



The Power of Knowledge Engineering

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Corporate Information

Board of Directors

Kamlesh C. Mehra

Chairman

Darius C. Shroff

Henrik Lange

Prasad R. Menon

Rakesh Makhija

Tore Bertilsson

Tryggve Sthen

Vartan Vartanian

Shishir Joshipura

Managing Director

Company Secretary

Pradeep Bhandari

Auditors

B S R & Associates

Godrej Castlemaine

Bund Garden Road

Pune 411 001.

Bankers

The Hongkong & Shanghai Banking Corp. Ltd.

HDFC Bank Limited

Registrars and Share Transfer Agents

TSR Darashaw 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 Nair

Director - Human Resources (from 01.08.2011)

Chandramowli Srinivasan

Finance Director

Harsha Kadam

Director - Two Wheeler Business, Global

Ranjan Kar

Director - Automotive Business, Pune Plant

R. Manohar

Director - Purchasing, India

Sudhir Rege

Director - Industrial Market, Regional Sales & Service



Letter to Shareholders

It is my privilege to present to you the Annual Report of SKF India Limited, for the year 2011. SKF India reported Net Sales of ₹ 2,416 crores, as against ₹ 2,068 crores in the previous year, a growth of 17% year-on-year. Our conscious efforts to strengthen our operational efficiencies enabled us to achieve a Net Profit of ₹ 208 crores for 2011, as against ₹ 177 crores in the previous year. I thank all our customers for the trust and faith reposed in SKF India through the year. I also express a deep sense of gratitude to all the employees, present and past for their valuable contribution.

2011 started out as a year full of opportunities with promise of plenty and changed course to end in a position of uncertainty and challenges aplenty. The globe went through several unforeseen changes on fronts-political, social and economical alike. India's economy-even as it was driven largely from internal demand-faced several inter-related challenges moderating the growth drivers across the sectors, at least in the short term. Once structural adjustments-lower inflation, lower interest rates, coupled with positive policy reforms - are made, the economy should return to high growth path in medium to long term.

Our diversified presence across the sectors of economy provides us an opportunity to manage our risks better. This is further augmented by our integrated approach combining five platforms with knowledge engineering. We are focussed on helping our customers improve their profitability by improving the reliability and efficiency of their products and operations. This value proposition of providing knowledge-led engineering solutions helped us achieve positive results.

As we move toward the next fiscal, we remain positive about the sustained growth opportunities in the medium to long term even as near term outlook remains challenging. We will continue to focus on providing value added and efficient solutions to customers to support their goals.

Our committed endeavour in this direction is guided by The SKF Bridge of Business Excellence, a strategic roadmap that envisages how we enhance our engagement with our customers and suppliers and improve our ability to deliver even higher value to our customer. The thrust is on combining the knowledge of our customers and suppliers with ours to achieve results in the best way. The Business Excellence Model provides us a structured approach to do this, thereby shaping our evolution on firmly established foundation. Our people across all functions and levels of organisation are committed



Group of SKF shareholders during their visit to the SKF campus in Pune

to imbibe this framework and retain our leadership edge in the market place.

Sustainability has added a very significant dimension to development of technologies worldwide. SKF is strongly committed to this dimension of development-by directly reducing the impact of our own operations on the environment as well as helping our customers reduce environmental impact of their operations by bringing to them products and solutions that reduce energy consumption. By helping customers become energy-efficient, we also help reduce costs and enhance competitiveness and hence as an organisation, we take immense pride in stating that we are using our Knowledge Engineering capabilities to build a better tomorrow for all our stakeholders.

Let me illustrate-In a bid to revolutionise fuel optimisation and emissions in two-wheelers, SKF introduced the SKF StopGo sensor-bearing solution, an automatic stop-start system for motorcycles and scooters. This innovative system can be easily adapted to a wide variety of two-wheelers and motorbikes, irrespective of engine size and it lowers CO₂ emissions and improves fuel economy by an estimated 6-10% (depending on driving conditions). Today, industries have clear focus on reducing their carbon footprint by becoming more energy efficient. SKF's unique Client Needs Analysis - Energy & Sustainability (CNA-ES) helps customers to identify energy and sustainability improvements by facilitating a client review of current energy and environmental practices, tools, operations. It lays an improvement roadmap for the customer and SKF's Reliability Systems Unit is capable of implementing it on location.

People remain an integral part of SKF's foundation of a Knowledge Engineering company. Enhancing employee engagement is a primary focus area for the Company. In a unique approach this initiative is driven by a team of employees with representation across all levels. This approach enables real solutions for real issues which we are sure will go a long way in addressing enhanced engagement. We are focussed on attracting and nurturing new talent while retaining and developing the talent we already have.

Our commitment to community care is well documented and we continue to support and encourage communities in and around our facilities. SKF Sports Academy continues to support the underprivileged sporting talents in the field of football, cricket and hockey and the children are flourishing in their fields.

I take this opportunity to thank all employees for their passionate involvement and contribution to our business initiatives and working resolutely to deliver value to our customers always. I also take this time to specially thank all our partners - our distributors and suppliers, our bankers and all stakeholders for their continued trust and support. At SKF India, we remain committed to creating and delivering value in a sustainable way.

Thank you,

Shishir Joshipura
Managing Director

Knowledge Engineering for a better tomorrow



Scientists study the world as it is; engineers create the world that has never been.

-Theodore von Kármán

Engineering gives shape to concepts of science for everyday good of human beings.

From designing and building gigantic machinery, space crafts, iconic structures, to manufacturing tiny nano cells and ensuring the smooth running of intensively complex processes, engineering has demonstrated its ability to modernise and evolve human civilisation through the ages.

At SKF India, we take pride in our ability to efficiently combine the power of such engineering genius with our own practical insights, coupled with the invaluable experience and incisive understanding gained while servicing diverse industries across geographies.

Our experience, exposure and knowledge, secured over the decades, enforce our ability to comprehend complex challenges faster and enable us to deliver precise engineering solutions that are efficient and productive.

Engineering and knowledge together also enable us to understand the evolving demands of our customers and, with our conscious effort to promote sustainability and energy efficiency, build a portfolio of products and deliver solutions that promote sustainability.

It is this unique foundation of knowledge and experience driven engineering approach that defines the business contours for SKF India. It enables us to offer powerful, Knowledge-led Engineering Solutions For a Better Tomorrow and makes the experience of dealing with SKF India a rewarding and enriching one for each of our customers and other stakeholders.



Knowledge Engineering for increased reliability



Enabling reliability in a manufacturing process / equipment / tools is an integral part of engineering and the function of analysing the expected or actual reliability of a product, process or service is an ongoing process, along with identification of the actions needed to reduce failures or mitigate their effects. SKF India combines this reliability engineering with its legacy of knowledge and insight, gained over 100 years of working across industries and geographies, to value-add its offerings.

SKF India is increasing reliability for customers:

- By ensuring fewer unplanned stops and increasing uptime, resulting in improved productivity for customers.
- By minimising corrective maintenance and increasing predictive and proactive maintenance and also enhancing peak period reliability.
- By advocating a proactive approach to maintenance, facilitating smoother functioning and decreasing maintenance costs.
- By evolving design processes which are competitive and available off-the-shelf, to enable customers speed up time to market.
- By combining the know-how of bearings and units, seals, lubrication systems and mechatronics and services to provide the perfect base to optimise designs.
- By adopting a holistic approach towards developing integrated units or complete systems that can achieve breakthroughs, not normally possible, through simple component or sub-assembly optimisation.

By intimately understanding the evolving demands of customers and bringing together multi-dimensional competencies of technology, product offerings, insight and knowledge, SKF India by offering such Knowledge Engineering solutions as listed above can gain competitive advantage to stay ahead by increasing their productivity and profitability, paving the path for a better tomorrow.





Knowledge Engineering
enabling improved efficiency

Simply put, efficiency means reducing the amount of wasted inputs and ensuring that the minimum input can create the maximum output. For customers aspiring to introduce higher efficiency into their products, processes, tools and facilities, SKF India is the obvious choice.

SKF India enables customers to be more productive, efficient and profitable:

- By drawing on its strong multi-dimensional unique competence across five technology platforms to understand the customers' businesses and their applications, and to comprehend customers' needs precisely and swiftly in order to provide them with tailor-made solutions.
- By constant product innovation, SKF India provides diverse energy efficient products like the Energy Efficient bearings which are specially engineered and manufactured to reduce frictional moment by an estimated 30% or more beyond the standard bearings. As they exhibit ultra low friction, SKF Energy Efficient (E2) bearings enable equipment manufacturers to build greater energy efficiency into their equipment, reducing total cost of ownership for end users. They also reduce lubricant use and potentially extend the life of equipment.
- By addressing the customers' basic goal of reducing costs through use of fewer component parts and supplies by constantly raising the quality bar for their products.
- By promoting Proactive Reliability Maintenance processes which identify the root cause of machine failures and

prescribe measures to prevent their recurrence, thereby propelling greater productivity and profitability.

- By building a well-integrated network of dynamic pan India distributors and dealers that ensures minimum inventory and supply chain maintenance costs for customers.
- By continuously improving own business, manufacturing and work processes through ongoing Six Sigma initiatives.

Working in close partnership with our customers, we remain committed to deliver industry-leading, high value products, services and knowledge-engineered solutions which enhance reliability and efficiency for customers.





Knowledge Engineering
fostering sustainable growth

SKF India is committed to environmentally and socially responsible growth. This commitment is manifested in the company's constant endeavour to combine this approach with its business strategy, thereby striving to fulfil its responsibility to safeguard resources for future generations.

SKF India enables customers to reduce their carbon footprints and also promotes environment care across its own facilities:

- By developing a range of products and solutions that support customers and their businesses to reach their environmental goals. One such product is the Energy Efficient bearing, which holds the potential to reduce frictional moment by an estimated 30% or more beyond the standard bearing.
- By launching an extensive, plant - wide assessment tool called Client Needs Analysis - Energy & Sustainability (CNA-ES) that identifies energy saving and sustainable opportunities across practices, tools, operations and environmental controls.
- By extending the CNA-ES assessment further to the examination of chemical treatments, lubrication use and other operating processes that could be improved to reduce environmental impacts within a facility.
- By making products last longer, thus reducing the consumption cycle pace which leads to saving of precious resources (raw material and energy) required in manufacturing new replacements.
- By adopting the BeyondZero™ programme for reducing the environmental impact from manufacturing processes.
- By working continuously to reduce the impact of our own operations and setting a target to reduce CO₂ emissions at all our facilities by a minimum of 5% annually, irrespective of production volume.
- By adopting the Green Building Council's LEED (Leadership in Energy and Environmental Design) standards, ensuring world-class environmental performance in all our new facilities in the country.

As the world looks to reduce its carbon intensity, SKF India's innovative knowledge engineering solutions are aiding the development of low carbon technology revolution, thereby leading to obvious value-creation for customers.





Knowledge Engineering
driving innovation

Applied to products and equipments, innovation is the successful exploitation of new ideas-scientific, technological, commercial and financial-for their successful development, marketing and commercial use. At SKF India, innovation management is a key business process driving the company's future, by strategically defining, planning and executing innovative solutions.

SKF India is driving innovation across various industries:

- By bringing together industry leading domain specialists, engineers and Six Sigma trained professionals to work together and find solutions to some of the specific challenges faced by customers in achieving higher efficiency, productivity, reliability, sustainability and cost-competitiveness.
- By assessing and developing new technologies and product concepts to consistently improve existing products, create new products, evolve new solutions and embrace new process standards.

- By constantly looking for optimising raw material usage which provides the foundation of our quality products and application solutions.
- By combining different raw materials, such as special steel, composites, ceramics, magnetised elastomeric compounds, to garner maximum benefit from their different properties and achieve optimum quality and life for products.
- By investing in various specialised testing machines and equipments and building simulation capability for different conditions and parameters.

With a focus on the customer, understanding where they want to go, and then helping them get there in the best possible way is the starting point of the SKF's journey to Business Excellence which now expanded from manufacturing excellence to embrace Innovation Management also and will further support SKF's ambition to become the Knowledge Engineering Company.





Knowledge Engineering
creating greater value

Innovation and creating value involves customers first, at SKF India it also encompasses all key stakeholders including employees, partners (distributors & suppliers) and the society at large.

For customers:

- By ensuring higher speed, greater reliability, lower vibration, higher precision and energy efficiency for our products and through knowledge engineering across processes and at facilities.
- By fully utilising the knowledge of our people, our partners and our technology.
- By constantly improving the quality and purity of our clients' products and introducing innovative products and services across different industries such as:
 - ⇒ SKF StopGo, a technically advanced and sustainable product for two wheeler segment which lowers CO₂ emissions and improves fuel economy by an estimated 6-10%, depending on driving conditions.
 - ⇒ SKF Nautilus main shaft bearing for the wind power sector - this innovative product enables very compact nacelle designs with main gearboxes or directly-driven generators mounted close to the rotor hub. The result is a significant reduction in size, weight, maintenance and turbine costs.

- ⇒ SKF ConRo unit, for the steel industry, is designed to deliver longer service life, reduce operating costs and use significantly less grease.
- ⇒ Independent tillage discs fitted with the relubrication-free SKF Agri Hub, which enables farmers work more efficiently and reduces the risk of grease contaminating farms and fields.
- ⇒ New high pressure valve stem seal with a robust design which reduce CO₂ emissions and increases energy efficiency for heavy duty vehicles and meets latest energy efficiency compliance standards.
- ⇒ Encouraging the use of SKF Energy Efficient bearings in conveyors that move mined material around mines. Several thousands of bearings are needed to support a single kilometre of the conveyor and use of Energy Efficiency Bearing leads to significant energy efficiency and reduced CO₂.
- ⇒ Upgrading to SKF Energy Efficient (E2) deep groove ball bearings in electric motors, pumps, fans and gearboxes leads to lower energy consumption.
- ⇒ Applying life cycle management approach to the energy-intensive cement manufacturing process with impressive results and reduced annual electric consumption.





For employees:

- By creating a fulfilling working environment where efforts are recognised, ideas valued and individual rights are respected.
- By imbuing the value culture where taking initiative is encouraged and where the responsibility for decision lies where the best knowledge is found.
- By offering safe and healthy working conditions which are non-discriminatory.
- By encouraging and providing a platform to continuously enhance skills and competencies to promote growth and satisfaction.
- By actively encouraging participation in imbuing the learning and principles of Six Sigma to consistently raise the bar of excellence.
- By encouraging the embracement and internalisation of SKF values and drivers to achieve not only business excellence but also overall professional growth.
- By conducting various systematic and sustainable participative communication forums (Employee Forums), promoting easy exchange of information, views, ideas, opinions with management and greater recognition.



For partners (Distributors & Suppliers):

- By delivering industry-leading, high value products, services and knowledge-engineered solutions.
- By adopting a policy of attentive openness—an open line of communication between employees, customers, suppliers, partners, and the larger community.

By embodying the SKF Bridge of Business Excellence, which also shapes SKF India's evolution towards excellence, in all our business processes, and includes building even more efficient bridges with suppliers and distributors.





SKF Care

SKF's management is actively encouraged to find ways and activities by which SKF and its employees can make a positive and lasting impact on the society and communities in which we operate. SKF Care is an initiative of the SKF group that includes four elements – Business care, Employee care, Environment care and Community care. SKF strongly believes in commitment to the four Care-areas especially Community Care.

Community care in SKF India

SKF India is committed to environmentally sustainable and socially responsible growth. The company aims to positively impact the people, products and communities that are a part of its ecosystem. The positive contributions typically come from involvement in projects and initiatives which aim at encouraging personal development for less privileged people, supporting education and vocational training, supporting local sports and health initiatives and stimulating other voluntary work.

SKF India strives to create a positive change to the communities it is involved with and make a meaningful difference in the life of individuals. In its endeavour, SKF works closely with underprivileged children with the ultimate goal of bringing tangible and sustainable development in their lives.

- Through its philanthropic outreach programme, SKF India and its committed pool of employee volunteers continues to support Nachiket Balgram-an orphanage that provides educational facilities to children. Through this support mechanism, the company aims to improve, guide and inspire the lives of underprivileged orphans.
- To improve the living condition of children and make a positive difference to their lives, the Company also supports 'Udyogdham'-another shelter for leprosy care patients as well as cured people which are one of the few organisations of its kind providing shelter and support to them.
- The SKF India Sports Academy supports underprivileged children and this academy provides a platform that allows them to constructively and productively channelise their energies. The SKF India Sports Academy continues to play an important role in shaping young minds and the ray of hope instilled through sports encourages more focus, discipline and pride in the children and the overall community. SKF has, over the years, partnered with the Gothia Cup, the world's largest youth football tournament for youth in the ages between 11 and 19. This one-week tournament, which also witnesses the participation of SKF India Sports Academy participants, takes place in Göteborg, Sweden in July every year with the aim to create a meeting place for young people around the world.



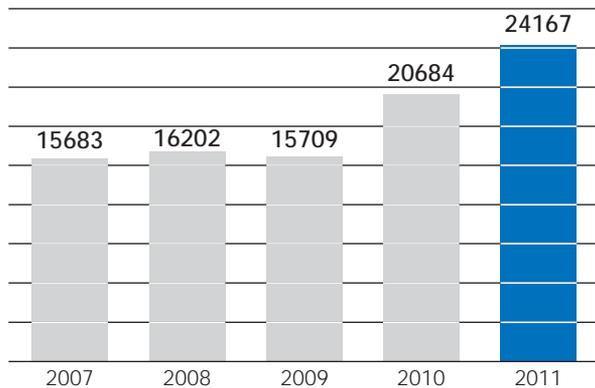
Financial Highlights

(` in million)

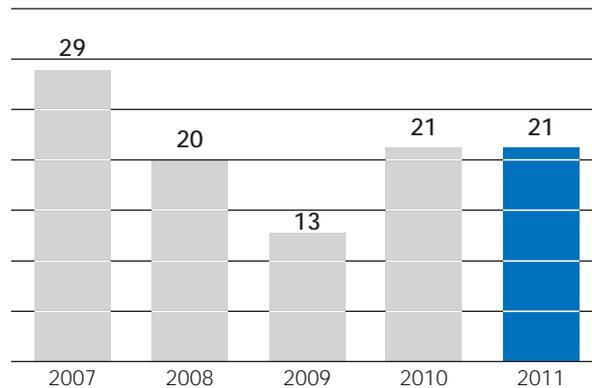
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Net Sales	24167	20684	15709	16202	15683	13425	7814	5813	4670	4072
Profit before Tax	3139	2661	1431	1944	2474	1531	1031	883	506	330
Profit after Tax	2085	1770	942	1277	1607	1020	641	566	322	204
Cash earning per Share (`)	47	40	23	30	36	24	17	18	13	11
Rate of Dividend (%)	75	70*	40	45	60	45	35	25	25	20
Gross Block	9262	8472	7693	7392	6697	6453	5889	5511	5429	5395
Net Block	3619	3193	2568	2387	1968	1842	1475	1238	1286	1459
Total Borrowings	-	0.1	1	2	2	1	2	65	463	889
Share Capital	527	527	527	527	527	527	527	453	453	453
Reserves & Surplus	9585	7960	6620	5924	4925	3695	2946	2112	1696	1513
Book Value per Share (`)	192	161	136	122	103	80	66	67	47	43
Shareholders' Nos.	23102	25969	27350	28474	24430	25811	24269	28545	28382	29875
Employees' Nos.	2194	2107	1915	2078	2069	2024	1963	1968	1960	2038

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

Sales (₹ in million)

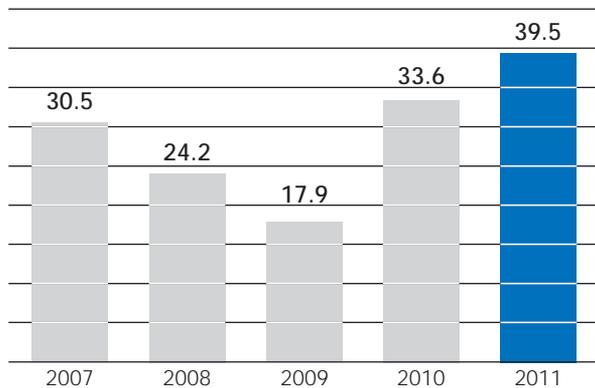


RONW (%)

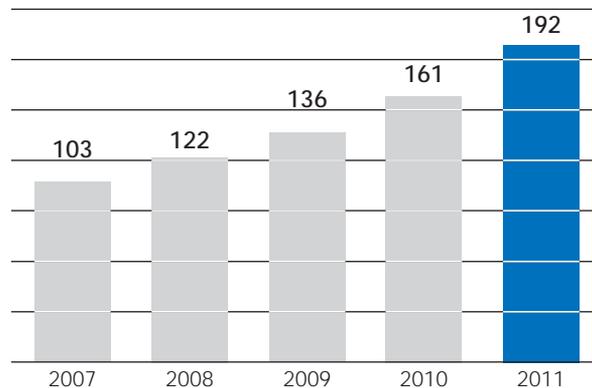


RONW = Profit after Tax / Shareholders' Funds

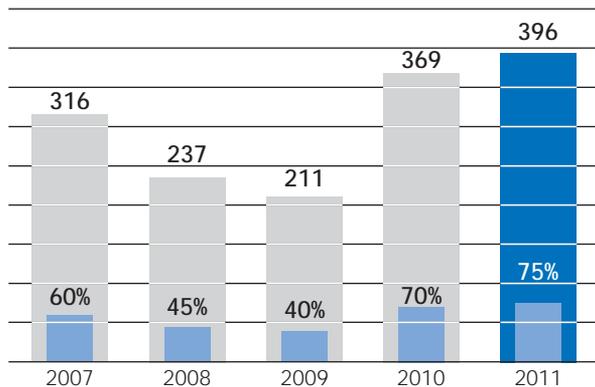
Earning per share (₹)



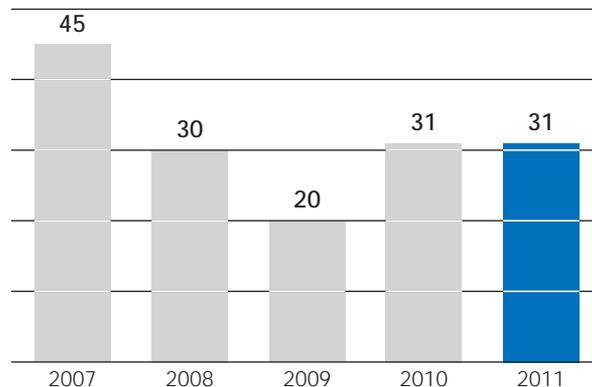
Book value (₹ per share)



Dividend (₹ in million)



ROCE (%)



ROCE = Profit before Tax / Capital Employed

Notice

NOTICE IS HEREBY GIVEN that the Fifty First Annual General Meeting of the Members of SKF India Limited will be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2nd Floor, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400 001 on Tuesday, April 17, 2012 at 3.30 p.m to transact the following business :

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at December 31, 2011 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend on Equity Shares for the year ended December 31, 2011.
3. To appoint a Director in place of Mr. K.C. Mehra who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. V. Vartanian who retires by rotation and being eligible offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT M/s. B S R & Associates, Chartered Accountants, (Firm’s Registration Number 116231W with the ICAI) the retiring Auditors of the Company be and are hereby reappointed as Statutory Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting, until the conclusion of the next Annual General Meeting of the Company and that the Audit Committee / Board of Directors of the Company be and are hereby authorised to fix their remuneration.”

Special Business

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

“RESOLVED THAT Mr. Prasad R. Menon, who was appointed as a Director of the Company effective 8th March, 2011 in the casual vacancy caused by resignation of Mr. N. J. Jhaveri and who holds office upto the date of this Annual General Meeting under Section 262 of the Companies Act, 1956, and being eligible, offers himself for re-appointment and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956 from a member of the Company signifying his intention to propose Mr. Menon as a candidate for the office of the Director, be and is hereby appointed as a Director of the Company, whose term of office shall be liable to determination by retirement of Directors by rotation.”

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

“RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956, the existing Article 63(1) in the Articles of Association of the Company be and is hereby substituted by the following new Article 63(1).

63 (1) Notwithstanding anything contained in these Articles and in pursuance of Sections 77A, 77AA and 77B of the Act, the Company may, when and if thought fit, buy-back such of the Company’s own shares or other securities as it may consider appropriate subject to such limits, restrictions, terms and conditions, and approvals as may be required under the provisions of the Act.”

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval of members be and is hereby accorded for the revision in the terms of remuneration of Mr. Shishir Joshipura, the Managing Director of the Company with effect from 1st January, 2012, as set out hereunder:

House Rent Allowance:

In case Mr. Joshipura does not opt for the Company provided accommodation, he shall be paid monthly house rent allowance of a sum of Rs 75,000/-.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to alter, increase and vary the remuneration and perquisites including aforesaid house rent allowance provided that the total remuneration by way of salary and perquisites and other allowances shall be within the maximum limits as laid down under Sections 198, 309 and all other applicable provisions, if any, of the Act, read with Schedule XIII of the Act as amended from time to time.”

“RESLOVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, matters, deeds and things as are usual or expedient to implement this resolution.”

Notes

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Instrument appointing a proxy should however be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

2. The relevant Explanatory Statement as required by Section 173 of the Companies Act, 1956 in respect of Item Nos. 6, 7 and 8 of the Notice is annexed hereto.
3. Particulars of the Directors being appointed / reappointed as required under Clause 49 of the Listing Agreement are provided in the report on Corporate Governance.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, April 10, 2012 to Tuesday, April 17, 2012, both days inclusive, for the purpose of payment of dividend, if declared at the Annual General Meeting.
5. The dividend on equity shares, as recommended by the Board of Directors, if declared at Annual General Meeting, will be paid:
 - (i) in respect of shares held in physical form to those shareholders whose names stand on the Register of Members of the Company after giving effect to all valid transfer deeds in physical form lodged with the Company on or before April 09, 2012; and
 - (ii) in respect of shares held in the dematerialized form to those deemed members whose names appear in the statements as furnished by the depositories for this purpose as at the end of the business hours on April 09, 2012.
6. Members may please note that the dividend warrants will be payable at par at the designated branches of the bank printed on the reverse of the dividend warrant for an initial period of 3 months only. Thereafter, the dividend warrant should be surrendered for renewal at the office of the Company's Registrars & Share Transfer Agent, M/s. TSR Darashaw Limited. Members are, therefore, advised to encash dividend warrants within the initial validity period.
7. Beneficial Owners of shares in demat form are advised to get particulars of their Bank account updated with the Depository Participant (DP) as in terms of SEBI Guidelines and the regulations of NSDL & CDSL, their Bank Account details, as furnished to the DP, will be printed on their dividend warrants. The Company will not entertain requests for change of such bank details printed on their dividend warrants.
8. The amount outstanding in unpaid dividend account in respect of financial year 2005 will be transferred to the 'Investor Education and Protection Fund' maintained with the Central Government after the end of seven years from the date the said dividend was transferred to unpaid dividend account.
9. The Ministry of Corporate Affairs has introduced a 'Green Initiative in Corporate Governance' by allowing paperless compliances by companies. It has issued circulars stating that documents including Annual Report can be sent by e:mail to its shareholders. Your Company welcomes this green initiative for paperless communication, which is in line with its focus on eco friendly and sustainable products and services.

To support this green initiative in full measure, shareholders who have not registered their e-mail addresses, so far, are requested to do so in respect of electronic holdings with the Depository through their concerned Participants. Shareholders who hold shares in physical form are requested to fill and send the "Email Registration Form" to the Company which is available on SKF India's website www.skfindia.com under 'Newsroom' sections Green Initiative in Corporate Governance page or its Registrar & Transfer Agent, M/s.TSR Darashaw Limited, 6-10 Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400011. The Company has already sent a separate communication to its shareholders in this regard in the month of December, 2011.

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 5, 2012

Annexure to the Notice

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

Item No.6

At the meeting of the Board of Directors of the Company held on 8th March, 2011 the Board appointed Mr. Prasad R. Menon as a Director of the Company in the casual vacancy caused by the resignation of Mr. N. J. Jhaveri effective from 8th March, 2011.

Mr. Prasad R. Menon will hold office of Director up to the date of the ensuing Annual General Meeting of the Company and is eligible for appointment.

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

The Directors recommend the Resolution at item 6 of the accompanying notice for Member's approval.

No Director other than Mr. Menon is concerned or interested in this resolution.

Item No. 7

Sections 77A, 77AA and 77B inserted by the Companies (Amendment) Act, 1999 provides for purchase/buy-back of shares if the buy back is authorized by its Articles and subject to compliance of the provisions contained therein. It is therefore proposed to make an enabling provision in the Articles of Association of the Company by substituting existing Article 63 (1) by new Article 63(1) in the Articles of Association of the Company.

A special resolution is therefore proposed under Section 31 of the Companies Act, 1956 at item 7 of the accompanying notice to alter Article 63 of the Articles of Association of the Company.

Articles of Association of the Company are available for inspection to the shareholders of the Company on all working days at its Registered Office between 11 a.m. and 2 p.m. up to the date of the meeting.

The Directors of the Company may be treated as concerned or interested in the said resolution to the extent of the shares held by them in the Company.

Item No. 8.

The Remuneration Committee and the Board of Directors at their meetings held on 22nd February, 2012 and 23rd February, 2012 respectively approved the revised terms of remuneration of Mr. Joshipura, Managing Director of the Company with effect from 1st January, 2012 for the remainder of the tenure of the contract up to 30th November, 2014.

The Managing Director as per members resolution approved earlier on 23rd April, 2010 was entitled for Semi furnished four Bedroom accommodation in accordance with the Company Policy. It is now proposed that house rent allowance in lieu thereof be provided in case such accommodation is not availed of by him. All other terms and conditions relating to the appointment of Mr. Joshipura as Managing Director shall remain unchanged.

Copies of the Agreement dated December 1, 2009 and of the supplementary agreement dated 5th March, 2012 entered into between Mr. Joshipura and the Company are available at the Registered office of the Company for inspection on any working day (except Saturday) during the normal working hours of the Company.

This may be treated as an abstract of the terms of the supplemental agreement between the Company and Mr. Joshipura for revision in his remuneration pursuant to Section 302 of the Act.

No Director other than Mr. Joshipura is interested or deemed to be interested in this resolution.

By Order of the Board
SKF India Limited

P. Bhandari
Company Secretary

Registered Office :
Mahatma Gandhi Memorial Building,
Netaji Subhash Road,
Mumbai 400 002.
Date: March 5, 2012

Directors' Report

To the Members,

The Directors of your Company are pleased to present the 51st Annual Report, with the statement of the audited accounts for the financial year that ended on 31st December, 2011.

Financial Results

	Year ended Dec 31, 2011 ₹ in million	Year ended Dec 31, 2010 ₹ in million
Net Sales & Services	24,167.2	20,684.1
Other Income	378.4	288.1
Total Income	24,545.6	20,972.2
Operating Expenditure	21,360.2	18,177.9
Depreciation	385.2	333.4
Financial (Net)	(339.0)	(199.8)
Profit Before Tax	3,139.2	2,660.7
Provision for taxation	1,054.3	890.5
Profit After Tax	2,084.9	1,770.2
Balance brought forward from last year	4,180.0	3,840.2
Profit available for appropriation	6,264.9	5,610.4
The appropriations are as follows:		
Proposed dividend on Equity Shares	395.5	369.1
Tax on Proposed dividend	64.1	61.3
Transfer to General Reserves (including compulsory transfer to Reserves required under Section 205(2A) of the Companies Act, 1956)	600.0	1,000.0
Leaving a balance of	5,205.3	4,180.0

Dividend

Your Directors are pleased to recommend a dividend of ₹ 7.5 per share (75%) for the year ended December 31, 2011 out of the current year's profit, as compared to ₹ 7.0 per share (including Golden Jubilee Special Dividend of Re 1 per share), for the preceding year ended December 31, 2010. 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 as compared to ₹ 369.1 million for the previous year. This would involve a cash outflow of

₹ 459.6 million including tax on dividend. The Dividend will be paid to those shareholders whose names appear on the Register of Members of the Company after giving effect to all valid share transfers lodged with the share transfer agent on or before April 10, 2012 and to those whose names appear as beneficial owners in the records of National Securities Depository Limited and Central Depository Services (India) Limited as on said date.

Operations

The year 2011 was a challenging year for the economy. While the first half of the year witnessed signs of robust growth, the second half of the year witnessed a slowdown due to global economic uncertainties. The rising input costs, rupee depreciation and high interest rates put pressure on margins. Under these circumstances, your Company recorded a positive performance for the year. The growth was spread across the segments of the economy enabling the company to achieve higher Sales of 17 per cent during the year as compared to the previous year. The Company has earned a Profit after Tax of ₹ 2,084.9 million for the year, as compared to ₹ 1,770.2 million for the previous year, recording an increase of 18 per cent.

We continued to invest in additional capacity with two new bearing channels at the Bengaluru plant and more capacity expansion is planned at the Pune factory in the current year. The Haridwar plant which was set up in 2010 continues to ramp up its efficiency.

Overall during the year, with a strong focus on customer engagement, new products and customer specific solutions, cost control and effective resource management, your Company continues to enhance value for its stakeholders. As the economy went through testing times, your Company renewed its focus on 3C (Customer, Cost and Cash) with even more vigour.

Your Company will continue its investment plans in accordance with the economy's medium and long term growth outlook and will continue to focus on providing value added and efficient solutions to customers to support their growth plans.

Your Company will continue to bring innovation to the core of everything it does to capture growth opportunities. SKF India will continue to leverage its world class manufacturing and learning infrastructure for the benefit of its customers to maintain its position as the market leader.

Liquidity

Your Company continues to remain debt-free and maintains sufficient cash to meet strategic objectives. There are no long-term borrowings. During 2011, internal cash flows have covered working capital requirements, investments and dividend payments. The Balance Sheet remained strong with cash and liquid investments of ₹ 2,244 million.

Sustainability And Safety

The guiding philosophy for growth at SKF is based on the principle of 'SKF Care'. Safety at workplace is high priority at SKF. SKF strives to drive its business based on sustainability and safe operations. SKF business decisions are guided by the principles of SKF care which includes Business care, Environmental care, Employee care and Community care.

SKF products are subject to regular audits as well as numerous laboratory and field tests, meeting various industries standards to provide optimal product performance. Safety information and procedures in handling SKF's products are detailed and documented in various ways which are provided to customers not only for safety reasons but also for achieving higher efficiency.

SKF's 'Beyond Zero' programme, describes SKF's overall commitment towards environment sustainability. It consists of two simultaneous approaches: first to reduce the negative environmental impact resulting from your Company's operations and secondly to innovate and offer new technologies, products and services that provide customers with enhanced environmental performance.

Awards / Recognition

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

- Dun & Bradstreet – Rolta Corporate Awards 2010 as the “Best Company in the Bearings sector” for the consecutive fifth year.
- Best Supplier Award for 2 Wheeler Business from Lucas TVS Limited. Quality and Delivery Award from Honda Motorcycles and Scooters India Limited (HMSI). HMSI conferred 'Valuable Support and Contribution Award' to SKF India during the year.
- Bosch, India conferred SKF with a Certificate of Appreciation on “Best co-operation extended towards Quality”.
- Supplier of the Year (Silver) Award for overall Excellence and Best Performance in Warranty improvement from Maruti Suzuki India Limited

These awards which are widely respected across the industry were possible mainly due to the persistent support from your Company's patrons and all other stakeholders. With their support, your Company was able to consolidate its leadership position, and continue to offer innovative solutions, delivering high value for its customers by leveraging the power of knowledge engineering.

Corporate Social Responsibility (CSR)

As responsible corporate citizens, we have always endeavored to make contribution towards betterment of society in and around

the areas of your Company's operation. Your Company's CSR initiatives are aimed at helping the surrounding communities become self-reliant.

All the CSR activities are determined by the concept of 'meaningful change in lives,' where your Company constantly endeavors to improve the quality of life of the communities where it operates. Your Company's CSR activities are conceived to bridge gaps in society and help transform communities around its workplace. 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.

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, 2011 and of the profit or loss of the Company for the year ended on that date;
3. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that the Directors have prepared the annual accounts on a going concern basis.

Energy Conservation, Technology Absorption And Foreign Exchange Earnings And Outgo

The information relating to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo as required to be disclosed under section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out as an annexure forming part of this Report.

Corporate Governance

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

Your Company is committed to transparency in all its dealings and places high emphasis on business ethics. Certificate from CEO/CFO, inter alia, confirming the correctness of the financial

statements, compliance with Company's Code of Conduct, adequacy of the Internal Control measures and reporting of matters to the Audit Committee in terms of Clause 49 of the Listing Agreement with the Stock Exchanges, is also enclosed as a part of the Annual Report.

Deposits

The Company discontinued accepting fixed deposits from Public and Shareholders in the year 2001. No amount of Principal or interest was outstanding as at December 31, 2011.

Pursuant to Section 205C of the Companies Act, 1956 an amount of ₹ 0.095 million lying as deposits and an amount of ₹ 0.00056 million towards interest on fixed deposits which remained matured and unclaimed for a period of seven years from the date they became due for payment have been transferred to Investor Education and Protection Fund set up by the Central Government.

Personnel

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

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

Directors

Mr. N. J. Jhaveri resigned as Director of the Company with effect from March 5, 2011. The Board places on record its gratitude for the valuable services rendered and guidance provided by Mr. Jhaveri during his tenure with your Company. Mr. Prasad. R. Menon is appointed as Director to fill in the casual vacancy caused by resignation of Mr. Jhaveri with effect from March 08, 2011.

In accordance with the requirements of the Companies Act, 1956 and the Company's Articles of Association, Mr. K. C. Mehra, Mr. V. Vartanian and Mr. P. R. Menon (who has been appointed

to fill up the casual vacancy caused by resignation of Mr. N. J. Jhaveri and who holds office upto the date of this Annual General Meeting) retire by rotation and being eligible have offered themselves for re-appointment.

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

Auditors

M/s. B S R & Associates, Chartered Accountants, who are the Statutory Auditors of the Company, continue to hold office until the conclusion of 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 2011. The Cost Audit is under process and the Company will submit the Cost Auditors' report to the Central Government in time.

Acknowledgement

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

For and on behalf of the Board
SKF India Limited

K C Mehra
Chairman

Bengaluru, February 23, 2012

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, 2011

Disclosures

A. Conservation of Energy :

Pune Plant

- Various projects focusing on Electrical and Mechanical utilities for better energy management were undertaken during the year. The annual saving in electrical energy consumption arising out of these projects is around rupees five million.
- Improvement & maintaining power factor
 - Maintained overall power factor of the factory to 0.996 in more consistent manner month over month.
 - During the year discount availed from State Electricity Board was 24 % higher than previous year.
- Energy measurement & audits
 - Compressor air flow and electrical consumption study was carried out.
 - Cooling tower energy audit was completed to further find the scope for energy saving.
- Implementation
 - UPS optimization carried out. This has resulted in eliminating 2 nos. of 10KVA UPS permanently.
 - Main compressor header pressure reduced from 77 PSI to 75 PSI to reduce electrical energy usage.
 - Compressed air utilization for coolant tanks to avoid bacteria formation was optimized from 6 bar to 1 bar.

Bengaluru Plant

Various energy conservation initiatives taken during the year resulted into saving of more than rupees two million.

- Compressed air
 - Prevention of air leaks and focus on use of low pressure air and monitoring and maintaining specific energy consumption of compressors resulted in conservation of energy.
- Heating, Ventilation and Air Conditioning
 - Efficiency improvement of PHEs & cooling towers and enhanced monitoring system has helped to reduce energy consumption.

- Production channels
 - Installation of energy efficient motors for cooling pump for hydraulic power packs, stopping of spindle motors during non-production hours, optimization of pressure and flow of hydraulic power packs, flexlink motor controller helped in achieving energy saving.
- Electrical power system
 - Regulation of power factor control by installation of auto correction panel and also by fixed value capacitors resulted in improved power factor.

Haridwar Plant

- The new built up plant was constructed as a green building based on LEED/IGBC guidelines insulated with high efficiency glass wool blankets and BlueScope metal building technology which resulted in substantial saving of energy.
- Lighting
 - Energy efficient T5 rated light fittings having high luminous flux installed all over the plant for attaining requisite illumination with low Lighting Power Density of 6.5 Watts/SqM against conventional 10 to 11 Watts/SqM.
- Power Factor(PF)
 - 800 kVAR Capacitors bank has been installed to achieve reduction of energy losses in transmission to inductive loads and improvement in voltage.
- Compressed Air
 - Reduction in compressed air consumption is achieved by regulating air flow to drying chamber of Bearing washing unit on demand as against designed continuous flow. Another initiative of reducing main header pressure from 6.5 to 5.5 bar was carried out to reduce energy consumption.

Additional Proposal of Activities

- Implementation of energy saving projects in the areas of Compressed air systems, pumps and cooling towers.
- Replacement of old CPT compressor with screw type/ Centrifugal compressor.
- Replacement of old electrical induction motors with new energy efficient series IE3.
- Upgradation of old chilling system to new energy efficient system.

B. Technology Absorption :

- The Company has been consistently supported by its Parent Company, Aktiebolaget SKF (AB SKF) in keeping updated on technology developments. The Company receives technical know-how from AB SKF on continuous basis. This has been used extensively in wide range of products giving competitive edge in the market.
- Pune Plant
 - New MDGBB channel and Grinding machines installation is in progress and expected to be completed in the first half of the next year.
- Bengaluru Plant
 - Technical modifications on Grinding and Assembly machines resulted in efficiency and capacity improvement of the channels.
 - The bearing product range has been extended for higher outer diameter during this year.
 - New channel commissioning completed which is flexible to handle more than one type of bearing, another channel commissioned last year modified to produce multiple types of bearings

- Haridwar Plant
 - New bearing variants of different range have been developed.
 - 3 new bearing types have been launched.
 - Ramp-up of Haridwar plant is under progress with the production volume reaching more than seventy per cent of the capacity.

C. Foreign Exchange Earnings And Outgo:

- Exports during the year were mainly for automotive customers. The Company continued to explore new businesses for overseas market. The addition of new customers has resulted into higher growth in export sales by over 20%.
- The information on foreign exchange earnings and outgo is contained in Schedule XIII paras 13 to 16 of the Accounts.

For and on behalf of the Board
SKF India Limited

K.C. Mehra
Chairman

CEO/CFO Certificate

We hereby certify that -

- (a) We have reviewed financial statements and the cash flow statement for the year ended December 31, 2011 and that to the best of our knowledge and belief;
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the Auditors and the Audit

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

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

Shishir Joshipura
Managing Director/CEO

Chandramowli Srinivasan
Finance Director/CFO

Mumbai, February 17, 2012

Management Discussion and Analysis

Industry Structure and Development

After a period of sustained high growth rates, 2011 witnessed a moderation in the Indian economy. The challenges posed by continued high inflation and accompanying high interest rates coupled with global economic and political changes took a short term toll on growth in the economy in general. While the long term outlook of the economy remains positive there are clear challenges in the immediate short term.

The Indian bearing market is estimated to be around ` 75 billion, which is expected to grow in line with the growth in the economy. Traditionally, the Indian bearing industry can be broadly divided into automotive and industrial segments. Both these segments can be further divided into OEMs (Original Equipment Manufacturers) and Replacement market (After market).

The automotive market comprising of two wheelers, cars commercial vehicles and tractors, is catered to mainly by taper roller bearings, deep groove ball bearings and hub bearing units. The industrial market includes a wide range of applications in the demanding and challenging operating environments of segments such as off highway vehicles, industrial drives, energy, railways, metal, mining, pulp & paper and cement to name a few and are catered to by spherical roller bearings, cylindrical roller bearings, slewing bearings, etc.

Owing to changing market dynamics, the demand for efficient and integrated solutions continues to witness a steady rise. Customers are looking for achieving higher energy and resource efficiency, improved productivity, minimised maintenance and optimised design for long life and reliability of products and machinery.

Your Company's expertise drawn from parent company's Global knowledge base built over last 100 years combined with its evolving local expertise helps design unique solutions to meet the emerging market needs.

This knowledge combined across five core technology platforms of Bearings and units, Seals, Lubrication Systems, Mechatronics and Services has helped the Company to establish itself as a market leader. Through these five areas of competence and application specific expertise, SKF India brings innovative solutions to various applications in every major industry.

Opportunities

The industry is expected to grow in the coming years, aided by demand from the user industries like automobile and industrial machinery. Further, the replacement demand from both the segments too will augur well for the bearings industry.

Automotive sector

The Indian automotive industry has grown at a healthy pace over the last decade. Going forward, the long term potential for growth of the automotive industry is reasonably good, given the low vehicle penetration in India. More stringent emission norms are likely to set in by 2015 for two-wheeler manufacturers and the resultant changes will call for energy efficient and unitised solutions.

India's favourable demographics with its young population, rising salaries and low penetration of four wheelers make it a key market for global players.

Coupled with improving highway and road networks and the advent of global commercial vehicle players, high-end commercial vehicles are gaining entry into the transport sector. The rural road network development is giving rise to a new delivery model of hub and spoke leading to growth of light commercial vehicle segment. Farm mechanisation and increase in haulage capacity is giving rise to growth in tractor industry.

Industrial sector

The Indian economy has inherent strengths due to strong domestic consumption. India is planning to invest nearly ` 45,000 crores to develop infrastructure during the 12th Plan period compared to ` 15,000 crores during the 11th plan period. The scale and size of this plan is unprecedented in the country and will lead to continued demand for many core sectors such as steel and cement.

Power continues to be another thrust area with the Central Government setting a target of creating 1,00,000 MW capacity in next five years. The government's commitment to a low carbon intensity energy for the country will give rise to opportunities in the renewable energy segment.

The growth in the manufacturing sector has a direct impact on the growth of the bearing industry. All segments of process industries - be it Metal, Paper, Sugar, Mining, Cement, Petroleum, Power, Transport, Agriculture or Wind are poised for rapid growth. Rail Transport is being modernised, establishment of New Power Generation capacities is the top priority for the government.

The sectors that are likely to drive growth are power generation, roads and ports. Indian Railways has on the anvil plans to complete work on the Western and Eastern Freight Corridors in the 12th Plan. To improve the transport facilities in urban areas, Metro railways have been planned through the Public Private Partnership (PPP) model. The construction equipment industry is also expected to witness continued growth due to the high thrust on infrastructure.



The Indian automotive industry has grown at a healthy pace over the last decade. Going forward, the long term potential for growth of the automotive industry is reasonably good, given the low vehicle penetration in India.

As your Company moves ahead, challenges and opportunities will unfold. SKF India Ltd. is well poised to counter the challenges and leverage the opportunities, backed by the global knowledge, five platform offerings, market leadership, financial strength, strong management and leadership.

Threats

Steel and steel alloy constitute single largest component of bearing cost and is the basic material for the manufacture of bearings. Our principal commodity - steel is influenced by global commodity prices which in turn is influenced by global demand and economic scenario. Volatility in the domestic steel prices has increased considerably in recent times due to shortage of iron ore caused by the restrictions imposed on the mining activities.

The automotive sector is very sensitive to interest rates. Demand in the automobile sector is closely related to the interest rates. The prevailing high interest rate regime coupled with steadily increasing fuel prices may pose a short term challenge for growth of the sector.

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

Infrastructure development is a critical enabler to economic growth. The inability to rapidly expand the basic physical infrastructure like road network and power could cripple economic growth momentum. Rapid pace of urbanisation, if not supported by the development and expansion of infrastructure and urban amenities could pose a challenge.

Issues pertaining to fuel linkages, land acquisition and environmental clearances have delayed several large power projects and has led to suboptimal operations for existing power plants.

SKF India is constantly working to mitigate the risks posed by these external threats. SKF works continuously with its suppliers and uses global purchasing power to reduce input cost. Your Company continuously updates its knowledge, quality levels and product development capabilities to design and manufacture the next generation of products. SKF India actively assists local law enforcement authorities in taking action against counterfeiters. Continuous communication activities towards customers and distributors are undertaken to spread the knowledge about the counterfeit products and their adverse impact.

Outlook

Though industrial growth has moderated over the last year, we believe that the underlying fundamentals of the Indian economy remain strong and subject to positive development on policy reforms and favourable development on key indices of inflation and interest rates, strong domestic demand will put growth back on track.

The Planning Commission has set a target for an average 9% growth during the 12th Five-Year Plan (2012-2017) period. The Commission has listed out a clutch of reform measures required in critical areas of the economy to achieve the growth target. India's exports are predominantly primary or low-value added products. This situation is expected to change rapidly as the share of engineering goods will increase in the export basket with intermediates increasingly being manufactured in India. Share of manufacturing in GDP is expected to increase from 16% to 25% over a decade with the government betting on the sector to power economic expansion and to create employment. The next leap in the growth story is expected to be led by manufacturing, which will become the growth engine of the economy.

However, it is imperative to clearly identify the structural constraints in all the sectors particularly in the power and infrastructure. There will be continued focus on low carbon intensity energy generation which will give a thrust to renewable power. Renewable power has been an interesting story for India as all the major manufacturers have set up their base in the country. This sector is one of the major users of bearing and related products.

The growth of manufacturing sector in India will be based on skill-based manufacturing and technology will be a key enabler for growth in the years to come. Companies need to invest in technology, drive innovation to cut cost and increase efficiency. India's ability to develop its indigenous research and development capabilities will play an important role in achieving competitiveness on a global scale.



Share of manufacturing in GDP is expected to increase from 16% to 25% over a decade with the government betting on the sector to power economic expansion and to create employment.

Risk and Concerns

All businesses and operations are subject to a variety of risks and uncertainties. Such risks are the result of both, the business environment in which an organisation operates and external factors over which an organisation has little control. These risks can be categorised as operational, financial, environmental, health and safety, regulatory and strategic risks.

SKF India has well documented and practised risk management policies that act as effective tools in minimising the various risks that our businesses are exposed to. Risks are identified through a formal risk management programme. Likelihood of occurrence

of each significant risk and its impact in case a risk materialises is measured and each risk is assigned an 'owner'. A risk register and matrix is maintained, which is regularly updated. The risk management process is co-ordinated by a risk manager and is reviewed by the Board.

SKF India's assets are adequately insured against major risks. Your Company accords very high priority to safety, health and environment, Safety measures are regularly monitored and reviewed at all levels.

Internal Control Systems and their Adequacy

Your Company has a sound system of internal controls for financial reporting of various transactions, efficiency of operations and compliance with relevant laws and regulations. Your Company has an internal audit function and internal audits are carried out by internal resources as well as by external audit firms. The internal audit function is manned by qualified and experienced personnel.

Your Company's internal control system provides well documented policies / guidelines, authorisations and approval procedures. In line with the SKF Group policy, your Company has framed the SKF Internal Control Standard (SICS) wherein each process and control has been described with clear responsibility and authority. The standards are designed to provide a reasonable minimum assurance regarding safeguarding of assets and reliability of operating and financial information. As part of the effort to evaluate the effectiveness of the internal control systems, the internal audit department reviews the control measures on a periodic basis and recommends improvements, wherever appropriate.

The audit process and audit plan cover the key risks identified through the risk management programme. Periodic audits at all locations based on the plan approved by the Audit Committee are carried out. The Audit Committee regularly reviews the audit findings as well as the adequacy and effectiveness of the internal control measures. Based on their recommendations, your Company has implemented a number of control measures both in operational and accounting related areas. All significant audit observations and follow-up actions thereon are regularly reported to the Audit Committee.

Financial and Segment Performance

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

The Indian economy in the year 2011 passed through two distinct phases - the first half of the year witnessed signs of robust

growth followed by a slowdown in the second half of the year due to economic uncertainties. The year commenced with hopes of over nine per cent economic growth but sharp deceleration seen on consumption and investment expenditure during the second half of the year prompted all estimates to project the growth rate of around 7% for the current fiscal year.

This trend was also seen in the case of the automotive and industrial sectors - the two major markets for the company's products. After witnessing spectacular growth in the last two years, the automotive sector saw growth slowing down particularly in the latter part of the year due to rise in fuel cost, continuously high inflation rates and high interest rates. The fall was witnessed across all the segments of automotive sector with passenger cars especially seeing a steep fall. The LCV and utility vehicle segments were less affected due to new launches while tractor industry was least affected.

Earlier in the year, the natural disaster that struck Japan affected normal production of Japanese car makers in India. Floods in Australia and restriction on mining activities in India during the year also had an escalating effect on certain commodity prices and led to an increase in cost of steel and power.

Industrial sector was hit by the slowing growth in investments resulting into manufacturing growth slipping to less than 4% from over 7% and construction segment a shade below 5% as compared to 8% over a year ago.



In spite of all these tough challenges on the macro economic front, SKF India reported improved performance. Your Company has earned a profit after tax of ₹ 2,084.9 million for the year, as compared to ₹ 1,770.2 million for the previous year, recording an increase of 18%. Sales revenue during the year at ₹ 24,167.2 million was 17% higher as compared to the previous year.

Your Company continued to invest in additional capacity with two new bearing channels at the Bengaluru factory. More capacity expansion is planned at the Pune factory during 2012. The

Haridwar factory which was set up in 2010 continues to ramp up its efficiency. Overall, during the year, with a strong focus on customer engagement, new products and customer specific solutions, cost control and effective resource management, SKF India continued to enhance value for all its stakeholders. As the economy went through testing times, your Company renewed its focus on the 3Cs (Customer, Cost and Cash) with even more vigour.

Going forward, with inflation in the country showing signs of declining, your Company expects the economy to recover its growth momentum in the second half of 2012 with the expected

easing of the interest rates by the RBI. However, with the uncertainties in the global economy still persisting, 2012 will be a challenging year that will need close monitoring and tremendous flexibility to adapt to changes that could be quite quick and big. SKF India is taking all steps to remain lean and flexible to manage and grow its business profitably even in this uncertain environment.

Your Company will continue to drive strategies that will be customer - centric to capture growth opportunities and will continue to focus on engineering solutions for its customers to maintain its position as the market leader. Your Company is confident that year 2012 will bring newer opportunities and is well positioned to leverage the same.

Human Resource

Your Company believes that people are the vital force of the organisation and encourages employees to come up with innovative ideas and projects to showcase their entrepreneurial skills. Your Company encourages a culture of ownership in everything it does and seeks to create an environment of fairness, transparency and mutual respect wherein the aspirations of employees and goals of the enterprise are aligned to achieve mutual benefit on a long term continual basis, thereby enabling us to be a preferred employer.

The Company is creating a culture of knowledge sharing with a major thrust on creating a learning organisation. Exploring all available learning opportunities is very crucial to the SKF mission of becoming a preferred company and with this view a higher education policy called 'SHIKSHAN' was launched during the year. SHIKSHAN aims to provide workmen category employees an opportunity to acquire knowledge and skills for personal growth and organisational effectiveness. A skill development centre, 'Kushal' has been launched in Pune during the year. The centre will incorporate comprehensive training programmes to create smooth transfer and enhancement of various skills and techniques for employees working in manufacturing operation.

With a view to equip the employees with tools for systematic problem - solving on a day to day basis and to make continuous improvement, programmes such as Six Sigma, 5S, TPM and IDEAS @ SKF are being applied for continuous improvement. In order to foster the culture of sharing ideas among the employees SKF has instituted awards for 'Innovative Idea' of the year. Programs on Leadership

Development are held to address the training needs of potential leaders of our organisation.

Your Company is constantly working towards making SKF a better place to work and towards that we have launched nationwide employee engagement programme that encourages all employees to come together on a common platform. Under this initiative, we have launched Large Scale Interactive Process and Employee forums in addition to our annual awards day, celebration of Women's day and many more such activities.

SKF was recognised with a number of accolades by various bodies and won many competitions throughout the year. Some of the notable achievements are - SKF was named as the Best Bearings Company by Dun & Bradstreet for the 5th consecutive year. Your Company stood first both in Six Sigma and Kaizen projects in the national Kaizen competition organised by CII. Indian National Suggestion Schemes Association, a National level apex body working towards promoting 'Suggestion Schemes' across the country for various industries, awarded four awards out of the total six categories, held during their 22nd National Level Convention. Your Company also received the Pune Divisional Productivity Council (PDPC) Excellence award under Productivity Improvement Project competition.

The year 2011 was another year of industrial harmony and peace. As at the end of the year, there were 2,194 employees on your Company's rolls.



Your Company continued to invest in additional capacity with two new bearing channels at the Bengaluru factory. More capacity expansion is planned at the Pune factory during 2012.

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

Bengaluru, February 23, 2012

Philosophy On Code Of Corporate Governance

Corporate Governance at SKF is a value-based framework to manage our Company affairs in a fair and transparent manner. Corporate Governance is the way by which companies demonstrate accountability to all of their stakeholders. Corporate Governance has evolved from being a mere compliance issue to an important element which delivers value to businesses which adopt the best governance practices.

Good Corporate Governance is not merely about transparency and accountability but also about commitment towards sustaining values and ethical business conduct. Your company's Corporate Governance is based on a philosophy of trusteeship, transparency, empowerment, accountability, consistency & ethical corporate behaviour. SKF believes that a high standard of Corporate Governance is key to ensure business success. SKF constantly review its systems and procedures to achieve the highest level of Corporate Governance in the overall interest of all the stakeholders. It has therefore, adopted practices mandated in listing agreement and established procedures and systems to be fully compliant with it.

The Corporate Governance Structure in the Company assigns responsibility and authority to Board of Directors, its committees and the executive management, senior management employees etc. The Company has three tiers of the governance pyramid:

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

Each of the tiers operates within the given parameters as per prevailing laws and regulations or the practices prevalent in the industry.

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

1. Group Structure

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

2. Board Of Directors

The Board provides leadership, strategic guidance, objective and independent view to the Company management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosures. The day to day business is conducted by the executives and the business heads of the Company under the direction of the Board led by the Chairman. The Chairman interacts with Non-Executive Directors to enable them to freely express their views on various matters concerning the business of the Company.

2.1 Composition

The composition of the Board is in conformity with Clause 49 of the Listing Agreement, as amended from time to time. In terms of the Articles of Association of the Company, the strength of the Board shall not be less than three nor more than thirteen. The Board consists of professionally competent members comprising of Managing Director, eight Non-Executive Directors of which three are Independent Non-Executive Directors.

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

As on year end, Board consists of nine members, including the Chairman who is a Non-Promoter, Non-Executive Independent Director. Board members are expected to rigorously prepare for, attend and participate in Board and committee meetings. The Board is responsible for the selection of new Directors.

All the Independent Directors of the Company furnish a declaration at the time of their appointment as also annually that they qualify the conditions of their being independent as laid down under clause 49. All such declarations are placed before the Board. One-third of the Directors who are liable to retire by rotation shall retire every year; and approval of the shareholders is sought for the re-appointment of such retiring members who are so eligible. The Managing Director is appointed by the shareholders for a maximum period of five years at a time, but is eligible for re-appointment upon completion of term.

The Board at its meeting held on 8th March, 2011 appointed Mr. Prasad R Menon as a Director, to fill the casual vacancy caused by the resignation of Mr. N.J. Jhaveri. Mr. N.J. Jhaveri who was on the Board of the Company has resigned from the Board with effect from 5th March, 2011 and the Board recorded its sincere appreciation for the excellent guidance, contribution and valuable services rendered by him during his tenure as a member.

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

Mr. K. C. Mehra

Mr. Mehra joined Tata Steel in 1962 and has held several positions of importance in his long career of almost 50 years. In 1975, he was appointed Resident Director, Tata Industries in Delhi, a position he held with distinction upto 1981.

Thereafter he was appointed as Director (operations) and subsequently Sr. Executive Director (operations) and Deputy Managing Director of Tata Steel.

Mr. Mehra was Chairman of Tata Robbins Frazer, Tata Davy /Tata Construction, The Indian Tube Company, Tata Stewarts & Llyods and Tata Projects. He was a member of the Joint Consultative Committee on steel and the Joint Bi-Partite Committee on Coal (JBCCI). He was also a Director of the UP State Minerals Development Corporation.

In 1997, he took charge of the Forbes Group of Companies and was the Deputy Chairman and Managing Director of Forbes Gokak Limited, for several years.

He is on the executive committees of ASSOCHAM, CII and several other professional organizations. He was appointed by the Government of India on the Government council of VV Giri, National Labour Institute.

Presently Mr. Mehra is the Chairman of SKF India Limited, Forbes International Services Limited, Director in Telco Construction Equipment Co. Limited, NexGen Publishing Limited and in Corporate Apparel USA Inc. Mr. Mehra is also Resident Director (Corporate) of the Shapoorji Pallonji Group, and President Commissioner on Board of Commissioners in P. T. Gokak Indonesia.

Mr. Mehra is also Chairman of the Audit Committee, member of the Remuneration Committee and Committee of Directors in Telco Construction Equipment Co., Limited, apart from member of Share Transfer / Investors' Grievance Redressal

Committee and Chairman of Remuneration Committee in SKF India Limited.

He has served as a member of Steering Committee for the 12th plan, for Science and Technology. He has also been appointed on the Board of Quality Council of India and is currently the Chairman of the National Board for Quality Promotion.

Mr. Mehra is also a keen sportsman and has held positions of eminence on several State and National Bodies.

Mr. Vartan Vartanian

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

Mr. Vartanian is associated with SKF Group since 1990 and during this period has 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. In 2008 Mr. Vartanian was appointed the President, SKF Service Division of Aktiebolaget SKF and a Member of the Group Management of AB SKF. Presently he is President of Business Area - Industrial Market - Regional Sales and Service.

Mr. Vartanian is also on the Board of SKF Eurotrade AB, SKF Norway, SKF Loziska, Prague, Endorsia.com International AB, SKF NV / SA, Belgium, SKF Asia Pacific Pte Limited, Singapore and SKF Australia Pty Limited, Australia.

Prasad R. Menon

Mr. P. R. Menon is a Chemical Engineer from IIT Kharagpur having more than 40 years of diverse experience in the premier multinational and Indian companies in the chemical and power industry. After working for 20 years with ICI Limited Mr. Menon joined Nagarjuna Fertilisers and Chemicals, later became Technical Director and Agri Business Sector Chief at the Nagarjuna Group.

In October 2000, Mr. Menon was appointed as Managing Director of Tata Chemicals Limited, subsequently in October 2006 was appointed as Managing Director of the Tata Power Company Limited.

Presently, Mr. Menon is on the Board of Tata Chemicals Limited, Tata Industries Limited, Tata Projects Limited, Tata

Corporate Governance Report (Continued)

Consulting Engineers Limited, Tata Ceramics Limited, Tata BP Solar India Limited, NELCO Limited and Axis Bank Limited.

Mr. Menon is the Chairman of Tata Quality Management Services, Tata Group Safety Committee and a member of other key Tata Group Committees, viz. Climate Change & Business Excellence. Mr. Menon is the member of the Advisor Council of IITB-Monash Research Academy, a Member of the Governing Council of Centre for Environment Education, Nehru Foundation for Development, and is also the first President of the Korea-India Business Association. Mr. Menon is on the Supervisory Board of the Sanmar Group.

Mr. Menon is member of Audit Committee in Tata Industries Limited and Tata BP Solar India Limited. Mr. Menon is also the Member of Audit Committee of the Company.

2.3 Conduct of Board proceedings

The Board meets at least once a quarter to review and discuss the performance of the Company, its future plans, strategies and other pertinent issues relating to the Company. The day to day business is conducted by the executives and the business heads of the Company under the direction of the Board led by the Chairman. Detailed agenda, management reports and other explanatory statements are circulated in advance amongst the members for facilitating meaningful, informed and focused decisions at the meeting. The Board has complete access to any information within the Company, and to any of our employees. .

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
- Review of Funds flow and investment of funds
- Review of Foreign exchange exposure and exchange rate movement, if material
- Appointment of auditor including cost auditor
- Review of Information on recruitment and remuneration of key executives below the Board level
- Assess critical risks faced by the Company and review options for their mitigation;

- Approve sale of investments, assets which are not in the normal course of business
- Review of contracts in which directors 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
- Delegation of appropriate authority to the senior executives of the Company for effective Management of operation
- Matters requiring statutory / board approvals

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

2.4 Board Meetings

During the year under review, five Board meetings were held on 23rd February; 8th March, 3rd May, 19th July and 1st November, 2011. Most Board meetings are held at the registered office of the company. The meeting dates for the entire financial year are scheduled in the beginning of the year and an annual calendar of meetings of the Board and its committees is circulated to the Directors. This enables the Directors to plan and facilitates attendance at the meetings of the Board and its committees.

2.5 Attendance & other Directorships

As mandated by the Companies Act, 1956 and Clause 49 of the Listing Agreement, none of the Directors are Directors of more than 15 Companies, members of more than 10 Committees and Chairman of more than 5 Committees in which they are member. Each Director informs the Company about the Board, Committee positions he occupies in other companies including Chairmanship and notifies changes during the term of their directorship in the Company. The Company facilitates participation in the deliberations of the Board by Directors who are unable to attend any meeting of the Board through teleconference, subject to their accessibility and availability.

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

Name of Director	No. of Board Meetings attended	Attendance at the last Annual General Meeting	Directorship in other companies (other than SKF India)	No. of Committees in which Chairman/ Member (other than SKF India) (Refer Note d)	
				Member	Chairman
Non-Executive Independent					
Mr. K. C. Mehra Chairman	5	Yes	3	1	1
Mr. D. C. Shroff	5	Yes	6	3	2
Mr. N. J. Jhaveri (Resigned w.e.f. 05.03.2011)	1	N.A.	-	-	-
Mr. P. R. Menon (Appointed w.e.f. 08.03.2011)	2	Yes	8	2	-
Non-Executive non Independent					
Mr. T. Sthen	3	Yes	-	-	-
Mr. H. Lange	2	Yes	-	-	-
Mr.V. Vartanian	2	Yes	-	-	-
Mr.T. Bertilsson	3	Yes	-	-	-
Mr. R. Makhija	4	Yes	-	-	-
Executive					
Mr. S. Joshipura Managing Director	5	Yes	2	-	-

- Notes: a. This excludes alternate directorships / directorships of private limited companies and foreign companies wherever applicable.
b. None of the directors is related to any other director.
c. None of the directors has received any loans and advances from the Company.
d. Audit and Share Transfer/ Investors' Grievance Redressal Committees only.
e. Apart from the above attendance, Mr. H Lange participated in one Board Meeting through teleconference during the year.

2.6 Country Management Team (CMT):

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

3. Audit Committee

The Audit Committee presently comprises of three Non-Executive Independent Directors and the Managing Director. All the members of the Committee are well versed with finance & accounts / legal matters and general business practices and Mr. Mehra has accounting & financial management expertise. Mr. Chandramowli Srinivasan, Finance Director represents as Head of Finance function and the Company Secretary of the Company acts as the Secretary of the Audit Committee. The statutory auditor and internal auditor's representatives are permanent invitees to all Audit Committee meetings. The cost auditor is invited to meetings whenever matters relating to cost audit have to be considered. The Committee is empowered to seek any information it requires from any employee or to obtain legal or other independent professional advice when considered necessary.

Corporate Governance Report (Continued)

During the year, Mr. N. J. Jhaveri resigned as a member of the Committee. Mr. P.R. Menon was inducted as a Member of the Audit Committee effective from November 2, 2011.

3.1 Scope of Audit Committee

The primary objective of the Audit Committee is to monitor and provide effective supervision of the Management's financial reporting process to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting. The committee discussed with management and auditors the financial statements, the rationality of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee inter alia advises the management on the areas where systems, processes, measures for controlling and monitoring revenue assurance and internal audit can be improved.

The terms of reference of the audit committee are in accordance with clause 49(II) of the Listing Agreement entered into with the relevant Stock Exchanges and 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's 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
- Discussion with auditors, any significant findings and follow up there on;
- Recommending the appointment of statutory auditor and their fees;

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

3.2 Meetings and attendance

During the year under review four meetings of the Audit Committee were held on 23rd February, 2nd May, 19th July and 1st November, 2011. The minutes of the Audit committee are placed before the Board of Directors. The constitution of Audit Committee also meets with the requirements under Section 292A of the Companies Act, 1956. The composition of the Audit Committee and the details of meetings attended by the members thereof are as follows:

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

* up to 05.03.2011

** effective from 02.11.2011.

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

4. Remuneration Committee

The Remuneration Committee of the Board is constituted to formulate and recommend to the Board from time to time, a compensation structure for whole-time members of the Board. Presently the Company has only one Executive Director whose remuneration is reviewed by the Committee. Commission payable to non-executive independent directors is approved by the Board as per the mandate given by the shareholders in the General Meeting.

The Remuneration Committee comprises of three Non-Executive Directors which recommends / reviews the

remuneration package of the Managing Director. The Remuneration Committee consists of the following members:

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

During the year, the Committee met once on 22nd February, 2011 in which all the Members were present.

4.1 Remuneration policy for Executive Directors

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

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

Description	Amount ₹
Salary	10,047,453
Perquisites	201,289
Deferred Benefits (PF and Superannuation)	1,374,988
Performance Linked Incentives	335,090
Total	11,958,820

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. The Company does not have any stock option scheme for the Directors.

4.2 Remuneration policy for Non-Executive Directors

The Company has no pecuniary relationship or transaction with its Non-Executive Directors other than payment of sitting fees to them for attending Board and Committee Meetings, payment of commission, which has been approved by the shareholders and payment of dividend on equity shares, if any, held by Directors in the Company. Independent Directors are paid a sitting fee of Rs. 20,000 for every meeting of the Board. During the year sitting fees for the Audit Committee meeting was raised from Rs.10,000/- to Rs.20,000/- and Rs. 5,000 per meeting is paid as sitting fees for each meeting of the Remuneration & Share Transfer / Investors' Grievance Redressal committee. The Independent

Directors apart from receiving commission which is subject to approval of members do not have any material pecuniary relationships or transactions with the Company or its Promoters which may affect independence of the Director. Mr. D. C. Shroff is a Senior Partner of Crawford Bayley & Co., Solicitors and Advocates, who are rendering professional services to the Company. The Company has not paid any amount towards professional fees to Crawford Bayley & Co. during the year 2011.

The remuneration including commission payable to the Directors during the year under review was in conformity with the applicable provisions of the Companies Act, 1956, duly considered and approved by the Board. 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. T. Bertilsson and Mr. R. Makhija representing the SKF Group do not draw any remuneration including sitting fees from the Company.

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

Name of the Director	Sitting Fees ₹	Commission* ₹	Total ₹
Mr. K. C. Mehra	200,000	1,350,000	1,550,000
Mr. D. C. Shroff	235,000	1,100,000	1,335,000
Mr. N. J. Jhaveri	30,000	350,000	380,000
Mr. P. R. Menon	40,000	700,000	740,000

*payable subject to approval of annual accounts by the Shareholders at the forthcoming Annual General Meeting to be held on 17th April, 2012.

5. Share Transfer / Investors' Grievance Redressal Committee

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

- Redressal of shareholder and investors complaints including, but not limiting to transfer of shares and issue of duplicate share certificates, non-receipt of balance sheet, non-receipt of declared dividend.
- Monitoring transfers, transmissions, dematerialization, rematerialization of shares; and

Corporate Governance Report (Continued)

- iii. such other acts, deeds, matters and things as may be stipulated in terms of Listing Agreement with the Stock Exchange and / or such other regulatory provisions and also as the Board of Directors may consider think fit for effective and efficient redressal of shareholders and / or investors' grievances.

Each month a report is obtained from Registrar and Share Transfer Agent on correspondence / communication received from the shareholders. The Company follows the practice of inquiring from BSE / NSE regarding any pending shareholder's grievances. During the year, stock exchanges at the end of every quarter have confirmed that no such shareholder grievance pertaining to your Company is pending.

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

Name of the Members	Category	No. of meetings attended
Mr. K. C. Mehra	Non-Executive Independent	05
Mr. D. C. Shroff*	Non-Executive Independent	12
Mr. S. Joshipura	Executive	12

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

The Committee met 12 times during the year 2011. The dates on which the Share Transfer / Investors' Grievance Redressal Committee Meetings were held are as follows:

5 th Jan, 2011	23 rd Feb, 2011	8 th March, 2011
12 th April, 2011	12 th May, 2011	23 rd June, 2011
19 th July, 2011	17 th Aug, 2011	12 th Sept, 2011
7 th Oct, 2011	11 th Nov, 2011	19 th Dec, 2011

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

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

Particulars	Total Received	Total Replied	Total Pending
Non Receipt of Interest/ Dividend Warrants	207	207	0
Inquiry pertaining to Non Receipt of Shares sent for transfer	15	15	0
Inquiry on Dematerialisation of Shares	2	2	0
Name Correction	10	10	0
Letters Received From SEBI and other Statutory Bodies	2	2	0
Change of address requests updated	77	77	0
ECS/Mandate Registration requests	40	40	0
Loss of Shares	149	147	2
Split /Consolidation / Renewal / Duplicate issue of securities	2	2	0
Request for Nomination Forms	1	1	0
Tax / Exemption Form / PAN related	0	0	0
Transmission of Securities	44	44	0
Exchange/Sub-Division of Old Shares	134	132	2
Dividend/Interest Queries including request for changes on warrants	117	117	0
Document Registration	59	58	1
Redemption	1	1	0
Others (Miscellaneous)	108	107	1
	968	962	6

968 Correspondence were received by the Company out of which 962 Correspondence were replied to the satisfaction of shareholders during the year under review. 6 Outstanding Correspondence as on 31st December, 2011 have been attended by 9th January, 2012.

1 request for transfer and 6 requests for dematerialisation were pending for processing as on 31st December, 2011. Both pending transfers and dematerialisation requests have been processed by 4th January, 2012. The Committee expresses satisfaction with the Company's performance in dealing with the shareholders' grievances and its share transfer system.

6. General Body Meetings

Details of General Meetings:

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

Financial Year ended	Location of the meeting	AGM/ EGM	Date	Day	Time	Special Resolutions
31.12.2008	M.C. Ghia Hall Bhogilal Hargovindas Building, 2 nd Floor, 18/20 K.Dubash Marg, Kala Ghoda, Mumbai 400001.	AGM	23.4.09	Thur	3.00 p.m.	<p>“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered in the manner and to the extent as given below :</p> <p>The existing Article 89 of the Articles of Association be deleted and the following new Article be substituted in its place :</p> <p>89. Quorum at General Meeting : At least five members present in person shall be the quorum for a meeting of the Company, but so that if any of such five members be a body corporate, it shall be entitled to be present by a representative duly authorized by it in accordance with Section 187 of the Act. Provided, however, that no quorum for a meeting of the Company shall be formed unless the following persons shall be present thereat, namely a person authorized by the said Aktiebolaget Sevenska Kullagerfabriken (now known as Aktiebolaget SKF) or the Skefko Ball Bearing Company Limited of Luton, England (now known as SKF (U.K.) Limited of Luton, England), to act as its representative in accordance with Section 187 of the Act: Provided further that if at any time or times any of the aforesaid two bodies corporate may, on grounds of convenience or otherwise think fit not to have its representative present at any General Meeting of the Company for the purpose of forming a quorum for such meeting as aforesaid, then upon its giving previous intimation to the Company in writing, its representative as aforesaid need not be present at such meeting for the purpose of forming a quorum thereof as aforesaid.”</p>
31.12.2009	M.C. Ghia Hall Bhogilal Hargovindas Building, 2 nd Floor, 18/20 K.Dubash Marg, Kala Ghoda, Mumbai 400001.	AGM	23.4.10	Fri	2.00 p.m.	None
31.12.2010	M.C. Ghia Hall Bhogilal Hargovindas Building, 2 nd Floor, 18/20 K.Dubash Marg, Kala Ghoda, Mumbai 400001.	AGM	03.5.11	Tue	2.30 p.m.	<p>“RESOLVED that pursuant to Article 131(3) of the Articles of Association of the Company, clause 49 of the listing agreement with stock exchanges, and provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956, such sum by way of commission not exceeding in aggregate one per cent per annum of the net profits of the Company computed in the manner laid down in Section 198 of the Companies Act, 1956 for each of the five financial years of the Company commencing from April 1, 2011 be paid to and distributed amongst such Directors of the Company excluding the Managing Director, Whole-time Director(s) or Non-resident Director (s) as may be determined by the Board, the proportion and manner of such payment and distribution may be as decided by the Board from time to time.”</p>

7. Disclosures

7.1 Related Party Transactions

The Company has not entered into any transactions of material nature, with its Promoters, the Directors, or the

management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large. The disclosure in respect of related party transactions is given in schedule of the notes to the accounts. All contracts

Corporate Governance Report (Continued)

with the affiliates entered into during the said period have no potential conflict with the interests of the Company at large and are carried out on arm's length basis at fair market value. The Company does not have any subsidiary company.

7.2 Accounting Treatment

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

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

7.4 Compliances

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

7.5 Prevention of Insider Trading:

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

Shares held by the Directors as at 31st December, 2011 are as under:

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

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

7.6 Code of Conduct

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

8. Means Of Communication

- The Company has over 23,000 shareholders. The main channel of communication to the shareholders is through annual report which includes inter alia, the

Directors' Report, the Report on Corporate Governance and audited financial results. The Annual General Meeting is the principal forum for face-to-face communication with shareholders, where the board answers to specific queries of the shareholders.

- The quarterly/ half-yearly/annual results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and are published in one English daily newspaper and in one daily vernacular newspaper and are also posted on the Company's website. Printed copy of the Chairman's Speech is distributed to the shareholders at the Annual General Meeting.
- The Corporate Filing and Dissemination System (CFDS) portal jointly owned, managed and maintained by BSE and NSE is a single source to view information filed by listed companies. All disclosures and communications to BSE and NSE are filed electronically through CFDS portal and hard copies of the said disclosures and correspondences are also filed with the stock exchanges.
- National Stock Exchange of India Limited effective September 2011 had initiated submission of Corporate Governance Report and Shareholding Pattern by the listed companies through NEAPS, which is a web based application designed for Corporates. This interface is to enhance the quality and speed of submission and also assist the listed companies to move towards paperless submission of documents with the Exchange.
- Securities and Exchange Board of India has commenced processing of investor complaints in a centralized web based complaints redress system 'SCORES'. Accordingly, all complaints are viewed & Action Taken Reports are electronically submitted by the Company through SCORES.
- The website of the Company www.skfindia.com acts as the primary source of information regarding the operations of the Company. Quarterly financial results & media releases are displayed on the Company's website. A presentation on annual performance of the Company was made to analysts and institutional investors during the year.
- The Management Discussion and Analysis Report forms part of this annual report.

9. General Shareholder Information

9.1 Annual General Meeting

Day, Date and Time: Tuesday, April 17, 2012 at 3.30 p.m.

9.2 Venue:

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

9.3 Financial Calendar

The Company follows January-December as its financial year. The results for every quarter are generally published in the month following the quarter except for the quarter October-December, for which the audited results are

published in the month of February as permitted under the Listing Agreement.

9.4 Date of Book Closure

Tuesday, 10th April, 2012 to Tuesday, 17th April, 2012 (both days inclusive)

9.5 Dividend payment date

After 17th April, 2012

9.6 Registered Office

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

9.7 Listing of Equity Shares on Stock Exchanges

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

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

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

The Company has paid the listing fees for the period April 1, 2011 to March 31, 2012 to both the Stock Exchanges where the shares of the Company are listed.

9.8 Stock Code

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

9.9. Corporate Identity Number (CIN)

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

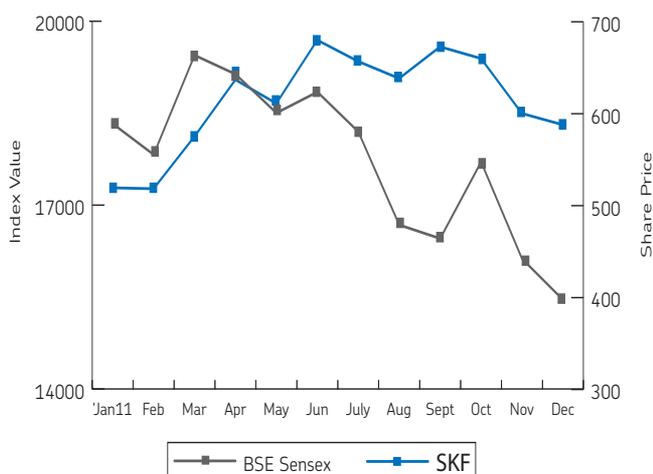
9.10 Stock Price Data

Month	Bombay Stock Exchange		National Stock Exchange		Indices: Sensex	
	High	Low	High	Low	High	Low
Jan 2011	578.00	492.00	577.00	405.00	20,664.80	18,038.48
Feb 2011	550.00	500.10	554.70	490.10	18,690.97	17,295.62
March 2011	590.00	517.10	587.90	513.10	19,575.16	17,792.17
April 2011	655.00	561.40	654.90	561.60	19,811.14	18,976.19
May 2011	647.00	584.00	649.00	583.00	19,253.87	17,786.13
June 2011	687.00	569.95	688.50	601.20	18,873.39	17,314.38
July 2011	694.00	625.00	694.00	625.00	19,131.70	18,131.86
August 2011	670.00	606.55	673.85	602.45	18,440.07	15,765.53
September 2011	695.00	631.10	699.00	543.00	17,211.80	15,801.01
October 2011	689.05	638.00	678.00	627.40	17,908.13	15,745.43
November 2011	670.00	585.50	672.70	587.00	17,702.26	15,478.69
December 2011	617.00	535.45	649.90	531.80	17,003.71	15,135.86

9.11 Performance in comparison with BSE SENSEX

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

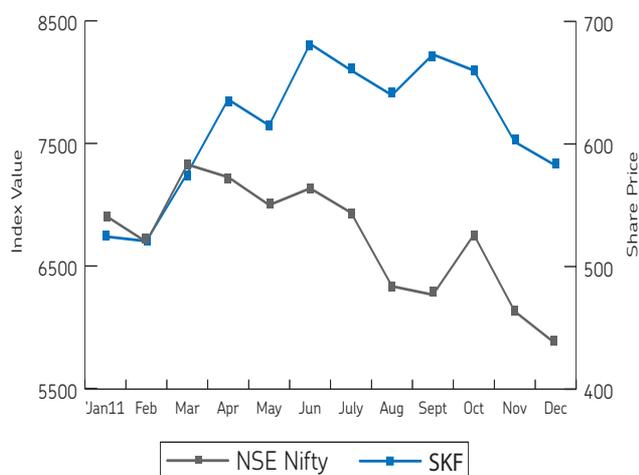
Relative Performance of SKF India Limited



9.12 Performance in comparison with NSE NIFTY

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

Relative Performance of SKF India Limited



9.13 Share Transfer System

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

Distribution of shareholding as on 31st December, 2011

No. of Equity shares	No. of share-holders	% of share-holders	No. of shares	% of share-holding
1 to 500	20,527	88.86	2,398,829	4.55
501 to 1000	1,361	5.89	1,037,207	1.97
1001 to 2000	701	3.03	1,007,054	1.91
2001 to 3000	183	0.79	444,871	0.84
3001 to 4000	97	0.42	350,620	0.66
4001 to 5000	47	0.20	214,837	0.41
5001 to 10000	80	0.35	575,338	1.09
10001 and above	106	0.46	46,703,782	88.57
	23,102	100.00	52,732,538	100.00

Category of shareholders	No. of shareholders	% of Voting strength	No. of shares held
Foreign Holding (FIIs, OCBs & NRIs)	522	14.92	7,865,528
FIs, Insurance Companies & Banks	46	3.90	2,057,157
Other Corporate Bodies	555	2.58	1,363,895
Promoters	3	53.58	28,254,568
Directors	1	0.04	20,000
Mutual Funds	45	13.00	6,853,585
Others	21,930	11.98	6,317,805
Total	23,102	100.00	52,732,538

9.14 GDRs/ ADRs etc:

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

9.15 Dematerialisation of Shares

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

Corporate Governance Report (Continued)

	No. of Shares	% of total capital issued
Held in dematerialized form in NSDL	50,213,171	95.22
Held in dematerialized form in CDSL	1,356,198	2.57
Physical	1,163,169	2.21
Total	52,732,538	100.00

9.16 Plant Locations

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

Address for correspondence

Compliance Officer

Mr. P. Bhandari, Company Secretary

SKF India Limited

Mahatma Gandhi Memorial Building,

Netaji Subhash Road, Mumbai 400 002

Phone : +91 22 66337777

Fax : +91 22 22042738

E-mail : investors@skf.com

Registrars and Share Transfer Agents:

TSR Darashaw Limited

6-10 Haji Moosa Patrawala Industrial Estate,

20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011

Tel. : + 91 22 66568484

Fax : + 91 22 66568496

E-mail : csg-unit@tsrdarashaw.com

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

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

10. OTHER INFORMATION FOR SHAREHOLDERS

10.1 As required under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978, the Company has transferred all unclaimed equity dividends up to the financial year 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 2004 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 2005 to 2011 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 Company had sent reminder letters to those shareholders in case of unclaimed dividend for the year 2005 and for which the dividend if remains unpaid till 30th March, 2012 will be transferred to Investor Education and Protection Fund. The unpaid dividend list is also available on the website of the Company.

Details of unpaid dividend

Financial Year	As on 31.12.2011 (₹)
2005	681,645.76
2006	1,072,099.00
2007	1,320,430.50
2008	1,851,186.00
2009	1,509,804.00
2010	1,570,168.00
2011	2,376,493.00

10.2 Equity Shares of the Company are under compulsory demat trading by all investors with effect from 31st May, 1999. Considering the advantages of scripless trading, shareholders are requested to consider dematerialisation of their shareholding if not already done so as to avoid inconvenience in future.

10.3 Members/Beneficial Owners are requested to quote their Folio Nos./DP & Client ID Nos., as the case may be, in all correspondence with the Company.

10.4 The dividend is paid under two modes i.e. National Electronic Clearing Services (NECS) and Physical dispatch of Dividend Warrant. NECS facility is a centralized version of ECS facility. The NECS system takes advantage of the centralized accounting system in banks. Accordingly, the account of a bank that is submitting or receiving payment instructions is debited or credited centrally at Mumbai. The branches participating in NECS can, however, be located anywhere across the length and breadth of the country. NECS has no restriction of centres or of any geographical area inside the country.

11.0 Compliance under Non-Mandatory Requirement of Clause 49

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

- (a) Remuneration Committee: The Company has constituted Remuneration Committee as detailed in paragraph 4 herein above.
- (b) Shareholders' Rights: The quarterly and half yearly results are published in the newspaper and also

displayed on the website of the Company. The results are not separately circulated to the shareholders.

- (c) Audit Qualifications: The auditors have not qualified the financial statements of the Company.
- (d) Training of Board Members: The Directors are facilitated to get familiar with the Company functions at the operational levels. Periodic presentations are made at the Board and other Meetings on business and performance updates of the Company, business environment, business strategy and risks involved. Periodic updates and programs for Board members are also conducted on relevant statutory changes and laws.
- (e) Whistle Blower Policy: The Company follows Group Whistle Blower Policy wherein employees aware of any alleged wrongful conduct are encouraged to make a report directly at the Group level. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

For and on behalf of the Board
SKF India Limited

Bengaluru
February 23, 2012

K.C. Mehra
Chairman

Certificate

To,

The Members of SKF India Limited

We have examined the compliance of conditions of Corporate Governance by SKF India Limited ('the Company') for the year ended 31 December, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

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

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

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

For B S R & Associates
Chartered Accountants
Firm Registration Number: 116231W

Mumbai
February 23, 2012

Bhavesh Dhupelia
Partner
Membership No-042070

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, 2011.

Mumbai
February 17, 2012

Shishir Joshipura
Managing Director/CEO

Auditors' Report

To the Members of SKF India Limited

1. We have audited the attached Balance Sheet of SKF India Limited ('the Company') as at 31 December 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) on the basis of written representations received from the directors of the Company as at 31 December 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 December 2011 from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act 1956; and

- (f) in our opinion, and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Bhavesh Dhupelia
Partner

Mumbai
February 23, 2012

Membership No.: 042070

Annexure to the Auditors' Report

(Referred to in our report of even date)

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

ANNEXURE TO THE AUDITORS' REPORT (Continued)

(Referred to in our report of even date)

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

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 December 2011 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, the following dues of Income-tax/Sales tax/Wealth tax/Service tax/Customs duty/Excise duty (as appropriate) have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of the Dues	Amount (₹ Million)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	5.0	AY 2006-07	ITAT
Income Tax Act, 1961	Income Tax	7.6	AY 2008-09	CIT (Appeals)
Tamil Nadu Value Added Tax Act	Value Added Tax	1.2	2005 – 2006	Commercial Tax Officer
Maharashtra Sales Tax Act, 1958	Sales Tax	1.1*	2002 – 2003	Maharashtra Sales Tax Tribunal
Delhi Sales Tax Act	Sales Tax	1.3	2005-2006	Objection authority Dept of Trade & taxes
Delhi Sales Tax Act	Sales Tax	11.7	2006-2007	Objection authority Dept of Trade & taxes
West Bengal Sales Tax Act	Sales Tax	1.8	2006-2007	Senior Joint Commissioner, Sales Tax
West Bengal Sales Tax Act	Sales Tax	58.4	2008-2009	Senior Joint Commissioner Sales Tax
Central Excise Act, 1944	Excise Duty	5.1	1994-1995	CESTAT
Central Excise Act, 1944	Excise Duty	1.6	1997-1998	Assistant Commissioner of Central Excise
Central Excise Act, 1944	Excise Duty	2.6	1999-2000	CESTAT
Finance Act, 1994	Service Tax	1.3	1997-2000	CESTAT
Finance Act, 1994	Service Tax	0.7	2005-2006	Commissioner (Appeals)
Finance Act, 1994	Service Tax	0.1	2008-2009	CESTAT

* Net of amount paid under protest

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

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

Bhavesh Dhupelia
Partner
Membership No.: 042070

Mumbai
February 23, 2012

Balance Sheet as at December 31, 2011

(₹ in Million)

	Schedule	December 31, 2011	December 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	527.3	527.3
Reserves and Surplus	2	9,585.1	7,959.8
		10,112.4	8,487.1
Loan Funds			
Unsecured Loans	3	-	0.1
		-	0.1
Deferred Tax Liability (Net)	4	16.0	30.0
TOTAL		10,128.4	8,517.2
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	8,827.0	8,112.9
Less: Accumulated Depreciation and Impairment		5,643.1	5,279.0
Net Block		3,183.9	2,833.9
Capital Work-in-Progress (Including Capital Advances)		434.9	359.1
Current Assets, Loans and Advances			
Inventories		2,727.8	2,417.2
Sundry Debtors		3,721.2	2,711.1
Cash and Bank Balances		2,244.4	2,119.1
Loans and Advances		2,768.1	2,406.6
		11,461.5	9,654.0
Less : Current Liabilities and Provisions			
Current Liabilities	7	3,908.7	3,369.8
Provisions		1,043.2	960.0
		4,951.9	4,329.8
Net Current Assets		6,509.6	5,324.2
TOTAL		10,128.4	8,517.2
Significant Accounting Policies and Notes to the Financial Statements 13			
The schedules referred to above form an integral part of the Balance Sheet			

As per our report attached

For and on behalf of the Board,

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

K. C. Mehra
Chairman

Shishir Joshipura
Managing Director

Bhavesh Dhupelia
Partner
Membership No. 042070

P. Bhandari
Company Secretary

P. R. Menon
T. Sthen
T. Bertilsson

D. C. Shroff
Rakesh Makhija
V. Vartanian

Directors

Mumbai, February 23, 2012

Bengaluru, February 23, 2012

Profit and Loss Account for the year ended December 31, 2011

(₹ in Million)

	Schedule	Year ended December 31, 2011	Year ended December 31, 2010
INCOME			
Sales and Services	8	25,667.5	21,930.4
Less: Excise Duty		1,500.3	1,246.3
Net Sales and Services		24,167.2	20,684.1
Other Operating and Miscellaneous Income	9	378.4	288.1
		24,545.6	20,972.2
EXPENDITURE			
Manufacturing and Other Expenses	10	21,360.2	18,177.9
Depreciation / Amortisation	5	385.2	333.4
		21,745.4	18,511.3
PROFIT BEFORE INTEREST AND TAX		2,800.2	2,460.9
Financial Income	11	(345.5)	(207.4)
Financial Expenses	12	6.5	7.6
PROFIT BEFORE TAX		3,139.2	2,660.7
Provision for Taxation			
- Current tax - Net (refer Note 17 of Schedule 13)		1,068.3	852.1
- Deferred tax (credit) / charge (refer Note 17 of Schedule 13)		(14.0)	38.4
NET PROFIT AFTER TAX		2,084.9	1,770.2
Balance brought forward from previous year		4,180.0	3,840.2
PROFIT AVAILABLE FOR APPROPRIATION		6,264.9	5,610.4
APPROPRIATIONS			
Proposed dividend		395.5	369.1
Tax on proposed dividend		64.1	61.3
Transfer to General Reserve		600.0	1,000.0
Balance carried to Balance Sheet		5,205.3	4,180.0
		6,264.9	5,610.4
Earning Per Share (₹) (refer Note 22 of Schedule 13)			
- Basic and Diluted		39.5	33.6
Nominal Value of Equity Shares (₹)		10.0	10.0
Significant Accounting Policies and Notes to the Financial Statements	13		
The schedules referred to above form an integral part of the Profit and Loss Account			

As per our report attached

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

Bhavesh Dhupelia
Partner
Membership No. 042070

Mumbai, February 23, 2012

For and on behalf of the Board,

K. C. Mehra
Chairman

Shishir Joshipura
Managing Director

P. R. Menon
T. Sthen
T. Bertilsson

D. C. Shroff
Rakesh Makhija
V. Vartanian

Directors

P. Bhandari
Company Secretary

Bengaluru, February 23, 2012

Cash Flow for the year ended December 31, 2011

(₹ in Million)

	Year ended December 31, 2011	Year ended December 31, 2010
A. Cash flow from Operating Activities		
Profit before tax	3,139.2	2,660.7
Adjusted for :		
Depreciation / Amortisation	385.2	333.4
Net Loss / (Profit) on sale of Fixed Assets	5.6	(37.3)
Net Financial Income	(339.0)	(199.8)
Unrealised foreign exchange (loss) / gain (net)	(0.2)	13.8
	51.6	110.1
Operating Profit before working capital changes	3,190.8	2,770.8
Adjusted for :		
Increase in Inventories	(310.6)	(596.8)
Increase in Trade Receivables	(1,010.1)	(548.2)
Decrease / (Increase) in Loans and Advances	67.9	(148.6)
Increase in Trade Payables	505.4	229.0
Increase in Other Payables	105.0	229.3
	(642.4)	(835.3)
Cash generated from operations	2,548.4	1,935.5
Direct taxes paid (net of refunds)	(1,032.8)	(788.6)
Net cash flow from Operating Activities (A)	1,515.6	1,146.9
B. Cash flow from Investing Activities		
Purchase of Fixed Assets	(853.7)	(968.0)
Sale of Fixed Assets	37.1	46.5
Interest Earned	155.1	120.3
Interest Earned on Inter Corporate Loan	166.7	59.4
Inter Corporate Loan	(460.0)	(910.0)
Net cash used in Investing Activities (B)	(954.8)	(1,651.8)
C. Cash flow from Financing Activities		
Repayment of Borrowings	(0.1)	(0.9)
Financial Expense	(6.5)	(7.6)
Dividend paid (including tax on distributed profits)	(429.1)	(246.3)
Net cash used in Financing Activities (C)	(435.7)	(254.8)
Net changes in Cash and Cash Equivalents (A+B+C)	125.1	(759.7)
Cash and Cash Equivalents at beginning of the year * (net of foreign exchange)	2,119.1	2,878.8
Cash and Cash Equivalents at the end of the year * (net of foreign exchange)	2,244.2	2,119.1
Net changes in Cash and Cash Equivalents	125.1	(759.7)

* Note: Cash and cash equivalents includes ₹ 10.4 million (previous year ₹ 9.0 million) of restricted cash balance relating to unclaimed dividend.

As per our report attached

For and on behalf of the Board,

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

K. C. Mehra
Chairman

Shishir Joshipura
Managing Director

Bhavesh Dhupelia
Partner
Membership No. 042070

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T. Sthen
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D. C. Shroff
Rakesh Makhija
V. Vartanian

Directors

Mumbai, February 23, 2012

Bengaluru, February 23, 2012

Schedules forming part of the Financial Statements

(₹ in Million)

	December 31, 2011	December 31, 2010
1. SHARE CAPITAL		
Authorised		
100,000,000 Equity Shares of ₹ 10 each (Previous year 100,000,000 Equity Shares of ₹ 10 each)	1,000.0	1,000.0
Issued, Subscribed and Paid up		
52,732,538 Equity Shares of ₹ 10 each (Previous year 52,732,538 Equity Shares of ₹ 10 each) fully paid	527.3	527.3
(i) Of the above shares :		
19,823,540 Equity Shares of ₹ 10 each (Previous year 19,823,540 Equity Shares of ₹ 10 each) are issued as fully paid up bonus shares, by capitalisation of ₹ 198.2 Million from Reserves and Securities Premium account.		
7,470,030 Equity Shares of ₹ 10 each (Previous year 7,470,030 equity shares of ₹ 10 each) were issued at a premium of ₹ 54 per share against conversion of warrants.		
2,488 Equity Shares of ₹ 10 each (Previous year 2,488 Equity shares of ₹ 10 each) are not allotted and held in abeyance.		
28,254,568 Equity Shares of ₹ 10 each (Previous year 28,254,568 Equity Shares of ₹ 10 each) are held by the Swedish holding company, AB SKF and its subsidiaries.		
	527.3	527.3
2. RESERVES & SURPLUS		
(i) Securities Premium Account		
As per last Balance Sheet (Premium on issue of Equity Share)	705.1	705.1
(ii) General Reserve		
As per last Balance Sheet	3,074.7	2,074.7
Transfer from Profit and Loss Account	600.0	1,000.0
	3,674.7	3,074.7
(iii) Profit and Loss Account		
Balance as per Profit and Loss Account	5,205.3	4,180.0
	9,585.1	7,959.8
3. UNSECURED LOANS		
(a) Fixed Deposits	-	0.1
	-	0.1
4. DEFERRED TAX LIABILITY (NET)		
Provision for Doubtful Debts	(6.7)	(9.0)
Disallowance Under Section 43B	(101.6)	(69.9)
Voluntary Retirement Scheme expenditure deductible in future	(28.2)	(41.5)
Interest on Self-Assessment tax	(1.8)	(1.8)
Provision for obsolete stock	(1.0)	-
Difference between Book and Tax Depreciation	155.3	152.2
	16.0	30.0

Schedules forming part of the Financial Statements

5. FIXED ASSETS (At Cost)

(₹ in Million)

Description	Gross Block			Accumulated Depreciation/Amortisation			Net Block	
	As at January 1, 2011	Additions during the year	Deductions during the year	As at December 31, 2011	For the year	Deductions during the year	As at December 31, 2011	As at December 31, 2010
<u>Tangible Assets</u>								
Freehold Land	265.5	-	-	265.5	-	-	265.5	265.5
Buildings (See Note 1)	546.5	168.2	6.0	708.7	17.3	3.4	529.4	381.1
Plant, Machinery and Tools (See Note 2)	7,052.0	553.6	32.5	7,573.1	337.6	3.9	2,218.2	2,030.8
Furniture, Fixtures and Office Equipments	110.3	15.4	7.7	118.0	6.9	5.4	86.4	80.2
Vehicles	106.3	40.7	17.6	129.4	19.8	8.4	81.6	69.9
<u>Intangible Assets</u>								
Softwares	32.3	-	-	32.3	25.9	-	2.8	6.4
	8,112.9	777.9	63.8	8,827.0	385.2	21.1	3,183.9	2,833.9
	7,142.2	1,159.8	189.1	8,112.9	333.4	179.9	2,833.9	
Capital work-in-progress including capital advances							434.9	359.1
								359.1

Notes :

- 1 Cost of shares of ₹ 500 in various Co-operative Housing Societies, held under Bye-laws of the Society in respect of residential flats are included under 'Buildings'.
- 2 Includes ₹ 5.6 million (net block as at December 31, 2011) in respect of certain Plant, Machinery and Tools for which the Company has entered into an agreement to sell in the year 2011. The sale is expected to happen in the year 2012.
- 3 Figures in light print are in respect of the Previous Year.

Schedules forming part of the Financial Statements

(₹ in Million)

	December 31, 2011	December 31, 2010
6. CURRENT ASSETS, LOANS AND ADVANCES		
(i) Current Assets		
(a) Inventory - At lower of cost or net realisable value		
Raw Materials and Bought-Out Components [including material in transit ₹ 111.0 Million; (Previous year ₹ 77.9 Million.)]	599.1	516.0
Stores and Spares [including material in transit ₹ 1.1 Million (Previous year ₹ 0.1 Million)]	334.5	231.3
Manufactured Components	56.5	66.9
Work-in-progress	108.4	88.8
Finished Products [Including material in transit ₹ 45.7 Million (Previous Year ₹ 113.8 Million)]	1,629.3	1,514.2
	2,727.8	2,417.2
(b) Sundry Debtors (unsecured)		
Over six months		
- Considered good	153.5	13.0
- Considered doubtful	17.5	20.0
Under six months		
- Considered good	3,567.7	2,698.1
- Considered doubtful	3.3	7.1
	3,742.0	2,738.2
Less : Provision for Doubtful Debts	20.8	27.1
	3,721.2	2,711.1
(c) Cash and Bank Balances		
Cash on hand	0.5	0.5
Balances with Scheduled Banks		
- On Current Account	133.3	55.3
- On EEFC Account	7.7	3.0
- On Deposit Account	2,092.5	2,051.3
- Unclaimed Dividend Account	10.4	9.0
	2,244.4	2,119.1
(ii) Loans and Advances (unsecured, considered good)		
- Advances recoverable in cash or in kind or for value to be received	569.1	637.6
- Inter Corporate Loan (including interest thereon)	2,099.0	1,628.6
- Advance Income Tax (Net of provision)	31.2	86.1
- Other Deposits	68.8	54.3
	2,768.1	2,406.6
	11,461.5	9,654.0

Notes:

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

Schedules forming part of the Financial Statements

(₹ in Million)

Name of the party	Outstanding balance As at December 31, 2011	Outstanding balance As at December 31, 2010
A) Sundry Debtors		
SKF Gmbh, Germany	47.8	41.1
SKF Industrie S.P.A, Italy	0.1	4.4
SKF Sverige Ab, Sweden	-	15.1
SKF Argentina	-	14.3
AB SKF Goteborg, Sweden	1.6	1.9
SKF International AB (Treasury Centre), Göteborg	304.3	226.6
SKF Lubrications Systems Germany AG (formerly known as Willy Vogel AG)	1.0	0.3
SKF France S.A., France	-	0.7
SKF Actuation System (Liestal) AG (Magnetic Elektromotoren AG)	-	1.1
SKF European Distribution Centre (Edc), Belgium	-	19.5
SKF Usa Inc., Usa	-	3.3
SKF De Mexico, Mexico	-	3.9
SKF Do Brasil Ltda., Brazil	-	61.9
SKF Technologies India Pvt. Ltd., India	118.6	14.9
SKF Korea Ltd, Pusan	-	0.2
SKF Bearing Industries (Malaysia) Sdn. Bhd, Nilai	-	0.1
SKF Malaysia Sdn. Bhd., Kuala Lumpur	-	0.3
SKF Sealing Solutions (WUHU) CO., LTD (former Anhui CR Seals Co. Ltd.), Anhui	0.8	0.2
P.T. SKF Indonesia	101.2	7.4
SKF (China) Investment Co. Ltd., Shanghai	5.4	1.5
SKF ATC SHANGHAI	0.9	-
SKF China Sales, China	27.8	20.2
SKF Dalian Bearings	3.8	0.1
SKF B.V.	-	0.6
Economos (Qingdao) Seal Tech Co. Ltd, Qingdao	1.2	0.2
Economos India Private Ltd, New Delhi	4.4	0.1
Lincoln Helios (India) Limited	5.9	-
B) Loan & Advances		
SKF Technologies India Pvt. Ltd., India	2,099.0	1,628.6
<i>Maximum amount outstanding during the year</i>	<i>2,099.0</i>	<i>1,628.6</i>
	December 31, 2011	December 31, 2010
7. CURRENT LIABILITIES AND PROVISIONS		
(i) Current Liabilities		
Sundry Creditors		
- Dues from Micro, Small and Medium Enterprises (refer Note 18 of schedule 13)	7.0	4.1
- Others	3,590.6	3,088.1
Unclaimed Dividend *	10.4	9.0
Advances from Customers	41.1	26.4
Interest Accrued but not due	1.0	0.5
Other liabilities	258.6	241.7
	3,908.7	3,369.8
(ii) Provisions		
Provision for Taxation (Net of advance tax)	15.5	34.8
Provision for Wealth Tax (Net of advance tax)	1.3	1.1
Provision for Compensated Absences, Gratuity and other Employee Benefits	262.1	326.4
Provision for Interest on Provident Fund (refer Note 8 (ii) (B) of schedule 13)	83.5	-
Proposed Dividend	395.5	369.1
Tax on Proposed Dividend	64.1	61.3
Other Provisions (refer Note 7 of schedule 13)	221.2	167.3
	1,043.2	960.0
	4,951.9	4,329.9

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

Schedules forming part of the Financial Statements

(₹ in Million)

	Year ended December 31, 2011	Year ended December 31, 2010
8. SALES AND SERVICES		
Gross Sales (including Excise Duty)	25,485.9	21,780.5
Income from Services	181.6	149.9
	25,667.5	21,930.4
9. OTHER OPERATING AND MISCELLANEOUS INCOME		
Export Incentives	109.2	90.9
Discount earned on DEPB Purchase	57.6	30.1
Sale of Scrap	41.6	37.1
Profit on Sale of Fixed Assets (Net)	-	37.3
Excess provision Written Back	6.3	11.1
Miscellaneous Income	163.7	81.6
	378.4	288.1
10. MANUFACTURING AND OTHER EXPENSES		
(i) Raw Materials consumed :		
Opening Stock	26.9	34.6
Add : Purchases	212.0	201.9
Less : Closing Stock	41.1	26.9
	197.8	209.6
(ii) Bought Out Components consumed :		
Opening Stock	489.1	317.4
Add : Purchases	6,059.7	5,429.5
Less : Closing Stock	558.0	489.1
	5,990.8	5,257.8
(iii) Increase in Stock of Finished Goods :		
Opening Stock	877.9	604.1
Less : Closing Stock	1,027.2	877.9
	(149.3)	(273.8)
(iv) Excise Duty on Closing Inventory (Net of Opening Provision)	15.9	31.4
(v) Increase in Stock of Semi-Finished Goods :		
Opening Stock	155.7	126.0
Less : Closing Stock	164.9	155.7
	(9.2)	(29.7)
(vi) Cost of Traded Goods Sold :		
Opening Stock	636.3	560.0
Add : Purchases	9,656.7	8,391.5
Less : Closing Stock	602.1	636.3
	9,690.9	8,315.2

Schedules forming part of the Financial Statements

(₹ in Million)

	Year ended December 31, 2011	Year ended December 31, 2010
(vii) Employees Cost :		
Salaries, Wages and Bonus	1,228.8	1,174.5
Contribution to Provident and Other Funds (refer Note 8 of schedule 13)	191.1	100.3
Welfare Expenses	231.4	184.7
	1,651.3	1,459.5
(viii) Expenses for Manufacture, Administration and Selling:		
Stores and Spares consumed	760.5	719.8
Power and Fuel	392.6	347.3
Repairs to Machinery	356.2	267.6
Repairs to Buildings	30.3	38.8
Rates and Taxes	124.9	113.6
Insurance	28.8	22.9
Rent	32.3	32.4
Directors' Commission / Sitting Fees	4.0	3.5
Royalty	138.0	112.7
Travelling	262.9	201.6
Communication	34.3	31.0
Bad Debts written-off	6.4	-
Provision for Doubtful Debts (Net)	-	14.6
IT Services	396.6	283.6
Logistic Cost	306.0	329.7
Selling Expenses	122.5	162.6
Loss on sale of Fixed Assets (Net)	5.6	-
Service Fees	477.6	258.5
Miscellaneous expenses (refer Note 6 of schedule 13)	492.5	267.7
	3,972.0	3,207.9
	21,360.2	18,177.9
11. FINANCIAL INCOME		
- Interest Income on Bank Deposits (Tax deducted at source ₹ 17.0 Million (Previous year ₹ 11.8 Million))	168.7	117.8
- Other Interest Income (Tax deducted at source ₹ 17.7 Million (Previous year ₹ 5.9 Million))	176.8	89.6
	345.5	207.4
12. FINANCIAL EXPENSES		
Bank Charge and Other Interest Cost	6.5	7.6
	6.5	7.6

Schedules forming part of the Financial Statements

13 NOTES TO THE FINANCIAL STATEMENTS

(1) SIGNIFICANT ACCOUNTING POLICIES

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

(a) Use of Estimates

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

(b) Fixed assets and Depreciation/ Amortization

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

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

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

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

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

(c) Intangible assets

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

(d) Impairment of Assets

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

(e) Borrowing Costs

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

(f) Inventories

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

(g) Revenue Recognition

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

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

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

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

(h) Warranties

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

13 NOTES TO THE FINANCIAL STATEMENTS — (Contd.)

(i) Employee Benefits

(i) Short term employee benefits

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

(ii) Post employment benefits (defined benefit plans)

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

Employees who are members of SKF India Limited Provident Fund Scheme ('The Trust') receive benefits from provident fund, which is a defined benefit plan. 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 Company contributes a part of the contribution to The Trust. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the Trust and the notified interest rate.

For other employees, both the Company and employee contribution is paid to Regional Provident Fund Commissioner (RPFC) on a monthly basis.

(iii) Post employment benefits (defined contribution plans)

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

(iv) Long term employee benefits

Long term employee benefits comprise of compensated absences. These are measured based on an actuarial valuation carried out by an independent actuary using the projected unit method at each Balance Sheet date unless they are insignificant.

Actuarial gains and losses and past service costs are recognised immediately in the Profit and Loss Account.

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

(j) Foreign Currency Transactions

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

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

(k) Income Tax

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

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

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

(l) Provisions and Contingencies

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

(m) Earnings per share

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

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

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

13 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

(i) List of Related Parties & relationship:

a) List of related parties where control exists

Sr. No.	Name of the Related Party	Relationship
1	AB SKF (Head Office) Goteborg, Sweden	Holding Company

b) Names of the related parties with whom transactions were carried out and description of relationship:

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

Sr. No.	Name of the Related Party
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
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
Key Management Personnel	
1	Mr. Shishir Joshipura (Managing Director)

13 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

(ii) Disclosure of related party transactions:

(₹ in Million)

Sr. No.	Nature of transaction / relationship / major parties	2011		2010	
		Amount	Amounts for major parties	Amount	Amounts for major parties
A	Purchase of Raw Materials and Finished Goods	8,114.5		7,344.1	
	Associate Companies				
	SKF Asia Pacific Pte Ltd, Singapore		4,307.8		3,884.6
	SKF GmbH, Germany		1,491.2		904.0
B	Purchase of Capital Goods / Services	57.2		107.2	
	Associate Companies				
	SKF Osterreich AG., Austria		22.9		9.3
	SKF France S.A., France		16.6		94.1
	Economos India Private Limited		15.5		-
C	Administrative and Service Fees	803.0		471.2	
	Holding Company		731.6		388.3
	Associate Companies				
	SKF Sverige AB, Sweden		14.3		51.4
D	Sale of Goods and Services	2,119.6		1,693.3	
	Associate Companies				
	SKF USA Inc., USA		198.5		189.5
	SKF GmbH, Germany		776.2		644.9
	SKF European Distribution Centre (EDC)		197.8		191.4
	SKF do Brasil Ltda., Brazil		337.6		244.0
E	Sale of Fixed Assets	35.0		-	
	Associate Companies				
	SKF Technologies India Private Ltd.		35.0		-
F	Other Income	125.5		44.7	
	Holding Company		118.4		39.4
G	Inter Corporate Loan (including interest thereon)	470.4		943.6	
	Associate Companies				
	SKF Technologies India Private Ltd.		470.4		943.6
H	Interest Income on Inter Corporate Loan	176.8		83.9	
	Associate Companies				
	SKF Technologies India Private Ltd.		176.8		83.9
I	Rent Income	21.1		-	
	Associate Companies				
	SKF Technologies India Private Ltd.		21.1		-
J	Royalty	138.0		112.7	
	Holding Company		138.0		112.7
K	Proposed Dividend	211.9		197.8	
	Holding Company		184.8		172.5
	Associate Company				
	SKF (UK) Ltd.		25.5		23.8

13 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

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

(₹ in Million)

Sr. No.	Nature of transaction / relationship / major parties	2011		2010	
		Amount	Amounts for major parties	Amount	Amounts for major parties
L	Performance Share Award	3.0		-	
	Holding Company		3.0		-
M	Managerial Remuneration	12.0		12.6	
	Mr. Shishir Joshipura		12.0		12.6

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

(iii) Amount due to/from related parties

(₹ in Million)

Sr. No.	Nature of transaction / relationship / major parties	2011		2010	
		Amount	Amounts for major parties	Amount	Amounts for major parties
1	Accounts receivable	624.6		439.9	
	Associate Companies				
	SKF GMBH		47.8		41.1
	SKF International AB		304.3		226.6
	SKF Technologies India Pvt Ltd		118.6		14.9
	P.T. SKF Indonesia		101.2		7.4
	SKF EDC		-		19.5
	SKF DO BRASIL		-		61.9
2	Accounts payable	(1,976.6)		(1,753.7)	
	Associate Companies				
	SKF Asia Pacific Pte Ltd		(763.2)		(774.0)
	SKF GmbH, Germany		(10.0)		(136.4)
	SKF INTERNATIONAL AB		(1,098.0)		(584.2)
3	Loan	2,099.0		1,628.6	
	Associate Companies				
	SKF Technologies India Pvt Ltd		2,099.0		1,628.6
4	Royalty	(124.2)		(101.5)	
	Holding Company		(124.2)		(101.5)
5	Proposed Dividend	(211.9)		(197.8)	
	Holding Company		(184.8)		(172.5)
	Associate Company				
	SKF (UK) Ltd.		(25.5)		(23.8)
6	Managerial Remuneration	(0.3)		(2.6)	
	Mr. Shishir Joshipura		(0.3)		(2.6)

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

13 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

(₹ in Million)

	December 31, 2011	December 31, 2010
(4) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	660.9	200.5
(5) Contingent Liabilities		
Claims against the Company not acknowledged as debts		
(i) Income-tax and Surcharge	38.6	4.5
(ii) Excise duty	9.4	9.2
(iii) Sales tax	4.8	1.4
(iv) Service tax	2.9	15.0
(v) Others	39.7	146.3
	95.4	176.4
(6) Miscellaneous expenses [refer Schedule 10(viii)] include payments made to auditors as follows : (Exclusive of service tax)		
(i) Audit fees	2.2	1.8
(ii) Tax audit fees	0.7	0.8
(iii) Other services	0.9	0.9
(iv) Out of pocket expenses reimbursement	0.1	0.1
	3.9	3.6

(7) Disclosure as per Accounting Standard – 29

(₹ in Million)

Particulars	Disputed Statutory Matters	Warranty	Other Obligations	Total
Opening Balance	26.3	23.6	117.4	167.3
	20.7	17.9	56.6	95.2
Addition	13.8	24.9	131.6	170.3
	10.8	16.4	172.2	199.4
Utilisation	-	3.3	108.3	111.6
	-	3.2	100.3	103.5
Reversal	-	4.8	-	4.8
	5.2	7.5	11.1	23.8
Closing Balance	40.1	40.4	140.7	221.2
	26.3	23.6	117.4	167.3

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

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

13 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

(₹ in Million)

	December 31, 2011	December 31, 2010			
(8) Disclosure as per Accounting Standard - 15 - (Revised 2005)					
i) Defined Contribution Plan -					
The Company has recognised the following amounts in the Profit and Loss Accounts for the year					
Employee Provident Fund - RPFC	21.8	18.6			
Superannuation fund	29.2	25.7			
	51.0	44.3			
ii) Defined Benefit Plan -					
A. The following table set out the status of the gratuity plan as required under AS 15 (Revised 2005):					
(a) A reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):					
Opening DBO as on Jan 1, 2011	427.7	400.3			
Current service cost	22.3	21.4			
Interest cost	35.5	31.5			
Actuarial (gain) / loss	(4.7)	(13.8)			
Benefits paid	(13.4)	(11.7)			
Closing DBO as on December 31, 2011	467.4	427.7			
(b) A reconciliation of the opening and closing balances of the fair value of plan assets:					
Opening fair value of plan assets	408.8	391.3			
Expected return	32.7	31.7			
Actuarial gain / (loss)	(2.9)	(7.0)			
Contribution by the employer	26.2	4.5			
Benefits paid	(13.4)	(11.7)			
Closing fair value of plan assets	451.4	408.8			
(c) A reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets to the assets recognised in the balance sheet:					
Present value of the defined benefit obligation at the end of the period	467.4	427.7			
Fair value of the plan assets at the end of the year	451.4	408.8			
Liability recognised in the Balance Sheet	16.0	18.9			
(d) The total expense recognised in the Profit and Loss Account:					
Current service cost	22.3	21.4			
Interest cost	35.5	31.5			
Expected return on plan assets	(32.7)	(31.7)			
Actuarial (gain) / loss	(1.8)	(6.9)			
Net Gratuity cost	23.3	14.3			
(e) For each major category of plan assets, following is the percentage that each major category constitutes of the fair value of the total plan assets:					
	%	%			
Government of India securities	42	40			
Corporate bonds	34	34			
Special deposit schemes	19	21			
others	5	5			
(f) Actual return on plan assets	29.8	24.7			
(g) Following are the Principal Actuarial Assumptions used as at the balance sheet date:					
Discount rate	8.4%	8.2%			
Expected rates of return on any plan assets	8.0%	8.0%			
Average Salary escalation rate for Management	10.0%	10.0%			
Average Salary escalation rate for Non Management for Each Year	3.0%	3.0%			
Average Salary escalation rate for Non Management Every Third Year	6.5%	6.5%			
(h) Experience Adjustments					
	(₹ in Million) December 31, 2011	(₹ in Million) December 31, 2010	(₹ in Million) December 31, 2009	(₹ in Million) December 31, 2008	(₹ in Million) December 31, 2007
Experience adjustments on plan liabilities	11.6	6.5	25.6	5.9	-
Experience adjustments on plan assets	(2.9)	(6.9)	(11.9)	34.7	-

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

13 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

B. Provident Fund

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

The details of fund and plan asset position as at December 31, 2011 is given below: (₹ in Million)

	December 31, 2011
Plan assets at period end, at fair value	1,024.8
Present value of benefit obligation at period end	1,108.3
Cost of shortfall in interest rate guarantee	83.5
Assumptions used in determining the present value obligation of the interest rate guarantee under the Deterministic Approach	
Discount rate	8.4%
Average remaining tenure of the investment portfolio	11.5 Years
Expected guaranteed interest rate	9.5%

During the year ended 31st December 2011, amount recognised in Profit and Loss Account for Employee Provident Fund is ₹ 116.8 Million (Previous year ₹ 41.7 Million)

(9) Spares consumed :

	December 31, 2011		December 31, 2010	
	% of total consumption	₹ in Million	% of total consumption	₹ in Million
Imported	21	79.4	20	56.4
Indigenous	79	295.2	80	224.1
	100	374.6	100	280.5

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

	December 31, 2011		December 31, 2010	
	Quantity '000 Units	₹ in Million	Quantity '000 Units	₹ in Million
(a) (i) Raw Materials- Steel	2,281*	197.8	2,817*	209.6
(ii) Bought-Out Components - Rings	367,943	3,387.7	312,750	3,035.7
(iii) Others (See Note (ii) below)		2,603.1		2,222.1
		6,188.6		5,467.4

* Quantity in M. Tonnes

	December 31, 2011		December 31, 2010	
	% of total consumption	₹ in Million	% of total consumption	₹ in Million
(b) Imported	43	2,684.2	45	2,459.9
Indigenous	57	3,504.4	55	3,007.5
	100	6,188.6	100	5,467.4

Notes:

- (i) The consumption in value has been reported on the basis of Opening Stock plus Purchases less Closing Stock and includes the adjustment of excesses and shortages as ascertained on physical count and write-off of obsolete and unserviceable raw materials and components.
- (ii) The consumption in value shown above is a balancing figure based on total consumption shown in Profit and Loss Account.

13 NOTES TO THE FINANCIAL STATEMENTS – (Contd.)

(11) Opening and Closing Stock :

(a) Manufactured Goods	Opening Stock		Closing Stock	
	Nos. in '000	₹ in Million	Nos. in '000	₹ in Million
Ball and Roller Bearings	9,154	748.1	11,615	864.7
	6,096	513.6	9,154	748.1
Others - Kits & Vogel		52.7		61.9
		44.5		52.7
Textile Machinery Components	28	3.6	102	11.2
	39	3.9	28	3.6
		804.4		937.8
		562.0		804.4
Excise duty on Finished Products manufactured and not cleared from factories		73.5		89.4
		42.1		73.5
		877.9		1,027.2
		604.1		877.9
(b) Traded Goods	Opening Stock		Closing Stock	
	Nos. in '000	₹ in Million	Nos. in '000	₹ in Million
Ball Bearings, Roller Bearings	3,447	522.5	1,365	556.4
	1,030	355.3	3,447	522.5
Goods in Transit		113.8		45.7
		204.7		113.8
		636.3		602.1
		560.0		636.3

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

(12) Information for each class of goods :

(a) Manufactured and sold during the year ended December 31, 2011

Class of Goods	Installed Capacity	Production	Sales (Net of excise duty)	
	Nos. in '000	Nos. in '000	Nos. in '000	₹ in Million
Ball Bearings, Roller Bearings	180,947	134,570	132,109	11,816.5
	163,446	121,700	118,642	10,427.1
Others - Kits, SIBCO & Vogel				490.8
				365.2
Semi-Processed Products		6,244	6,244	14.9
		6,809	6,809	16.8
Textile Machinery Components	3,900	845	771	198.0
	3,900	1,062	1,073	213.5
				12,520.2
				11,022.6

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

(ii) Production includes quantities used for internal consumption.

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

13 NOTES TO THE FINANCIAL STATEMENTS — (Contd.)

(b) Traded Goods purchased and sold during the year ended December 31, 2011.

Traded Goods	Purchases		Sales	
	Nos. in '000	₹ in Million	Nos. in '000	₹ in Million
Ball Bearings, Roller Bearings	13,665	9,656.7	15,747	11,465.4
	22,512	8,391.5	20,095	9,511.6
		9,656.7		11,465.4
		8,391.5		9,511.6

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

	December 31, 2011	December 31, 2010
(13) Expenditure in Foreign Currency :		
Professional and consultation fees	57.0	22.0
Royalty	138.0	112.7
Service fees	477.6	258.5
Others	328.9	230.4
Trading goods	2,841.4	2,364.8
(14) C.I.F. value of imports :		
Raw Materials	122.6	85.5
Components, Stores and Spares etc.	1,986.3	1,836.2
Capital Goods	129.1	214.4
(15) Amounts remitted in foreign currency on account of dividends to Non-resident shareholders:		
Number of Shareholders	3	3
Number of Shares held	28,254,568	28,254,568
Amounts remitted	197.8	113.0
Year to which Dividend relates	2010	2009
(16) Earnings in foreign exchange :		
F.O.B. value of Exports	2,084.4	1,703.4
Export of Services	25.8	1.7
Commission Income	7.1	5.2
Other Income	118.4	40.5

- (17) a) The provision for taxation is net of reversal of excess provision for earlier years ₹ Nil (Previous Year ₹ 4.1 Million).
b) The provision for taxation is inclusive of short provision for earlier year ₹ 33.2 Million (Previous year ₹ Nil).
c) The provision for deferred taxation is inclusive of reversal of excess provision for earlier years ₹ 7.1 Million (Previous Year ₹ Nil).
d) The provision for deferred taxation is inclusive of short provision for earlier years ₹ Nil (Previous Year ₹ 5.0 Million).

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

The Company has amounts due to suppliers under Micro, Small and Medium Enterprises Development Act (MSMED Act) as at December 31, 2011 .

13 NOTES TO THE FINANCIAL STATEMENTS — (Contd.)

(₹ in Million)

The disclosure pursuant to the said Act is as under :

Particulars

	December 31, 2011	December 31, 2010
Principal Amount outstanding to suppliers under MSMED Act, 2006 beyond the appointed date	2.5	0.8
Interest accrued on the dues to suppliers under MSMED Act on the above amount	0.0*	0.0*
Payments made to suppliers (other than interest) beyond the appointed date, during the year	36.2	26.7
Interest paid to suppliers under MSMED Act (other than section 16)	Nil	Nil
Interest paid to suppliers under MSMED Act (section 16)	Nil	Nil
Interest due and payable to suppliers under MSMED Act for payments already made	1.0	0.5
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED	1.0	0.5

Note : The above information has been compiled by the Company on the basis of information made available by vendors during the year 2011.

* Since denominated in Million

- (19) The net exchange difference arising during the year recognised in the Profit and Loss Account is ₹ 154 Million loss (Previous Year ₹ 7.2 Million gain).
- (20) a) During the current year, certain employees of SKF India Limited have been granted stock options under AB SKF Performance Share Award Agreement. Pursuant to this, AB SKF has debited ₹ 12.8 Million (Previous year ₹ 7.1 Million) to its Profit and Loss Account.
- b) During the current year, the Company has reimbursed the cost incurred by AB SKF of ₹ 3 Million (Previous Year ₹ Nil) for stock options granted to certain employees under AB SKF Performance Share Award 2008

	December 31, 2011	December 31, 2010
(21) Remuneration to Directors:		
Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956		
Profit before tax as per Profit and Loss Account	3,139.2	2,660.7
Add: Depreciation / Amortization provided in books	385.2	333.4
Directors' remuneration / Sitting fees	16.3	16.1
Provision for doubtful debts	(6.3)	14.6
(Profit)/loss on sale of fixed assets (net) under Sec. 349 of the Companies Act,1956	5.6	(37.3)
Wealth tax (net of earlier year's provisions)	0.9	0.9
	401.7	327.7
	3,540.9	2,988.4
Less: Depreciation as per Section 350 of the Companies Act, 1956 (Including amortization of Intangibles)	385.2	333.4
(Profit)/loss on sale of fixed assets, (net)	5.6	(37.3)
	390.8	296.1
Net profit as per Section 309(5)	3,150.1	2,692.3
a) Commission & other benefits to non whole-time Directors - maximum of 1% of net profit - ₹ 31.5 Million (Previous Year ₹ 26.9 Million), restricted to (as determined by the Board of Directors)	3.8	3.0

	December 31, 2011	December 31, 2010
b) Managerial remuneration to Managing Directors maximum of 5% of net profit - ₹ 157.5 Million; (Previous Year ₹ 134.6 Million)	12.0	12.6
Details of above ;		
Salary and bonus	10.4	11.4
Value of perquisites	0.2	-
Contribution to Provident Fund	0.6	0.5
Contribution to Super Annuation Fund	0.8	0.7

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

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

Profit attributable to Equity Shareholders (₹ Million)	2,084.9	1,770.2
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 (₹)	39.5	33.6
Diluted Earnings per share (₹)	39.5	33.6

- (23) Foreign currency exposures

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

Particulars	Amount in foreign currency (In Million)		Equivalent amount in (₹ In Million)	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Payable				
EURO	17.0	16.2	1,173.8	963.3
USD	3.1	2.4	165.7	109.1
SEK	2.2	0.8	16.5	5.3
GBP	0.0*	0.0*	0.3	1.1
YEN	4.3	9.9	3.0	5.4
CHF	0.1	0.1	5.8	3.9
EURO Debtors(Credit Balance)	0.2	-	16.5	-
			1,381.6	1,088.1
Receivable				
EURO	6.5	1.7	445.4	101.2
USD	1.3	4.2	64.7	188.3
SEK	-	16.9	-	111.9
SGD	-	0.2	-	6.9
AUD	-	-	-	-
YEN	-	0.4	-	0.2
YEN Creditor(Debit Balance)	6.0	-	4.1	-
			514.2	408.5
Bank				
EURO EEFC Bank Account	0.0*	0.0*	0.1	0.4
USD EEFC Bank Account	0.1	0.1	7.6	2.6
			7.7	3.0

* Since denominated in Million

13 NOTES TO THE FINANCIAL STATEMENTS — (Contd.)

- (24) The Company has facility from banks for working capital / working capital demand loans which are secured by pari passu charge of :
- 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
- (25) The previous periods' figures have been regrouped / reclassified wherever necessary to conform to the current year's classification as follows:

(₹ in Million)

Particulars	Amount as per audited financial statements as on 31 December 2010	Amount regrouped in the current year	Earlier grouped in audited financial statements as on 31 December 2010	Regrouping details - included in
Expense Reimbursed	40.50	40.50	Miscellaneous expenses (Schedule 10 (viii))	Miscellaneous Income (Schedule 9)
Service Fees	258.50	258.50	Miscellaneous expenses (Schedule 10 (viii))	Service Fees (Schedule 10 (viii))
Excise Duty paid on stock lying at Distribution Centres	68.10	68.10	Other liabilities (Schedule 7 (i))	Advances recoverable in cash or in kind
TDS Receivable	30.20	30.20	(Increase)/ decrease in Loans and Advances In Cash Flow Statement	Direct taxes paid (net of refunds) In Cash Flow Statement
Excise Duty paid on stock lying at Distribution Centres	68.10	68.10	Increase/ (decrease) in Other Payables In Cash Flow Statement	(Increase)/ decrease in Loans and Advances In Cash Flow Statement

For and on behalf of the Board,

K. C. Mehra
Chairman

Shishir Joshipura
Managing Director

P. R. Menon
T. Sthen
T. Bertilsson

D. C. Shroff
Rakesh Makhija
V. Vartanian

Directors

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

Bhavesh Dhupelia
Partner
Membership No. 042070

P. Bhandari
Company Secretary

Mumbai, February 23, 2012

Bengaluru, February 23, 2012

SKF India Limited

Balance Sheet Abstract and Company's General Business Profile

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

(₹ in thousands)

I	Registration details :	
	Registration No.	11980 of 1961-62
	State Code	11
	Balance Sheet date	31st December, 2011
II	Capital Raised during the year :	
	Public Issue	Nil
	Rights Issue	Nil
	Private Placement	Nil
	Bonus Issue	Nil
III	Position of Mobilisation and Deployment of Funds :	
	Total Sources of Funds	15,080,293
	Total Application of Funds	15,080,293
	Sources of Funds :	
	Paid-up Capital	527,300
	Share application money pending allotment	0
	Reserves and Surplus	9,585,100
	Secured Loans	0
	Unsecured Loans	0
	Deferred Tax Liability	15,993
	Application of Funds :	
	Net Fixed Assets	3,618,752
	Investments	Nil
	Net Current Assets	6,509,600
	Miscellaneous Expenditure	Nil
	Accumulated losses	Nil
IV	Performance of the Company :	
	Turnover including Miscellaneous Income	24,891,096
	Total Expenditure	21,751,915
	Profit before Tax	3,139,181
	Profit after Tax	2,084,942
	Earnings Per Share (₹) - Basic	39.54
	Earnings Per Share (₹) - Diluted	39.54
	Dividend rate	75%
V	Generic Names of Principal products / services of the Company :	
	Item Code No. (ITC Code)	Product description
	84821000	Ball Bearings and Hub Bearing Units
	84822000	Tapered Roller Bearings
	84825000	Cylindrical Roller Bearings
	84482000	Textile Machinery Components

SKF India Limited

Registered Office:

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

Manufacturing Facilities:

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

www.skfindia.com

