

## NOTICE

NOTICE IS HEREBY GIVEN that the Forty-Ninth Annual General Meeting of the Members of SKF India Limited will be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 2<sup>nd</sup> Floor, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai 400 001 on Friday, April 23, 2010 at 2.00 p.m to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at December 31, 2009 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, 2009.
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. N. J. Jhaveri who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. T. Sthen who retires by rotation and being eligible offers himself for re-appointment
6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. B S R & Associates, Chartered Accountants, 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

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

"RESOLVED THAT Mr. Rakesh Makhija, who was appointed as an Additional Director of the Company effective from 1<sup>st</sup> January, 2010 pursuant to Article 129 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 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. Makhija 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."

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

"RESOLVED THAT Mr. Shishir Joshipura, who was appointed as an Additional Director of the Company effective from 1<sup>st</sup> December, 2009 pursuant to Article 129 of the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting under Section 260 of the Companies Act, 1956 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. Joshipura as a candidate for the office of the Director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (the "Act"), the appointment of Mr. Shishir Joshipura as the Managing Director of the Company for a period of 5 years with effect from 1<sup>st</sup> December, 2009 on the terms and conditions including the remuneration as set out in the agreement dated 1<sup>st</sup> December, 2009 between Mr. Shishir Joshipura and the Company, copy whereof initialed by the Chairman for the purpose of identification is placed before this meeting be and is hereby approved."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year of the Company, the remuneration payable to Managing Director shall be governed by Schedule XIII of the Companies Act, 1956 or any statutory modifications thereof."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to alter and vary the aforesaid terms as to remuneration including perquisites within the ceiling limits in that behalf laid down in Schedule XIII of the Companies Act, 1956, as in force from time to time and 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.7 to 9 of the Notice is annexed hereto.
3. Profile of the Directors being appointed / reappointed as required under Clause 49 of the Listing Agreement are provided in paragraph 2.2 of the report on compliance of Corporate Governance.

4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, April 7, 2010 to Tuesday, April 13, 2010, 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 6, 2010 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 6, 2010.
6. Members may please note that the dividend warrants will be payable at par at the designated branches of the bank printed on the reverse of the dividend warrant for an initial period of 3 months only. Thereafter, the dividend warrant should be surrendered at the office of the Company's Registrars & Share Transfer Agent, M/s.TSR Darashaw Limited. Members are, therefore, advised to encash dividend warrants within the initial validity period.
7. Beneficial Owners of shares in demat form are advised to get particulars of their Bank account updated with the Depository Participant (DP) as in terms of SEBI Guidelines and the regulations of NSDL & CDSL, their Bank Account details, as furnished to the DP, will be printed on their dividend warrants. The Company will not entertain requests for change of such bank details printed on their dividend warrants.
8. The amount outstanding in unpaid dividend account in respect of financial year 2003 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 amount.

By Order of the Board  
SKF India Limited

P. Bhandari  
Company Secretary

*Registered Office :*

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

Date: February 19, 2010

## ANNEXURE TO THE NOTICE

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

### Item No.7

At the meeting of the Board of Directors of the Company held on 23rd October, 2009 the Board appointed Mr. Rakesh Makhija as an Additional Director effective from 1st January, 2010. Under the provisions of Section 260 of the Companies Act, 1956, Mr. Makhija will hold office upto the date of this Annual General Meeting.

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. Makhija as a candidate for the office of Director.

The Board of Directors recommends the passing of the Resolution as set out at Item No. 7 of the Notice.

No Director other than Mr. Makhija is concerned / interested in this resolution.

### Item No.8 & 9

At the meeting of the Board of Directors of the Company held on 21st September, 2009 the Board appointed Mr. Shishir Joshipura as an Additional Director effective from 1st December, 2009. Under the provisions of Section 260 of the Companies Act, 1956, Mr. Joshipura will hold office upto the date of this Annual General Meeting.

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. Joshipura as a candidate for the office of Director.

The Board in this meeting appointed Mr. Joshipura as the Managing Director (MD) of the Company for a period of 5 years with effect from 1st December, 2009 on the terms and conditions including the remuneration as set out in the agreement dated 1st December, 2009 which are as under:

#### 1. Remuneration :

##### A) Salary

The Managing Director shall be paid by way of annual Base Salary a sum of Rs.44,05,320/- which shall be revised annually each year beginning January 2011. The increase shall be at the discretion of the Remuneration Committee / Board of Directors of the Company.

In Addition to the Base Salary the Managing Director will be entitled to a Flexible Basket equivalent to 100% of his Annual Base Salary. The Managing Director will be allowed to choose amongst the various Heads that are offered under this scheme (Car, Car Running Expenses, Leave Travel Allowance, Education Allowance, House Utilities and Supplementary Allowance) based upon the preference.

## B) Sign on Bonus :

The Managing Director will be entitled to a one time sign on bonus of Rs.15,00,000/- at the time of joining the company.

## C) Incentives

- i. The Managing Director will be entitled to a Short Term Variable Salary (STVS) as per the Group Bonus Plan. The maximum Bonus payable is 30% of Base Salary and Flexible Basket put together.
- ii. Long Term Scheme: The Managing Director will be entitled to participate effective from January 1, 2010 in the Group Long Term Variable Salary (LTVS) program of the Company as may be in force from time to time.

## D) Perquisites

In addition to the above remuneration, the Managing Director shall also be entitled to the following perquisites :-

- i) Semi furnished four Bedroom accommodation in accordance with the Company Policy.
- ii) Medical reimbursement to self and dependable family (spouse and children) for outpatient medical care and will be covered under the Hospitalisation scheme as per the Rules of the Company.
- iii) Membership of one club.
- iv) Car and Telephone(s) – The Company shall provide a Car & driver and telephone(s) reimbursement as per the Company policy.  
Provision for the use of company car and telephone(s) at residence and mobile including payment for local calls and long distance official calls shall not be included in the computation of perquisites for the purpose of calculating such ceilings.
- v) Hospitalisation Policy, Personal Accident Group Insurance Scheme and Death Insurance policy as per the Company rules and regulations.
- vi) Leave – Entitlement for leave as per the rules of the Company. Encashment of unutilised leave at the end of tenure shall not be considered as a perquisite for purposes of ceiling on remuneration prescribed in the Companies Act, 1956.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per Income tax Rules wherever applicable and in the absence of any such rules, perquisites shall be evaluated at actual cost.

## E) Retirement Benefits

- Provident Fund : The Company will contribute 12% of Annual Base Salary towards Provident Fund
- Superannuation : The Company will contribute 15% of Annual Base Salary towards Superannuation Fund.
- Gratuity : Gratuity as per the Gratuity Act.

## F) Minimum Remuneration :

In the event of absence or inadequacy of profits in any financial year the remuneration payable to Managing Director shall be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 or any statutory modifications thereof.

## 2. Other material terms of appointment:

- i. Mr. Joshipura acting as the MD of the Company shall exercise and perform such powers and duties as the Board of the Company shall from time to time determine and shall have the general control, management and superintendence of the day to day business and affairs of the Company.
- ii. The appointment may be terminated by either party by giving to the other party six months' notice of such termination.
- iii. The Company shall be entitled to forthwith determine this Agreement in the event of Mr. Joshipura being found guilty of misconduct or negligence in the discharge of his duties or in the conduct of the Company's business or to any other act or commission inconsistent with his duties as the Managing Director or any breach of this Agreement which in the opinion of the Board renders his termination from the office of Managing Director desirable.
- iv. If, before the expiration of this Agreement, the tenure of office of MD shall be determined by reason of reconstruction or amalgamation, whether by winding up of the Company or otherwise, the MD shall have no claim against the Company for damages or otherwise howsoever.
- v. The terms and conditions of appointment of MD also include clauses pertaining to adherence with the SKF Code of Conduct, Non-Competition Policy and maintenance of confidentiality.

A copy of the Agreement entered into between Mr. Joshipura and the Company is available at the Registered Office of the Company for inspection on any working day (except Saturday) during the normal working hours of the Company.

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: February 19, 2010

## 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, 2009

### Disclosures

#### A. CONSERVATION OF ENERGY :

##### Pune Plant

- No. of Six Sigma Projects were initiated during the year on energy conservation out of which few are -
  - Reduction in Furnace hours
  - Energy conservation in factory air circulation system
  - Electrically driven roof extract fans replaced by Turbovent Zero power fans.
- Improvement & maintaining power factor -
  - Maintained overall power factor of the factory at 0.998.
  - Harmonic filter is used to minimize supply harmonics & power factor improvement.
  - Higher discount of 16.7 per cent as compared to previous year was received from state electricity board in view of various steps undertaken for reduction in energy consumption.
- Energy measurement & audit -
  - Digital meters with communication port installed which support in automatic energy monitoring.
  - Harmonic study at different locations in the shop floor conducted.
- Other projects undertaken -
  - 100 Hz supply replaced with VFD is expected to provide saving of 16,800 Kwh annually.
  - Conventional Electric motors of 7A, 8A and Honing oil cooling system replaced with energy efficient motor which will provide total saving of 43,485 Kwh.

##### Bengaluru Plant

- Decentralized blower system for grinding hall -
  - Separate Fresh air system installed for grinding hall for channel 4 & 5 resulting in saving of 84,000 Kwh.
- Optimization of coolant pumps -
  - Optimization of emulsion pumps for soft machining resulted in annual energy savings of 11,550 Kwh.
- Factory Lighting & Office A/cs -
  - Installation of LED lights, electronic chokes, CFL lamps and timers circuits for better switching control of air conditioners etc., were extended further in the factory which helped in achieving annual energy savings.

#### ■ Power factor correction -

- Automatic power factor control system for Channels 2, 4 & 5 installed to maintain the desired power factor by regulating the number of capacitors connected to the load irrespective of the running condition of the channel machines, 80 units per day energy savings achieved.

#### ■ Variable Voltage Drive -

- Variable voltage drive installed for channel -5 flex link motors that regulated the power factor and the power drawn by these motors which helped in achieving an energy savings of 14,000 Kwh.

#### ■ Hydraulic Power Packs for Grinding machines -

- Digital display of hydraulic pressure of power packs helped in monitoring and control of power drawn by the power pack motor and this activity produced an annual energy savings of 10,500 Kwh.

#### Additional proposal of activities:

- Implementation of Energy Audit and Green Belt Project.
- Monitoring of Channel wise electric power consumption.

#### Impact of measures taken:

The measures stated above have resulted in annual energy savings during the year 2009.

#### B. TECHNOLOGY ABSORPTION:

- The Company has been consistently supported by AB SKF in keeping updated on technology developments. The Company receives technical know-how from AB SKF on continuous basis. This has been used extensively in wide range of products giving competitive edge in the market.
  - Technical modifications with the help of Group on Grinding and Assembly machines has led to increase in the channels capacity by 2% in 2009 as compared with 2008.
- The result has mainly been achieved by
- Program modification on grinding machines.
  - Machine upgradation
- New Bearings / Variants have been developed based on the customer requirements.
  - New types of Solid Oil Ball Cages developed.
  - VAS:TVS one way clutch assembly channel developed and installed for production.
  - Installed needle roller bearing for ROCKER ARM assembly & Eddy current tester for CAM FOLLOWER.

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- During the year, new businesses in Latin America, North America and in Turkey were sought. The company is exploring the possibility to tap the service market of neighbouring countries.
- The information on foreign exchange earnings and outgo is contained in Schedule XIV paras 13 to 16 of the Accounts.

## Annexure to Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report for the year ended December 31, 2009.

Name	Age	Designation	Gross Remuneration	Qualification	Experience	Date of commencement of employment	Particulars of Last Employer	Employment Post last held
Mr Amar Bhat	45	VP-Business Excellence & Six Sigma	3,259,716	BE Instrumentation	22	10-Oct-2002	Tata Home Finance Ltd.	GM-HR & Administration
Mr Anil Jaiswal	48	Sales Manager -Asia	3,753,330	BE Mechancial	24	10-May-1993	TVS Suzuki Ltd.	Assistant Sales Engineer
Mr Cyrus Gazder*	48	Project Leader -Saralite	210,396	B Com, ICWA	26	2-Sep-1988	Indo German Chamber of Commerce	Publication Assistant
Mr Harsha Kadam	44	Director-Electrical Business Unit	3,054,368	BE Mech, PGDIM Finance, PGDIM HR	20	26-Jul-1990	Chemical Industries Consulting Bureau	Project Engineer Trainee
Mr Jos Verelst *	62	Finance Director	4,613,087	Bachelor in Finance & Law	39	1-Sep-2006	SKF European Financial Service Centre	General Manager
Mr Kamal Sehgal *	40	GM-KAM & CPP Process	2,271,849	BE Production, MBA	16	16-Jun-2003	GE Motors India Ltd.	Manager
Mr Kjell Bogvad	56	Director - Industrial Business Unit	15,401,465	MSC MBA	32	1-Jan-2008	SKF Mutlitech AB	Director- Mechatronic
Mr R. Manohar	54	Director-Demand Chain	3,583,013	MTech, AICWA	28	28-Aug-2008	Delphi Automotive Sytems	Regional Category Team Manager
Mr Rajesh Pasricha	51	GM-Railways	2,618,068	BE Electrical, MBA	28	30-Nov-1981	Snow Temp Engg Company Ltd	Purchase Officer
Mr Ranjan Kar	48	Director-Automotive Business Unit	3,876,997	B Tech, PGDM	23	4-Feb-2003	Exxon Mobil India	Regional Business Dev. Manager
Mr Rakesh Makhija	58	Managing Director	18,452,349	B Tech Chem Engg.	34	1-Jun-2002	Honeywell International (India)	Country Manager & Managing Director
Mr Rudragouda Patil	37	Group IT Compliance Manager	2,505,055	M COM, CISA	14	17-Apr-2006	Wipro Technologies	SR. IS Security Consultant
Mr S Chandramowli	47	Finance Director	5,688,078	M Com, CA	25	15-Apr-1991	K S B Pumps Ltd.	Executive Officer-Accounts
Mr Shoaib Shaik	46	VP-Vehicle Service Market	3,404,501	B Com MBA	22	20-Jul-2004	Fuchs Lubricants Ltd	Chief Manager
Mr Shishir Joshipura *	48	Managing Director	2,333,340	BE Mechanical, APM	25	1-Dec-2009	Thermax Limited	Executive Council Member & Group Business Head-Cooling and Heating Business
Mr Srikant Savangikar	51	VP-Factory Manager	2,753,384	BE Production	29	2-Jul-1991	NRB Bearings	Production Superintendent
Mr Sudhir Rege	48	Director-Service Business Unit	4,623,184	BE Mechancial, MMS	22	1-Feb-2002	Ingersoll Rand India Ltd.	Head of Torrington Business
Mr Sunil Chrungu	47	GM-Sales	2,438,540	BE Mechanical	21	6-Nov-2007	Castrol India Ltd	National Manager-Performance Lubricants
Mr T G G Nair	53	GM-Application Development Center	2,512,626	BE Mechanical	28	14-Apr-1981	Nil	Nil
Ms Veena Apte	51	GM-Talent Management	2,506,379	MA, PhD	26	13-Dec-2006	Bilcare Ltd.	Head-Human Resources
Mr Venkatesh Inamdar	47	GM-National Sales	3,054,359	BE Mechanical	25	29-Dec-2006	ITW India Ltd.	Business Head
Mr Vithal Nayak	46	Director-Human Resources	6,028,197	BE Mechanical, MMS	21	21-Jan-2002	Lupin Limited	Head of HR, IR, Pers & Admn.
Mr Vivekananda Lokre	48	GM-OE Sales & Business Development	2,566,354	BE Mechancial, MBA	22	25-Nov-2005	Delphi Steering Systems	Dy. Manager-Sales & Market Dev.

\* Employed for only part of the year.

- Notes:
- Gross remuneration as above includes salary, bonus, other allowances, Company's contribution to provident fund and superannuation scheme, leave travel assistance, leave encashment and expenditure incurred on providing accommodation, medical and other facilities, but excludes contribution to gratuity fund made on the basis of actuarial valuation.
  - Compensation paid under the Company's voluntary retirement scheme is not considered for the purpose of this disclosure. Accordingly, information pertaining to employees who would be covered under this section due to the receipt of such compensation, is not included in the above statement.
  - None of the employees is a relative of any Director of the Company.

For and on behalf of the Board  
SKF India Limited

K. C. Mehra  
Chairman

Pune, February 19, 2010

## CEO/CFO CERTIFICATE

We hereby certify that -

- We have reviewed financial statements and the cash flow statement for the year ended December 31, 2009 and that to the best of our knowledge and belief;
  - these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- We accept responsibility for establishing and maintaining internal controls and that we have evaluated the

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

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

Shishir Joshipura  
Managing Director/CEO  
Pune, February 5, 2010

Chandramowli Srinivasan  
Finance Director/CFO



# CORPORATE GOVERNANCE REPORT

## PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance refers to the blend of law, regulations and voluntary practices. It is the application of best management practices, compliance of law and adherence to ethical standards to achieve the organization goal of enhancing stakeholder value. Strong Corporate Governance is indispensable for safeguarding the interests of all the stakeholders. Corporate Governance is not a destination but a continuous journey for constantly upgrading its governance practices and systems to effectively meet the rapidly changing external business environment. It is rather a culture that involves essentially a creative, generative and positive thinking activity that adds value to the various stakeholders who serve as end customers of the corporate entity. The cardinal principles such as independence, accountability, responsibility, transparency, trusteeship & disclosures serve as the means for implementing the philosophy of Corporate Governance.

## CORPORATE GOVERNANCE AT SKF INDIA LIMITED

SKF philosophy of Corporate Governance is based on preserving core values and ethical business conduct. Our vision is to be 'The Knowledge Engineering Company' providing total business solutions in its pursuit of excellence, growth and value creation. We focus on developing innovative, integrated value-added solutions that improve the competitiveness and provide us with new opportunities.

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

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

The above structure ensures greater management accountability and credibility, facilitates increased autonomy of businesses, performance discipline and development of business leaders. Decision making and execution in this environment is driven by its governance structures, ethics and value systems. We have formulated, inter-alia, various policy documents and introduced best practices of governance like Code of conduct, Prohibition of Insider Trading Policy, Group Whistle Blower Policy, Environment Policy, Risks Management Policy, Six Sigma, Total Productive Manufacturing (TPM), Quality Management System TS16949, Environmental Certification ISO 14001 and Health and Safety Management Standard Certification OHSAS 18001.

The Company is in compliance with the requirements of the guidelines on Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges. With the adoption of Group Whistle Blower Policy and the setting up of a Remuneration Committee, the Company has moved further in its pursuit of excellence in Corporate Governance.

## 1. GROUP STRUCTURE

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

## 2. BOARD OF DIRECTORS

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

### 2.1 Composition

In terms of the Articles of Association of the Company, the strength of the Board shall not be lesser than three nor more than thirteen. As on year end, Board consists of nine members, including the Chairman who is a Non-Promoter, Non-Executive Independent Director. The Board comprises of eminent members with considerable professional expertise and experience. None of the Directors are related to each other. Apart from Mr. Rakesh Makhija and Mr. Shishir Joshipura, (effective from 1st December, 2009) who are Managing Directors, all other members of the Board are Non-Executive Directors, including three members who are Independent Directors. The Independent Directors of the Company furnish a declaration at the time of their appointment as also annually that they qualify the conditions of their being independent as laid down under clause 49. All such declarations are placed before the Board. One-third of the Directors who are liable to retire by rotation, retire every year and are eligible for re-election.

Mr. Makhija on being appointed as President, Asia of SKF Group has relinquished the post of the Managing Director and Board has appointed him as an Additional Director effective from 1st January, 2010 subject to the approval of

members in a General Meeting. During the year, the Board in its meeting held on 21st September, 2009 appointed Mr. S. Joshipura as Managing Director of the Company for a period of 5 years with effect from 1st December, 2009 subject to the approval of members in a General Meeting. Mr. P. Knights who was on the Board of the Company has resigned from the Board with effect from 16th October, 2009. 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. G. Donato, Mr. H. Lange, Mr. T. Sthen and Mr.V. Vartanian as members on the Board of Directors represent the interest of Parent Company.

## 2.2 Profile 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 48 years. In 1975, he was appointed Resident Director, Tata Industries in Delhi which position he held with distinction upto 1981.

Mr. Mehra was Chairman of Tata Robbins Frazer, Tata Davy / Tata Construction, The Indian Tube Company, Tata Stewarts and Llyods, Tata Projects and 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 Ltd and also a Director of several companies.

Mr. Mehra is a keen sportsman and has held positions of eminence on several State and National Bodies. He is on the executive committees of ASSOCHAM, CII and several other professional organizations. He has been appointed by the Government of India on the Government council of VV Giri, National Labour Institute.

Apart from the Chairman of SKF India Limited, he is the Resident Director (Corporate) of the Shapoorji Pallonji Group, P T Gokak Indonesia, Forvol travels and is director on several boards including Telcon, a joint venture between Tata Motors and Hitachi.

Mr.Mehra is also on the Board of the following Companies and Committees apart from Member of the Audit Committee, Share Transfer / Investors' Grievance Redressal Committee and Chairman of Remuneration Committee of SKF India Limited

Company	Position	Committee Membership held
Forvol International Services Ltd.	Chairman	
Telco Construction Equipment Co. Ltd.	Director	Member - Audit Committee Member-Remuneration Committee Member- Operation Committee
NextGen Publishing Ltd.	Director	
Sovereign Pharma Pvt. Ltd.	Director	

### Mr. N.J. Jhaveri

Mr.Jhaveri holds a Masters degree in Economics from Gujarat University. He has also obtained M.Sc. in Economics from the London School of Economics with specialization in public finance with 44 years of experience. After a brief stint with NCAER, he joined Reserve Bank of India. He then joined ICICI as Chief Economist and rose to the position of Joint Managing Director. In 1993, he moved to I-Sec, a joint venture investment bank between ICICI and JP Morgan, as Executive Chairman. Thereafter, he was associated with the Kotak Mahindra Group.

Mr. Jhaveri is a director of Afcon Infrastructure Ltd, Pidilite Industries Ltd, Siemens Ltd, Usha Martin Ltd, Voltas Ltd, Juniper Hotels Pvt. Ltd, Hindalco Industries Ltd, Ultratech Cement Ltd, Siemens Healthcare Diagnostics Ltd, Phoenix ARC Private Ltd, Edelweiss Securities Ltd, Edelweiss Capital Ltd, and Gujarat Venture Finance Ltd. He is the chairman of audit committee for Afcons Infrastructure Ltd, Usha Martin Ltd, Voltas Ltd, and Edelweiss Capital Ltd. He is a member of the Audit Committee in Pidilite Industries Ltd, Juniper Hotels Pvt Ltd, Hindalco Industries Ltd, and Siemens Healthcare Diagnostics Ltd.

### Mr. T. Sthen

Mr.Sthen is M.Sc. (M.S.E.E.) in Technical Physics and Electro technology from Linkoping Institute of Technology and Business Administration, Law, Astronomy, English at Vasteras / Uppsala University. He is the President Automotive Division, Aktiebolaget SKF and his present responsibility include global responsibility within SKF Group for overall Division results as well as Business Development, Sales, Product Development, Engineering and Manufacturing functions for the Cars, Trucks, Components and Vehicle Aftermarket Segment.

Mr.Sthen is also a Director of SKF GmbH, Germany, SKF France S.A., P.T. SKF Indonesia, SKF Automotive Bearings Co. Limited, China, SKF Automotive Technology Co. Limited, China AEC Japan Co. Ltd., Japan, Green Cargo, RIV-SKF Officine di Villar Perosa S.p.A.

## CORPORATE GOVERNANCE REPORT (Continued)

### Mr. S. Joshipura

Mr. Joshipura is an engineering graduate from Birla Institute of Technology & Science, Pilani and has completed Advance Management Program from Harvard Business School.

Mr. Joshipura started his career with Thermax in India as a Engineer Trainee and was associated in various capacities with the Company till he joined SKF India Limited. During his tenure of more than 25 years with Thermax he has worked in various positions from Installation Engineer to Area Sales Manager - Western Region and as a Regional Head (West). He was promoted to the position of CEO, Thermax EPS Limited, a 50:50 JV established by Thermax with EPS USA in 1999. From 2005 to 2009, Mr. Joshipura was an Executive Council Member and Group Business Head in Thermax for Cooling and Heating Business. He was also Director incharge for Energy rental and carbon credit business.

During this period, Mr. Joshipura had taken several initiatives to focus on energy efficiency and productivity improvement across diverse sectors such as paper, chemical, power, Textile and IT. Mr. Joshipura successfully led several operational excellence initiatives improving 'on-time performance', plant throughput, cost optimisation and increase in sales of products through product innovation.

Mr. Joshipura is also a Director of Thermax Sustainability Energy Services Limited and Alliance for Energy Efficient Economy (AEEE) an industry think tank for Energy Efficiency.

### Mr. Rakesh Makhija

Mr. R. Makhija is a Chemical Engineer from the Indian Institute of Technology, New Delhi with more than 35 years of experience in the Industry. Mr. Makhija has been recently appointed as the President, Asia of SKF Group to be based in Shanghai effective 1st January, 2010. In this capacity, Mr. Makhija will work closely with the Business Divisions to build a strong infrastructure in Asia to drive the next phase of SKF's growth in this important region.

Mr. Makhija has been associated with your Company for more than 7 years as the Managing Director of the Company. During this period, Mr. Makhija has taken several initiatives to focus on growth, value addition and cost effectiveness besides overseeing the Company's businesses.

Mr. Makhija, has taken several initiatives for driving this growth for which your company has received recognition and awards from its various suppliers, customers and institution, out of which few are:

- (a) 'Green Manufacturer of the Year' for promoting green practices within our manufacturing areas
- (b) CNBC Asia's 'India Business Leader Award' for Talent Management

- (c) 'Autofit Rolling Trophy' at the 4th National convection on Six Sigma organized by the CII.
- (d) 'Dun and Bradstreet - American Express Corporate Award' as the top company in the Bearing Sector.
- (e) Best Quality / Supplier award from Bajaj, Lucas TVS and ELGI.

Prior to SKF, Mr. Makhija was the Country Manager and Managing Director of Honeywell International, overseeing all of Honeywell's businesses in India. Mr. Makhija also represents as a Member on the Board of Kennametal India Limited and Swedish Chamber of Commerce India and is a Member of Audit Committee & Share Transfer / Investors' Grievance Redressal Committee of SKF India Limited.

### 2.3 Board Meetings

The Board meets at least once a quarter to formulate the strategy, review the performance and to deliberate and consider other items on the agenda. The Company plans and prepares the schedule of the Board and Committee meetings at the beginning of the year to assist the Directors in scheduling their program. During the year under review, five Board meetings were held on 17th February; 23rd April ; 17th July, 21st September and 23rd October, 2009. The Board has complete access to all information with the Company. The agenda of the meeting is pre-circulated with presentations, detailed notes, supporting documents and executive summary. The following information is regularly provided to the Board as a part of the agenda papers sent well in advance of the meetings or is tabled in the course of the Board meeting:

- Minutes of the meetings of Board, Audit, Remuneration and Share Transfer /Investors' Grievance Redressal committee
- Review of Business operations
- Quarterly, half yearly and annual Financial results of the Company
- Cost Audit Report / Secretarial Audit Report
- Investment Plan
- Funds flow and investment of funds
- Review of Foreign exchange exposure and exchange rate movement, if material
- Appointment of auditor including cost auditor
- Information on recruitment and remuneration of key executives below the Board level
- Risk analysis of business
- Sale of investments, assets which are not in the normal course of business
- Contracts in which director are deemed to be interested
- Significant development in Human Resources Industrial Relations



- Issues relating to shareholders- such as transfers, demat status, shareholding pattern, investors grievances if any, issue of duplicate shares etc.
- Legal notices concerning non-compliance, demands and penalties of any regulatory, statutory or listing agreement
- Matters requiring statutory / board approvals

Every year residential board meeting is organized at the time of approving annual audited accounts. Business heads and Functional heads in the beginning of 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 Attendance & other directorships

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

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

Name of Director	No. of Board Meetings attended	Attendance at the last Annual General Meeting	Directorship in other companies (other than SKF India)	No. of Committees in which Chairman/ Member (other than SKF India)	
				Member	Chairman
<b>Non-Executive Independent</b>					
Mr. K. C. Mehra Chairman	5	Yes	3	1	-
Mr. D. C. Shroff	4	Yes	6	5	2
Mr. N. J. Jhaveri	5	Yes	11	7	4
<b>Non-Executive not Independent</b>					
Mr. G. Donato	3	Yes	-	-	-
Mr. T. Sthen	3	Yes	-	-	-
Mr. P. Knights (Resigned w.e.f. 16.10.2009)	-	No	-	-	-
Mr. H. Lange	-	No	-	-	-
Mr.V. Vartanian	2	No	-	-	-
<b>Executive</b>					
Mr. R. Makhija Managing Director (upto 31.12.2009)	5	Yes	1	1	-
Mr.S. Joshipura Managing Director (Appointed w.e.f. 1.12.2009)	-	N.A.	1	-	-

- Notes:
- This excludes alternate directorships / directorships of private limited companies and foreign companies wherever applicable.
  - None of the directors is related to any other director.
  - Audit and Share Transfer / Investors' Grievance Redressal Committees only.
  - Apart from the above attendance, Mr. G Donato and Mr. H Lange participated in the Board Meeting through teleconference once during the year.

## CORPORATE GOVERNANCE REPORT (Continued)

### 2.5 Company Management Team (CMT):

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

### 2.6 Risk Committee

SKF has established comprehensive risk assessment and minimization procedures which is presented to the Board periodically for their review. The Finance Director has been designated as Risk Manager responsible for the overall risk governance in the Company who reports to the Board. Risks are identified, assessed, controls are designed to ensure that the risks in each business process are mitigated. During the year, detailed presentations were made on the risk assessment and mitigation procedures before the Board.

## 3. AUDIT COMMITTEE

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

### 3.1 Scope of Audit Committee

The Audit Committee acts as a link between the statutory and internal auditors and the Board of Directors. The Audit committee makes recommendations to the Board within the delegated authority. The Committee assists the Board in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the company and its statutory requirements. The terms of reference of the audit committee are in accordance with clause 49(II) of the Listing Agreement entered into with the relevant Stock Exchanges and include:

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

The internal and statutory auditors of the Company discuss their audit findings and updates & submit their views directly to the Committee. Meetings with internal auditors focus 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 16th February, 23rd April, 17th July and 23rd October, 2009. 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	3
Mr. K. C. Mehra	Member	4
Mr. N. J. Jhaveri *	Member	4
Mr. R. Makhija	Member	4

\* Mr. N. J. Jhaveri was elected chairman of the meeting held on 23rd October, 2009

#### 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. All compensation / remuneration payable to the directors are as approved by the shareholders in the general meeting.

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

The composition of the Remuneration Committee and the details of meetings attended by the members thereof are as follows:

Name of Director	Category	No. of Meeting Attended
Mr. K. C. Mehra	Chairman	1
Mr. G. Donato	Member	1
Mr. D. C. Shroff	Member	1

The meeting of the Remuneration Committee was held on 17th February, 2009.

##### 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. Rakesh Makhija, Managing Director for the year are as under:-

Description	Amount Rs.
Salary	10,106,313
Perquisites	1,599,608
Deferred Benefits (PF and Superannuation)	3,195,677
Stock Options	Nil
Performance Linked Incentives	3,550,752
<b>Total</b>	<b>18,452,349</b>

Mr. Rakesh Makhija has been granted ESOP's under the AB SKF Performance Award Agreement.

Mr. Shishir 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.

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

Description	Amount Rs.
Salary	2,234,220
Perquisites	-
Deferred Benefits (PF and Superannuation)	99,120
Stock Options	Nil
Performance Linked Incentives	Nil
<b>Total</b>	<b>2,333,340</b>

##### 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 and Rs. 10,000 for every meeting of Audit Committee and Rs. 5,000 per meeting for the Remuneration & Share Transfer/ Investors' Grievance Redressal Committee. The independent directors apart from receiving Director's remuneration do not have any material pecuniary relationships or transactions with the company, its promoters which may affect independence of the Director. Mr. D. C. Shroff is a Senior Partner of Crawford Bayley & Co., Solicitors and Advocates, who are rendering professional services to the Company. The Company has paid Rs. 1,70,000/- as professional fees to Crawford Bayley & Co. during the year 2009.

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

The actual amount of Commission payable to each Non-Executive Director is decided by the Board. The commission payable to the Chairman is decided by the other Members of the Board.

No remuneration is paid to the Non-Executive not Independent Directors. The details of the remuneration paid/ payable to other Non-Executive Directors are as under:-

Name of the Director	Sitting Fees Rs.	Commission* Rs.	Total Rs.
Mr. K. C. Mehra	155,000	850,000	1,005,000
Mr. D. C. Shroff	175,000	750,000	925,000
Mr. N. J. Jhaveri	140,000	700,000	840,000

\*payable subject to approval of annual accounts by the Shareholders at the forthcoming Annual General Meeting to be held on 23rd April, 2010.

## CORPORATE GOVERNANCE REPORT (Continued)

The company does not have any stock option scheme for the Non-Executive Directors.

### 5. SHARE TRANSFER / INVESTORS' GRIEVANCE REDRESSAL COMMITTEE

The Committee oversees all matters connected with the share transfer and monitors redressal of shareholder grievances and their resolution. The other matters being looked after by the committee includes matters pertaining to transfer of shares, non-receipt of balance sheet, non-receipt of dividends, issue of share certificates etc. The Committee reviews the performance of the Registrar and Share Transfer Agents and recommends measures for overall improvement in the quality of investor services. 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 on any pending shareholder's grievances. During the year stock exchanges at the end of every quarter has confirmed that no such shareholder grievance is pending which pertains to your Company.

The composition of the Share Transfer / Investors' Grievance Redressal Committee and the details of meetings attended by the Members thereof are as follows:-

Name of the Members	Category	No. of meetings attended
Mr. K. C. Mehra	Non-Executive Independent	02
Mr. D. C. Shroff*	Non-Executive Independent	12
Mr. R. Makhija	Executive	11

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

The Committee met 12 times during the year 2009. The dates on which the Share Transfer / Investors' Grievance Redressal Committee Meetings were held are as follows:

5th Jan, 2009	5th Feb, 2009	5th March, 2009
8th Apr, 2009	7th May, 2009	29th June, 2009
16th July, 2009	3rd Aug, 2009	2nd Sept, 2009
8th Oct, 2009	19th Nov, 2009	7th Dec, 2009

To expedite the process of physical transfer of shares the Board has delegated the authority to Registrar & Share Transfer Agent for physical transfer of shares. The physical transfers of shares approved are ratified at the subsequent Share Transfer / Investors'

Grievance Redressal Committee. Mr. P. Bhandari, Company Secretary acts as a Compliance Officer of the Company.

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

Particulars	Total Received	Total Replied	Total Pending
Non Receipt of Interest/Dividend Warrants	195	191	4
Inquiry pertaining to Non Receipt of Shares sent for transfer	5	5	-
Inquiry on Dematerialisation of Shares	7	7	-
Name Correction	8	8	-
Letters Received From SEBI and other Statutory Bodies	2	2	-
Change of address requests updated	79	79	-
ECS/Mandate Registration requests	64	64	-
Loss of Shares	68	67	1
Request for Nomination Forms	6	6	-
Transmission of Securities	38	38	-
Exchange/Sub-Division of Old Shares	87	87	-
Dividend/Interest Queries including request for changes on live warrants	131	131	-
Document Registration	32	32	-
Bonus Issue	1	1	-
Redemption	3	3	-
Others (Miscellaneous)	87	87	-
	813	808	5

813 letters/complaints were received by the Company out of which 808 letters/complaints were replied to the satisfaction of shareholders during the year under review. 5 Outstanding letters / complaints as on 31st December, 2009 have been attended by the 1st week of January, 2010.

2 requests for transfer and 3 requests for dematerialisation were pending for processing as on 31st December, 2009. The pending transfers have been processed by 5th January, 2010 and all pending dematerialisation requests have been processed by 7th January, 2010. 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 (p.m.)	Special Resolutions
31.12.06	Nehru Centre Hall of Culture Dr A B Rd. Worli, Mumbai 18	AGM	26.4.07	Thur	3.30	Pursuant to the provisions of Section 163 of the Companies Act, 1956 to keep the documents at the Registrar and Share Transfer Agents of the Company.
31.12.07	Y.B.Chavan Centre General Jagannath Bhosale Marg Opposite Mantralaya, Mumbai 21	AGM	23.4.08	Wed	3.30	None.
31.12.08	M.C. Ghia Hall Bhogilal Hargovindas Building, 2nd Floor, 18/20 K.Dubash Marg, Kala Ghoda, Mumbai 01.	AGM	23.4.09	Thur	3.00	None

## 7. DISCLOSURES

### 7.1 Related Party Transactions

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

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 has 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. Transaction for dealing in the security of the company during the prescribed time requires prior approval from the company.

Shares held by the directors as at 31st December, 2009 are as under:

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

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



## CORPORATE GOVERNANCE REPORT (Continued)

### 7.6 Code of Conduct

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

## 8. MEANS OF COMMUNICATION

- The Company has over 27,000 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 newspapers like Business Standard and Lokmat. These are not sent individually to the shareholders. As per Clause 51 of the Listing Agreement, the Company also regularly posts the information- financial results and quarterly compliance reports on Corporate Governance on the Electronic Data Information Filing and Retrieval System launched by SEBI and maintained by NIC.
- The website of the Company [www.skfindia.com](http://www.skfindia.com) acts as the primary source of information regarding the operations of the Company. Quarterly financial results & media release are being 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: Friday, April 23, 2010 at 2.00 p.m.

### 9.2 Venue

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

### 9.3 Financial Calendar

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

### 9.4 Date of Book Closure

Wednesday, 7th April, 2010 to Tuesday, 13th April, 2010 (both days inclusive)

### 9.5 Dividend payment date

After 23rd April, 2010

### 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, 2009 to March 31, 2010 to both the Stock Exchanges where the shares of the Company are listed.

### 9.8 Stock Code

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

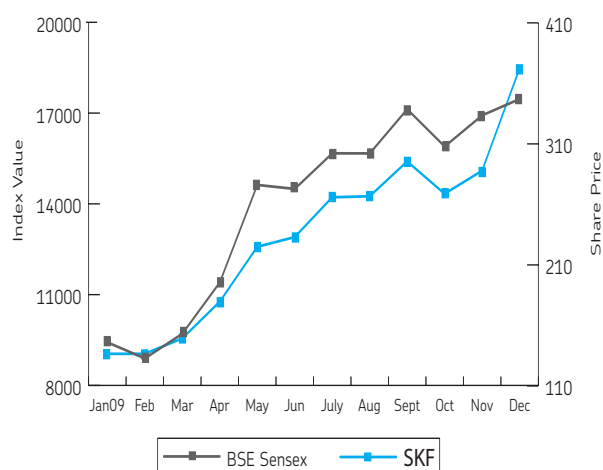
## 9.9 Stock Price Data

Month	Bombay Stock Exchange		National Stock Exchange		Indices: Sensex	
	High	Low	High	Low	High	Low
Jan 2009	147.00	128.65	144.00	128.95	10,469.72	8,631.60
Feb 2009	149.70	132.30	149.05	129.00	9,724.87	8,619.22
March 2009	151.95	133.50	152.00	131.00	10,127.09	8,047.17
April 2009	193.90	147.00	194.00	148.05	11,492.10	9,546.29
May 2009	241.55	164.00	241.90	164.00	14,930.54	11,621.30
June 2009	265.00	210.00	259.70	210.00	15,600.30	14,016.95
July 2009	282.30	230.05	283.00	232.00	15,732.81	13,219.99
August 2009	281.95	230.05	286.40	235.10	16,002.46	14,684.45
September 2009	305.90	258.15	306.00	256.20	17,142.52	15,356.72
October 2009	319.90	262.15	321.00	265.00	17,493.17	15,805.20
November 2009	328.00	247.00	328.30	247.40	17,290.48	15,330.56
December 2009	395.00	291.00	394.90	288.25	17,530.94	16,577.78

## 9.10 Performance in comparison with BSE SENSEX

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

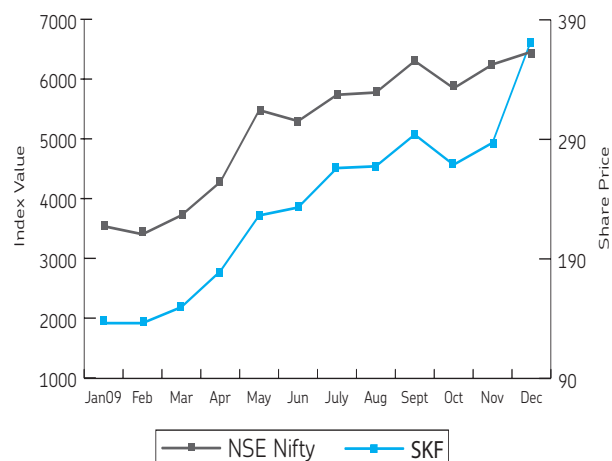
Relative Performance of SKF India Limited



## 9.11 Performance in comparison with NSE NIFTY

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

Relative Performance of SKF India Limited



## CORPORATE GOVERNANCE REPORT (Continued)

### 9.12 Share Transfer System

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

Distribution of shareholding as on 31st December, 2009

No. of Equity shares	No. of share-holders	% of share-holders	No. of shares	% of share-holding
1-500	23,962	87.61	2,869,876	5.44
501-1000	1,713	6.26	1,278,992	2.42
1001-2000	1,027	3.76	1,470,480	2.79
2001-3000	256	0.94	625,859	1.19
3001-4000	105	0.38	372,972	0.71
4001-5000	63	0.23	285,835	0.54
5001-10000	115	0.42	811,630	1.54
10001 and above	109	0.40	45,016,894	85.37
	27,350	100.00	52,732,538	100.00

Category of shareholders	No. of share holders	% of Voting strength	No. of shares held
Foreign Holding (FIs, OCBs & NRIs)	584	12.42	6,549,936
FIs, Insurance Companies & Banks	45	5.48	2,892,278
Other Corporate Bodies	885	3.70	1,949,472
Promoters	3	53.58	28,254,568
Directors	1	0.04	20,000
Mutual Funds	28	10.08	5,315,438
Others	25,804	14.70	7,750,846
Total	27,350	100.00	52,732,538

#### GDRs/ ADRs etc:

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

### 9.13 PLANT LOCATIONS

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

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

#### Address for correspondence

##### Compliance Officer

Mr. P. Bhandari  
Company Secretary,  
SKF India Limited  
Mahatma Gandhi Memorial Building,  
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,  
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 secretarial 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 2001 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 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 2002 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 2003 to 2009 may approach the Company for revalidation / issue of duplicate dividend warrants as the unpaid/unclaimed dividends for the aforesaid financial years are required to be transferred to the Investor Education & Protection Fund (IEPF) constituted by the Central Government under Section 205C of the Companies Act, 1956 after seven years from the date of declaration.

#### Details of unpaid dividend

Financial Year	As on 31.12.2009 (Rs.)
2003	594,244
2004	761,510
2005	735,272
2006	1,107,463
2007	1,370,902
2008	1,935,852
2009	1,620,999

10.2. Equity Shares of the Company are under compulsory demat trading by all investors with effect from May 31, 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 Secretarial Audit

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with

NSDL and the CDSL and the total issued and listed capital. The secretarial audit report confirms that the 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 NSDL & CDSL.

#### 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 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 Company believes that for the able discharge of the responsibilities of the Board it is essential that Board be continuously empowered with the knowledge of the latest development in the Company's businesses and the external environment affecting the industry as a whole.  
  
In pursuit of achieving this goal, every year the Directors are given presentation on business environment, all business areas of the Company including business strategy, risks and opportunities.
- (e) Whistle Blower Policy: The Company follows Group Whistle Blower Policy wherein employees aware of any alleged wrongful conduct are encouraged to make a report directly at the group level. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

For and on behalf of the Board  
SKF India Limited

Pune  
February 19, 2010

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<sup>st</sup> December, 2009 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*

Subramanian Vivek  
*Partner*

Membership Number: 100332

Pune

19<sup>th</sup> February, 2010

## 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 31<sup>st</sup> December, 2009.

Pune  
February 19, 2010

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<sup>st</sup> December, 2009, 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<sup>st</sup> December, 2009 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as at 31<sup>st</sup> December, 2009 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<sup>st</sup> December, 2009;
- (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

Subramanian Vivek  
Partner

Pune  
19<sup>th</sup> February, 2010

Membership No.: 100332

## 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. For stock lying with certain third parties at the year end, written confirmations have been obtained.

**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.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods sold 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 for the specialised requirements of the buyers and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.

- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder/the directives issued by the Reserve Bank of India (as applicable) with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
  - (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
  - (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of manufacture of bearings, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
  - (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31<sup>st</sup> December, 2009 for a period of more than six months from the date they became payable.
- There were no dues on account of cess under section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.
- (b) According to the information and explanations given to us, the following dues of Income-Tax/Sales Tax/Wealth Tax/Service Tax/Customs Duty/Excise Duty/Cess (as appropriate) have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of the Dues	Amount (Rs Millions)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	4.5	A Y 2003 - 04	Commissioner of Income Tax (Appeal).
Jharkhand Sales Tax	Sales Tax	23.7	2003-04	Deputy Commissioner
Karnataka Sales Tax Act, 1957	Sales Tax	4.4	2002 - 03	High Court of Karnataka
Karnataka Sales Tax Act, 1957	Sales Tax	0.3	2003 - 04	Karnataka Appellate Tribunal
Karnataka Value Added Tax Act, 2003	Central Sales Tax	3.1	2006 - 2007	Joint Commissioner of Commercial Taxes (Appeals)
Tamil Nadu Value Added Tax Act	Value Added Tax	1.2	2005 - 06	Commercial Tax officer
Maharashtra Sales Tax Act, 1958	Sales Tax	1.1	2002 - 03	Maharashtra Sales Tax Tribunal
Karnataka Value Added Tax Act, 2003	Central Sales Tax	1.2	2005 - 2006	Joint Commissioner of Commercial Taxes (Appeals)
Jharkand Sales Tax Act	Sales Tax	6.3	2004-2005	Deputy Commissioner
Jharkand Sales Tax Act	Sales Tax	7.0	2005-2006	Deputy Commissioner
Delhi Sales Tax Act	Sales Tax	1.3	2005-2006	Objection Authority Department of Trade & Taxes, New Delhi
West Bengal Sales Tax Act	Sales Tax	2.4	2006-2007	Additional Commissioner of Commercial Tax
Central Excise Act, 1944	Excise Duty	1.6	1997-1998	Commissioner of Central Excise
Central Excise Act, 1944	Excise Duty	2.6	1999-2000	CESTAT
Central Excise Act, 1944	Excise Duty	4.9	1995	CESTAT
Finance Act, 1994	Service Tax	1.3	1997-2000	CESTAT
Karnataka Value Added Tax Act, 2003	VAT	1.4	2006-2007	Joint Commissioner of Commercial Taxes (Appeals)

- (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

Subramanian Vivek  
Partner

Membership No: 100322

Pune  
19<sup>th</sup> February, 2010

**BALANCE SHEET AS AT DECEMBER 31, 2009**

(Rupees in Millions)

	Schedule	December 31, 2009	December 31, 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	527.3	527.3
Reserves and Surplus	2	6,620.0	5,924.2
		7,147.3	6,451.5
<b>Loan Funds</b>			
Unsecured Loans	3	1.0	1.5
		1.0	1.5
Deferred Tax Liability ( Net )	4	-	22.7
<b>TOTAL</b>		<b>7,148.3</b>	<b>6,475.7</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	7,142.2	6,763.2
Less: Depreciation and Impairment		5,125.5	5,005.1
Net Block		2,016.7	1,758.1
Capital Work -in - Progress (Including Capital Advances)		551.0	628.5
Deferred Tax Asset ( Net )	6	8.4	-
<b>Current Assets, Loans and Advances</b>			
Inventories	7	1,820.4	2,244.9
Sundry Debtors		2,162.9	2,150.5
Cash and Bank Balances		2,892.6	1,919.3
Loans and Advances		1,359.9	804.1
		8,235.8	7,118.8
<b>Less : Current Liabilities and Provisions</b>	<b>8</b>		
Current Liabilities		3,026.0	2,419.7
Provisions		637.6	610.0
Net Current Assets		4,572.2	4,089.1
<b>TOTAL</b>		<b>7,148.3</b>	<b>6,475.7</b>
Significant Accounting Policies and Notes to Accounts	14		
The schedules referred to above form an integral part of the Balance Sheet			

As per our report attached

For B S R & Associates  
*Chartered Accountants*Subramanian Vivek  
*Partner*  
Membership No. 100332

Pune, February 19, 2010

For and on behalf of the Board,

K. C. Mehra  
*Chairman*Shishir Joshipura  
*Managing Director*N. J. Jhaveri  
T. Sthen*Directors*D. C. Shroff  
Rakesh Makhija

Pune, February 19, 2010



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

(Rupees in Millions)

	Schedule	Year ended December 31, 2009	Year ended December 31, 2008
<b>INCOME</b>			
Sales and Services	9	16,647.3	17,712.7
Less: Excise Duty		938.0	1,510.3
Net Sales and Services		15,709.3	16,202.4
Other Operating and Miscellaneous Income	10	131.2	101.8
		15,840.5	16,304.2
<b>EXPENDITURE</b>			
Manufacturing and Other Expenses	11	14,243.7	14,224.8
Depreciation / Amortisation	5	289.8	289.4
		14,533.5	14,514.2
<b>PROFIT BEFORE INTEREST AND TAX</b>		1,307.0	1,790.0
Financial Income	12	(131.6)	(160.7)
Financial Expense	13	7.6	6.8
<b>PROFIT BEFORE TAX</b>		1,431.0	1,943.9
Provision for Taxation			
- Current Tax - Net ( refer Note 17 of Schedule 14 )		519.5	690.3
- Deferred Tax - Net (refer Note 17 of Schedule 14)		(31.1)	(28.7)
- Fringe Benefit Tax - Net ( refer Note 17 of Schedule 14 )		0.1	5.7
<b>NET PROFIT AFTER TAX</b>		942.5	1,276.6
Balance brought forward from previous year		3,238.7	2,367.4
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		4,181.2	3,644.0
<b>APPROPRIATIONS</b>			
Proposed dividend		210.9	237.3
Tax on proposed dividend		35.8	40.3
Transfer to General Reserve		94.3	127.7
Balance carried to Balance Sheet		3,840.2	3,238.7
		4,181.2	3,644.0
<b>Earning Per Share ( Rs.) ( refer Note 21 of Schedule 14 )</b>			
- Basic and Diluted		17.9	24.2
Nominal Value of Equity Shares ( Rs.)		10.0	10.0
<b>Significant Accounting Policies and Notes to Accounts</b>	14		
The schedules referred to above form an integral part of the Profit and Loss Account			

As per our report attached

For B S R & Associates  
*Chartered Accountants*

Subramanian Vivek  
*Partner*  
Membership No. 100332

Pune, February 19, 2010

For and on behalf of the Board,

K. C. Mehra  
*Chairman*

Shishir Joshipura  
*Managing Director*

N. J. Jhaveri  
T. Sthen

D. C. Shroff  
Rakesh Makhija

*Directors*

Pune, February 19, 2010



**CASH FLOW** FOR THE YEAR ENDED DECEMBER 31, 2009

(Rupees in Millions)

	Year ended December 31, 2009	Year ended December 31, 2008
<b>A. Cash flow from Operating Activities</b>		
Profit before tax	1,431.0	1,943.9
Adjusted for :		
Depreciation / Amortisation	289.8	289.4
Net Profit on sale of Fixed Assets	(5.8)	4.1
Financial (Income) / Expense	(131.6)	(158.9)
Unrealised foreign exchange loss/(gain) (net)	(7.1)	(6.5)
	145.3	128.1
Operating Profit before working capital changes	1,576.3	2,072.0
Adjusted for :		
Inventories	424.5	(596.9)
Trade Receivables	(12.4)	(90.3)
Other Receivables	165.3	(140.3)
Trade Payables	604.4	(73.5)
Other Payables	64.1	36.2
	1,245.9	(864.8)
Cash generated from operations	2,822.2	1,207.2
Direct taxes paid (net of refunds)	(547.3)	(733.5)
Net cash flow from Operating Activities (A)	2,274.9	473.7
<b>B. Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(551.2)	(716.4)
Sale of Fixed Assets	86.1	4.0
Interest Earned	105.6	156.3
Interest Earned on Inter Corporate Loan	7.9	-
Inter Corporate Loan	(685.0)	-
Investment in bank deposits	(2,551.0)	(2,750.1)
Redemption of bank deposits	1,502.0	3,900.4
Net cash used in Investing Activities (B)	(2,085.6)	594.2
<b>C. Cash flow from Financing Activities</b>		
Repayment of Borrowings	(0.5)	(0.4)
Financial Income	4.3	1.3
Financial Expense	0.1	0.1
Dividend paid (including tax on distributed profits)	(276.0)	(368.8)
Net cash used in Financing Activities (C)	(272.1)	(367.8)
<b>Net changes in Cash and Cash Equivalents (A+B+C)</b>	<b>(82.8)</b>	<b>700.1</b>
Cash and Cash Equivalents at beginning of the year* (net of foreign exchange)	1,512.6	812.5
Cash and Cash Equivalents at the end of the year* (net of foreign exchange)	1,429.8	1,512.6
<b>Net changes in Cash and Cash Equivalents</b>	<b>(82.8)</b>	<b>700.1</b>

\* Note : Cash and cash equivalents includes Rs. 8.6 mio (previous year Rs 7.0 mio) of restricted cash balance relating to unclaimed dividend.

As per our report attached

For B S R & Associates  
*Chartered Accountants*

Subramanian Vivek  
*Partner*  
Membership No. 100332

Pune, February 19, 2010

For and on behalf of the Board,

K. C. Mehra  
*Chairman*

Shishir Joshipura  
*Managing Director*

N. J. Jhaveri  
T. Sthen

*Directors*

D. C. Shroff  
Rakesh Makhija

Pune, February 19, 2010

## SCHEDULES FORMING PART OF THE ACCOUNTS

(Rupees in Millions)

	December 31, 2009	December 31, 2008
<b>1. SHARE CAPITAL</b>		
Authorised		
100,000,000 Equity Shares of Rs. 10 each ( Previous year		
100,000,000 Equity Shares of Rs. 10 each)	1,000.0	1,000.0
Issued, Subscribed and Paid up		
52,732,538 Equity Shares of Rs. 10 each		
(Previous year 52,732,538 Equity Shares of Rs. 10 each) fully paid	527.3	527.3
(i) Of the above shares :		
19,823,540 Equity Shares of Rs.10 each (Previous year		
19,823,540 Equity Shares of Rs. 10 each) are issued as fully paid up		
bonus shares by capitalisation of Rs.198.2 mio from Reserves		
and Share Premium account.		
7,470,030 Equity Shares of Rs 10 each (Previous year 7,470,030		
equity shares of Rs. 10 each) were issued at a premium of Rs.54/- per		
share against conversion of warrants.		
2,488 Equity Shares of Rs 10 each (Previous year 2,488 Equity shares		
of Rs. 10 each) are not allotted and held in abeyance.		
28,254,568 Equity Shares of Rs. 10 each (Previous year 28,254,568		
Equity Shares of Rs. 10 each) are held by the Swedish holding company,		
AB SKF and its subsidiaries.		
	527.3	527.3
<b>2. RESERVES &amp; SURPLUS</b>		
(i) Securities Premium Account		
As per last Balance Sheet	705.1	705.1
(Premium on issue of Equity Share)		
(ii) General Reserve		
As per last Balance Sheet	1,980.4	1,852.7
Transfer from Profit and Loss Account	94.3	127.7
	2,074.7	1,980.4
(iii) Profit and Loss Account		
Balance as per Profit and Loss Account	3,840.2	3,238.7
	6,620.0	5,924.2
<b>3. UNSECURED LOANS</b>		
(a) Fixed Deposits	0.9	1.1
(b) Interest Accrued and due on item (a) above	0.1	0.4
	1.0	1.5
<b>4. DEFERRED TAX LIABILITY (NET)</b>		
	Deferred tax (asset)/ liability as at December 31, 2009	Deferred tax (asset)/ liability as at December 31 ,2008
Provision for Doubtful Debts	-	(7.8)
Disallowance Under Section 43B	-	(65.4)
Provision for Housing Scheme	-	(0.2)
Voluntary Retirement Scheme expenditure deductible in future	-	(9.4)
Interest on Self-Assessment tax	-	(1.9)
Difference between Book and Tax Depreciation	-	107.4
	-	22.7

## SCHEDULES FORMING PART OF THE ACCOUNTS

(Rupees in Millions)

### 5. FIXED ASSETS ( At Cost )

Description	Gross Block			Depreciation/Amortisation				Net Block	
	As at Jan 01, 2009	Additions during the year	Deductions during the year	As at Dec 31, 2009	For the year	Deductions during the year	As at Dec 31, 2009	As at Dec 31, 2009	As at Dec 31, 2008
<u>Tangible Assets</u>									
Freehold Land	6.0	259.5	-	265.5	-	-	265.5	265.5	6.0
Buildings (See Note 1)	289.7	3.1	0.1	292.7	8.3	-	141.6	141.6	146.9
Plant, Machinery and Tools	6,310.0	303.1	243.2	6,369.9	260.4	166.3	1,468.8	1,468.8	1,503.0
Furniture, Fixtures and Office Equipments	67.0	29.8	0.1	96.7	4.2	0.1	72.6	72.6	47.0
Vehicles	67.8	26.8	6.3	88.3	12.9	3.0	61.0	61.0	50.4
<u>Intangible Assets</u>									
Softwares	22.7	6.4	-	29.1	4.0	-	7.2	7.2	4.8
	6,763.2	628.7	249.7	7,142.2	289.8	169.4	2,016.7	2,016.7	1,758.1
	6,417.6	367.1	21.5	6,763.2	289.4	13.4	1,758.1	1,758.1	
Capital work-in-progress including capital advances Rs. 77.8 mio ( Previous year Rs.203.4 mio )							551.0	551.0	628.5
							628.5	628.5	

#### Notes :

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

## SCHEDULES FORMING PART OF THE ACCOUNTS

(Rupees in Millions)

	Deferred tax asset/ (liability) as at December 31, 2009	Deferred tax asset/ (liability) as at December 31, 2008
<b>6. DEFERRED TAX ASSET (NET)</b>		
Provision for Doubtful Debts	5.6	-
Disallowance Under Section 43B	58.8	-
Voluntary Retirement Scheme expenditure deductible in future	55.6	-
Interest on Self-Assessment tax	1.9	-
Difference between Book and Tax Depreciation	(113.5)	-
	<b>8.4</b>	<b>-</b>
	<b>December 31, 2009</b>	<b>December 31, 2008</b>
<b>7. CURRENT ASSETS, LOANS AND ADVANCES</b>		
(i) Current Assets		
(a) Inventory - At lower of cost or net realisable value		
Raw Materials and Bought-Out Components [including material in transit Rs.19.9 mio ; (Previous year Rs. 157.7 mio.)]	352.0	618.3
Stores and Spares [including material in transit Rs.16.6 mio (Previous year Rs. 3.3 mio)]	178.3	220.6
Manufactured Components	33.9	54.5
Work-in-progress	92.1	59.8
Finished Products [Including material in transit Rs. 204.7 mio (Previous Year Rs. 40.3 mio)]	1,164.1	1,291.7
	<b>1,820.4</b>	<b>2,244.9</b>
(b) Sundry Debtors (unsecured)		
Over six months		
- Considered good	-	-
- Considered doubtful	14.8	11.7
Under six months		
- Considered good	2,162.9	2,150.5
- Considered doubtful	1.7	11.4
	<b>2,179.4</b>	<b>2,173.6</b>
Less : Provision for Doubtful Debts	<b>16.5</b>	<b>23.1</b>
	<b>2,162.9</b>	<b>2,150.5</b>
(c) Cash and Bank Balances		
Cash on hand	0.7	0.5
Balances with Scheduled Banks		
- On Current Account	251.2	340.8
- On Deposit Account	2,640.7	1,578.0
	<b>2,892.6</b>	<b>1,919.3</b>
(ii) Loans and Advances (unsecured, considered good)		
- Advances recoverable in cash or in kind or for value to be received	484.1	616.8
- Inter Corporate Loan	694.1	-
- Advance Income Tax (Net of provision)	120.6	92.6
- Fringe Benefit Tax (Net of provision)	5.0	10.8
- Other Deposits	56.1	83.9
	<b>1,359.9</b>	<b>804.1</b>
	<b>8,235.8</b>	<b>7,118.8</b>

**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 ACCOUNTS

(Rupees in Millions)

Name of the party	Outstanding balance As at December 31, 2009	Outstanding balance As at December 31, 2008
SKF Gmbh, Germany	75.5	79.8
SKF Industrie S.P.A, Italy	1.3	6.7
SKF Sverige Ab, Sweden	2.3	20.4
SKF Argentina	6.5	7.1
SKF Österreich Ag., Austria	-	0.1
AB SKF Goteborg, Sweden	8.8	8.5
Systemhouse Helsingborg	0.1	-
SKF Condition Monitoring Centre, Luleå, Sweden	-	0.1
Willy Vogel Ag, Germany	-	0.1
SKF France S.A., France	0.2	1.6
Transrol S.A.S., Chambéry, France	0.5	0.5
Aeroengine Bearings Uk Ltd.	0.4	0.6
SKF Espanola S.A.	1.0	-
SKF Gleitlager Gmbh, Püttlingen, Germany	-	0.1
SKF European Distribution Centre (Edc), Belgium	17.3	43.2
SKF Usa Inc., Usa	11.1	12.5
SKF De Mexico, Mexico	30.9	12.8
SKF Del Peru S.A., Peru	-	1.9
SKF Do Brasil Ltda., Brazil	26.9	98.3
SKF Technologies India Pvt. Ltd., India	761.6	8.5
SKF South East Asia And Pacific Pte. Ltd., Singapore	3.1	13.8
SKF China Sales Hong Kong	7.9	-
SKF Shanghai Bearings Co. Ltd., Shanghai	1.2	0.2
SKF Automotive Component Corp., Changwon (Pusan), Korea	-	0.1
P.T. SKF Indonesia	18.4	16.3
SKF (China) Investment Co. Ltd., Shanghai	0.2	0.2
3S Korea Ltd., Daegu	-	0.3
SKF China Sales, China	4.5	5.0
SKF New Zealand Ltd.	-	0.2
SKF Ukraine (Former Lutsk Bearing Plant), Lutsk	-	0.3
SKF B.V.	0.9	-
SKF Sealing Sol.Gmbh	-	0.0
Economos Austria Gmbh, Judenburg, Austria	-	0.1
SKF (UK) Limited, United Kingdom	0.1	-

	December 31, 2009	December 31, 2008
<b>8. CURRENT LIABILITIES AND PROVISIONS</b>		
(i) Current Liabilities		
Sundry Creditors		
- Micro, Small and Medium Enterprises	19.7	9.3
- Others	2,843.6	2,218.8
Unclaimed Dividend *	8.6	7.0
Advances from Customers	16.9	34.3
Interest Accrued but not due	0.2	0.1
Other liabilities	137.0	150.2
	3,026.0	2,419.7
(ii) Provisions		
Provision for Taxation (Net of advance tax)	11.3	15.3
Provision for Fringe Benefit Tax (Net of advance tax)	-	1.7
Provision for Wealth Tax (Net of advance tax)	0.7	0.6
Provision for Compensated Absences, Gratuity and other Employee Benefits	283.7	232.7
Proposed Dividend	210.9	237.3
Tax on Proposed Dividend	35.8	40.3
Other Provisions (refer Note 7 of schedule 14)	95.2	82.1
	637.6	610.0
	3,663.6	3,029.7

\* 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 ACCOUNTS

(Rupees in Millions)

	Year ended December 31, 2009	Year ended December 31, 2008
<b>9. SALES AND SERVICES</b>		
Gross Sales (including Excise Duty)	16,550.1	17,635.7
Income from Services	97.2	77.0
	<b>16,647.3</b>	<b>17,712.7</b>
<b>10. OTHER OPERATING AND MISCELLANEOUS INCOME</b>		
Export Incentives	52.8	58.9
Credit of Discount on DEPB Purchase	36.6	-
Sale of Scrap	29.8	42.9
Profit on Sale of Fixed Assets (Net)	5.8	-
Excess provision Written Back	6.2	-
	<b>131.2</b>	<b>101.8</b>
<b>11. MANUFACTURING AND OTHER EXPENSES</b>		
(i) Raw Materials consumed:		
Opening Stock	215.2	32.1
Add : Purchases	191.6	437.6
Less : Closing Stock	34.6	215.2
	<b>372.2</b>	<b>254.5</b>
(ii) Bought Out Components consumed:		
Opening Stock	403.1	232.9
Add : Purchases	3,702.8	4,152.9
Less : Closing Stock	317.4	403.1
	<b>3,788.5</b>	<b>3,982.7</b>
(iii) Decrease/(Increase) in Stock of Finished Goods:		
Opening Stock	967.7	865.8
Less : Closing Stock	604.1	967.7
	<b>363.6</b>	<b>(101.9)</b>
(iv) Excise Duty on Closing Inventory (Net of Opening Provision)	<b>(40.4)</b>	<b>(71.3)</b>
(v) (Increase) / Decrease in Stock of Semi-Finished Goods :		
Opening Stock	114.3	121.2
Less : Closing Stock	126.0	114.3
	<b>(11.7)</b>	<b>6.9</b>
(vi) Cost of Traded Goods Sold:		
Opening Stock	324.0	232.4
Add : Purchases	6,197.9	6,391.9
Less : Closing Stock	560.0	324.0
	<b>5,961.9</b>	<b>6,300.3</b>

**SCHEDULES FORMING PART OF THE ACCOUNTS**

(Rupees in Millions)

	Year ended December 31, 2009	Year ended December 31, 2008
(vii) Employees Cost :		
Salaries, Wages and Bonus	1,045.4	987.1
Contribution to Provident and Other Funds	102.1	135.2
Welfare Expenses	148.3	153.7
Voluntary Retirement Scheme (refer Note 24 of Schedule 14)	167.6	-
	1,463.4	1,276.0
(viii) Expenses for Manufacture, Administration and Selling:		
Stores and Spares consumed	516.3	558.6
Power and Fuel	275.6	249.3
Repairs to Machinery	197.0	231.5
Repairs to Buildings	14.4	10.9
Rates and Taxes	110.0	121.1
Insurance	18.7	21.4
Rent	36.7	39.3
Directors' Commission / Sitting Fees	2.8	2.5
Royalty	89.4	94.7
Travelling	115.7	156.2
Communication	28.0	32.7
Provision for Doubtful Debts / Bad Debts written-off (Net)	1.3	8.9
Expenditure on IT	253.8	304.3
Logistic Cost	251.5	213.8
Selling Expenses	89.3	85.7
Loss on sale of Fixed Assets (Net)	-	4.1
Other expenses	345.7	442.6
	2,346.2	2,577.6
	14,243.7	14,224.8
<b>12. FINANCIAL INCOME</b>		
- Interest Income on Bank Deposits (Tax deducted at source Rs. 10.6 mio (Previous year Rs. 34.8 mio))	110.3	157.6
- On Forward contract	-	1.8
- Other Interest Income	21.3	1.3
	131.6	160.7
<b>13. FINANCIAL EXPENSES</b>		
Bank Charges	7.6	6.8
	7.6	6.8

## SCHEDULES FORMING PART OF THE ACCOUNTS

### 14 NOTES TO ACCOUNTS

#### (1) SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards, under the Companies (Accounting Standards) Rules, 2006 and 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 conformity 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 Rs. 5,000 are depreciated at the rate of 100% per annum.

##### (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

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the recoverable amount. The impairment loss to be expensed is determined as the excess of carrying amount over the higher of the asset's net selling price or present value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal.

##### (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 .

## 14 NOTES TO ACCOUNTS — (Contd.)

### (f) Inventories

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

### (g) Revenue Recognition

- (i) Sale of goods is recognised on despatch to customers. 'Net Sales' exclude amounts recovered towards excise duty, sales tax, octroi and freight and is net of discounts.
- (ii) Service Income is recognised on the completion of activity relating to services.
- (iii) Export Incentives are recognised when the right to receive credit as per the terms of Incentives is established in respect of the exports made and when there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

### (h) Warranties

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

### (i) Employee Benefits

#### (i) Short term employee benefits

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

#### (ii) Post employment benefits (defined benefit plans)

The employees' gratuity scheme is a defined benefit plan. The present value of the obligation under such defined benefit plan is determined at each Balance Sheet date based on an actuarial valuation carried out by an independent actuary using the projected unit credit method. Actuarial gains and losses and past service costs are recognised immediately in the Profit and Loss account.

#### (iii) Post employment benefits (defined contribution plans)

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

#### (iv) Long term employee benefits

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

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

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

### (j) Foreign Currency Transactions

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

## 14 NOTES TO ACCOUNTS — (Contd.)

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.

The premium or discount that arises on entering into a forward exchange contract for underlying transactions, is measured by the difference between the exchange rate at the date of inception of the forward exchange contract and the forward rate. Forward exchange contract gain / loss is the difference between:

- (a) the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date, where the transaction is settled during the reporting period, and
- (b) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date. These exchange differences are recognised in the statement of the profit and loss in the reporting period in which the exchange rates changes.

The premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of the contract.

## (k) Income Tax

Income tax expense comprises current tax, fringe benefit 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

Provisions are recognised when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure for a contingent liability is made when there is a possible or present obligation that may, but probably will not require an outflow of resources. When there is a possible obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

## (m) Earnings per share

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

- (2) The company reviewed the disclosure of segmentwise reporting and is of the view that it manufactures Bearings and related components which is a single segment in accordance with Accounting Standard 17, 'Segment Reporting', issued under Companies (Accounting Standards) Rules, 2006.
- (3) In accordance with Accounting Standard 18, 'Related Party Disclosures', issued under Companies (Accounting Standards) Rules, 2006, the Company has compiled the required information in the attached table.

## 14 NOTES TO ACCOUNTS — (Contd.)

## (i) List of Related Parties &amp; relationship:

Sr. No.	Name of the Related Party
<b>Holding Company</b>	
	AB SKF (Head Office) Goteborg, Sweden
<b>Affiliate Companies (All under the common control of AB SKF)</b>	
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 Ball Screws and Services S.p.A, Italy (Formerly Gamfior S.p.A.)
15	SKF Bearings Bulgaria, Bulgaria
16	SKF Canada Ltd, Scarborough, Ont., Canada
17	SKF China Ltd., China
18	SKF Condition Monitoring Centre (Livingstone) Ltd, UK
19	SKF Coupling Systems AB, Hofors, Sweden
20	SKF de Mexico, Mexico
21	SKF del Peru S.A., Peru
22	SKF do Brasil Ltda., Brazil
23	SKF Equipements, France
24	SKF Espanola S.A., Madrid, Spain
25	SKF European Distribution Centre (EDC), Belgium
26	SKF European Financial Service Centre, EFC, Nieuwegein, Netherlands
27	SKF France S.A., France
28	SKF GmbH, Germany
29	SKF Industrie S.p.A, Italy
30	SKF International AB
31	SKF Japan Ltd., Japan

Sr. No.	Name of the Related Party
32	SKF Korea Ltd, Korea
33	SKF Linersystem GmbH, Germany
34	SKF Malaysia Sdn. Bhd. Malaysia
35	SKF Osterreich AG., Austria
36	SKF Philippines Inc., Philippines
37	SKF Sealing Solutions (WUHU) CO., LTD, China
38	SKF Sealing Solutions AB, Sweden
39	SKF Shanghai Bearings Co. Ltd., China
40	SKF South Africa (Pty) Ltd., South Africa
41	SKF Asia Pacific Pte. Ltd., Singapore
42	SKF Sverige AB, Sweden
43	SKF Technologies India Pvt. Ltd., India
44	SKF USA Inc., USA
45	SKF Venezolana S.A., Caracas, Venezuela
46	SKF, Ukraina
47	SKF-NEWZEALAND
48	Transrol S.A.S., Chambéry, France
49	SKF Lubrications Systems France SAS
50	SKF Lubrications Systems Germany AG
51	SKF Mekan AB, Sweden
52	Berger Vogel S.r.l., Italy
53	Polyseal, USA
54	Jaeger Industrial Co., Ltd., Taiwan
55	ABBA LINEAR TECH CO LTD (Taipei), Taiwan
56	SKF Engineering and Research Service B.V., Nieuwegein, Netherlands
57	SNFA Bearing Ltd, Charfield, United Kingdom
58	Economos India Private Ltd, New Delhi, India
59	SKF Sealing Solutions GmbH, Leverkusen-Opladen, Germany
60	SKF Aero France S.A., Saint-Vallier-sur-Rhone, France
61	SKF Linear Motion & Precision Technologies, USA
62	SKF NV/SA, Belgium
<b>Key Management Personnel</b>	
1	Mr.Rakesh Makhija (upto December 31, 2009)
2	Mr. Shishir Joshipura (w.e.f December 1, 2009)



## 14 NOTES TO ACCOUNTS — (Contd.)

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

(Rupees in Millions)

Sr. No.	Nature of the transaction	Volume of transactions during		Amount Outstanding Receivable/ (Payable) as on December 31	
		2009	2008	2009	2008
A	Purchase of Raw Materials & Finished Goods				
	SKF Asia Pacific Pte Ltd, Singapore	2,844.8	3041.4	(641.9)	(500.8)
	SKF GmbH, Germany	695.0	446.9	(176.2)	(94.8)
	Others	1,515.0	1863.9	(725.5)	(546.4)
B	Purchase of Capital Goods / Services				
	SKF GmbH, Germany	22.4	36.6	*	*
	SKF Osterreich AG., Austria	47.7	25.1	*	*
	SKF France S.A., France	30.7	-	*	*
	Others	9.5	5.5	*	*
C	Administrative and Management services				
	SKF SVERIGE AB	157.7	211.0	*	*
	AB SKF	110.5	135.0	*	*
	Others	50.4	32.7	*	*
D	Sale of Goods				
	SKF USA Inc., USA	117.7	198.2	11.1	12.4
	SKF GmbH, Germany	510.9	569.2	75.5	79.8
	Others	426.0	689.2	200.1	246.7
E	Loan				
	SKF Technologies India Pvt. Ltd., India	685.0	0.0	685.0	0.0
F	Interest Income on Loan				
	SKF Technologies India Pvt. Ltd., India	17.0	0.0	9.1	0.0
G	Royalty				
	AB SKF	89.4	94.7	(80.5)	(85.2)
H	Proposed Dividend				
	AB SKF	98.6	110.9	(98.6)	(110.9)
	SKF (UK) Ltd.	13.6	15.3	(13.6)	(15.3)
	Others	0.9	1.0	(0.9)	(1.0)
I	Remuneration paid				
	Mr. Rakesh Makhija	18.5	17.2	(3.8)	(1.2)
	Mr. Shishir Joshipura	2.3	-	-	-

\* Amount Outstanding as at December 31, 2009 and December 31, 2008 is included in the outstandings against purchase for raw materials and finished goods for the respective years as it is not practicable to bifurcate the same.

## 14 NOTES TO ACCOUNTS — (Contd.)

(Rupees in Millions)

	December 31, 2009	December 31, 2008
(4) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	486.8	331.2
(5) Contingent Liabilities		
Claims against the Company not acknowledged as debts		
(i) Income-tax and Surtax	4.5	19.0
(ii) Excise duty	9.2	4.3
(iii) Service Tax	14.3	-
(iv) Others	31.4	29.4
	59.4	52.7
(6) Other expenses [refer Schedule 11(viii)] include payments made to auditors as follows :		
(i) Audit fees	3.1	2.9
(ii) Taxation Matters	-	-
(iii) Other services	-	-
	3.1	2.9

## (7) Disclosure as per Accounting Standard – 29

(Rupees in Millions)

Particulars	Disputed Statutory Matters	Warranty	Other Obligations	Total
Opening Balance	18.9	14.1	49.1	82.1
	21.4	10.7	36.6	68.7
Addition	5.5	11.0	56.7	73.2
	-	11.5	47.1	58.6
Utilisation	1.2	3.9	49.2	54.3
	2.5	3.1	34.6	40.2
Reversal	2.5	3.3	-	5.8
	-	5.0	-	5.0
Closing Balance	20.7	17.9	56.6	95.2
	18.9	14.1	49.1	82.1

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

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

## 14 NOTES TO ACCOUNTS — (Contd.)

(8) Disclosure as per Accounting Standard - 15 - (Revised 2005)

(Rupees in Millions)

	December 31, 2009	December 31, 2008
i) Defined Contribution Plan - The Company has recognised the following amounts in the Profit and Loss accounts for the year		
Contribution to Employee Provident Fund - RPFC	8.1	7.5
* Contribution to Employee Provident Fund - Trust	38.8	39.1
Contribution to Superannuation fund	26.4	25.1
	73.3	71.7
ii) Defined Benefit Plan - The following table set out the status of the gratuity plan as required under AS 15 (Revised 2005):		
	2009	2008
(a) A reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):		
Opening DBO as on January 1, 2009	460.1	362.8
Current service cost	21.4	18.6
Interest cost	25.9	29.5
Actuarial (gain) / loss	(9.8)	75.5
Past Service Cost	-	(6.7)
Liabilities Extinguished on settlements	(81.0)	-
Benefits paid	(16.3)	(19.6)
Closing DBO as on December 31, 2009	400.3	460.1
(b) A reconciliation of the opening and closing balances of the fair value of plan assets:		
Opening fair value of plan assets	403.0	350.7
Expected return	29.5	27.3
Actuarial gain / (loss)	(11.9)	34.7
Contribution by the employer	77.2	9.9
Assets Distributed on Settlements	(90.2)	-
Benefits paid	(16.3)	(19.6)
Closing fair value of plan assets	391.3	403.0
(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	400.3	460.1
Fair value of the plan assets at the end of the year	391.3	403.0
Liability recognised in the balance sheet	9.0	57.1
(d) The total expense recognised in the profit and loss account:		
Current service cost	21.4	18.6
Interest cost	25.9	29.5
Expected return on plan assets	(29.5)	(27.3)
Actuarial (gains) / loss	2.1	40.8
Past Service Cost	-	(6.7)
Losses / (Gains) on "Curtailements & Settlements"	9.2	-
Net Gratuity cost	29.1	54.9
(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	38	42
Corporate bonds	37	38
Special deposit schemes / others	25	20
(f) Actual return on plan assets	17.6	62.0
(g) Following are the Principal Actuarial Assumptions used as at the balance sheet date:		
Discount rate	7.7%	6.2%
Expected rates of return on any plan assets	8.0%	8.0%
Average Salary escalation rate for Management	10.0%	8.0%
Average Salary escalation rate for Non Management for Each Year	3.0%	3.0%
Average Salary escalation rate for Non Management Every Third Year	6.5%	6.5%

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

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

## 14 NOTES TO ACCOUNTS — (Contd.)

## (9) Spares consumed :

	December 31, 2009		December 31, 2008	
	% of total consumption	Rupees in Millions	% of total consumption	Rupees in Millions
Imported	21	45.1	28	66.6
Indigenous	79	167.3	72	172.2
	100	212.4	100	238.8

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

	December 31, 2009		December 31, 2008	
	Quantity '000 Units	Rupees in Millions	Quantity '000 Units	Rupees in Millions
(a)				
(i) Raw Materials- Steel	5,101*	372.2	3,543*	254.5
(ii) Bought-Out Components - Rings	255,012	2,284.7	219,302	2,237.6
Others (See Note (iii) below)		1,503.8		1,745.1
		4,160.7		4,237.2

\* Quantity in M. Tonnes

	December 31, 2009		December 31, 2008	
	% of total consumption	Rupees in Millions	% of total consumption	Rupees in Millions
(b) Imported	27	1,140.5	28	1,203.1
Indigenous	73	3,020.2	72	3,034.1
	100	4,160.7	100	4,237.2

## 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 net of sale of raw material on high sea to suppliers - Rs 124.7 mio (Previous year Rs 305.0 mio).
- (iii) The consumption in value shown above is a balancing figure based on total consumption shown in Profit & Loss Account.

## (11) Opening and Closing Stock :

(a) Manufactured Goods	Opening Stock		Closing Stock	
	Nos. in '000	Rupees in Millions	Nos. in '000	Rupees in Millions
Ball and Roller Bearings	9,004	821.5	6,096	513.6
	9,247	668.4	9,004	821.5
Others - Kits & Vogel		44.9		44.5
		35.4		44.9
Textile Machinery Components	214	18.8	39	3.9
	113	8.2	214	18.8
		885.2		562.0
		712.0		885.2
Excise duty on Finished Products		82.5		42.1
manufactured and not cleared from factories		153.8		82.5
		967.7		604.1
		865.8		967.7

## 14 NOTES TO ACCOUNTS — (Contd.)

(b) Traded Goods	Opening Stock		Closing Stock	
	Nos. in '000	Rupees in Millions	Nos. in '000	Rupees in Millions
Ball Bearings, Roller Bearings	1,399	283.7	1,030	355.3
	1,283	176.7	1,399	283.7
Goods in Transit		40.3		204.7
		55.7		40.3
		324.0		560.0
		232.4		324.0

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

## (12) Information for each class of goods :

(a) Manufactured and sold during the year ended December 31, 2009.

Class of Goods	Installed Capacity	Production	Sales (Net of excise duty)	
	Nos. in '000	Nos. in '000	Nos. in '000	Rupees in Millions
Ball Bearings, Roller Bearings	132,073	103,027	103,246	8,013.5
	121,225	98,823	96,516	7,910.5
Others - Kits & Vogel				422.0
				638.0
Semi-Processed Products		4,233	4,233	8.5
		4,688	4,688	6.6
Textile Machinery Components	3,900	615	786	139.8
	3,900	2,825	2,724	234.7
				8,583.8
				8,789.8

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

(ii) Production includes quantities used for internal consumption.

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

(b) Traded Goods purchased and sold during the year ended December 31, 2009.

Traded Goods	Purchases		Sales	
	Nos. in '000	Rupees in Millions	Nos. in '000	Rupees in Millions
Ball Bearings, Roller Bearings	12,077	6,197.9	12,446	7,028.4
	8,600	6,391.9	8,484	7,335.6
		6,197.9		7,028.4
		6,391.9		7,335.6

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

## 14 NOTES TO ACCOUNTS — (Contd.)

(Rupees in Millions)

	December 31, 2009	December 31, 2008
(13) Expenditure in Foreign Currency :		
Professional and consultation fees	14.7	16.7
Royalty	89.4	94.7
Others	339.9	402.0
Trading goods	1,904.0	4,486.4
(14) C.I.F. value of imports :		
Raw Materials	232.9	148.1
Components, Stores and Spares etc.	1,051.8	956.9
Capital Goods	209.4	315.5
(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	127.1	169.5
Year to which Dividend relates	2008	2007
(16) Earnings in foreign exchange :		
F.O.B. value of Exports	1058.9	1494.8

- (17) a) The provision for taxation is net of reversal of excess provision for earlier years Rs. 3.9 mio (Previous Year Rs.0.1 mio).  
b) The provision for taxation is inclusive of short provision for earlier year Rs. 0.04 mio (Previous year Rs. 4.6 mio).  
c) The provision for deferred taxation is inclusive of short provision for earlier years Rs 3.9 mio (Previous Year Rs. 5.0 mio Excess provision).  
d) The provision for Fringe Benefit Tax (FBT) is net of reversal of excess provision for earlier years Rs 4.0 mio (Previous Year Rs.8.8 mio).

## (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, 2009

The disclosure pursuant to the said Act is as under :

## Particulars

	December 31, 2009	Rs. In Million December 31, 2008
Principal Amount outstanding to suppliers under MSMED Act, 2006 beyond the appointed date	0.50	1.40
Interest accrued on the dues to suppliers under MSMED Act on the above amount	0.01	0.02
Payments made to suppliers (other than interest) beyond the appointed date, during the year	15.82	6.85
Interest paid to suppliers under MSMED Act (other than section 16)	Nil	Nil
Interest paid to suppliers under MSMED Act (section 16)	Nil	Nil
Interest due and payable to suppliers under MSMED Act for payments already made	0.22	0.07
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED	0.23	0.09

Note : The above information has been compiled by the Company on the basis of information made available by vendors during the year 2009.

- (19A) The net exchange difference arising during the year recognised in the Profit and Loss account is Rs 14.8 mio Loss (Previous Year Rs 94.3 mio loss).

- (19B) 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 Rs 0.2 mio (Previous year Rs. 1.1 mio) to its Profit and Loss Account.



## 14 NOTES TO ACCOUNTS — (Contd.)

(Rupees in Millions)

	December 31, 2009	December 31, 2008
(20) 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	1,431.0	1,943.9
Add: Depreciation/ Amortization provided in books	289.8	289.4
Directors' remuneration / Sitting fees	23.6	19.7
Provision for doubtful debts	1.3	5.7
(Profit)/loss on sale of fixed assets (net) under Sec. 349 of the Companies Act, 1956	(5.8)	4.1
Wealth tax (net of earlier year's provisions)	0.6	(0.5)
	309.5	318.4
	1,740.5	2,262.3
Less: Depreciation as per Section 350 of the Companies Act, 1956 (Including amortization of Intangibles)	289.8	289.4
(Profit) / loss on sale of fixed assets, (net)	(5.8)	4.1
	284.0	293.5
Net profit as per Section 309(5)	1,456.5	1,968.8
a) Commission to non whole-time Directors - maximum of 1% of net profit -Rs. 14.6 mio (Previous Year Rs. 19.7 mio), restricted to (as determined by the Board of Directors)	2.3	2.0
b) Managerial remuneration to Managing Directors maximum of 5% of net profit - Rs 72.8 mio; (Previous Year Rs.98.4 mio)	20.8	17.2
Details of above ;		
Salary and bonus	15.9	12.7
Value of perquisites	1.6	1.3
Contribution to Provident Fund	1.5	1.4
Contribution to Super Annuation Fund	1.8	1.8

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

- (21) 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 (Rs.Millions)	942.5	1,276.6
Basic/Weighted average number of Equity Shares outstanding during the year	52,732,538	52,732,538
Nominal value of Equity Shares (Rs.)	10.0	10.0
Basic Earnings per share (Rs.)	17.9	24.2
Diluted Earnings per share (Rs.)	17.9	24.2

## 14 NOTES TO ACCOUNTS — (Contd.)

## (22) 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 Rupees (In Million)	
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31, 2008
<b>Payable</b>				
EURO	10.0	6.5	670.1	446.3
USD	3.2	1.4	149.4	67.9
SEK	10.9	33.5	70.7	210.2
YEN	21.2	12.9	10.7	6.9
			900.9	731.3
<b>Receivable</b>				
EURO	1.2	1.4	80.4	96.1
USD	2.3	2.8	107.4	135.8
SEK	4.3	11.2	27.9	70.3
SGD	0.1	0.4	3.3	13.4
USD Creditors (Debit Balance)	-	3.8	-	184.4
EURO Creditors (Debit Balance)	0.4	-	26.8	-
HKD Creditors (Debit Balance)	0.4	-	2.4	-
SEK Creditors (Debit Balance)	0.4	-	2.6	-
			250.8	500.0
<b>Bank</b>				
EURO EEFC Bank Account	0.9	0.9	60.3	64.9
USD EEFC Bank Account	0.8	0.2	37.4	8.5
			97.7	73.4

(23) 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

(24) During the year ended December 31, 2009 the company announced a Voluntary Retirement Scheme for its employees. An amount of Rs. 167.6 Million incurred as VRS compensation under this scheme has been charged to the profit & loss account for the year ended December 31, 2009.

(25) Prior year's figures have been regrouped wherever necessary to conform to current year's classification.

For and on behalf of the Board,

K. C. Mehra  
*Chairman*

Shishir Joshipura  
*Managing Director*

P. Bhandari  
*Co. Secretary*

N. J. Jhaveri  
T. Sthen

*Directors*

D. C. Shroff  
Rakesh Makhija

Pune, February 19, 2010



## SKF India Limited

## Balance Sheet Abstract and Company's General Business Profile

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

(Rupees in thousands)

I	Registration details :	
	Registration No.	11980 of 1961-62
	State Code	11
	Balance Sheet date	31st December, 2009
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	10,811,900
	Total Application of Funds	10,811,900
	Sources of Funds :	
	Paid-up Capital	527,300
	Share application money pending allotment	0
	Reserves and Surplus	6,620,000
	Secured Loans	0
	Unsecured Loans	1,000
	Deferred Tax Liability	0
	Application of Funds :	
	Net Fixed Assets	2,567,662
	Investments	Nil
	Net Current Assets	4,572,200
	Miscellaneous Expenditure	Nil
	Accumulated losses	Nil
IV	Performance of the Company :	
	Turnover including Miscellaneous Income	15,972,108
	Total Expenditure	14,541,090
	Profit before Tax	1,431,017
	Profit after Tax	942,461
	Earnings Per Share (Rs.) - Basic	17.87
	Earnings Per Share (Rs.) - Diluted	17.87
	Dividend rate	40%
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