a step towards scaling up the growth mindset of our customer facing teams. An insightful and well-structured initiative, the ACE Excellence Program helped participants understand their thought processes and the impact on communication, while setting the pace for accelerated skill development in boosting customer connect.



The strong employee focus that has so far steered the growth of SKF India shall continue to be a pivotal area of HR strategy and planning as we move forward to strengthen our relationships with our employees, and eventually our customers.

We Care for the Community

Employee engagement is only one aspect of people engagement for a progressive organization. Organizational evolution is inextricably linked also to the reach it has across communities that exist beyond its business foundation. Amid increasing global awareness about CSR and its impact, recent years have seen the **community development** focus of corporates assume even greater significance.



As an organization that is continually scaling up in terms of business, reach and impact, SKF India has in place a highly evolved community care program, which enables us to actively and effectively engage with communities outside the organizational charter. We are committed to ensuring that our community care program makes a meaningful difference in the lives of the communities we touch, across our regions of presence. We are constantly striving, through our myriad efforts, to bring about a positive change in the lives of these communities. And we are working consistently, through our business units, to ensure betterment of the Indian society through empowerment of individuals in underprivileged communities that are in touch through our business operations and location facilities across India.



Lending a caring hand in Uttarakhand

When flash floods wreaked havoc in the northern Indian state of Uttarakhand in July 2013, the scale of disaster was immeasurable. Thousands were killed as entire villages were wiped out, while countless were reported missing following the tragic catastrophe. Pained by the extent of the losses, we, at SKF India, decided to step in with our caring hand. Financial aid was a major need of the day and our employees across the nation voluntarily made cash donations which were equally matched by the Company, resulting in total aid of ₹ 2.4 million. SKF India also went a step ahead to contribute machinery, tools and equipment worth ₹ 1.2 million towards the rebuilding and rehabilitation of an Industrial Training Institute (ITI), which was completely ravaged by the floods, in Srinagar, Uttarakhand.

Strengthening communities by nurturing talent

With Indian sports facing a talent crunch in the absence of proper training and support, especially among children from the underprivileged communities, SKF India saw in this a strong opportunity to make its caring presence felt. The SKF Sports Academy is an important venture that seeks to provide holistic growth opportunities among such sections of the society. Continuing with its expansion and enhancement efforts for the Academy, the Company announced the sponsorship of a 17-member team from SKF India Sports Academy to participate in Gothia Cup 2013, the world's largest youth football tournament scheduled from July 14 to July 20 in Sweden. The team was selected from SKF Sports Academy Pune as a part of "Meet the World" tournament, a pre-event qualifying football tournament held in local SKF country locations.

Among other key initiatives announced by the Company are:

- Launch of coaching facility for first ever Girls Football team at SKF Sports Academy, Pune
- Plan to replicate the SKF Sports Academy, Pune model in other factories of SKF

The Pune-based Academy, since its inception in 2005, has trained more than 200 children, providing personality development and entrepreneurial development skill program post graduation. It provides professional coaching and other grooming guidance in football, cricket and hockey. It also gives students guidance for higher level sports achievements and participation in various tournaments. The Academy is equipped with state-of-the-art infrastructure and offers a holistic learning experience to develop sporting skills.

SKF also supports CSR activities of NGOs across different locations, the most important being:

Support to Samarthanam, Bengaluru: SKF employees help this organization in the empowerment of visually impaired individuals through visits to its school and college and creating audio books for them.

Website for Children's Home Udyogdham at Pune: An SKF employee has developed a website to support Udyogdham, Pune, a home for the children of leprosy-affected patients.

Support to Children's Orphanage - Vatsalaya Vatika, Haridwar: SKF Haridwar employees regularly visited the orphanage to celebrate major festivals and undertook relief work in collaboration with CII at Haridwar during various occasions by distributing solar lamps, and other humanitarian aid to villages nearby .

Further, SKF India also supported other like-minded programs run by NGOs like the Leela Foundation at Pune in their initiatives to support the higher education of girls in a systematic way.

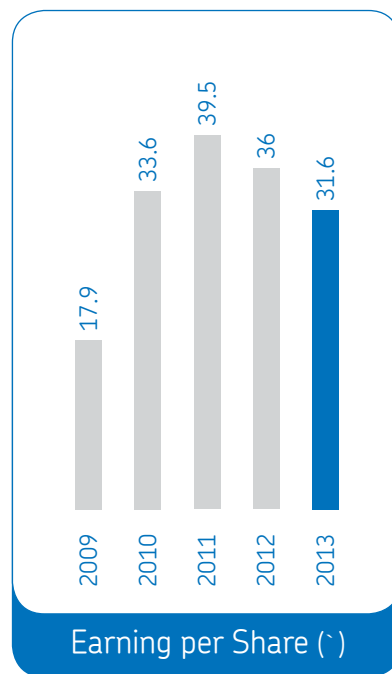
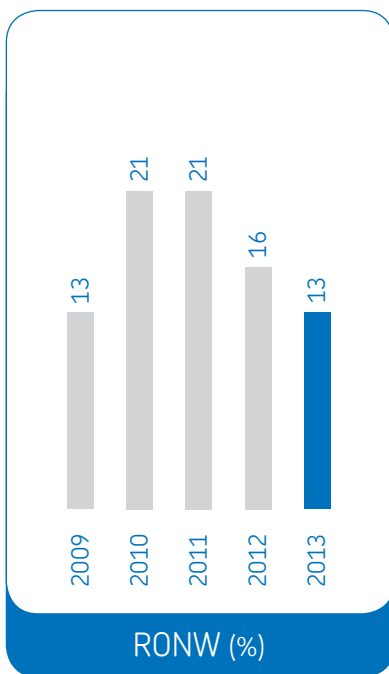
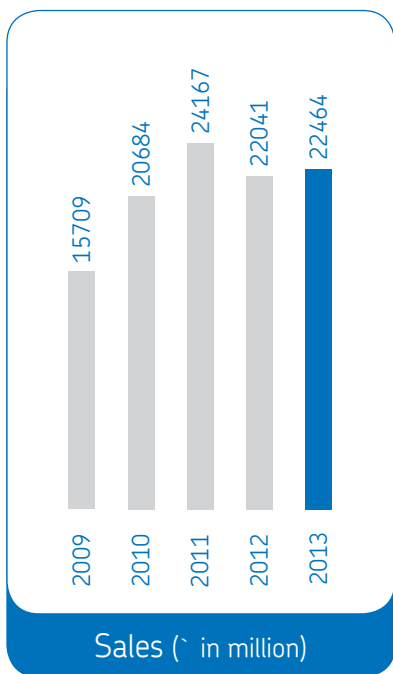
Through a collaborative approach of working with the communities, we shall continue to grow our reach beyond business and make even greater impact on those whose lives we touch as we move forward towards further development and expansion.

Financial Highlights

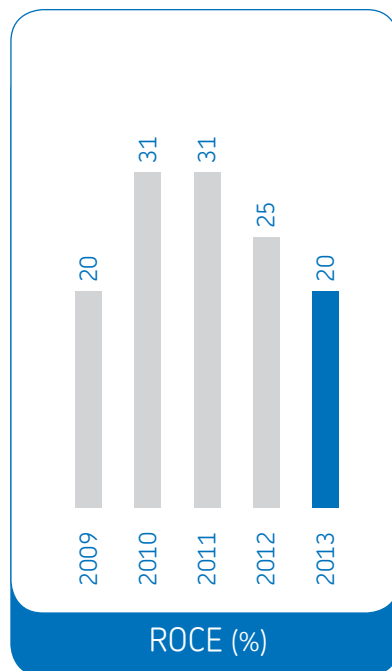
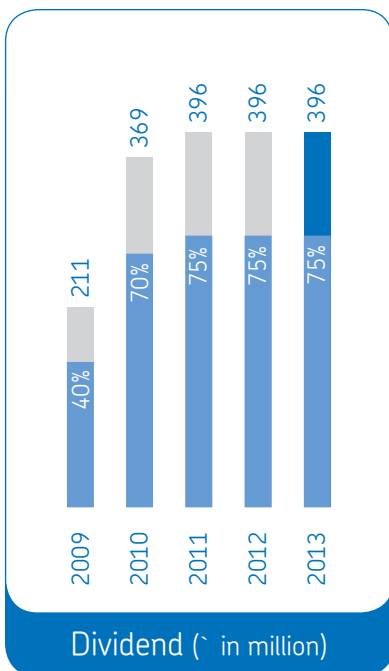
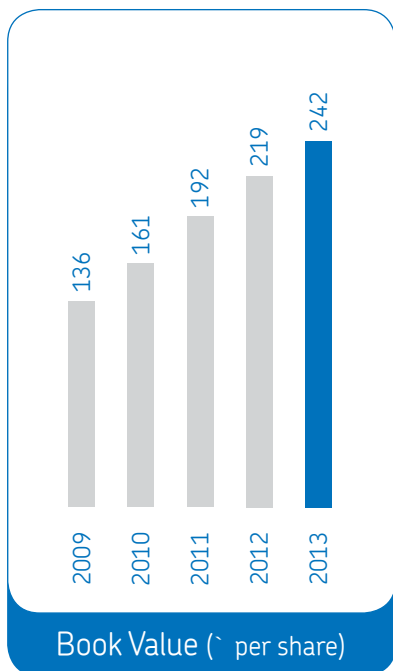
(` in million)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net Sales	22464	22041	24167	20684	15709	16202	15683	13425	7814	5813
Profit before Tax	2530	2831	3139	2661	1431	1944	2474	1531	1031	883
Profit after Tax	1667	1901	2085	1770	942	1277	1607	1020	641	566
Cash Earning per Share (`)	41	44	47	40	23	30	36	24	17	18
Rate of Dividend (%)	75	75	75	70*	40	45	60	45	35	25
Gross Block	10351	10045	9190	8472	7693	7392	6697	6453	5889	5511
Net Block	4011	4072	3547	3193	2568	2387	1968	1842	1475	1238
Total Borrowings	-	-	-	0.1	1	2	2	1	2	65
Share Capital	527	527	527	527	527	527	527	527	527	453
Reserves & Surplus	12228	11026	9585	7960	6620	5924	4925	3695	2946	2112
Book Value per Share (`)	242	219	192	161	136	122	103	80	66	67
Shareholders' Nos.	21219	22070	23102	25969	27350	28474	24430	25811	24269	28545
Employees' Nos.	2373	2473	2194	2107	1915	2078	2069	2024	1963	1968

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



RONW = Profit after Tax / Shareholders' Funds



ROCE = Profit before Tax / Capital Employed

Notice

NOTICE IS HEREBY GIVEN that the Fifty Third 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 Wednesday, April 23, 2014 at 3.30 p.m to transact the following business :

ORDINARY BUSINESS

- To receive, consider and adopt the Audited Balance Sheet of the Company as at December 31, 2013 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.
- To declare a dividend on Equity Shares for the year ended December 31, 2013.
- To appoint a Director in place of Mr. K.C. Mehra who retires by rotation and being eligible offers himself for re-appointment.
- To appoint a Director in place of Mr. Henrik Lange who retires by rotation and being eligible offers himself for re-appointment.
- To appoint a Director in place of Mr. V. Vartanian who retires by rotation and being eligible offers himself for re-appointment.
- 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 and that the Audit Committee / Board of Directors of the Company be and are hereby authorised to fix their remuneration.”

Notes

- 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.
- Particulars of the Directors being appointed / reappointed as required under Clause 49 of the Listing Agreement are provided in the report on Corporate Governance.
- The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, April 16, 2014 to Wednesday, April 23, 2014, both days inclusive, for the purpose of payment of dividend, if declared at the Annual General Meeting.
- The dividend on equity shares, as recommended by the Board of Directors, if declared at Annual General Meeting, will be paid:
 - 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 15, 2014; and

- 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 15, 2014.
- 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.
 - The amount outstanding in unpaid dividend account in respect of financial year 2007 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.
 - 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 "E-mail Registration Form" to the Company which is available on SKF India's website www.skfindia.com under Investor page section / Shareholder's Information.

- 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.
- Members desiring any information relating to the accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.

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 10, 2014.

Directors' Report

To the Members,

The Directors of your Company are pleased to present the 53rd Annual Report, with the statement of the audited accounts for the financial year ended on December 31, 2013.

FINANCIAL RESULTS

	Year ended Dec 31, 2013 ₹ in million	Year ended Dec 31, 2012 ₹ in million
Net Sales & Services	22464.4	22041.3
Other Income	916.9	917.8
Total Income	23381.3	22959.1
Operating Expenditure	20135.6	19691.9
Depreciation	494.4	435.9
Exceptional items	221.0	-
Profit Before Tax	2530.3	2831.3
Provision for taxation	863.1	930.5
Profit After Tax	1667.2	1900.8
Balance brought forward from last year	5646.5	5205.3
Profit available for appropriation	7313.7	7106.1
The appropriations are as follows:		
Proposed dividend on Equity Shares	395.5	395.5
Tax on Proposed Dividend including differential provision for earlier years	70.3	64.1
Transfer to General Reserves	1000.0	1000.0
Leaving a balance of	5847.9	5646.5

DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 7.5 per share (75%) for the year ended December 31, 2013 out of the current year's profit, as compared to ₹ 7.5 per share, for the preceding year ended December 31, 2012. 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 Indian economy battled several challenges from high interest rates, persistent inflation, weak rupee to tapered demand and contraction of industrial production during the year 2013.

The automotive sector, one of the largest consumers of Your Company's products witnessed weak demand barring the two-wheeler and tractor segment which clocked modest growth. Manufacturing and industrial activities remained sluggish.

Despite these constraints and challenging environment, your Company continued to focus on its fundamental strength which lies in its ability to continuously develop technologies, products and services that enhance competitive advantages for its customers. The efforts over the years to develop a wide range of products and service offerings and the ability to combine the knowledge across the SKF technology platforms – Bearings and units, Seals, Mechatronics, Services and Lubrication systems – to develop value propositions for the different industries and customers enabled SKF India's specialist teams to work even more closely with customers. This ability to provide them advanced integrated solutions to improve their production efficiency and improve their competitiveness and profitability enabled us to strengthen our leadership position even further in a difficult external environment.

The efforts are reflected in the positive improving trend witnessed quarter-on-quarter during the year from sales of ₹ 5,290 million in the first quarter of the year 2013 to ₹ 5,912 million in the last quarter. For the twelve months ending 31st March, 2013, your Company reported Net Sales of ₹ 22,464 million clocking a 2 per cent increase over the previous year. The continued growth in the aftermarket segment and 28 per cent increase in export worked favorably for your Company.

The strong emphasis on internal efficiency together with an improvement in the sales mix enabled your Company to withstand inflationary pressures on costs and sustain its profitability. Notwithstanding the difficult business and macro environment, your Company's Profit Before Tax (excluding exceptional items) as percent to sales was only marginally lower at 12.2 per cent as compared to 12.8 per cent last year. Exports constituted 8.2 per cent of the total sales as compared to 6.5 per cent of sales in the previous year. The Earnings per share and cash earnings per share for the year under review was ₹ 31.6 and ₹ 41 respectively.

Despite the visible short term challenges, your Company believes that the long term India story remains intact. Domestic consumption will remain one of the key growth engines of the Indian economy. A large and growing population, significant additions to the working age population, rising disposable incomes including in rural areas and the Government's increasing spends on the social sector to foster inclusive growth will all together play an important role in sustaining consumption.

Your Company will continue to leverage the global knowledge and expertise and its well-developed research and development facilities along with its own competent talent to take part in India's growth story. While your Company will constantly strive to increase the stakeholder's value, emphasis continues to be on delivering value to customers and strengthening processes while driving sustainable practises. Energy efficiency initiatives including Beyond Zero® portfolio, clean technology, energy efficient products and alternative sources of energy will continue to remain our focus areas. Your

Company will continue to invest time, money and energy in developing products that are safe, environment friendly and at the same time are, affordable and efficacious to strengthen our competitive and market leadership position.

LIQUIDITY

Your Company continues to remain debt-free and maintains sufficient cash to meet strategic objectives. There are no long-term borrowings. During 2013, internal cash flows have covered working capital requirements, investments and dividend payments. The Balance Sheet remained strong with cash and liquid investments of ₹ 3758 million.

SUSTAINABILITY AND SAFETY

Your Company's approach entails consideration of safety as a value-led concept which drives behavior change and supports the creation of a safety culture fully integrated with business improvement processes. In line with this philosophy, Behavioral Safety Programs have been initiated across the organization at all locations.

Your Company has addressed the critical area of climate change mitigation and adaptation through several innovative and pioneering initiatives. These include continuous improvement in energy conservation through a program 'SustEn', creating a green built environment through 'Beyond Zero®' and waste reduction through 'War on Waste'.

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. During the year, safety sensitization workshops were organized at all locations and accountability matrix was established for safe operations. At SKF, business decisions are guided by the principles of SKF Care which includes Business Care, Environmental Care, Employee Care and Community Care.

AWARDS / RECOGNITION

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

- Dun & Bradstreet's Award for best bearing company for 7th consecutive year
- GOLD award at the 10th Economic Times and Frost & Sullivan India Manufacturing Excellence Awards 2013.
- Frost & Sullivan Indian Industrial technologies award 2013 for market leadership in the industrial bearings market in India.
- Ranked amongst the top 10 Auto Component companies by Fortune India for the 2nd consecutive year.
- Quality Gold award from Bajaj Auto.
- Best Supplier for Consistent Performance in Quality & Reliability award from TAFE.
- Best performer award in the engineering spares category at Ultratech North's Business Associates Meet 2013.
- Ace Designers Award for consistency in quality and excellence.

Your Company's Managing Director, Shishir Joshipura was recognized as one of the 'most valuable CEOs' of India by Business World and also featured in the list of Top 100 Indian CEOs by Business Today publication.

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

We thank all our customers, suppliers, distributors, 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.

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, 2013 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

Your Company has undertaken the commitment that all new major 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 new facilities. In this regard our new Haridwar plant has been awarded silver rating by Indian Green Building Council (IGBC).

With an aim to achieve a higher degree of sustainability, reduce energy consumption and improve your Company's carbon foot prints, a country level program "SustEn" was launched during the year. The project also involved evaluating options to move away from carbon intensive sources of energy to become more competitive.

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 AND SOCIAL RESPONSIBILITY

Your Company strongly believes that the spirit of Corporate Governance goes beyond the statutory form. Sound Corporate Governance is a key driver of sustainable corporate growth. Your Company is committed to maintaining the highest level of transparency, accountability and equity in its operations.

Your Company has complied with all the requirements as per Clause 49 of the listing agreement of the Stock Exchanges, as amended from time to time. The Auditor's certificate on compliance with Clause 49 is included in the section on Corporate Governance in this Annual Report. In addition, your Company has documented its internal policies in line with the Corporate Governance guidelines. The Management Discussion & Analysis forms part of the Annual Report.

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 to 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. Plans are on the anvil to expand the SKF sports academy model to other SKF facilities besides Pune.

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, 2013. There was no failure on repayments of Fixed Deposits on maturity or interest thereon in terms of the conditions of your Company's erstwhile schemes.

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 human resource management systems and processes are designed to empower employees and enable them adopt innovative approaches to creating enduring value. Towards this end, your Company has assiduously built a culture of continuous learning, innovation and collaboration across the organization by providing cutting-edge learning and development inputs to its employees, along with a judicious blend of coaching, mentoring and on the job training. In addition, your Company's comprehensive talent development strategy has enabled the enhancement of the competitive capability of each business. The company's performance management system has been instrumental in creating a strong performance culture.

At the beginning of the current year, the Company incurred a one time restructuring cost of ₹ 221 million, arising out of a Voluntary Retirement Scheme for its employees.

Pursuant to the provision 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

In accordance with the requirements of the Companies Act, 1956 and the Company's Articles of Association, Mr. K. C. Mehra, Mr. H. Lange and Mr. V. Vartanian 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. Tore Bertilsson, resigned as Director of the company with effect from 12th July, 2013. The Board expresses its gratitude for the valuable services rendered and guidance provided by Mr. Bertilsson during his tenure with the Company.

AUDITORS

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

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

COST AUDITORS

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit of the Company. The Board has appointed M/s. RA & Co. as Cost Auditors of the Company for the year 2013. 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 2012 has been submitted on 26th June, 2013 as against the due date of 29th June, 2013.

ACKNOWLEDGEMENT

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

For and on behalf of the Board
SKF India Limited

K. C. Mehra
Chairman

Pune, February 21, 2014

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, 2013

A. CONSERVATION OF ENERGY :

During the year 2013, Sustainable project activities which were initiated in the previous year continued to focus on various energy saving projects such as compressed air systems, heat treatment, production channels and general utilities. In all 34 projects were identified and 22 projects were completed. This has resulted in savings of 9.8 MINR.

The projects covered include:

- As a part of the SustEn project, your Company deployed an innovative sourcing of power strategy which enabled reduction of energy costs through bilateral trading of power, purchase of power from energy exchange and onsite generation of Solar power. As a part of this project, solar power plants were set up in Pune and Bengaluru and successfully switched from the conventional 100% coal-based energy sources to a more eco-friendly mix in which 50% of the energy was generated through renewable energy sources.
- Compressed Air Energy conservation, 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

- Close monitoring and checking if required for replacing of the capacity banks.
- Replaced capacitor banks (1800 KVAR).
- Total discount availed from MSEB was 14.3 MINR during the year.

Energy measurement & audits

- Energy Meters on 6 locations installed including transformer incomers.
- Total Harmonic level on HT side of electrical incomer measured on quarterly basis.
- SKF has installed class C type 0.2 per cent accuracy energy meter for measurement of electrical energy on HT side.

Energy Saving Projects completed during 2013.

- Optimization of chiller temperature of cooling towers carried out.
- Compressed air leakage identification and eliminating wastage and optimizing usage of air drive successfully completed.
- Savings realization from energy conservation projects for the year 2013 is 9.8 MINR (1.1 GWH)
- Bilateral Electrical Power Trading with M/s. Global Energy started in Q4 2013 expected to result in approximate saving of 2 MINR per month.

The recently started Haridwar plant has been awarded a silver certification status by Indian Green Building Council for having adopted best practices in environmental and energy management; apart from certification of ISO 50001 received in September 2013. The plant embraces stringent energy monitoring programme to capture and address energy wastages; PF (Power Factor) improvement, additional VFD (Variable Frequency Drives) installation and coolant temperature rationalization which has resulted in reduction of specific energy consumption by 5.5 per cent in 2013.

Additional Proposal of Activities

- Further implementation of energy conservation projects under the SustEn project activities
- Replacement of old LT breakers in electrical substation
- Replacement of KVA transformers with energy efficient transformers
- Replacement of old electrical induction motors with new energy efficient series IE3

B. TECHNOLOGY ABSORPTION:

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. The Company has been consistently supported by its Parent Company, Aktiebolaget SKF (AB SKF) in keeping updated on technology developments.

Installation of new HBU1 Channel:

- New HBU1 channel installation has been completed with new Grinding machines in Pune plant and Assembly machines from this channel has started from Q3 2013.
- Upgradation of Technical specifications for channels at Bengaluru plant was further enhanced resulting into increase in efficiency and capacity improvement of the channels. Auto cage loading, excess material detection facility and HIT new design tooling being carried out to increase the efficiency of various channels.
- Import substitution / Alternative supply of Grinding Wheels & Honing stones at Bengaluru plant resulted into saving of 6 MINR.
- To cater to customer demand in North region and enhance capacity of the Haridwar plant, your Company relocated an existing channel to the facility.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- Exports during the year were mainly for automotive customers. The Company will continue to explore new businesses for overseas market for 2W aftermarket, Hybrid bearings and OE business. Export sales during the year were about 8 per cent of the total sales and represented an increase of 28 per cent compared to the previous year.
- 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

Pune, February 21, 2014

Management Discussion and Analysis

INDUSTRY STRUCTURE AND DEVELOPMENT

Indian Economy in 2013 continued to face several challenges and the year proved to be a period of slowest growth in recent times. Continued uncertainty in the environment stemming from near absence of action on policy front, persistent inflationary pressures, resultant high interest rates and absence of resolution on key issues in several core sectors stunted any investments and/or growth prospects across these vital sectors. The global economic scenario too remained very subdued and all major economies of the world faced a decrease in economic activity and structural adjustments provided a platform for steep depreciation in Rupee amidst a volatile environment. The uncertainty in business environment led to low or no investments in new capacity formation. Manufacturing and industrial activity remained sluggish for the entire year as demand tapered off leading to low capacity utilisation and slowdown all around.

The Indian Bearings industry also faced this situation and saw the markets shrink from previous year. The market size is estimated to be INR 70 billion. The split between domestic production and imported bearings remained more or less unchanged from previous year. OEM and end users across industrial and automotive sectors were impacted by the prevailing economic headwinds which in turn translated into a challenging year for the Indian bearings industry. Amongst these changes a significant dimension is addition of manufacturing capacity by some of the key Japanese bearing manufacturers. While the investments were announced in earlier years the year 2013 saw some of these announcements translate into real investments on ground.

Your Company with its wide product portfolio and a well developed services platform coupled with deep customer relationships continued to focus on outpacing the external challenges efficiently by building on its competitive edge and delivering sustainable results.

OPPORTUNITIES

Current challenges on economic front notwithstanding, the mid to long-term economic growth prospects remain bright for India. India will see her demographic dividend start to unfold over the next ten years with resultant increase in working-age population. We will be a young nation ten years from now; however the real potential of this great position can only be realized if the young population is skilled enough to earn a meaningful livelihood. Manufacturing sector growth will be an important building block in helping realize the potential of this demographic advantage. This will put improved purchasing power in the hands of this young population driving higher consumption and in turn investment over the coming years.

The evolution of the market and emerging competitive dynamics will increasingly demand improved cost competitiveness, productivity and higher reliability while striking a balance between operational demands and environmental preservation. The market leaders will be pushed to innovate and provide sustainable and integrated solutions. This will, in turn, pave way for solutions that achieve high energy and resource efficiency, improved reliability and productivity across the life cycle of all deployed assets.

India stands at the cusp of realizing her significant economic potential and the manufacturing sector will play a very important role in positive transformation of the nation and the resultant opportunities hold a great potential for your Company.

AUTOMOTIVE SECTOR

The automotive sector is experiencing a complex environment and a prolonged period of adverse factors. Persistent inflation coupled with high interest rates has dampened consumer sentiments and reduced disposable incomes leading to a reduced consumer capacity to spend on discretionary heads. Sustained deceleration in economic activity, consequent negative business sentiments and weakness in investment climate resulted in negative growth in several key consumer sectors for segment. Commercial vehicles and passenger vehicles saw subdued demand from Industrial and urban markets. Two wheelers and tractors benefited from an increasing rural demand at the back of a healthy monsoon.

Role of mobility for both people and goods is at the base of any economic activity. In intrinsic terms India has a very large potential market given the geographical spread and size of population. A good infrastructure in terms of roads is essential to make connectivity a key driver for higher mobility. Given the relatively low penetration, increasing disposable incomes and higher rural incomes, personal mobility segment holds huge untapped potential. As our economy progresses, we are likely to witness establishment of strong supply chains between producers and markets. This will drive growth for both personal and goods mobility segments. The automotive industry witnessed several announcements of investment in India which shows the promise that the medium to long term future holds for this industry.

In a continued development, increased thrust on energy efficient / green vehicles saw OEMs focus on reducing vehicle weight (by bringing down the weight of individual components), and opt for low friction technologies. The consumer is also demanding improved reliability and performance from the vehicle manufacturers which saw several leading OEMs announce improved warranty programs.

Your Company has the required expertise and experience in developing and delivering these class leading solutions while leveraging the global experience of the parent company. Your Company enjoys a competitive edge with a wide range of energy-efficient products, solutions and deep relationships with OEMs in this segment

INDUSTRIAL SECTOR

The continued deceleration of the economy and near absence of fresh investments resulted in near flat growth overall during 2013. The country will go to polls in a very short while from now and with early signs of inflation coming under control coupled with guidance available from Reserve bank, the sentiments on the investment climate can be expected to undergo a favorable change in near mid term. Capital goods growth is a fundamental part of India's industrial growth and any favorable revival in the investment climate will be a positive for return of industrial growth. India's intrinsic strength lies in the form of a developing domestic market, availability of basic raw material & relatively cheaper manpower coupled with a growing consuming class. We continue to face a supply side gap on most of our core sector needs and creation of right investment sentiment along with recognition from policy makers that manufacturing sector is key to India's long term sustainable growth will enable the whole economy to get back on the growth path. A changed policy and governance environment and a speedy disposal of impediments for resolution of long pending core sector issues will ensure that industrial sector is at the forefront in fast tracking the country's economic growth.

As the world economic order changes, all efforts should be undertaken at policy and ground level to promote and develop export competitiveness for India as a country. For several goods and services India has the potential to become the "Best Cost Country" should the policy makers and corporate sector demonstrate capabilities to consistently deliver quality and reliability at an unbeatable cost position.

A concerted push for Infrastructure development on all fronts which currently lags the demand by a very large margin is essential for attaining competitive edge for a developing country like India. Core sector industries including construction equipments, railways and transportation, mining, textiles, pulp and paper and machine tools are some of the key industrial sectors with high growth and investment potential. We have to be mindful about ensuring that such development takes place without compromising our future capabilities. Sustainability has to be interwoven in all our decisions of today for ensuring a better tomorrow. In several sectors, policy direction is to promote sustainable growth; yet, the situation on ground is not reflective of policy direction due to lack of proper governance and poor implementation. Power sector is one of the

prime examples of this phenomenon. The gap between Power supply and peak demand continues at double digit percentage level and thus India will be required to build the generation and grid capacity on a continuous basis. Our over dependence on coal as primary source compromises the sustainability dimension and as such the policy direction provides for a more sustainable mix of energy basket with a substantial increase in wind and solar sources and an increased focus on energy efficiency. This augurs well for both renewable and traditional energy. The gaps in current policy direction v/s implementation have however presented some near term challenges and difficulties for the renewable and traditional sector growth.

Greater push for development and strengthening of the manufacturing sector and the work on development of the industrial corridors across the country when implemented is expected to lead the demand for products and solutions while creating much wanted "jobs" in the economy. In a well thought out strategy, your company has built and expanded its industrial and automotive distribution network in emerging industrial areas and transportation hubs closer to customers which will help your Company to be a supplier of choice.

The emerging competitive dynamics and increased intensity of competition will call for organizations to achieve ever increasing levels of productivity and greater asset utilization. Organizations will be required to focus on life cycle cost of their assets as opposed to a mere "first cost" focus. This will call for a collaborative approach between the user, OEMs and technology suppliers, right from design stage to operation & maintenance and refurbishment across entire life cycle of an asset.

Your Company's ability to offer industry specific solutions across product and service platforms including preventive maintenance, condition monitoring, decision support system and performance-based systems will enable an increasingly larger role as a preferred partner to a wide spectrum of players in the industry.

THREATS

Any pressure on demand side which may be brought about by a confluence of several factors is detrimental to your Company's performance.

Falling investments in infrastructure have accentuated the prevailing challenges in the economy. The rupee volatility has adversely impacted the steel prices which is a significant input commodity to manufacture your Company's products. Persistent high interest and inflation rates could further slow the consumption and dampen the hopes of a smooth demand-led recovery in the Indian economy.

There is no significant capital expenditure on ground in the recent past even as several announcements have been made. Further, structural delays in facilitating the infrastructure expansion projects have already increased the debt burden even of fundamentally strong companies and has driven away future investors.

Counterfeit products of all types pose a risk to people, industry and the economy. Your Company focuses on anti-counterfeit activities to protect customers, to prevent unexpected downtime, to prevent safety hazards and financial damage. The threat to society by fake products is universally recognized and your Company continues to support law enforcement agencies and also works to increase awareness about counterfeiting in the market and the need to use safe sources / authorized distribution channel.

The industry has seen the advent of Japanese bearing manufacturers in India in the last couple of years and they are setting up base here. While bearing is a very capital intensive business and investments will be guarded, several leading brands have announced plans and commenced constructions while few have reached production stage as well. Your Company expects Japanese presence in the Indian bearing industry to increase over the period of time.

Your Company's fundamental strength lies in its ability to continuously develop technologies, products and services that enhance competitive advantages for its customers. Your Company continues to achieve this by both, investing in core technology areas and by combining the knowledge across the SKF technology platforms – Bearings and units, Seals, Mechatronics, Services and Lubrication systems – to develop value propositions for different industries and customers.

A key driver of SKF's technology development today is sustainability – improving efficiency and reducing energy losses, thereby helping reduce the impact on environment, both, within its operations and for customers. Your Company's ability to work closely with customers and to provide innovative technology-led engineering solutions will enable it to counter threats from competition as well as strengthen the ability to partner winning customers in their plans of building sustainable business practices and develop environment friendly products.

OUTLOOK

Global growth is expected to be weak, driven more by advanced economies while growth in emerging markets will be weaker than expected. The industry is looking forward to the next general elections which are largely expected to have a positive impact on the economy as it could well be the key catalyst for the revival of the investment cycle which is essential to balance the supply-side challenges.

The volatile currency and inflationary pressures coupled with diminished employment prospects could impinge on growth of consumer demand. However, relief is visible as consumer inflation is likely to finally reduce as the country witnesses the early signs of softening prices of food staples. Good harvest, increase in industrial activity, good education policies will be the key facilitators to drive higher economic activity in the country. As the country prepares for general elections, the demand in the aftermarket could grow.

While the short term prospects look challenging, your Company believes that the mid-long term India growth story still continues to be promising and remains strong. The positives like the demographic dividend will continue to drive long-term growth. The ability to manage the short-term challenges will play a significant role in catalyzing the growth drivers for the economy and industry.

RISK AND CONCERNS

SKF India is a process-oriented Company and its business strategy includes a well-defined integrated risk management plan. Risk is identified across all unit/ function levels from the strategic to operational levels.



Your Company's risk management policy details the strategy and actions that will guide the risk management approach and risk mitigation guideline across each of these functions. Policies and instructions, where applicable, are developed on the basis of internationally accepted standards and / or best practice. Policies and instructions are reassessed periodically / annually. For all material risks that are identified, action is taken to mitigate the risk and reduce its impact to an acceptable level.

These policies aim to eliminate or minimize risk and to contribute to a better return through active risk management. The responsibility for identifying and defining risk and subsequent mitigation actions is entrusted to a senior manager at company level reporting directly to the Managing Director. He in turn works closely with the business and functional heads to ensure implementation of identified actions. Key areas are identified and within each identified area, a Risk Manager is appointed who is entrusted with the task of monitoring, assessing and importantly controlling the risks and communicating with the country Risk manager and country management team.

The risk management function is ably supported by additional independent processes such as legal, internal audits, quality assurance, environmental compliance and SICS (SKF Internal Control Standard) to ensure holistic risk monitoring, controlling and assessment to ensure that the checks and balances are fully operational.

Risk assessment is used for determining the areas and units where extra focus on preventive activities may be needed and forms an integral input in the formulation of the internal audit plans.

Your Company's whistle blower policy secures the possibility for employees to raise concerns about potential deviations from the SKF code of conduct without running a risk of retaliation. Your Company takes all findings, allegations and complaints seriously. Assessments and investigations are carried out immediately and if required with external independent auditors.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company views internal audit as a continuous process to keep management apprised about the adequacy of control systems and processes in the operations of the organization. Robust systems are put in place to evaluate the effective monitoring of control practices, gauging the adequacy of risk management processes and facilitating sound reporting.

Based on the annual review and feedback received during the year from the units / functions and statutory auditor, the internal audit plan is revisited and further checks and controls where required are strengthened or introduced. This plan is then approved by the Audit Committee at the beginning of the year and is executed by the internal audit team.

The audit function independently tests the design, adequacy and operating effectiveness of the internal control system and this provides a credible assurance to the Audit Committee regarding the adequacy and effectiveness of the internal control system. 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 Limited operates primarily in the bearings and related components segment, which are used in a wide range of applications across industries. The slowdown in the Indian economy adversely affected both, the automotive and industrial sectors – the two main markets for the Company. Despite these constraints and challenging environment, your Company continued to focus on its fundamental strength which lies in its ability to continuously develop technologies, products and services that enhance competitive advantages for its customers. This ability to provide them advanced integrated solutions to improve their production efficiency and improve their competitiveness and profitability enabled us to strengthen our leadership position even further in a difficult external environment. The efforts are reflected in the positive improving trend of sales witnessed quarter-on-quarter during the year from ₹ 5,290 million in the first quarter of the year 2013 to ₹ 5,912 million in the last quarter. The total sales for the year stood at 22464 MINR which represented a modest 2% increase over the previous year.

The strong emphasis on internal efficiency together with an improvement in the sales mix enabled your Company to withstand inflationary pressures on costs and sustain its profitability. The Company implemented a Voluntary retirement scheme during the year and incurred a cost of 221 MINR on the same. The Profit before tax and excluding the VRS cost amounted to 2751 MINR which was 3% lower than the previous year's profits before tax. Your Company's Profit Before Tax (excluding exceptional items) as percent to sales was only marginally lower at 12.2 percent as compared to 12.8 percent last year. The continued growth in the aftermarket segment and 28% increase in export on account of the rupee depreciation and expansion of automotive production in the western markets worked favorably for your Company. Exports constituted 8 percent of the total sales as compared to 6.2 percent of sales in the previous year. The Earnings per share and cash earnings per share for the year under review was ₹ 31.6 and ₹ 41 respectively. The company's continued focus on improving internal efficiencies and the 3 Cs – Customer, Cost and Cash helped the company to sustain its profitability in the face of an extremely challenging macro environment. Your company continues to work closely with its customers and is in a good position to face the demands when the economy regains growth.

HUMAN RESOURCES

People are the most vital resource for any organization and it is only through capable people working with capable processes that

an organization may build a sustainable competitive advantage. It is vital that in performing duties, all employees are motivated and work in such a way that your company is perceived and acknowledged as an economically, socially and ethically responsible brand.

The Core Values of High Ethics, Empowerment, Openness and Teamwork - and the ethical principles described in the Code of Conduct, become the starting point of the employee functioning, creating a culture of continuous improvement.

Your Company's HR policy is designed to ensure that right from the frontier of customer interface to the defining boundaries of suppliers, all round development of entire value chain is affected. This is the only way to tap the potential of entire value chain and build a sustainable competitive advantage. Skill development of the relevant kind is key to ensure continued success through the Company's functions as well its partners. Being a learning organization, competency development across all levels is a focal point. This year, a very special program was initiated to help all front line customer interfacing teams to improve their customer engagement skills and drive higher success rate. The Company also initiated a customized organization development program for distributors which will help them to adapt their organizations to the changing needs of the environment. Witnessing the success of this program, your Company plans to introduce a relevant curriculum for the suppliers going forward. The ongoing HR programs encompass various training and development, reward and recognition schemes, programs that support work-life balance and create a positive work environment.

Your Company's internal communications policies play a vital role in building and enhancing employee focus and connecting with the organization's activities. Your Company's internal newsletter and intranet portal are key tools in this direction which updates

employees on various developments at different locations and regions as well as highlights key initiatives and employees' and business' achievements.

The year 2013 was another year of industrial harmony and peace and as at the end of the year, there were 2373 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 judgement 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, 2014.

Corporate Governance Report

PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance is about commitment to values and ethical business conduct. Therefore structure, activities and policies of the organisation are equally important as ownership and performance of the organisation. The corporate governance philosophy of the SKF group is structured to institutionalize policies and procedures that enhance the efficacy of the Board and inculcate a culture of transparency, accountability and integrity across the group as a whole. SKF continuously endeavors to improve on these aspects and adopts innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation. Our governance practices are ingrained in our value system and reflected in our business culture with customer centric focus.

Your Company believes that Corporate Governance extends beyond corporate laws; its fundamental objective is not merely to fulfill legal requirements, but also the institution of and adherence to systems and procedures to maximize the stakeholder's value at large. SKF applies the principles of governance to comply with the laws in all the countries in which it operates, satisfy the spirit of law and not just the content of the law. 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

SKF India Limited is an affiliate of Sweden based SKF group, which was founded in 1907. 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 serves presently in nearly all industries, including automotive, aerospace, railway, renewable energy, medical and food & beverage. SKF has around 140 manufacturing sites in 28 countries and is represented in over 130 countries.

SKF groups its technologies on five platforms: Bearings and Units, Seals, Mechatronics, Services, and Lubrication Systems. By utilizing capabilities from all or some of the platforms, SKF develops tailor-made offers for each industry, helping customers improve performance, reduce energy use and lower total costs.

2. BOARD OF DIRECTORS

The Company follows a structured process of decision-making by the Board and its committees. The schedule of the meetings are finalised before the beginning of the year. Detailed agenda, management reports are circulated in advance. The Board is free to recommend inclusion of any matter in the agenda for discussion. The top management officials are often invited to provide additional inputs on the matters being discussed by the Board / Committee. The Board is assisted by the Managing

Director / Senior Management Personnel in ensuring effective functioning of the Company.

2.1 Composition

As on 31st December 2013, the Board comprised of eight Directors, including seven non-executive Directors, three of whom are also independent. 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, general management and entrepreneurship. The Chairman of the board is a Non-Promoter, Non-Executive Independent Director Mr. H. Lange, Mr. T. Sthen, Mr. V. Vartanian and Mr. R. Makhija as members on the Board of Directors represent the interest of parent company. Further, Mr. David Bishop, Non-executive Director acts as an Alternate Director to Mr. V. Vartanian. Mr. D.C. Shroff retired from the Board with effect from 30th April, 2013 and Mr. Tore Bertilsson resigned from the Board of the Company with effect from 12th July, 2013.

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.

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. None of the directors is related to the other, or to any other employee of the company. 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.

2.2 Disclosure regarding appointment / re-appointment of Directors

Brief profiles of the persons sought to be appointed / re-appointed as Directors at the ensuing annual general meeting of the Company are given below:

Mr. K.C. Mehra

Mr. Mehra, aged 74 years joined Tata Steel in 1962 and has held several positions of importance in his long career of over 50 years. He was later appointed in Tata Steel as Deputy Managing Director. He was Chairman of Tata Robbins Frazer, Tata Davy, Tata Constructions and Projects, The Indian Tube Company, Tata Stewarts and Lloyds, Tata Yodogawa and several other companies. In 1997 he was appointed Deputy Chairman & Managing Director of Forbes Gokak Limited and from April 2008, Mr. Mehra is the Resident Director (Corporate), Shapoorji Pallonji & Co.

Mr. Mehra has served as a Trustee and Chairman of the Building Committee of the Breach Candy Hospital, Mumbai for over 10 years. He was the Hon. Consul General of Sweden

Corporate Governance Report (Continued)

for many years. He is on the executive committees of ASSOCHAM, CII and several other professional organizations. He has been appointed by the Govt. of India on the Governing Council of the V. V. Giri, National Labour Institute and The Quality Council of India. Mr. Mehra is currently the Chairman of the National Board for Quality Promotion (NBQP), a constituent board of The Quality Council of India.

Mr. Mehra is also on the Board of the following Companies and Committees :

Company	Position	Committee Membership held
Tata Hitachi Construction Machinery Co Ltd	Director	Chairman – Audit Committee Chairman – Remuneration Committee
National Board of Quality Promotion	Chairman	
Infrastructure and Logistic Federation of India	Chairman	
Exhibition India Limited	Director	

Mr. Mehra is also a Member of the Audit Committee, Shareholders' / Investors' Grievance Redressal Committee and Chairman of Remuneration Committee of the Company.

Mr. Henrik Lange

Mr. Henrik Lange, aged 52 years, holds a Bachelor of Science degree in International Economics and Business Administration from Gothenburg University, Sweden. He is having professional experience of over 23 years in various senior positions in the field of Finance and Manufacturing. Mr. Lange has held various positions within the SKF Group. Mr. Lange has worked as Assistant Controller, SKF Bearing Services, Sweden; Finance Controller, SKF UK Limited; Managing Director, SKF Poland, and SKF Austria; Senior VP, Group Business Development, AB SKF, Sweden. Presently Mr. Lange is the Executive Vice President and Chief Financial Officer of Aktiebolaget SKF.

He is also on the Board of SKF GmbH, Germany, SKF Sverige AB, Sweden, SKF (China) Investment Co. Limited, China, SKF (Dalian) Bearings and Precision Technologies Co. Limited, China, PartnerTech Ltd, Sweden, and Association of Swedish Engineering Industries.

Mr. Vartan Vartanian

Mr. V. Vartanian, aged 60 years, has done Bachelor of Applied Sciences in Mechanical Engineering from University of Toronto, Canada, having rich experience in industry with special focus on Sales, Marketing, Business Development and International business.

He is associated with SKF Group since 1990 and during this period he held several positions including Managing Director

of SKF Poland in 1992 and Managing Director of SKF Czech Republic and Slovakia in 1995. Mr. Vartanian was later appointed Area Director CEE-MEA in 1998 and Area Director Service Division Europe in 2004. Presently Mr. Vartanian is the President, SKF Industrial Market, Regional Sales and Service of AB SKF and a Member of the Executive Committee of AB SKF.

Mr. Vartanian is also on the Board of SKF Eurotrade AB, SKF Norway, SKF NV/SA, Belgium, SKF Asia Pacific Pte Limited, Singapore and SKF Australia Pty Limited, Australia. He is also on the board of Strategic Account Management Association.

2.3 Conduct of Board proceedings

The Board meets at least once in 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 is responsible for collation, review and distribution of all papers submitted to the Board for consideration and preparation of the agenda as well as convening of the Board meetings. The Company Secretary attends all the meetings of the Board and its Committees and ensures appropriate recording of minutes of 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. The process for the Board / committee meetings provides an effective post meeting follow up, review and reporting process for the action taken on decisions / instructions / directions of the Board and its Committees.

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 result is presented to the Board by the Finance Director.

The Board reviews and approves management strategic plan & business objectives and monitors the Company's strategic direction. 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
- Brief on statutory development etc with impact thereof
- 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, the Board met four times on 21st February; 30th April, 24th July and 22nd October, 2013. The maximum gap between any two meetings was less than four months.

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. 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.

Name of Director	No. of Board Meetings attended	Attendance at the last Annual General Meeting	Directorship in other companies (other than SKF India)	No. of Committees in which Chairman/ Member (other than SKF India)	
				Member	Chairman
Non-Executive Independent					
Mr. K. C. Mehra Chairman	4	Yes	3	—	1
Mr. D. C. Shroff (Up to 30.4.2013)	2	Yes	NA	NA	NA
Mr. P.M. Telang	4	Yes.	7	1	1
Mr. P. R. Menon	3	Yes	9	3	-
Non-Executive non Independent					
Mr. T. Sthen	3	Yes	-	-	-
Mr. H. Lange	1	No	-	-	-
Mr. V. Vartanian	1	No	-	-	-
Mr. David Bishop (Alternate to Mr. V. Vartanian)	1	Yes	-	-	-
Mr. T. Bertilsson (Resigned on 12.7.2013)	-	No	-	-	-
Mr. R. Makhija	4	No	-	-	-
Executive					
Mr. S. Joshipura Managing Director	4	Yes	2	-	-

Notes: a. This excludes alternate directorships / directorships of private limited companies and foreign companies wherever applicable.
b. None of the directors has received any loans and advances from the Company.
c. Audit and Shareholders' / Investors' Grievance Redressal Committees only.

Corporate Governance Report (Continued)

The composition of the Board, details of their directorship, committee position as on 31st December, 2013 and attendance of directors at the Board meetings and at the Annual General Meeting held during the year under review are given below :

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. BOARD COMMITTEES

The Board currently has 3 committees: a) Audit Committee, b) Remuneration Committee and c) Shareholder's / Investor's Grievance Redressal Committee. The terms of reference of the Board Committees are determined by the Board from time to time. The Board is responsible for constituting, assigning and co-opting the members of the Committees. The role and composition of these Committees, including the number of meetings held during the financial year and the related attendance are provided below.

3.1 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.

3.1a 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 reporting practices 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, statutory and cost 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:
 - a. Changes, if any, in accounting policies and practices and reasons for the same;
 - b. Significant adjustments made in the financial statements arising out of audit findings;
 - c. Disclosure of any related party transactions;
 - d. Qualification in the draft audit report, if any;
 - e. Compliance with listing and other legal requirements concerning financial statements;
 - f. Disclosure of related party transactions;
- 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;
- To review statement of related party transactions submitted by management;
- Discussion with auditors, any significant findings and follow up there on;
- Recommending the appointment of statutory auditor including cost 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.

3.1b Meetings and attendance

During the year under review four meetings of the Audit Committee were held on 21st February, 29th April, 24th July and 22nd October, 2013. 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. Mr. P. Telang was appointed as a member of the Audit committee in place of Mr. D. C. Shroff, Chairman of the Audit Committee who retired during the year and decided not to seek re-election. Mr. P. R. Menon was elected as the Chairman of the Audit Committee.

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 (up to 30.4.2013)	Chairman	2
Mr. K. C. Mehra	Member	4
Mr. P. R. Menon (Chairman from 30.4.2013)	Chairman	3
Mr. P. M. Telang (Member from 30.4.2013)	Member	2
Mr. S. Joshipura	Member	4

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

3.2. 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. In view of the retirement of Mr. D C. Shroff from the Board, the Board considered and approved the appointment of Mr. P. R. Menon and Mr. P. Telang to be inducted as a member of the Remuneration Committee with effect from 30th April, 2013. The Remuneration Committee consists of the following members:

Mr. K. C. Mehra	Chairman
Mr. P. R. Menon	Member
Mr. P. M. Telang	Member
Mr. R. Makhija	Member
Mr. D. C. Shroff (up to 30.4.2013)	Member

During the year, the Committee met twice on 21st February, 2013 and 29th April, 2013 in which all the Members were present.

3.2a Remuneration policy for Executive Directors

The remuneration structure of the Managing Director is based on the performance and defined criteria. The Committee determines and recommends to the Board, the compensation payable to the Executive Directors. The compensation however, is within the parameters set by the 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	13,128,341
Perquisites	201,289
Deferred Benefits (PF and Superannuation)	1,676,114
Stock Award*	573,200
Performance Linked Incentives	1,169,928
Total	16,748,872

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.

3.2b 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 ₹ 20,000/- for every meeting of the Board and Audit Committee while ₹ 5,000/- is paid as sitting fees for each meeting of the Remuneration & Shareholders' / 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.

The commission to be paid to the independent Directors is decided by the Board every year, within the limits approved by the shareholders, subject to a limit not exceeding 1% p.a. of the profits of the Company. 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

Corporate Governance Report (Continued)

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	195,000	1,500,000	1,695,000
Mr. D. C. Shroff	110,000	1,200,000	1,310,000
Mr. P. M. Telang	120,000	1,200,000	1,320,000
Mr. P. R. Menon	145,000	400,000	545,000

*payable subject to approval of annual accounts by the Shareholders at the forthcoming Annual General Meeting to be held on 23rd April, 2014.

3.3. SHAREHOLDERS' / 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:

- 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, if any.

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 Shareholders' / Investors' Grievance Redressal Committee is as under:-

Name of the Members	Category	No. of meetings attended
Mr. K. C. Mehra	Non-Executive Independent	05
Mr. D. C. Shroff*	Non-Executive Independent	04
Mr. P. R. Menon	Non-Executive Independent	05
Mr. S. Joshipura	Executive	11

* Mr. D. C. Shroff was elected as a Chairman of the Committee till 30th April, 2013. Subsequent to his retirement from the Board effective from 30th April, 2013, Mr. P. R. Menon was inducted as a Member of the aforesaid Committee. Mr. K. C. Mehra or Mr. P. R. Menon were elected as the Chairman of the Committee depending on their attendance / availability after 30th April, 2013.

The Company holds Committee meetings on a periodical basis, as may be required to approve the transfers / transmissions / issue of duplicate share. During the year under review 11 meetings were held on the following dates:

8 th Jan, 2013	20 th Feb, 2013	18 th Mar, 2013
25 th Apr, 2013	24 th May, 2013	28 th Jun, 2013
22 nd Jul, 2013	22 nd Aug, 2013	22 nd Oct, 2013
27 th Nov, 2013	31 st Dec, 2013	

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 Shareholders' / 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	223	215	8
Transfer of Securities	7	7	0
Inquiry on Dematerialisation of Securities	2	2	0
Name Correction	13	13	0
Letters received from SEBI and other Statutory Bodies	3	3	0
Change of address requests updated	81	81	0
ECS/Mandate Registration requests	121	121	0
Loss of Shares	139	137	2
Split /Consolidation / Renewal / Duplicate issue of securities	16	16	0
Request for Nomination Forms	1	1	0
Transmission of Securities	41	41	0
Exchange / Sub-Division of Old Shares	90	89	1
Dividend/Interest Queries	96	96	0
Document Registration	61	61	0
Others (Miscellaneous)*	150	149	1
	1,044	1,032	12

* Others in above mainly includes general inquiries relating to annual report, depository system, electronic clearing systems, updation of e-mail ids, verification of holdings and signature case.

1,044 correspondence were received by the Company out of which 1,032 correspondence were replied to the satisfaction of shareholders during the year under review. 12 Outstanding correspondence as on 31st December, 2013 have been attended by 1st week of January, 2014.

Nil requests for transfer and dematerialisation were pending for processing as on 31st December, 2013. The Committee expresses satisfaction with the Company's performance in dealing with the shareholders' grievances and its share transfer system.

4. 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
31.12.2010	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.	To approve payment of Commission to non-executive directors not exceeding 1% of the net profits of the Company.
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.	To approve change in Article 63(1) to buy back such of Company's own Shares or other Securities as it may consider appropriate subject to such limits, as may be required under the provisions of the Act.
31.12.2012	M. C. Ghia Hall Bhogilal Hargovindas Building, 4 th Floor, 18/20 K.Dubash Marg, Kala Ghoda, Mumbai 400001.	AGM	30.4.2013	Tuesday	3.00 p.m.	None

5. DISCLOSURES

5.1 Related Party Transactions

The Company has not entered into any transactions of material nature, with its Promoters, the Directors, or the management, or relatives etc. that may have potential conflict with the interests of the Company at large. The disclosure in respect of related party transactions is given in schedule of the notes to the accounts. All contracts with the affiliates entered into during the said period have no potential conflict with the interests of the Company at large and are carried out on arm's length basis at fair market value. The Company does not have any subsidiary company. 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.

5.2 Risk Management

The Company has a risk management framework in place to manage risks inherent in various aspects of business. Risks are identified through active involvement of business managers, senior management and at corporate level. The Company follows a detailed risk assessment and minimization procedures, which are periodically reviewed by the audit committee/Board. The company has in place a risk management framework for identifying risks and opportunities that may have a bearing on the organisation's objectives, assessing them in terms of likelihood and magnitude of impact and determining a response strategy.

5.3 Accounting Treatment

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

5.4 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.

5.5 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.

5.6 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

Corporate Governance Report (Continued)

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, 2013 are as under:

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

5.7 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.

6. MEANS OF COMMUNICATION

- The Company has over 21,000 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. A presentation on annual performance of the Company was made to analysts and institutional investors during the year.
- 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, Shareholding Pattern, Results and announcements 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 provides comprehensive information about its portfolio of business. Section on 'Investors' serves to inform and service the Shareholders allowing them to access information at their convenience. The full Annual Report, shareholding pattern, press release, Quarterly Results and Corporate Governance Report is also available on the website.

- The Management Discussion and Analysis Report has been separately dealt with in the annual report.

7. GENERAL SHAREHOLDER INFORMATION

7.1 Annual General Meeting

Day, Date and Time: Wednesday, April 23, 2014 at 3.30 p.m.

7.2 Venue:

M. C. Ghia Hall, Bhogilal Hargovindas Building, 4th Floor, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400 001.

7.3 Financial Calendar

The Company follows calendar year 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.

7.4 Date of Book Closure

Wednesday, 16th April, 2014 to Wednesday, 23rd April, 2014 (both days inclusive)

7.5 Dividend payment date

After 23rd April, 2014

7.6 Registered Office

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

7.7 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,
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, 2013 to March 31, 2014 to both the Stock Exchanges where the shares of the Company are listed.

7.8 Stock Code

Bombay Stock Exchange Limited - BSE CODE 500472
National Stock Exchange - NSE Symbol - SKFINDIA
Securities ISIN nos. with NSDL and CDSL
Equity Shares : INE640A01023

7.9 Corporate Identity Number (CIN)

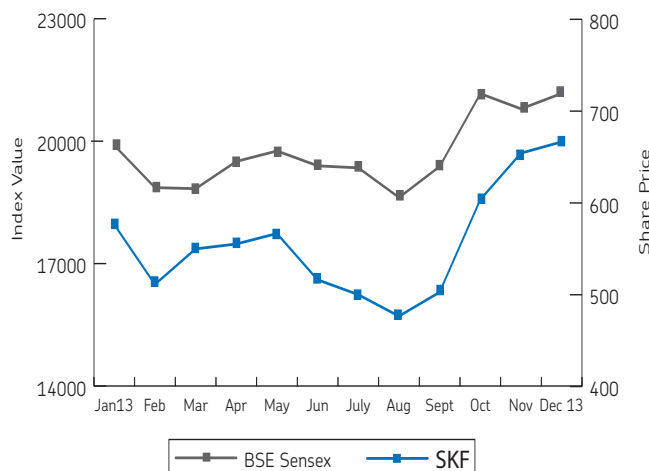
Our Corporate Identity Number (CIN), allotted by Ministry of Corporate Affairs, Government of India is 'L29130MH1961PLC011980', and our Company Registration Number is 011980.

7.10 Stock Price Data

Month	Bombay Stock Exchange		National Stock Exchange		Indices: Sensex	
	High	Low	High	Low	High	Low
Jan 2013	641.70	571.40	644.80	570.65	20,203.66	19,508.93
Feb 2013	595.00	504.90	597.45	443.00	19,966.69	18,793.97
March 2013	574.80	500.00	575.00	447.00	19,754.66	18,568.43
April 2013	569.85	520.00	578.95	515.40	19,622.68	18,144.22
May 2013	625.00	522.15	627.00	532.40	20,443.62	19,451.26
June 2013	570.00	501.00	577.95	502.05	19,860.19	18,467.16
July 2013	520.00	483.00	521.15	482.50	20,351.06	19,126.82
August 2013	502.00	432.05	525.00	432.50	19,569.20	17,448.71
September 2013	524.00	462.05	529.00	462.05	20,739.69	18,166.17
October 2013	612.40	505.00	611.00	499.95	21,205.44	19,264.72
November 2013	660.00	595.35	664.00	592.20	21,321.53	20,137.67
December 2013	679.00	637.00	679.75	632.20	21,483.74	20,568.70

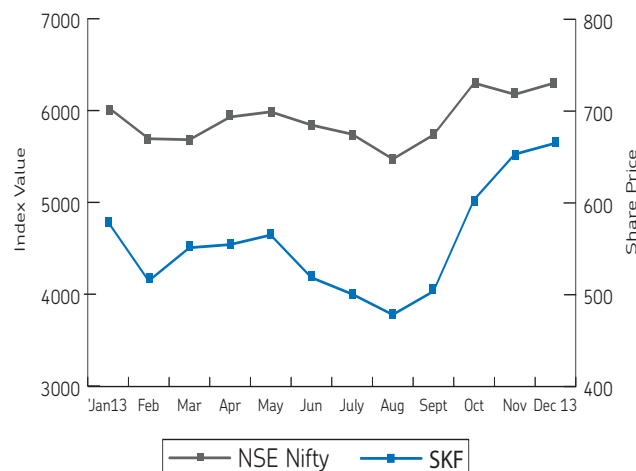
7.11 Performance in comparison with BSE SENSEX

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



7.12 Performance in comparison with NSE NIFTY

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



Corporate Governance Report (Continued)

7.13 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. As required under the listing agreement a certificate on half yearly basis and quarterly report on Reconciliation of Share Capital from a practicing Company Secretary has been submitted to Stock Exchanges within stipulated time.

Distribution of shareholding as on 31st December, 2013

No. of Equity shares	No. of share-holders	% of share-holders	No. of shares	% of share-holding
1 to 500	18,816	88.68	2,173,915	4.12
501 to 1000	1,250	5.89	950,319	1.80
1001 to 2000	648	3.05	936,387	1.78
2001 to 3000	173	0.82	419,551	0.80
3001 to 4000	88	0.41	315,291	0.60
4001 to 5000	49	0.23	223,568	0.42
5001 to 10000	91	0.43	669,498	1.27
10001 and above	104	0.49	47,044,009	89.21
	21,219	100.00	52,732,538	100.00

Category of shareholders	No. of shareholders	% of Voting strength	No. of shares held
Foreign Holding (FIs, OCBs & NRIs)	483	15.17	8,002,977
FIs, Insurance Companies & Banks	45	3.21	1,687,393
Other Corporate Bodies	488	3.10	1,634,272
Promoters	3	53.58	28,254,568
Directors	1	0.00	1,000
Mutual Funds	56	14.39	7,589,932
Others	20,143	10.55	5,562,396
Total	21,219	100.00	52,732,538

7.14 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.

7.15 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	50,393,285	95.56
Held in dematerialized form in CDSL	1,273,294	2.42
Physical	1,065,959	2.02
Total	52,732,538	100.00

7.16 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

Share Transfer Agent:

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 to enable investors to submit their query if any.

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.

8. OTHER INFORMATION FOR SHAREHOLDERS

- 8.1** 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 2006 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 2007 to 2013 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 31.12.2013 (₹)
2007	1,272,875
2008	1,799,268
2009	1,461,951
2010	1,520,796
2011	2,248,197
2012	2,524,133
2013	2,804,318

8.2. "Go Green" Initiative:

As a continuing endeavour towards the "Go Green" Initiative, the Company is sending intimation of annual report, dividends paid 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.

9.0 Compliance under Non-Mandatory requirement of Clause 49

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

- Remuneration Committee: The Company has constituted Remuneration committee as detailed in paragraph 3.2 herein above.
- Shareholders' Rights: The quarterly and half yearly results are published in the newspaper and also displayed on the website of the Company. The results are not separately circulated to the shareholders.
- Audit Qualifications: The auditors have not qualified the financial statements of the Company. The Company continues to adopt best practices in order to ensure unqualified financial statements.
- Training of Board Members: The Directors are facilitated to get familiar with the Company functions at the operational levels. The Board of Directors is periodically updated on the business model, company profile, and the risk profile of the business parameters of the Company. Periodic updates and programs for Board members are also conducted on relevant statutory changes and laws.
- Whistle Blower Policy: The Company follows SKF Group Whistle Blower Policy wherein employees aware of any alleged wrongful conduct are encouraged to make a report directly at the Group level. Any allegations that fall within the scope of the concerns identified are investigated and dealt with appropriately. 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

K. C. Mehra
Chairman

Pune
February 21, 2014

Corporate Governance Report (Continued)

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To,

The Members of SKF India Limited

We have examined the compliance of conditions of Corporate Governance by SKF India Limited, for the year ended December 31, 2013, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the 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 information and according to the explanations given to us, we certify that the Company has

complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We 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 Price Waterhouse & Co., Bangalore
Firm Registration No: 007567S
Chartered Accountants

Pune
February 21, 2014

Jeetendra Mirchandani
Partner
Membership No. 48125

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, 2013.

Pune
February 21, 2014

Shishir Joshipura
Managing Director/CEO

Independent Auditors' Report

To the Members of SKF India Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of SKF India Limited (the 'Company') which comprise the Balance Sheet as at December 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of 'the Companies Act, 1956' of India (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December, 31 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

7. The financial statements of the Company as at December 31, 2012 and for the year then ended were audited by another firm of chartered accountants who, vide their report dated February 21, 2013, expressed an unmodified opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

8. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the Order.
9. As required by section 227(3) of the Act, 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 purpose of our audit;
 - (b) In our opinion, proper books of accounts 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 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 Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors as on December 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Price Waterhouse & Co., Bangalore
Firm Registration No. 007567S
Chartered Accountants

Jeetendra Mirchandani

Partner

Pune
February 21, 2014

Membership Number: 48125

Annexure to Independent Auditors' Report

Referred to in paragraph 8 of the Independent Auditors' Report of even date to the members of SKF India Limited on the financial statements as of and for the year ended December 31, 2013

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased program designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
- (ii) (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- (iii) (a) The Company has not granted/ taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii) [(b), (c) and (d) / (f) and (g)] of the said Order are not applicable to the Company.
- (iv) In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of TDS, service tax and VAT, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, income tax, wealth tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, service tax, and excise duty as at December 31, 2013 which have not been deposited on account of a dispute, are as follows:

Annexure to Independent Auditors' Report

Referred to in paragraph 8 of the Independent Auditors' Report of even date to the members of SKF India Limited on the financial statements for the year ended December 31, 2013

Name of the Statute	Nature of Dues	Amount (INR Million)	Amount paid under protest (INR Million)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty	146.97	21.50	October 1994 to January 1995, February 2005, January 2007 to March 2011	CESTAT, Mumbai
Central Excise Act, 1944	Excise Duty	157.74	-	FY 1999-2000, January 2007 to March 2011	CESTAT, Bangalore
Central Excise Act, 1944	Excise Duty	10.06	-	FY 1997-1998, September 2009 to June 2011	Commissioner (Appeals) - Bangalore
Central Excise Act, 1944	Excise Duty	0.32	-	April 2010 to March 2012	Commissioner (Appeals) - Pune
Finance Act, 1994	Service Tax	115.96	0.50	FY 2006 -07 to FY 2010-11	CESTAT
Finance Act, 1994	Service Tax	1.02	-	FY 2011-2012, April 2012 to September 2012	Commissioner (Appeals)
West Bengal Value Added Tax 2003 & The Central Sales Tax Act 1956 - West Bengal	Value Added Tax & Central Sales Tax	101.48	2.63	FY 2007-08 to FY 2010-11	Senior Joint Commissioner, Commercial Tax
West Bengal Value Added Tax 2003 & The Central Sales Tax Act 1956 - West Bengal	Value Added Tax & Central Sales Tax	2.40	-	FY 2006-07	Additional Commissioner, Commercial Tax
Haryana State Value Added Tax, 2003 & The Central Sales Tax Act, 1956 - Haryana	Value Added Tax & Central Sales Tax	0.67	-	FY 2009-10	Commercial Tax Officer
Jharkhand Value Tax Act, 2005	Value Added Tax	6.12	-	FY 2009-10	Joint Commissioner Commercial Tax
The Central Sales Tax Act, 1956- Delhi	Central Sales Tax	17.07	-	FY 2005-06 to FY 2010-11	Commissioner (Appeals)
The Central Sales Tax Act, 1956- Tamil Nadu	Central Sales Tax	1.25	1.87	FY 2005-06	Commercial Tax Officer
Karnataka Value Added Tax 2003 & The Central Sales Tax Act, 1956- Karnataka	Value Added Tax & Central Sales Tax	8.48	8.48	FY 2003-04, FY 2005-06 to	Deputy Commissioner FY 2007-08 FY 2009-10
Income Tax Act, 1962	Income Tax	34.13	24.77	FY 1999-2000 FY 2001-02 to FY 2004-05, FY 2006-07	ITAT
Income Tax Act, 1962	Income Tax	12.99	12.99	FY 2007-08, FY 2008-09	Commissioner of Income Tax (Appeals)
Total		616.66	72.74		

Annexure to Independent Auditors' Report

Referred to in paragraph 8 of the Independent Auditors' Report of even date to the members of SKF India Limited on the financial statements for the year ended December 31, 2013

- | | |
|---|--|
| <p>(x) The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.</p> <p>(xi) As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 4(xi) of the Order are not applicable to the Company.</p> <p>(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.</p> <p>(xiii) As the provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.</p> <p>(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.</p> <p>(xv) In our opinion, and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.</p> <p>(xvi) The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.</p> <p>(xvii) The Company has not raised any loans on short term basis. Accordingly, the provisions of Clause 4(xvii) of the Order are not applicable to the Company.</p> | <p>(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.</p> <p>(xix) The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.</p> <p>(xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.</p> <p>(xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.</p> |
|---|--|

For Price Waterhouse & Co., Bangalore
Firm Registration No.007567S
Chartered Accountants

Jeetendra Mirchandani
Partner

Pune
February 21, 2014

Membership Number: 48125

Balance Sheet as at December 31, 2013

(₹ in million)

	Note	December 31, 2013	December 31, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	527.3	527.3
Reserves and surplus	3	12,227.7	11,026.3
		12,755.0	11,553.6
Non- current liabilities			
Deferred tax liability (net)	4	40.3	83.5
Long-term provisions	5	175.4	192.5
		215.7	276.0
Current liabilities			
Trade payables	6	2,526.8	2,679.0
Other current liabilities	7	744.4	746.6
Short-term provisions	8	686.9	735.6
		3,958.1	4,161.2
TOTAL		16,928.8	15,990.8
ASSETS			
Non-current assets			
Fixed Assets			
Tangible assets	9	3,763.5	3,479.5
Intangible assets	10	0.1	0.9
Capital work-in-progress		247.0	591.2
		4,010.6	4,071.6
Long-term loans and advances	11	2,495.2	2,423.5
		6,505.8	6,495.1
Current assets			
Inventories	12	2,551.7	2,486.2
Trade receivables	13	3,297.5	3,196.3
Cash and bank balances	14	3,757.9	3,069.8
Short-term loans and advances	15	729.9	700.7
Other current assets	16	86.0	42.7
		10,423.0	9,495.7
TOTAL		16,928.8	15,990.8
Significant accounting policies	1		
The notes referred to above form an integral part of the financial statements			

In terms of our report of even date

For Price Waterhouse & Co., Bangalore
Firm Regn. No. 007567S
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership No. 48125

February 21, 2014, Pune

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

K. C. Mehra
Chairman

Shishir Joshipura
Managing Director

P. Bhandari
Company Secretary

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

H. Lange
Rakesh Makhija

Directors

February 21, 2014, Pune

Statement of Profit and Loss for the year ended December 31, 2013

(₹ in million)

	Note	December 31, 2013	December 31, 2012
Revenue from operations	17		
Sale of products (gross)		24,123.2	23,535.1
Less: Excise Duty		1,863.5	1,687.9
Sale of products (net)		22,259.7	21,847.2
Sale of services		204.7	194.1
Other operating revenue		285.2	234.6
Total		22,749.6	22,275.9
Other income	18	631.7	683.2
Total revenue		23,381.3	22,959.1
Expenses			
Cost of materials consumed	19	6,063.0	5,895.7
Purchase of stock-in-trade	20	8,330.0	8,303.2
Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	(64.1)	215.9
Employee benefits	22	1,852.7	1,694.2
Depreciation and amortization	23	494.4	435.9
Other expenses	24	3,954.0	3,582.9
Total expenses		20,630.0	20,127.8
Profit before exceptional items and tax		2,751.3	2,831.3
Exceptional items	25	221.0	-
Profit before tax		2,530.3	2,831.3
Income tax expense :			
Current tax		878.9	883.6
Deferred tax charged / (reversed)		(28.8)	41.2
Short / (excess) tax provision for earlier years		13.0	5.7
Profit after tax		1,667.2	1,900.8
Earnings per equity share [nominal value of share ₹ 10 (previous year : ₹ 10)]			
Basic and Diluted	26	31.6	36.0
Significant accounting policies	1		
The notes referred to above form an integral part of the financial statements			

In terms of our report of even date

For Price Waterhouse & Co., Bangalore
Firm Regn. No. 007567S
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership No. 48125

February 21, 2014, Pune

P. Bhandari
Company Secretary

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

K. C. Mehra
Chairman

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Directors

February 21, 2014, Pune

Cash Flow for the year ended December 31, 2013

(₹ in million)

	Year ended December 31, 2013	Year ended December 31, 2012
A. Cash flow from Operating Activities		
Profit before exceptional items and tax	2,751.3	2,831.3
Adjusted for :		
Depreciation / Amortisation	494.4	436.0
Net (Profit) / Loss on sale of Fixed Assets	(1.7)	(57.8)
Interest income	(467.9)	(445.4)
Unrealised foreign exchange gain / (loss) (net)	-	0.2
	24.8	(67.0)
Operating Profit before working capital changes	2,776.1	2,764.3
Adjusted for :		
Decrease / (increase) in inventories	(65.5)	313.9
Decrease / (increase) in trade receivables	(101.2)	524.9
(Increase) in other advances	(132.9)	(91.2)
(Decrease) in trade payables	(152.2)	(506.8)
(Decrease) / increase in other payables and provisions	(11.9)	(128.7)
	(463.7)	112.1
Cash generated from operations	2,312.4	2,876.4
Direct taxes paid (net of refunds)	(873.6)	(886.0)
Cash flow before exceptional items	1,438.8	1,990.4
Exceptional items (refer note 25)	(221.0)	-
Net cash flow from Operating Activities (A)	1,217.8	1,990.4
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(505.5)	(883.4)
Sale of Fixed Assets	16.6	76.3
Deposits placed during the year	(3,237.9)	(3,367.3)
Deposits matured during the year	1,654.8	3,065.5
Interest Earned	203.0	233.1
Interest Earned on Inter Corporate Loan	218.9	210.2
Inter Corporate Loan Given	(470.0)	(1,350.0)
Inter Corporate Loan Received Back	470.0	1,005.0
Net cash used in Investing Activities (B)	(1,650.1)	(1,010.6)
C. Cash flow from Financing Activities		
Dividend paid (including tax on distributed profits)	(462.6)	(459.6)
Net cash used in Financing Activities (C)	(462.6)	(459.6)
Net changes in Cash and Cash Equivalents (A+B+C)	(894.9)	520.2
Cash and Cash Equivalents at beginning of the year (net of foreign exchange)	1,601.2	1,081.0
Cash and Cash Equivalents at the end of the year (net of foreign exchange)	706.3	1,601.2
Net changes in Cash and Cash Equivalents	(894.9)	520.2

In terms of our report of even date

For Price Waterhouse & Co., Bangalore
Firm Regn. No. 0075675
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership No. 48125

P. Bhandari
Company Secretary

February 21, 2014, Pune

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

H. Lange
Rakesh Makhija

Directors

February 21, 2014, Pune

Notes to financial statements for the year ended December 31, 2013

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

The financial statements are prepared under historical cost convention as a going concern on accrual basis and to comply in all material aspects with the applicable accounting principles in India, the applicable accounting standards notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

1.2 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revisions to accounting estimates are recognised prospectively in current and future periods.

1.3 Current / Non-Current classification

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in the Schedule VI to the Companies Act, 1956. Based on the nature of products and services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

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.

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 and equipment and furniture and fixtures, costing individually INR 5,000 or less, are depreciated at 100%

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

The useful lives are reviewed by the management at each Balance Sheet date 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

Notes to financial statements for the year ended December 31, 2013 (Contd.)

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 lease are classified as operating lease. 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 tangible 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 on First-in-First-out (FIFO) basis. 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, 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

Notes to financial statements for the year ended December 31, 2013 (Contd.)

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 at each balance sheet date.

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.

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.

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(₹ in million)

	December 31, 2013		December 31, 2012	
2. Share Capital				
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	December 31, 2013		December 31, 2012	
	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 only one class of equity shares having a par value of ₹ 10 per share. Each shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the equity shareholders are eligible to receive remaining assets of the Company, after distribution of all preferential amounts, in the proportion to their shareholding.				
(c) Shares held by holding company and their subsidiaries	December 31, 2013		December 31, 2012	
	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, 2013		December 31, 2012	
	Number	% of total share 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.				

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(₹ in million)

	December 31, 2013	December 31, 2012
3. Reserves and surplus		
(i) Securities premium account		
At the commencement and at the end of the year	705.1	705.1
(Premium on issue of Equity Shares)	705.1	705.1
(ii) General reserve		
At the commencement of the year	4,674.7	3,674.7
Amount transferred from Profit and Loss Balance	1,000.0	1,000.0
	5,674.7	4,674.7
(iii) Surplus (Profit and loss balance)		
At the commencement of the year	5,646.5	5,205.3
Profit for the year	1,667.2	1,900.8
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	67.2	64.1
Short provision for dividend distribution tax	3.1	-
Transfer to General Reserve	1,000.0	1,000.0
	5,847.9	5,646.5
	12,227.7	11,026.3
4. Deferred tax liabilities (net)		
Deferred tax liabilities		
Excess of depreciation/amortisation on fixed assets under Income-Tax Act, 1961 over depreciation/amortisation provided in accounts	208.2	190.6
	208.2	190.6
Deferred tax assets		
Provision for employee benefits	103.2	72.0
Provision for obsolete stock	17.6	2.9
Expenditure covered by section 43B of Income-tax Act, 1961	31.4	19.7
Provision for doubtful trade receivables	15.7	12.5
	167.9	107.1
Deferred tax liability (net)	40.3	83.5
5. Long term provisions		
Provision for employee benefits		
Compensated absences	138.0	148.9
Provision for interest on Provident Fund (refer note 27)	1.3	-
Other provisions (refer note 32)	36.1	43.6
	175.4	192.5

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(₹ in million)

	December 31, 2013	December 31, 2012
6. Trade payables		
Trade payables	2,526.8	2,679.0
	2,526.8	2,679.0
For dues to micro and small suppliers (refer note 30)		
7. Other current liabilities		
Employee related liabilities		
Salaries and Incentives	206.4	154.2
Other liabilities		
Liabilities for dealer incentives	209.2	186.7
Unclaimed dividend*	13.7	13.8
Statutory dues payable	256.2	275.5
Advances received from customers	26.0	20.7
Payables on account of capital purchases	7.7	66.2
Other liabilities	25.2	29.5
	744.4	746.6
* There is no amount due and outstanding as at Balance Sheet date to be credited to Investor Education and Protection Fund.		
8. Short term provisions		
Provision for employee benefits		
Provision for interest on Provident Fund (refer note 27)	3.1	-
Compensated absences	15.0	23.9
Provision for Gratuity	-	60.6
Other provisions		
Provision for Wealth Tax (net of advance tax)	0.9	1.6
Proposed dividend	395.5	395.5
Tax on proposed dividend	67.2	64.1
Other provisions (refer note 32)	205.2	189.9
	686.9	735.6

Notes to financial statements for the year ended December 31, 2013 (Contd.)

Description	Gross Block			Accumulated Depreciation			Net Block		
	As at January 1, 2013	Additions during the year	Disposals during the year	As at December 31, 2013	For the year	Disposals during the year	As at December 31, 2013	As at December 31, 2012	
Freehold Land	265.5	-	-	265.5	-	-	265.5	265.5	
Buildings (Refer note a and b as below)	807.3	53.7	2.1	858.9	24.4	0.3	632.2	604.7	
Plant and equipment (Refer note b as below)	8,058.5	685.9	104.6	8,639.8	435.7	101.7	5,978.6	2,413.9	
Furniture and fixtures (Refer note b as below)	102.2	4.8	3.4	103.6	6.3	1.1	37.7	69.7	
Office Equipments	24.4	3.7	-	28.1	1.5	-	7.1	18.8	
Vehicles	164.0	44.4	33.0	175.4	25.7	25.1	57.7	106.9	
Total	9,421.9	792.5	143.1	10,071.3	493.6	128.2	6,307.8	3,479.5	
Previous year	8,794.7	750.9	123.7	9,421.9	434.0	105.2	5,942.4	3,181.1	
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, 2013			December 31, 2012			Deprecia- tion for the year	Accumula- tion	Net block
	Gross block	Deprecia- tion for the year	Accumula- tion	Net block	Gross block	Deprecia- tion for the year			
Building	207.2	6.9	13.6	193.6	207.2	5.7	6.7	200.5	
Plant and equipment	60.0	2.9	5.5	54.5	60.0	2.4	2.6	57.4	
Furniture and fixtures	2.6	0.1	0.5	2.1	2.6	0.3	0.4	2.2	
10. Intangible assets									
Description	Gross Block			Accumulated Depreciation			Net Block		
	As at January 1, 2013	Additions during the year	Disposals during the year	As at December 31, 2013	For the year	Disposals during the year	As at December 31, 2013	As at December 31, 2012	
Softwares	32.3	0.1	0.0	32.4	0.9	0.0	32.3	0.9	
Previous year	32.3	0.0	0.0	32.3	1.9	0.0	31.4	2.8	

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(₹ in million)

	December 31, 2013	December 31, 2012
11. Long-term loans and advances		
To parties other than related parties (<i>unsecured, considered good</i>)		
Capital Advances	27.1	28.5
Security Deposits	88.9	89.6
Other loans and advances		
- Advance tax recoverable (net of provision)	5.2	38.9
- Others	74.0	66.5
To related parties (<i>secured, considered good</i>)		
Other loans and advances (*)	2,300.0	2,200.0
	2,495.2	2,423.5
(*) Loan given to SKF Technologies India Private Limited (a fellow subsidiary) with original repayment starting from financial year 2014 onwards. The said loan together with interest is secured by first charge by way of hypothecation on all the fixed assets of the borrower.		
12. Inventories		
(Valued at the lower of cost and net realisable value)		
Raw Materials and Bought-Out Components	429.4	508.5
[including material in transit ₹ 94.2 million (Previous year ₹ 18.8 million.)]		
Stores and Spares [including material in transit ₹ 13.8 million (previous year ₹ 4.6 million)]	407.7	327.1
Work-in-progress	153.7	139.6
Finished Products [Including material in transit ₹ 74.2 million (previous year ₹ 117.0 million)]	1,560.9	1,511.0
	2,551.7	2,486.2
13. Trade receivables		
(i) Receivables outstanding for a period exceeding six months from the date they became due for payment		
Unsecured, considered good	12.3	39.2
Doubtful	46.0	38.4
Less : Provision for doubtful receivables	46.0	38.4
	12.3	39.2
(ii) Other receivables		
Unsecured, considered good	3,285.2	3,157.1
	3,297.5	3,196.3

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(₹ in million)

	December 31, 2013	December 31, 2012
14. Cash and bank balances		
Cash and cash equivalents		
Cash on hand	0.5	0.6
Balances with Banks		
- On Current Account	56.1	85.0
- On EEFC Account	63.6	20.0
- On Deposit Account (with original maturity of 3 months or less)	586.1	1,495.6
	706.3	1,601.2
Other bank balances		
Bank deposits with original maturity of more than 3 months and remaining maturity of less than 12 months.	3,037.9	1,454.8
Unclaimed Dividend Account*	13.7	13.8
	3,757.9	3,069.8
* Unclaimed dividend account represents held for dividend remittance and hence are not available for use.		
15. Short-term loans and advances		
(i) To parties other than related parties (<i>unsecured, considered good</i>)		
Prepaid Expenses	62.6	46.0
Advances for supply of goods and rendering of services	76.0	66.0
Export benefits / duty entitlements	137.0	135.8
Short-term loans to employees	9.9	13.4
Advances to employees	2.8	2.8
Balances with Sales tax / Excise authorities	85.6	166.2
Other receivables	135.6	20.1
(ii) To related parties (<i>considered good</i>)		
Secured		
Current portion of long term loan to SKF Technologies India Private Limited (including interest accrued and due ₹ 51.2 million) (refer note 11)	151.2	248.3
Unsecured		
Others	69.2	2.1
	729.9	700.7
16. Other current assets		
(<i>Unsecured and considered good</i>)		
Interest accrued on fixed deposits with banks	86.0	42.7
	86.0	42.7

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(₹ in million)

	December 31, 2013	December 31, 2012
17. Revenue from operations		
(i) Sale of products		
Manufactured goods	14,296.7	13,399.8
Traded goods	9,826.5	10,135.3
Sale of products (gross)	24,123.2	23,535.1
Less : Excise Duty	1,863.5	1,687.9
Sale of products (net)	22,259.7	21,847.2
(ii) Sale of services	204.7	194.1
(iii) Other operating revenue		
Scrap sales	48.0	38.1
Miscellaneous operating income	237.2	196.5
	285.2	234.6
	22,749.6	22,275.9
Breakup of revenue from sale of products		
Manufactured goods		
Bearings	11,909.9	11,261.0
Others	523.3	450.9
Excise duty on manufactured goods	1,863.5	1,687.9
	14,296.7	13,399.8
Traded goods		
Bearings	9,826.5	10,135.3
	9,826.5	10,135.3
18. Other income		
Interest Income		
- Fixed deposits with banks	246.1	230.9
- On loan given to related party	221.8	214.5
Profit on sale of fixed assets (net)	1.7	57.8
Rental income	39.1	39.1
Export benefits	85.1	119.6
Miscellaneous Income	37.9	21.3
	631.7	683.2
19. Cost of material consumed		
Inventory at the beginning of the year	508.5	599.1
Purchases	5,983.9	5,805.1
Inventory at the end of the year	429.4	508.5
	6,063.0	5,895.7
Breakup of cost of material consumed		
Raw material - Steel	192.3	155.9
Bought out components - Rings	3,614.9	3,435.8
Bought out components - Rollers	1,170.1	843.0
Bought out components - Others	1,085.7	1,461.0
	6,063.0	5,895.7
Purchases of material		
Raw material - Steel	191.6	153.5
Bought out components - Rings	3,566.6	3,383.0
Bought out components - Rollers	1,154.5	830.0
Bought out components - Others	1,071.2	1,438.6
	5,983.9	5,805.1

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(₹ in million)

	December 31, 2013	December 31, 2012
20. Purchase of stock in trade		
Purchases of traded goods - Bearings	8,330.0	8,303.2
	8,330.0	8,303.2
21. Changes in inventories of finished goods, work-in-progress and stock-in-trade		
(i) Increase in inventory of finished goods :		
Opening 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
Less : Closing inventory		
Bearings	806.9	788.6
Others	54.2	45.3
Excise duty on finished goods	175.1	169.4
	1,036.2	1,003.3
	(32.9)	96.2
(ii) Decrease / (Increase) in inventory of work in progress :		
Opening inventory	139.6	164.9
Less : Closing inventory	153.7	139.6
	(14.1)	25.3
(iii) Increase in inventory of traded goods :		
Opening inventory	507.7	602.1
Less : Closing inventory	524.8	507.7
	(17.1)	94.4
	(64.1)	215.9
22. Employee benefits		
Salaries, Wages and Bonus	1,463.7	1,370.4
Contribution to Provident and Other Funds (refer note 27 a)	170.4	87.1
Welfare Expenses	218.6	236.7
	1,852.7	1,694.2
23. Depreciation and amortisation		
Depreciation of tangible fixed assets	493.5	434.0
Amortisation of intangible fixed assets	0.9	1.9
	494.4	435.9

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(₹ in million)

	December 31, 2013	December 31, 2012
24. Other expenses		
Consumption of stores and spare parts	691.7	635.8
Excise duty related to increase/(decrease) in inventory of finished goods	5.7	7.7
Power and Fuel	424.8	419.6
Repairs		
Building	8.2	37.5
Machinery	348.0	298.3
Royalty	372.9	287.2
IT Services	406.3	378.3
Trade mark fees	248.6	172.8
Rent	59.1	50.3
Insurance	13.7	21.1
Rates and Taxes	158.9	142.5
Travelling	244.1	270.0
Legal and professional fees	116.9	118.6
Payment to auditors (refer note below)	3.2	4.1
Advertising and sales promotion	152.9	139.5
Logistic Cost	274.1	232.3
Provision for doubtful trade receivables	7.9	20.9
Bad debts written off	3.8	-
Directors' Commission/Sitting Fees	4.9	4.0
Miscellaneous expenses	408.3	342.4
	3,954.0	3,582.9
Note : Payments to auditors		
As auditor		
- Statutory audit	2.0	2.2
- Tax audit	-	0.8
- Limited review of quarterly results	0.6	0.7
- Other audit services	0.6	0.4
Reimbursement of expenses	-	-
	3.2	4.1
25. Exceptional items		
Voluntary Retirement Cost	221.0	-
	221.0	-

During the year ended December 31, 2013 the Company announced a Voluntary Retirement Scheme (VRS) for its workmen. An amount of ₹ 221.0 million was incurred as VRS compensation under this scheme which has been disclosed as an exceptional item.

Notes to financial statements for the year ended December 31, 2013 (Contd.)

26. 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:

	December 31, 2013	December 31, 2012
Profit attributable to Equity Shareholders (₹ in million)	1,667.2	1,900.8
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 (₹)	31.6	36.0
Diluted Earnings per share (₹)	31.6	36.0

27. 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:

	December 31, 2013	December 31, 2012
Employee Provident Fund - Regional Provident Fund Contribution	21.9	21.2
Superannuation fund	34.4	31.5
	56.3	52.7

(b) Defined benefit plans

(1) Gratuity

The Company operates a post-employment defined benefit plan that provides gratuity. The gratuity plan entitles an employee, who has rendered at least 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.

	December 31, 2013	December 31, 2012
Present value of the defined benefit obligation at the end of the period	522.7	558.3
Fair value of the plan assets at the end of the year	529.4	497.7
Liability / (Asset) recognised in the Balance Sheet	(6.7)	60.6
Current	(6.7)	60.6
Non-Current	-	-
	(6.7)	60.6
Composition of plan assets		
	%	%
Government of India securities	31	37
Corporate bonds	28	28
Insurer managed funds	31	29
Others	10	6

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(₹ in million)

	December 31, 2013	December 31, 2012
Movement in the present value of defined benefit obligation		
Defined benefit obligation at the beginning of the period	558.3	467.4
Current service cost	26.7	22.9
Interest cost	45.5	39.1
Actuarial (gain) / loss	25.3	55.3
Benefits paid by the plan	(133.1)	(26.4)
Defined benefit obligation at the end of the period	522.7	558.3
Movement in fair value of plan assets		
Fair value of assets at the beginning of the period	497.7	451.4
Expected return on plan assets	38.6	35.6
Actuarial gain / (loss)	(1.3)	11.1
Contribution by the employer	127.5	26.0
Assets Distributed on Settlements	-	-
Benefits paid by the plan	(133.1)	(26.4)
Fair value of assets at the end of the period	529.4	497.7
Expense recognised in Statement of Profit and Loss		
Current service cost	26.7	22.9
Interest on obligation	45.5	39.1
Expected return on plan assets	(38.6)	(35.6)
Actuarial gain / (loss) recognised in the year	26.6	44.2
Total included in 'employee benefits'	60.2	70.6
Actual return on plan assets		
Expected return on plan assets	38.6	35.6
Actuarial gain / (loss)	(1.3)	11.1
Actual return on plan assets	37.3	46.7
Principal actuarial assumptions used as at the reporting date:		
The following are the principal actuarial assumptions at the reporting date:		
Discount rate as at the end of the period	8.9%	8.2%
Expected rates of return on any plan assets	8.5%	8.0%
Average Salary escalation rate for Management	10.0%	10.0%
Average Salary escalation rate for Non-Management for Each Year	5.0%	3.0%
Average Salary escalation rate for Non-Management Every Third Year	5.0%	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 8.5%. 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 December 31, 2013 (Contd.)

(₹ in million)

Five year information	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Defined benefit obligation	522.7	558.3	467.4	427.6	400.2
Fair value of plan assets	529.4	497.7	451.5	408.8	391.2
Surplus/(deficit)	6.7	(60.6)	(15.9)	(18.8)	(9.0)
Experience adjustments on plan liabilities	33.2	39.9	11.6	6.5	25.6
Experience adjustments on plan assets	(1.3)	11.1	(2.9)	(6.9)	(11.9)

(2) 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 actuary has provided a valuation and based on the below provided assumptions, shortfall recognised in the Statement of Profit and Loss during the year is 4.3 million (previous year ₹ Nil).

The details of fund and plan asset position as at December 31, 2013 is given below:

(₹ in million)

	December 31, 2013	December 31, 2012
Present value of the defined benefit obligation at the end of the period	1,208.5	1,198.6
Fair value of the plan assets at the end of the year	1,204.2	1,198.6
Liability recognised in the Balance Sheet	4.3	-
Current	3.0	-
Non-Current	1.3	-
	4.3	-
Composition of plan assets		
	%	%
Government of India securities	27	32
Corporate bonds	37	40
Special deposit schemes	22	25
Others	14	3
Movement in the present value of defined benefit obligation		
Defined benefit obligation at the beginning of the period	1,198.6	1,108.2
Current service cost	42.3	41.1
Interest cost	94.3	90.5
Actuarial (gain) / loss	46.5	(25.8)
Employees' contribution	81.6	79.8
Liabilities assumed on acquisition / (settled on divestiture)	8.4	13.1
Benefits paid by the plan	(263.2)	(108.3)
Defined benefit obligation at the end of the year	1,208.5	1,198.6

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(₹ in million)

	December 31, 2013	December 31, 2012
Movement in fair value of plan assets		
Fair value of assets at the beginning of the period	1,198.6	1,024.7
Expected return on plan assets	96.0	85.2
Actuarial gain / (loss)	40.5	63.0
Contribution by the employer	42.3	41.1
Contribution by the employees	81.6	79.8
Assets Distributed on Settlements / acquired on acquisition	8.4	13.1
Benefits paid by the plan	(263.2)	(108.3)
Fair value of assets at the end of the year	1,204.2	1,198.6
Expense recognised in Statement of Profit and Loss		
Current service cost	42.3	41.1
Interest on obligation	94.3	90.5
Expected return on plan assets	(96.0)	(85.2)
Actuarial gain / (loss) recognised in the year	6.0	(88.8)
Total included in 'employee benefits'	46.6	(42.4)
Actual return on plan assets		
Expected return on plan assets	96.0	85.2
Actuarial gain / (loss)	40.5	63.0
Actual return on plan assets	136.5	148.2
Principal actuarial assumptions used as at the reporting date:		
The following are the principal actuarial assumptions at the reporting date:		
Discount rate	8.9%	8.2%
Expected rates of return on any plan assets	8.2%	8.5%
Discount rate for the remaining term to maturity of the investment	9.2%	8.2%
Average historic yield on the investment	8.6%	8.5%
Guaranteed rate of return	8.5%	8.3%

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, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Defined benefit obligation	1,208.5	1,198.6	1,108.2	905.1	936.9
Fair value of plan assets	1,204.2	1,198.6	1,024.7	905.1	875.5
Surplus/(deficit)	(4.3)	-	(83.5)	-	(61.4)
Experience adjustments on plan liabilities	42.1	(14.4)	2.1	1.1	22.1
Experience adjustments on plan assets	40.5	63.0	(4.6)	0.1	15.8

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(₹ in million)

	December 31, 2013	December 31, 2012
28. 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	42.2	30.6
(ii) Excise duty	315.1	306.3
(iii) Sales tax	93.9	96.2
(iv) Service tax	117.0	116.6
(v) Bills discounted	249.9	6.9
(vi) Others	55.0	54.0
	873.1	610.6
b) Commitments:		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	184.1	256.5
	184.1	256.5

29. 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:

(₹ in million)

Particulars	December 31, 2013		December 31, 2012	
	Amount (in original currency in million)	Amount (₹ in million)	Amount (in original currency in million)	Amount (₹ in million)
Payable				
EURO	8.2	699.3	10.1	733.9
USD	0.9	53.5	5.2	288.2
SEK	0.3	2.8	1.6	13.5
GBP	0.0*	1.0	0.0*	0.4
YEN	14.7	8.6	68.8	43.5
CHF	0.1	3.8	0.0*	2.7
SGD	0.0*	0.3	-	-
		769.3		1,082.2
Receivable				
EURO	0.9	78.4	1.5	108.6
USD	0.9	57.9	1.6	88.0
SEK	5.0	47.7	14.4	121.5
SGD	0.1	5.2	0.7	31.4
JPY	0.0*	0.0*	-	-
YEN Creditor(Debit Balance)			0.1	0.1
		189.2		349.6
Bank				
EURO EEFC Bank Account	0.7	62.6	0.2	17.5
USDEEFC Bank Account	0.0*	1.0	0.0*	2.5
		63.6		20.0

* Since denominated in Million

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(₹ in million)

Particulars	December 31, 2013	December 31, 2012
30. Dues to micro and small suppliers		
The amounts remaining unpaid to micro and small suppliers as at the end of the year		
- Principal	4.8	2.7
- Interest	2.6	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	26.1	32.9
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	0.4	0.6
The amount of interest accrued and remaining unpaid at the end of each accounting year	0.5	0.6
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	2.1	0.1
Note : The above information has been compiled by the Company on the basis of information made available by vendors during the year 2013. * Since denominated in Million		

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

(₹ in million)

Spare parts	December 31, 2013		December 31, 2012	
	% of total consumption	Rupees in million	% of total consumption	Rupees in million
Imported	18	63.5	18	52.3
Indigenous	82	284.5	82	245.9
	100	348.0	100	298.2
Raw Materials and Bought-Out Components				
	% of total consumption	Rupees in million	% of total consumption	Rupees in million
Imported	27	1,654.8	21	1,218.4
Indigenous	73	4,408.2	79	4,677.3
	100	6,063.0	100	5,895.7

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

(₹ in million)

	Disputed statutory and other matters		Warranty		Other obligations		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012
At the commencement of the year	38.0	24.7	31.5	40.4	164.0	181.1	233.5	246.2
Provision made during the year	9.0	13.3	11.4	14.0	185.6	160.5	206.0	187.8
Provision utilised during the year	-	-	(5.8)	(4.6)	(168.9)	(177.3)	(174.7)	(181.9)
Unutilised provision written back during the year	(2.6)	-	(20.9)	(18.3)	-	(0.3)	(23.5)	(18.6)
At the end of the year	44.4	38.0	16.2	31.5	180.7	164.0	241.3	233.5
Non current portion	-	-	13.8	21.3	22.3	22.3	36.1	43.6
Current portion	44.4	38.0	2.4	10.2	158.4	141.7	205.2	189.9

Notes to financial statements for the year ended December 31, 2013 (Contd.)

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

- (i) Provision for disputed statutory and other matters: 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. The timing and amount of cash flows that will arise from these matters will be determined at the time of receipt of claims.
- (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.

33. Expenditure in Foreign Currency :

	(₹ in million)	
	December 31, 2013	December 31, 2012
Royalty	372.9	287.2
Professional and consultation	43.1	46.7
IT services	207.0	211.4
Trade mark fees	248.6	172.8
Others	94.5	101.1
	966.1	819.2

34. C.I.F. value of imports :

	(₹ in million)	
	December 31, 2013	December 31, 2012
Raw Materials	107.3	110.4
Components, Stores and Spares etc.	1,467.7	1,500.2
Trading goods	5,666.1	5,730.1
Capital Goods	107.2	391.4
	7,348.3	7,732.1

35. Dividend remittances in foreign currency :

	(₹ in million)	
	December 31, 2013	December 31, 2012
Year to which the dividend relates	2012	2011
Amount remitted during the year (INR in million)	211.9	211.9
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 :

	(₹ in million)	
	December 31, 2013	December 31, 2012
F.O.B. value of Exports	1,777.9	1,354.1
Export of Services	3.0	5.4
Other Income	254.3	193.2
	2,035.2	1,552.7

Notes to financial statements for the year ended December 31, 2013 (Contd.)

37. The net exchange difference arising during the year recognised in the Statement of Profit and Loss is ₹ 62 million loss (Previous Year ₹ 22 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 ₹ 0.7 million (Previous year ₹ (2.6) million) to its Statement of Profit and Loss. During the current year, the Company has reimbursed the cost incurred by AB SKF of ₹ 5 million (Previous year ₹ Nil) for stock options granted to certain employees under AB SKF Performance Share Award.
39. Segment reporting

(a) Primary Segment

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.

(b) Secondary Segment

Two secondary segments have been identified based on the geographical locations of customers: domestic and export. Information about geographical segments as below:

	December 31, 2013	December 31, 2012
Domestic	20,631.0	20,606.1
Export	1,833.4	1,435.2
Total	22,464.4	22,041.3

(₹ in million)

Note : The Company's tangible assets are located entirely in India.

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 31st December 2013 under the above said facility.

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

Notes to financial statements for the year ended December 31, 2013 (Contd.)

10	SKF Actuators AB, Goteborg, Sweden
11	SKF Argentina S. A., Argentina
12	SKF Australia Pty. Ltd., Australia
13	SKF B.V., Netherlands
14	SKF Bearings Bulgaria EAD, Bulgaria
15	SKF Canada Ltd, Scarborough, Ont., Canada
16	SKF China Ltd., China
17	SKF Condition Monitoring Centre (Livingstone) Ltd., UK
18	SKF Coupling Systems AB, Hofors, Sweden
19	SKF de Mexico, S. A. de C. V. Mexico D.F., Mexico
20	SKF del Peru S.A., Peru
21	SKF do Brasil Ltda., Brazil
22	SKF Equipements, France
23	SKF Espanola S.A., Madrid, Spain
24	SKF European Distribution Centre (EDC), Belgium
25	SKF European Financial Service Centre, EFC, Nieuwegein, Netherlands
26	SKF France S.A., France
27	SKF GmbH, Germany
28	SKF Industrie S.p.A, Italy
29	SKF International AB
30	SKF Japan Ltd., Japan
31	SKF Korea Ltd, Korea
32	SKF Linearsysteme GmbH, Germany
33	SKF Malaysia Sdn. Bhd., 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
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

Notes to financial statements for the year ended December 31, 2013 (Contd.)

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
88	Societe Vendeenne De Roulements
89	SKF Eurotrade AB, Göteborg, Sweden
90	SKF Aero France S. A., Saint-Vallier-sur-Rhone, France
91	SKF Latin Trade S.A., Chile
92	Peer Mechanical Parts Co. Ltd., China
93	SKF China Company Ltd., Shanghai, China
94	PT Skefindo Primatama, Jakarta, Indonesia
95	SKF Dalian Bearings & Prec. Co. China
96	SKF Distribution Shanghai Co. Ltd., China
97	SNFA Bearing Ltd., Charfield, United Kingdom
98	SKF Sealing Solution Austria GMBH, Austria

Key Management Personnel

1	Mr. Shishir Joshipura (Managing Director)
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Notes to financial statements for the year ended December 31, 2013 (Contd.)

(ii) Disclosure of related party transactions:

		(₹ in million)			
		2013		2012	
Sr. No.	Nature of transaction / relationship / major parties	Amounts	Amounts	Amounts	Amounts
A	Purchase of Raw Materials and Finished Goods	6,905.4		6,672.1	
	Fellow subsidiary Companies				
	SKF Asia Pacific Pte Ltd, Singapore		3,637.4		3,999.6
	SKF GmbH, Germany		1,040.0		1,064.0
	Others		2,228.0		1,608.5
B	Purchase of Capital Goods / Services	18.3		31.2	
	Fellow subsidiary Companies				
	SKF GmbH, Germany		-		3.3
	SKF Osterreich AG., Austria		16.8		15.1
	SKF France S.A., France		-		12.2
	Others		1.5		0.6
C	Administrative and Service Fees	292.8		246.9	
	Holding Company				
	AB SKF, Sweden		218.6		208.6
	Others		74.2		38.3
D	Sale of Goods and Services	1,809.3		1,410.6	
	Fellow subsidiary Companies				
	SKF USA Inc., USA		202.6		189.2
	SKF GmbH, Germany		628.8		611.4
	SKF European Distribution Centre (EDC)		249.4		187.1
	Others		728.5		422.9
E	Technical and other service income	222.4		172.4	
	Holding Company				
	AB SKF, Sweden		222.4		172.4
F	Inter Corporate Loan Given	470.0		1,350.0	
	Fellow subsidiary Companies				
	SKF Technologies India Private Ltd.		470.0		1,350.0
G	Inter Corporate Loan Received Back	470.0		1,005.0	
	Fellow subsidiary Companies				
	SKF Technologies India Private Ltd.		470.0		1,005.0
H	Interest Income on Inter Corporate Loan	221.8		214.5	
	Fellow subsidiary Companies				
	SKF Technologies India Private Ltd.		221.8		214.5

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(ii) Disclosure of related party transactions: (Contd.)

(₹ in million)

Sr. No.	Nature of transaction / relationship / major parties	2013		2012	
		Amounts	Amounts	Amounts	Amounts
I	Rent Income	39.1		39.1	
	Fellow subsidiary Companies				
	SKF Technologies India Private Ltd.		39.1		39.1
J	Commission Income	31.9		8.4	
	Fellow subsidiary Companies				
	SKF Asia Pacific Pte Ltd.		17.5		-
	SKF Mekan AB, Katrineholm		14.4		6.0
	SKF France S.A., Montigny		-		2.4
K	Royalty	372.9		287.2	
	Holding Company				
	AB SKF, Sweden		372.9		287.2
L	Trade Mark Fees	248.6		172.8	
	Holding Company				
	AB SKF, Sweden		248.6		172.8
M	Reimbursements Received	70.4		93.0	
	Holding Company - AB SKF, Sweden		9.4		0.5
	Fellow subsidiary Companies				
	SKF Technologies India Private Ltd.		43.6		50.9
	SKF SVERIGE AB		3.4		13.9
	Others		14.0		27.7
N	Reimbursements Paid	50.8		39.7	
	Fellow subsidiary Companies				
	SKF Technologies India Private Ltd.		49.9		36.5
	Others		0.9		3.2
O	Dividend Paid	211.9		211.9	
	Holding Company - AB SKF, Sweden		184.8		184.8
	Fellow subsidiary Companies				
	SKF (UK) Ltd.		25.5		25.5
	Others		1.6		1.6
P	Performance Share Award	5.0		-	
	Holding Company - AB SKF, Sweden		5.0		-
Q	Managerial Remuneration	16.7		16.3	
	Mr. Shishir Joshipura		16.7		16.3

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(iii) Amount due to/from related parties

		2013		2012	
		Amounts	Amounts	Amounts	Amounts
Sr. No.	Nature of transaction / relationship				
1	Accounts receivable	274.6		429.6	
	Fellow Subsidiary Companies				
	SKF International AB (Treasury Centre), Göteborg		163.4		329.2
	SKF Technologies India Pvt. Ltd., India		19.5		68.7
	AB SKF Goteborg, Sweden		59.4		-
	SKF China Sales Company Ltd. Shanghai		29.0		20.3
	SKF Industrie S.p.A, Italy		0.1		2.8
	SKF ATC Shanghai		2.0		1.9
	Lincoln Helios (India) Limited		0.6		-
	SKF Dalian Bearings		0.4		1.6
	SKF China Company Ltd. Shanghai		-		1.5
	Economos (Qingdao) Seal Tech Co. Ltd, Qingdao		-		1.2
	SKF Lubrication Systems Germany AG		-		0.9
	Economos India Private Ltd, New Delhi		-		0.7
	Lincoln Helios (India) Limited		-		0.6
	SKF Oesterreich AG		-		0.2
	RFT S.P.A		0.2		-
	SKF (Shanghai) Bearings Co.Ltd		-		0.0*
	Industrial Seals SWE		-		0.0*
	SKF ABC Shanghai		-		0.0*
	SKF USA INC.		0.0*		
2	Accounts payable	(1,436.2)		(1,736.6)	
	Fellow Subsidiary Companies				
	SKF Asia Pacific Pte Ltd		(634.1)		(732.6)
	SKF International AB		(695.3)		(745.7)
	AB SKF Göteborg, Sweden		-		(160.1)
	Economos India Private Ltd, New Delhi		(36.8)		(36.8)
	SKF Technologies India Pvt. Ltd., India		(36.4)		(26.3)
	SKF Dalian Bearings		(0.3)		(11.9)
	Peer Mechanical Parts Co Ltd., China		(7.5)		-
	SKF Distribution (Shanghai) Co., Ltd., Shanghai		(6.6)		-
	SKF Sverige AB		(4.4)		(10.0)
	SKF Bearing Services Taiwan Ltd.		(3.1)		-
	SKF Korea Ltd.		(2.2)		-
	SKF Gmbh, Germany		(0.3)		-
	SKF ATC Shanghai		(1.8)		(4.7)
	SKF Sealing Solutions Austria GMBH		-		(2.7)
	SKF De Mexico		(0.4)		(1.5)
	RFT S.P.A		-		(1.3)
	SKF Bearing Bulgaria		(0.1)		(0.5)
	SKF France S.A. Montigny		(1.4)		(0.4)
	SKF DO Brasil		(1.3)		-
	SKF China Company Ltd. Shanghai		(0.7)		-
	SKF China Sales Company Ltd. Shanghai		(0.5)		-

* Since denominated in millions.

Notes to financial statements for the year ended December 31, 2013 (Contd.)

(ii) Amount due to/from related parties (Contd.)

(₹ in million)

Sr. No.	Nature of transaction / relationship	2013		2012	
		Amounts	Amounts	Amounts	Amounts
	SKF LINEARSYSTEME		-		(0.3)
	SKF (U.K.) Ltd.		(0.2)		-
	Nankou SKF Bearings, China		(0.3)		(0.2)
	Product Division LSB (RKS), France		(0.3)		(0.2)
	SKF EDC		(0.3)		(0.2)
	SKF (Shanghai) Bearings Co.Ltd		(0.4)		(0.2)
	SKF Actuation System (Liestal) AG		(0.2)		(0.2)
	SKF CMC Livingston		-		(0.1)
	SKF Coupling Systems AB		(0.1)		(0.1)
	SKF Multitec SPA		-		(0.1)
	SKF Sealing solutions (wuhu) Co. Ltd		(0.1)		(0.1)
	SKF Danmark A/S		(0.1)		(0.1)
	SKF Polyseal		-		(0.1)
	SKF Actuation System (Pinghu)		(0.2)		(0.1)
	SKF Venezolana S.A.		-		(0.1)
	SKF Industrie S.p.A, Italy		(0.4)		-
	Transrol S.N.C., France		-		(0.0)*
	SKF Malaysia SDN BHD		(0.0)*		(0.0)*
	Ovako Steel AB		-		(0.0)*
	SKF Argentina S.A., Argentina		(0.0)*		(0.0)*
	P.T. SKF Indonesia		(0.4)		(0.0)*
	SKF Ukraine		(0.0)*		(0.0)*
	SKF Netherland B.V., Netherland		(0.0)*		(0.0)*
	SKF Equipements		-		(0.0)*
	SKF Multitech AB, Helsingborg		(0.0)*		-
	SKF Lubrication Systems Germany AG		(0.0)*		-
	<i>* Since denominated in millions.</i>				
3	Loan (including interest accrued)	2,451.2		2,448.3	
	Fellow Subsidiary Companies				
	SKF Technologies India Private Limited		2,451.2		2,448.3
4	Royalty & Trade Mark Fees	(161.1)		(150.4)	
	Holding Company - AB SKF, Sweden		(161.1)		(150.4)
5	Managerial Remuneration	(1.2)		(1.0)	
	Mr. Shishir Joshipura		(1.2)		(1.0)
	<i>* Since denominated in millions.</i>				

In terms of our report of even date

For Price Waterhouse & Co., Bangalore
Firm Regn. No. 007567S
Chartered Accountants

Jeetendra Mirchandani
Partner
Membership No. 48125

P. Bhandari
Company Secretary

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

H. Lange
Rakesh Makhija

Directors

February 21, 2014, Pune

February 21, 2014, Pune



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.

Toll free no.: 1800 222 007

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 THIRD 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 3.30 p.m. on Wednesday, April 23, 2014.

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 Third Annual General Meeting of the Company, to be held on Wednesday, April 23, 2014, and at any adjournment thereof.

Signed this day of 2014.

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.

E-mail Registration Form

To,

M/s. TSR Darashaw Private Limited,
6-10 Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road,
Mahalaxmi,
Mumbai 400011.

Dear Sir / Madam,

Subject: E-mail address in your records

Please note my / our following E-mail address for sending all notices / documents including annual report through electronic mode in future which is in line with Company focus on eco-friendly and sustainable products and services.

1. Name of Shareholder / beneficial owner

2. Registered Folio / DP ID and Client ID

3. No. of Shares

4. E-mail address of the first named shareholder / beneficial holder where he / she would like notice / documents to be served by the Company.



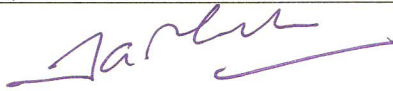

5. E-mail address of the second / third named shareholder / beneficial holder where he / she would like notice / documents to be served by the Company.

Signature of the Shareholder

Date : _____

Place : _____

FORM A**Format of covering letter of the Annual Audit Report to be filed with the Stock Exchange**

1.	Name of the Company	SKF India Limited
2.	Annual financial statements for the year ended	31 st December, 2013
3.	Type of Audit Observation	Un-qualified.
4.	Frequency of observation	Not Applicable.
5.	To be signed by -	
	* CEO / Managing Director	 (Mr.S. Joshipura)
	* CFO	 (Mr.Chandramowli Srinivasan)
	* Auditor of the Company	 (M/s Price Waterhouse & Co., Bangalore)
	* Audit Committee Chairman	 (Mr.P.R. Menon)

SKF India Limited**Pradeep Bhandari**
Company Secretary**SKF India Limited**Registered Office: Mahatma Gandhi Memorial Building, Netaji Subhash Road, Charni Road, Mumbai 400 002, Maharashtra, India
Tel. +91 (22) 6633 7777. Fax +91 (22) 2281 9074. Web www.skf.com, www.skfindia.com