

The background of the cover is a photograph of a factory interior. In the foreground, several large, metallic gears are visible, some of which are partially obscured by other components. The lighting is dramatic, with a strong orange and red glow from the right side, suggesting a furnace or a hot industrial process. The overall atmosphere is industrial and powerful.

# TIMKEN

## 25<sup>th</sup> Annual Report

### Serving the Gear Drive Industry

The mechanical power transmission industry trusts Timken® bearings and engineered steels for their reliability and efficiency.

# TIMKEN INDIA LIMITED

Registered Office : 39-42, Electronic City, Phase II, Hosur Road, Bangalore - 560 100

Dear Shareholders,

The Ministry of Corporate Affairs ('MCA') has taken a 'Green Initiative in Corporate Governance' by allowing paperless compliances by companies through electronic mode. In accordance with the Circulars issued by MCA, companies can now send various notices and document, including Annual Report, to its shareholders through electronic mode to the email address of the registered shareholders.

We propose to henceforth send documents such as Notice of the Annual General Meeting, Audited Financial Statements, Directors' Report, Auditors' Report, etc. and other communication through electronic mode to the shareholders whose email addresses are available in the records of the Depository (in case of electronic shareholding) and with the Company's Registrars & Share Transfer Agents - C B Management Services (P) Ltd. (in case of physical shareholding).

Those shareholders who are holding shares in electronic form and are yet to provide the email address to their Depository, are requested to provide the email address to their respective Depository Participant immediately. However, those who intend to receive the above documents in physical form may exercise their option by visiting the following webpage of our Registrars [www.cbmsl.com/green.php](http://www.cbmsl.com/green.php).

Shareholders holding shares in physical mode, are requested to visit the above webpage and register their email ids or exercise their option to receive the above documents in physical form.

In case you have any question, you may please contact us at the following addresses -

P Santosh Kumar  
Sr. Analyst - Investor Relations  
Timken India Limited  
39-42, Electronics City  
Phase II, Hosur Road  
Bangalore - 560 100  
Tel. No. 080 - 40053133  
Fax No. 080-28521039  
e-mail : santosh.kumar@timken.com

C B Management Services (P) Limited  
P-22, Bondel Road  
Kolkata - 700 019  
Tel. No. 033 - 40116700, 40116729, 40116725  
E-mail - rta@cbmsl.com

Yours sincerely,

For Timken India Limited

**Soumitra Hazra**  
**Company Secretary**  
**& Chief - Compliance**

Date : 15 June 2012

Place : Bangalore

# TIMKEN INDIA LIMITED

## BOARD OF DIRECTORS

(As on 2 May 2012)

**MR JAMES R MENNING** – Chairman  
**MR AJAY K DAS** – Managing Director  
**MR N MAHANTY**  
**MR J S PATHAK**  
**MR P S DASGUPTA**  
**MR DEEPAK RASTOGI**

## COMMITTEES OF THE BOARD

(As on 2 May 2012)

### AUDIT COMMITTEE

**MR P S DASGUPTA** – Chairman  
**MR N MAHANTY**  
**MR J S PATHAK**  
**MR DEEPAK RASTOGI**

### REMUNERATION COMMITTEE

**MR N MAHANTY** – Chairman  
**MR P S DASGUPTA**  
**MR J S PATHAK**

### INVESTORS GRIEVANCE COMMITTEE

**MR N MAHANTY** – Chairman  
**MR AJAY K DAS**  
**MR DEEPAK RASTOGI**

### Registered Office

39-42, Electronic City  
 Phase II, Hosur Road  
 Bangalore - 560 100  
 Phone No. (080) 4136 2000  
 Fax No. (080) 4136 2010

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## NOTICE

Notice is hereby given that the Twenty-fifth Annual General Meeting of Timken India Limited will be held at Tangerine Conference Hall, Lemon Tree Hotel, Plot No. 54B/55A, Hosur Main Road, Electronic City, Phase I, Bangalore - 560 100 on Thursday, 19 July 2012 at 10.00 am to transact the following business:

1. To receive and adopt the Profit and Loss Account for the fifteen months period ended 31 March 2012 and the Balance Sheet as on that date and the reports of the Directors and the Auditors.
2. To declare dividend on Equity Share Capital of the Company.
3. To appoint a Director in place of Mr. Jai S Pathak, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Niroop Mahanty, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint Auditors of the Company and to fix their remuneration. In this connection, to consider and if thought fit to pass the following resolution as an ordinary resolution:

“RESOLVED THAT Messrs. S R B C & Co (Registration No. FRN324982E), Chartered Accountants be and they are hereby appointed as the Auditors of the Company to hold such office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be mutually agreed between the Board of Directors and the Auditors.”

## SPECIAL BUSINESS

### 6. Appointment of Mr. Deepak Rastogi as a Director of the Company

To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

“RESOLVED THAT Mr. Deepak Rastogi, in whose respect notice has been received from a member under the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company.”

## 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. Proxies, in order to be effective, must reach the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the item no. 5 and item no. 6 is annexed hereto. Applicable details relating to Directors pursuant to Clause 49 of the Listing Agreement are also annexed.
3. The Register of Members and the share transfer books of the Company would remain closed from 12 July 2012 to 19 July 2012, both days inclusive.
4. Those shareholders who have not encashed their dividend warrants sent to them may please contact the Company Secretary for issue of demand drafts in lieu of the warrants not encashed by them.

Registered Office :  
39-42, Electronic City  
Phase II, Hosur Road  
Bangalore - 560 100  
2 May 2012

By Order of the Board

**Soumitra Hazra**  
Company Secretary  
& Chief - Compliance

**ANNEXURE TO THE NOTICE — EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

**Item No. 5**

In view of unwillingness of Messrs S.R.Batliboi & Co. the retiring Auditors to be reappointed at the next Annual General Meeting, it is proposed to appoint Messrs. S R B C & Co (Registration No. FRN324982E), Chartered Accountants, (a network firm of Messrs. S R Batliboi & Co.) as the Statutory Auditors to hold office from the conclusion of Twenty-fifth Annual General Meeting until the conclusion of the next Annual General Meeting on the terms and conditions mutually decided by the Board of Directors and Statutory Auditors.

In terms of the applicable provisions of law, approval of members is required for the above appointment. The Board recommends the resolution set out under item no. 5 for approval of members.

**Memorandum of Interest**

None of the Directors is concerned or interested in the resolution.

**Item No. 6**

Mr. Deepak Rastogi was appointed by the Board of Directors of the Company ('the Board') as an Additional Director effective 1 June 2011. As per the provisions of the Companies Act, 1956 Mr. Rastogi holds office up to the date of forthcoming Annual General Meeting.

The Company has received a notice from a member under the provisions of Section 257 of the Companies Act, 1956 proposing Mr. Rastogi as a candidate for the office of Director.

The proposal for the appointment of Mr. Rastogi as Director on the Board, is therefore, placed before the members for approval as set out under item no.6 of the accompanying Notice. The Board recommends the Resolution set out under item no. 6 for approval of members.

**Memorandum of Interest**

Except Mr. Rastogi, no other Director is concerned or interested in the resolution.

By Order of the Board

Registered Office :  
39-42, Electronic City  
Phase II, Hosur Road  
Bangalore - 560 100  
2 May 2012

**Soumitra Hazra**  
*Company Secretary  
& Chief - Compliance*

**APPLICABLE DETAILS OF DIRECTORS IN TERMS OF CLAUSE 49 OF THE LISTING AGREEMENT**

Name of Director	<b>Mr. Jai S Pathak</b>	<b>Mr. Niroop Mahanty</b>	<b>Mr. Deepak Rastogi</b>
Date of Birth	14 January 1959	12 January 1950	14 November 1967
Date of Last Appointment	28 April 2010	21 April 2011	1 June 2011 (appointed by the Board of Directors as an Additional Director)
Expertise in specific functional areas	<ul style="list-style-type: none"> <li>● Legal Profession</li> <li>● General Management</li> </ul>	<ul style="list-style-type: none"> <li>● Human Resources</li> <li>● General Management</li> </ul>	<ul style="list-style-type: none"> <li>● General Management</li> <li>● Finance</li> </ul>
Qualifications	<ul style="list-style-type: none"> <li>● BA (Hons.), Delhi University</li> <li>● MA Intl. Relation, JNU</li> <li>● BA (Hons.), Jurisprudence, Oxford University, UK</li> <li>● MA, Oxford University, UK</li> <li>● LLM, University of Virginia, USA</li> </ul>	<ul style="list-style-type: none"> <li>● BA (Hons) St. Stephans College, Delhi University</li> <li>● MBA - University of Colorado, USA</li> </ul>	<ul style="list-style-type: none"> <li>● Chartered Accountant</li> <li>● Masters Degree in Management from S P Jain Institute of Management &amp; Research</li> </ul>
List of public companies in which outside Directorship held as on 31 March 2012	<ul style="list-style-type: none"> <li>● Patni Computer Systems Limited (i-Gate Patni)</li> <li>● Si2i Limited (formerly known as Spice i2i Limited)</li> </ul>	<ul style="list-style-type: none"> <li>● Steel City Press Limited</li> </ul>	Nil
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on 31 March 2012	<ul style="list-style-type: none"> <li>● Timken India Limited – Member – Audit Committee</li> <li>● Timken India Limited – Member – Remuneration Committee</li> <li>● Patni Computer Systems Limited (i-Gate Patni) – Member – Compensation Committee</li> <li>● Patni Computer Systems Limited (i-Gate Patni) – Member – Audit Committee</li> <li>● Patni Computer Systems Limited (i-Gate Patni) – Member – Shareholders Grievance Committee</li> <li>● Si2i Limited (formerly known as Spice i2i Limited) – Member – Nominating Committee</li> </ul>	<ul style="list-style-type: none"> <li>● Timken India Limited – Chairman – Remuneration Committee</li> <li>● Timken India Limited – Chairman – Investors Grievance Committee</li> <li>● Timken India Limited – Member – Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>● Timken India Limited – Member – Audit Committee</li> <li>● Timken India Limited – Member – Investors Grievance Committee</li> </ul>
Shareholding in the Company	—	—	—

## CHAIRMAN'S STATEMENT

Dear Shareholders,

The recent market and industry sentiments confirm what has been well known for quite some time: the Indian economy is losing some momentum. The most important question is whether the current year will be an aberration or has India settled on a lower growth trajectory? The earlier dreams of sustaining a double-digit growth trajectory may seem illusory now, and while the Indian economy is expected to grow at 6.9% this fiscal year, it represents the slowest pace in three years.

Despite this dampening of the general economy, 2011 has been a relatively successful year at Timken India Limited. Our successful operations allowed us to declare an interim dividend of Rs. 20/- per equity share of face value of Rs. 10/- each fully paid on the equity shares of the company for the financial year 2011-2012.

Our customers remain a key part of our business. Flowing from our legacy and our vision, we apply our knowledge of friction management and power transmission to improve our customers' performance and deliver unparalleled value and innovation. This helps increase profitability for our shareholders, who support us in all our endeavors. We continue to listen to the needs of our customers to be even more responsive and adaptable as a partner in their growth and development. Following this philosophy globally, The Timken Company has acquired the assets of Philadelphia Gear Corp. and Drives LLC. These new acquisitions strengthen our efforts as a leader in friction management and mechanical power transmission solutions. We are working closely with them to take full advantage of more than 100 years of engineering experience as we expand their reach around the world.

Even as we make progress on our journey to become a stronger company in India and around the world, we stay the course our founder set for us in the early days of the company. Our core values – Ethics & Integrity, Quality, Innovation and Independence – serve as our compass. They remain at the heart of our culture and guide us in our daily work as we chart a course to more profitable growth.

We understand that adherence to these values is essential to our success. The company has undertaken substantial transformation over the past decade, emerging with an increased product portfolio. From Timken® steel housed units, Quick-Flex™ couplings, high-performance Timken spherical roller bearings, Timken cylindrical roller bearings and line extensions to existing products with increased ratings across the spectrum of our tapered roller bearings, we work hard to earn your trust and confidence as we continue to evolve our company for value creation.

On behalf of the Board of Directors, I would like to express our sincere gratitude to all our stakeholders. To our shareholders, thank you for your continued support and confidence. To my fellow board members, management team and employees, thank you for your hard work and commitment. To our customers, suppliers and business partners, we gratefully appreciate your trust and confidence in us and look forward to many more years of support.

Yours sincerely,



**James R. Menning**  
Chairman

Place: Bangalore  
Date: 2 May, 2012

**DIRECTORS' REPORT****TO THE MEMBERS**

The Directors have pleasure in presenting the Twenty-fifth Annual Report on the business and operations of the Company together with the financial results for the 15 months period ended 31 March 2012.

**FINANCIAL RESULTS**

	(Rs./Millions)	
	15-months ended 31 March 2012	12-months ended 31 December 2010
a) Total Income	8,511	4,820
b) Total Expenditure	7,244	3,969
c) Gross Profit	1,267	851
d) <b>Less:</b> Depreciation	149	113
e) Earnings before Interest, Tax & Prior period item	1,118	738
f) <b>Less:</b> Interest	12	9
g) <b>Add:</b> Income/(Expense) relating to prior period	—	(16)
h) Profit before Tax (PBT)	1,106	713
i) <b>Less:</b> Taxes	299	203
j) Profit after Tax (PAT)	807	510
k) <b>Add:</b> Profit brought forward from previous year	2,908	2,398
l) Profit available for appropriation	3,715	2,908
m) <b>Less:</b> Appropriations		
– Interim dividend including dividend distribution tax	1,481	—
– Transferred to General Reserve	81	—
n) Balance carried forward to Balance Sheet	2,153	2,908

During the 15 months period ended on 31 March 2012, Total Income grew by 76% primarily due to increase in net sale of products by 77% and a 73% increase in sale of services compared to 12-months year ended on 31 December 2010. Expenditures on the other hand registered an increase of 82% due to increase in costs of materials and also due to increased volume of products purchased for resale.

Increase in depreciation was due to capitalization of new plant and machinery for the expansion project.

Increase in interest was on account of short term loan taken during the year.

Profit before tax went up by 55% to Rs. 1,106 million primarily due to increased sales volume in rail, heavy truck, industrial aftermarket and exports.

The Company's Plant at Jamshedpur operated at capacity.

**DIVIDENDS**

The Company paid an interim dividend on the equity shares of the

Company @ Rs. 20/- per equity share of Rs. 10/- each fully-paid, amounting to Rs. 1,274.44 million on 28 November 2011. Such payment of interim dividend is to be considered as final dividend on the equity shares of the Company for the 15 months period ended 31 March 2012. Your Directors are not recommending any further dividend on equity shares of the Company for 2011-12.

**EXPANSION PROJECT**

The Expansion Project has been successfully implemented and commercial production started from third quarter of 2011. So far, 0.1 million races of 'up to 8 inch' tapered roller bearings were manufactured from this facility for the period up to March 2012. The total actual investment on this project is Rs. 300 million.

**FINANCE**

Working capital was managed well in the 15 months period ended 31 March 2012 resulting in generation of adequate cash flows. Pending investment of such funds in suitable growth opportunities in India, it was temporarily parked in debt based schemes offered by various Mutual Funds. During the 15 months period under review, the Company had to borrow short term funds amounting to Rs. 300 million from HDFC Bank Ltd. to cover temporary financial needs. Except this the Company had not taken any other loan, whether short term or long term. Receivables continued to be managed well, as a result of which the number of days outstanding for domestic receivable at the end of 2011-12 had come down to 51 days compared to 56 days at the end of last year. Inventory management continued to remain under focus of the management team. At the end of the year the overall inventory rose to Rs. 1,476 million due to increased level of operations though the average number of days outstanding was maintained at 121 days as of 31 March 2012.

**CHANGE OF ACCOUNTING YEAR**

In order to align the accounting year of the Company with the practices followed in India, it was decided that the accounting year of the Company be changed from calendar year - January to December to fiscal year - April to March. Accordingly, the current accounting period of the Company covered 15 months starting from 1 January 2011 to 31 March 2012.

**LISTING OF EQUITY SHARES ON STOCK EXCHANGES**

Listing of the Company's Equity Shares on BSE Limited and National Stock Exchange of India Limited continued during 2011-12 and the listing fees for the year 2012-13 have already been paid to the Stock Exchanges.

**DIRECTORS**

Mr. Sridharan Rangarajan resigned as a Director of the Company with effect from 1 June 2011. The Board placed on record its deep appreciation for the valuable contribution made by Mr. Rangarajan as a Director.

Mr. Deepak Rastogi has been appointed as an Additional Director on the Board with effect from 1 June 2011. In terms of relevant provisions of the Companies Act, 1956 ('the Act'), Mr. Rastogi holds office up to the date of the forthcoming Annual General Meeting. The Company has received a notice from a member in terms of Section 257 of the Act signifying his intention to propose the name of Mr. Rastogi for appointment as Director of the Company at the next Annual General Meeting. This item has been included in the Notice convening the next Annual General Meeting of the Company.

Mr. Jai S Pathak and Mr. Niroop Mahanty, Directors of the Company, are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment at the said Annual General Meeting.



**AUDITORS**

Messrs. S. R. Batliboi & Co., Statutory Auditors hold office until the conclusion of the next Annual General Meeting. The Company has received a letter dated 29 March 2012 from Messrs. S. R. Batliboi & Co., Statutory Auditors expressing their unwillingness to be reappointed as Auditors due to certain factors entirely internal to them.

It is proposed to appoint Messrs. S R B C & Co, as the Statutory Auditors of the Company subject to the approval of the shareholders at the Annual General Meeting to hold office from the conclusion of Twenty-fifth Annual General Meeting until the conclusion of the next Annual General Meeting.

The Company has also received a letter from Messrs. S R B C & Co, Chartered Accountants to the effect that their appointment, if made, would be within the prescribed limits of Section 224(2-B) of the Companies Act, 1956 and they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

Accordingly, the appointment of Messrs. S R B C & Co, Chartered Accountants is being proposed as an ordinary resolution at the Twenty-fifth Annual General Meeting of the Company in terms of applicable provisions of the Companies Act, 1956 and has been included in the Notice convening the next Annual General Meeting.

The Directors placed on record their appreciation for the valuable support and guidance received from Messrs. S. R. Batliboi & Co., as the Statutory Auditors since July 1999.

Pursuant to the directions received from the Central Government, Mr. Prakash Kumar Varma has been reappointed as the Cost Auditor to audit the Cost Accounts of the Company for the 15 months period ended 31 March 2012.

**CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of corporate governance are made a part of the Annual Report.

**INDUSTRIAL RELATIONS**

The performance of the Company during the 15 months period ended 31 March 2012 could be made possible only with the collective contribution and excellent performance of the Associates both in terms of operational parameters and also at the market place. The Directors express their appreciation for the wholehearted support received from all sections of the Associates of the Company.

**SOCIAL RESPONSIBILITY**

The Company and its associates have been actively participating in the promotion of social welfare activities of the communities where Timken facilities are located in India.

**PARTICULARS OF EMPLOYEES**

Information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in the Annexure forming part of the Report. However, as per the provisions of Section 219(1)(b)(iv), the Report and Accounts are being sent to all Shareholders of the Company excluding the Statement of Particulars of Employees. Any shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company for a copy.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE**

All the new machineries installed during the year are energy efficient. Significant cost saving on cutting fluids and consumption of electricity have been achieved by machine modifications, energy audit and efficient coolant management. Regarding absorption of foreign technology, the process is ongoing in the areas of machining, heat treatment and finishing. The Company has now achieved full indigenization of all components for Standard Bearings and substantial indigenization for AP Bearings. It is the intention of the Company to proceed with the process of indigenization further.

Other details are given in the Annexure, which also forms part of this report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provision of Section 217(2AA) of the Companies Act, 1956, the Directors give hereunder the Directors' Responsibility Statement relating to the Accounts of the Company:

- (1) The applicable Accounting Standards have been followed, in the preparation of the accompanying Accounts;
- (2) The Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the 15 months period ended 31 March 2012 and of the profit of the Company for the said period;
- (3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (4) The Directors have prepared the accompanying Accounts on a going concern basis.

For and on behalf of the Board of Directors

Bangalore  
2 May 2012

**James R. Menning**  
*Chairman*

**Declaration in terms of Clause 49 – Code of Conduct**

This is to confirm that the Company has adopted 'Business Ethics Policy – Code of Conduct' for its employees and members of the Board of Directors. This code is posted on Company's website.

I confirm that the Company has received from the Senior Management Team of the Company and from the members of the Board of Directors a declaration of compliance with the code for 15 months financial year ended 31 March 2012.

For the purpose of this declaration, Senior Management Team means members of management one level below the executive directors as on 31 March 2012.

Bangalore  
2 May 2012

**Ajay K. Das**  
*Managing Director*

**ANNEXURE TO THE DIRECTORS' REPORT - INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS' RULES), 1988 AND FORMING PART OF DIRECTORS' REPORT**

<p><b>A. Conservation of Energy</b></p> <p>(a) Energy conservation measures taken</p> <p>(b) Additional investments / proposal, if any</p> <p>(c) Impact of the measures at (a) and (b) above</p> <p>(d) Total energy consumption and energy consumption per unit of production</p>	<p>(a) Plant power factor was maintained at 0.985 even at a peak level of production.</p> <p>1) All high power consuming equipments / furnaces operation were closely monitored to reduce the overall power consumption.</p> <p>2) Variable frequency drive was installed in chilled water pump of centralized AC system.</p> <p>3) Energy Audit was done by TERI &amp; audit recommendation is being implemented.</p> <p>4) Major overhauling was done in centralized AC system &amp; coolant chiller system to store back chiller's efficiency.</p> <p>(b) 1) Solar lighting for street lights.</p> <p>2) Variable drive for plant air handling units.</p>									
	<p>As per details given below under Form A</p>									
<p><b>B. Technology Absorption</b></p> <p>(e) As per details given below under Form B.</p>										
<p><b>C. Foreign Exchange Earnings and Outgo</b></p> <p>(f) Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans</p> <p>(g) Total foreign exchange used and earned (Rs./Crores)</p>	<p>During the period under review, exports grew by 43% to Rs. 2,053 million mainly to US. The current indications about the export trend do not envisage a significant departure from the one noticed in previous year.</p> <p>Jamshedpur being a focused Plant, some of the part numbers previously used to be manufactured at other Timken locations worldwide have been earmarked for production at the Company's Plant in Jamshedpur.</p>									
<p>i) Foreign Exchange Earnings</p> <p>ii) Foreign Exchange Outgo *</p> <p><i>* excluding part repayment of PCFC loan amounting to USD 2.9 million (Rs.142 million)</i></p>	<table border="0" style="width: 100%;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right;">2011-12</th> <th style="text-align: right;">2010</th> </tr> </thead> <tbody> <tr> <td>i) Foreign Exchange Earnings</td> <td style="text-align: right;">210</td> <td style="text-align: right;">123</td> </tr> <tr> <td>ii) Foreign Exchange Outgo *</td> <td style="text-align: right;">261</td> <td style="text-align: right;">81</td> </tr> </tbody> </table>		2011-12	2010	i) Foreign Exchange Earnings	210	123	ii) Foreign Exchange Outgo *	261	81
	2011-12	2010								
i) Foreign Exchange Earnings	210	123								
ii) Foreign Exchange Outgo *	261	81								

**FORM A**

**Form for Disclosure of Particulars with respect to Conservation of Energy**

<b>A. Power and fuel consumption</b>														
<p>1. Electricity</p> <p>(a) Purchased Units (KWH)</p> <p>Total amount (Rs.)</p> <p>Rate Per Unit (Rs.) (all inclusive)</p> <p>(b) Own generation</p> <p>(i) Through diesel generator</p> <p>Unit</p> <p>Unit per ltr. of diesel oil</p> <p>Cost / unit</p> <p>(ii) Through steam turbine / generator</p> <p>Units</p> <p>Units per ltr. of fuel oil/gas</p> <p>Cost / unit</p>	<table border="0" style="width: 100%;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right;">2011-12</th> <th style="text-align: right;">2010</th> </tr> </thead> <tbody> <tr> <td>(a) Purchased Units (KWH)</td> <td style="text-align: right;">25,130,790</td> <td style="text-align: right;">20,432,870</td> </tr> <tr> <td>Total amount (Rs.)</td> <td style="text-align: right;">98,311,127</td> <td style="text-align: right;">77,239,477</td> </tr> <tr> <td>Rate Per Unit (Rs.) (all inclusive)</td> <td style="text-align: right;">3.91</td> <td style="text-align: right;">3.78</td> </tr> </tbody> </table>		2011-12	2010	(a) Purchased Units (KWH)	25,130,790	20,432,870	Total amount (Rs.)	98,311,127	77,239,477	Rate Per Unit (Rs.) (all inclusive)	3.91	3.78	
	2011-12	2010												
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Total amount (Rs.)	98,311,127	77,239,477												
Rate Per Unit (Rs.) (all inclusive)	3.91	3.78												
	<p>Not used for operations. Only for emergency lighting and water requirements.</p>													
	<p>There is no Steam Turbine / Generator.</p>													
<p>2. Coal (specify quality and where used)</p> <p>Quantity (tonnes)</p> <p>Total Cost</p> <p>Average rate</p>	<p>Not Used</p>													

3. Furnace Oil	Not Used
Quantity (k.ltrs.)	
Total amount	
Average rate	
4. Other/internal generation (please give details)	Not Used
Quantity	
Total Cost	
Rate / Unit	

**B. Consumption per unit of production**

	<b>Standards (if any)</b>	<b>2011-12</b>	<b>2010</b>
Products (with details) unit			
Standard Bearings	Not applicable (Standard varies with product mix)		
Electricity		<b>2.62</b>	2.87
Furnace oil		<b>Not Used</b>	Not Used
Coal (specify quality)		<b>Not Used</b>	Not Used
Others (specify)		<b>Nil</b>	Nil

**FORM B**

**Form for Disclosure of Particulars with respect to Absorption**

**TECHNOLOGY ABSORPTION**

**(A) Research and Development (R&D)**

1. Specific areas in which R&D carried out by the Company
2. Benefits derived as a result of the above R&D
3. Future plan of action
4. Expenditure on R&D:
  - a. Capital
  - b. Recurring
  - c. Total
  - d. Total R&D expenditure as a percentage of total turnover

The benefits of research facilities available with The Timken Company are extended to Timken India Limited on a continuing basis.

**(B) Technology absorption, adaptation and innovation**

1. Efforts, in brief, made towards technology absorption, adaptation and innovation
2. Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:
  - a) Technology imported
  - b) Year of import
  - c) Has technology been fully absorbed?
  - d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of actions

Under the Collaboration Agreement, technology update is released from The Timken Company which is transferred to the, *inter alia*, shop floor instructions. Any improvement in the technology/process is part of this continuous update and this is being regularly monitored by The Timken Company personnel.

- : Manufacture of Tapered Roller Bearings.
- : 1991-92 onwards.
- : It is being gradually absorbed and is a continuous process.
- : Ongoing in the areas of machining, heat treatment and finishing. To make further improvements in the manufacturing process, product quality and production output.

For and on behalf of the Board of Directors

Bangalore  
2 May 2012

**James R. Menning**  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### Bearing Industry Structure and Development

After a strong 2010, the Indian economy logged in a modest growth of 7% in 2011 primarily due to subdued investor sentiments caused by increase in interest rates to contain inflation, a weak Rupee. While power sector grew strongly attracting foreign equipment manufacturers to set up manufacturing base or form joint ventures with local Indian Companies, many power producers ran below full capacity due to scarcity of raw materials. The construction industry grew steadily in 2011-12 however, with drop in further investments expected in the construction sector in the near future. Capacity expansion and increased investment in other end-user sectors like mining are required to aid the growth in demand. A moderation in domestic automobile production after two years of strong growth is expected to lead to moderation in OEM demand for auto components. In 2011-12, growth in domestic commercial vehicle sales was moderated compared to earlier years and is expected to stay moderate in the near future.

The current size of anti-friction bearing market, inclusive of imports, would be approximately Rs. 75 billion. With rapid industrialization, the Indian bearing industry has doubled over the last five years and has registered annual gains well above both the regional and global averages. However, unless there is an acceleration in infrastructure and industrialization spends, this trend may not continue in future years.

The prospects of the bearing industry are directly linked to the performance of two key sectors viz., automotive and infrastructure. The bearing industry comprises mainly ball and roller bearings. In India, to a large extent, roller bearings account for about 50% of the total bearing market.

Close to 40% of the total demand is met through imports with the balance being met by indigenous products. Bearing imports share is slated to come down considering a slew of capacity addition by OEMs more so to manufacture large size bearings which hitherto were being imported.

### Business Review

The Company manufactures Tapered Roller Bearings in its Jamshedpur Plant. These bearings cater to medium and heavy trucks, off highway markets in India, railways and The Timken Company's global requirements. The

Company meets the demand for other types of bearings viz., large size tapered roller bearings, spherical roller bearings, cylindrical roller bearings and specialty ball bearings by sourcing these from other Timken Company plants globally.

During the 15 months period ended 31 March 2012, the Company achieved total income of Rs. 8,511 million – an increase of 76% over the 12-month accounting year ended 31 December 2010. Such an increase in total income could be made possible because of a 77% increase in net sales. The domestic sales during the period under review increased by 93% and export sales grew by 42%. The Company's Plant in Jamshedpur operated at capacity.

### Opportunities, Threats and Outlook

As Indian infrastructure develops and the industry modernises, there are opportunities opening up for the bearing industry. A rough estimate of Indian bearing market pegs at around Rs. 75 billion with growth rates percentage expected in teens for next few years creating significant opportunities for the Company provided there is an acceleration in infrastructure and industrialization spends.

As the economy moves forward, customers will look for better and cleaner technologies and more value added services like maintenance of equipment, reliability monitoring, remanufacturing that keep their equipment running efficiently and for long. The Company is in an excellent position to provide their discerning customers with the best industry end-to-end solutions – design to aftermarket services.

The Indian economy which is driven largely by the domestic demand was not only spared of the worst of the downturn but also placed very well to make the most of the upturn. Most of the companies have used the downturn to make themselves lean and although it has been a somewhat painful process, the future looks to be more promising. While the Indian consumers maintained their spending even in the downturn, the capital investments were put on hold by many companies. This impacted the industrial segment. The government needs to increase its thrust on the infrastructural build so that the industrial growth can accelerate.

Innovation has become the key word and experts are already working on new possibilities. It is felt that conventional systems have evolved to the point where further refinements can only result in modest performance and capacity gains. As a result, it is felt that the future will witness technologies which help in efficient

ways to create, transfer and control power. These technologies can have endless societal impacts, from improved energy efficiency that saves businesses' and consumers' money to reduced emissions that help sustain our environment.

There is an increasing trend of designing and manufacturing of heavy industrial equipments in India which has resulted in customers asking for design and application engineering knowledge and assistance. In many applications, bearings can be the limiting factor in increasing the power density of the equipment and also one of the first components to get damaged. Hence, working with customers, to help them make optimum design choices is becoming an important customer expectation now. Customers are asking for more competitiveness and responsiveness from bearing industry, which would require companies to regionalize production bases closer to customers.

Bearing industry also faces the issues of increased cost of production due to the rise in price of inputs especially steel. On the other hand, cost-competitiveness due to higher import duties on raw materials (steel tubes, steel bars, grinding wheels, etc.) also acts as a constraint.

Counterfeit products also pose a threat to the industry. Low quality duplicate bearings not only lead to crucial downtime for customers but also tarnish the quality and brand value of superior manufacturers. Efforts have to be taken by manufactures to educate customers on the importance of using genuine high quality bearings.

Counterfeiting also violates intellectual property, such as patents and trademarks. Because counterfeits look like and are marketed like genuine, premium-brand products, it usually takes a trained expert to identify them. Premium manufacturers invest continuously to develop their technology and improve the quality and value of their products. When counterfeiters copy the look of industrial bearings – and apply respected brand names that aren't theirs – they are infringing upon the rights of the manufacturer. The World Bearing

Association (WBA) has launched an awareness campaign to inform about safety hazards arising from counterfeit bearings. Our initiative is aimed at sensitizing the public on the dangers associated with counterfeits.

### **Internal Control Systems**

The various internal control systems operating in the Company are working satisfactorily. The adequacy and effectiveness of these systems are continuously monitored by the Internal Audit team and the findings of these audits are reported to the Audit Committee of the Board and also to the Board of Directors. The adequacy of the internal control system has also been examined by the Statutory Auditors and the Audit Department of The Timken Company, USA and the Company has not received any major adverse comments from them on the adequacy of the internal control systems.

### **HR Front**

During the financial year under review, the Company did not witness any adverse development on the HR/IR front. The relationship between the Associates of the Company and the Management remained congenial all through-out the 15-month financial period. The Company employed 612 Associates (including 328 Officers) as on 31 March 2012.

### **Cautionary Statement**

Certain statements made in this report describing the industry structure and development, business outlook and opportunities may be “forward-looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

## Auditors' Report

### To The Members of Timken India Limited

1. We have audited the attached Balance Sheet of Timken India Limited ('the Company') as at March 31, 2012 and also the Profit and Loss account and the cash flow statement for the 15 months period 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 the 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 (as amended) 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:
  - i. 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;
  - ii. 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;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;
    - b) in the case of the profit and loss account, of the profit for the 15 months period ended on that date; and
    - c) in the case of cash flow statement, of the cash flows for the 15 months period ended on that date.

**For S.R. BATLIBOI & CO.**  
**FIRM REGISTRATION NO. 301003E**  
**CHARTERED ACCOUNTANTS**

SANJOY K. GUPTA  
Partner  
Membership No. 54968

Place: Kolkata  
Date: 2nd May, 2012

**ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF TIMKEN INDIA LIMITED  
REFERRED TO IN OUR REPORT OF EVEN DATE**

- (i) The Company maintains proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the period based on a phased programme of verifying all the assets over a period of three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification of fixed assets. There was no substantial disposal of fixed assets during the period.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the period. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company maintains proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.
- (v) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered. The company inter alia, undertakes transactions of purchase and sale of goods, materials and components, and services with associate and group companies, in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956. As these transactions, exceeding value of Rupees five lakhs entered into during the financial period, relate to proprietary items manufactured by the Timken Group and raw materials and components in connection thereto, and / or specialized services rendered, comparative rates thereof are not always available; however as informed, considering the selling prices of such goods, in the market, and margins earned by the company on purchases from associate and group companies on an overall basis in accordance with the group's internal transfer pricing guidelines, prima facie these transactions have been done at reasonable prices. For services received, there are no comparatives since as per the management's explanation such services are highly specialized in nature.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income tax, Sales tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities. As informed, the provisions of Employees' State Insurance Act are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

**ANNEXURE TO THE AUDITORS' REPORT (Continued)**

- c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows :

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the amount relates	Forum
Income Tax Act, 1961	Income Tax Demands	22,086,626	2002-03	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax Demands	52,692,276	1998-99, 2004-05 to 2008-09	Commissioner of Income Tax (Appeals), Jamshedpur
Jharkhand Finance (Amendment) Act, 2001	Local & Central Sales Tax Demands	244,191,491	1995-96 to 1996-97, 2004-05 to 2008-09	Jt. Commissioner (Appeals), Jamshedpur
UP Trade Tax Act, 1948	Local & Central Sales Tax Demands	915,171	1994-1995 to 1996-1997	Appeal filed in Allahabad H'Court
		128,985	2004-05, 2006-07 & 2007-08	Pending with Dy. Commissioner (Appeal)
Haryana VAT Act, 2003	Sales Tax Demands	208,016	2003-04 & 2006-07	Pending with Dy. Commissioner (Appeal)
Rajasthan Sales Tax Act	Sales Tax Demands	193,374	2007-08	Pending with Assessing Authority
Madhya Pradesh Commercial Tax Act, 1994	Sales Tax Demands	304,368	1995-1996	Commissioner of Sales Tax, Raipur, Chattisgarh
West Bengal Sales Tax Act	Sales Tax Demands	1,126,623	2006-07	Jt. Commissioner (Tribunal)
		1,404,375	2008-09	Jt. Commissioner (Appeal)
Orissa Sales Tax Act	Sales Tax Demands	171,563	2003-04 & 2004-05	Jt. Commissioner (Appeal)
Central Excise Act, 1945	Service Tax Demands	1,441,114	2009-2010	Commissioner of Central Excise, Ranchi
Central Excise Act, 1945	Service Tax Demands	18,027,789	2007-2010	Central Excise and Service Tax Appellate Tribunal, Kolkata

- (x) The Company has no accumulated losses at the end of the financial period and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (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.



**ANNEXURE TO THE AUDITORS' REPORT** *(Continued)*

- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the period to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the period.
- (xx) The Company has not raised any money through a public issue during the period.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the period.

**For S.R. BATLIBOI & CO.  
FIRM REGISTRATION NO. 301003E  
CHARTERED ACCOUNTANTS**

SANJOY K. GUPTA  
Partner  
Membership No. 54968

Place: Kolkata  
Date: 2nd May, 2012

**BALANCE SHEET AS AT 31ST MARCH, 2012**

	Schedule	Rupees	As at March 31, 2012 Rupees	As at December 31, 2010 Rupees
<b>SOURCES OF FUNDS</b>				
<b>a) SHAREHOLDERS' FUNDS</b>				
(i) Share Capital	1	637,226,000		637,209,000
(ii) Reserves & Surplus	2	<u>2,494,032,488</u>		<u>3,168,685,274</u>
			<b>3,131,258,488</b>	<b>3,805,894,274</b>
<b>b) LOAN FUNDS</b>				
(i) Unsecured Loans	3		<u>147,752,610</u>	—
			<b>3,279,011,098</b>	<b>3,805,894,274</b>
<b>APPLICATION OF FUNDS</b>				
<b>c) FIXED ASSETS :</b>				
(i) Gross Block	4	2,418,225,740		2,090,398,262
(ii) Less : Accumulated Depreciation		<u>1,621,681,116</u>		<u>1,508,571,085</u>
(iii) Net Block		<u>796,544,624</u>		<u>581,827,177</u>
(iv) Capital Work-In-Progress		<u>104,559,771</u>		<u>24,960,030</u>
— including capital advances Rs.2,311,019 (Rs.226,240)			<b>901,104,395</b>	<b>606,787,207</b>
<b>d) INVESTMENTS</b>	5		<b>658,988,091</b>	<b>2,103,471,104</b>
<b>e) DEFERRED TAX ASSETS (NET)</b> (refer note (m), Schedule 17)			<b>26,937,107</b>	<b>36,632,912</b>
<b>f) CURRENT ASSETS, LOANS AND ADVANCES</b>				
(i) Inventories	6	1,475,829,135		1,052,772,709
(ii) Sundry Debtors	7	1,089,008,865		822,724,725
(iii) Cash and Bank Balances	8	117,806,961		31,427,605
(iv) Loans and Advances	9	<u>320,637,638</u>		<u>234,696,294</u>
		<b>3,003,282,599</b>		<b>2,141,621,333</b>
<b>g) LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>				
(i) Current Liabilities	10	1,215,659,186		932,727,309
(ii) Provisions	11	<u>95,641,908</u>		<u>149,890,973</u>
		<b>1,311,301,094</b>		<b>1,082,618,282</b>
<b>h) NET CURRENT ASSETS</b>				
			<b>1,691,981,505</b>	<b>1,059,003,051</b>
			<b>3,279,011,098</b>	<b>3,805,894,274</b>
<b>i) SIGNIFICANT ACCOUNTING POLICIES AND NOTES</b>				
	17			

Schedules 1 to 17 form an integral part of these financial statements

As per our report of even date  
**For S. R. BATLIBOI & CO.**  
 Firm Registration No. 301003E  
 Chartered Accountants  
**Per SANJOY K. GUPTA**  
 Partner  
 Membership No. 54968  
 Kolkata, 02 May, 2012

**Ajay K. Das**  
 Managing Director

For and on behalf of the Board  
**James R. Menning**  
 Chairman

**Soumitra Hazra**  
 Company Secretary & Chief-Compliance

Bangalore, 02 May, 2012

**PROFIT AND LOSS ACCOUNT FOR THE 15 MONTHS ENDED 31ST MARCH, 2012**

	Schedule	Rupees	15 Months ended March 31, 2012 Rupees	Year ended December 31, 2010 Rupees
<b>INCOME</b>				
a) Turnover (Gross)				
Sale of Products (Gross)		<b>8,558,448,914</b>		4,843,874,153
Less : Trade Discounts		<b>80,613,613</b>		54,564,988
Less : Excise Duty Recovered		<b>602,791,104</b>		<u>356,145,048</u>
Sale of Products (Net)			<b>7,875,044,197</b>	4,433,164,117
b) Income from Services	12		<b>339,689,526</b>	196,199,823
c) Other Income	13		<b>296,217,736</b>	190,389,325
			<b>8,510,951,459</b>	<u>4,819,753,265</u>
<b>EXPENDITURE</b>				
d) Increase in Stock of Finished goods and Work in Progress	14		<b>(329,423,060)</b>	(271,532,276)
e) Excise Duty & Cess on Stocks (refer note (q) of Schedule 17)			<b>46,032,070</b>	50,182,920
f) Manufacturing and other expenses	15		<b>7,527,699,525</b>	4,190,230,441
g) Interest Expense	16		<b>12,217,506</b>	8,906,048
h) Depreciation	4		<b>148,806,003</b>	112,454,730
			<b>7,405,332,044</b>	<u>4,090,241,863</u>
<b>PROFIT BEFORE TAX &amp; PRIOR PERIOD ITEMS</b>			<b>1,105,619,415</b>	729,511,402
i) Expenses Relating to Prior Period (net) (refer note (aa) of Schedule 17)			—	(16,029,050)
<b>PROFIT BEFORE TAX</b>			<b>1,105,619,415</b>	713,482,352
j) Provision for Taxation				
– Current (including Rs.Nil (Rs.1,666,347) net of reversals and provisions pertaining to earlier years)		<b>289,353,175</b>		235,046,930
– Deferred		<b>9,695,805</b>		(32,138,428)
			<b>299,048,980</b>	<u>202,908,502</u>
<b>PROFIT AFTER TAX</b>			<b>806,570,435</b>	510,573,850
k) PROFIT BROUGHT FORWARD FROM PREVIOUS YEAR			<b>2,908,685,274</b>	2,398,111,424
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			<b>3,715,255,709</b>	<u>2,908,685,274</u>
<b>APPROPRIATIONS</b>				
– Interim dividend			<b>1,274,435,500</b>	—
– Tax on dividend			<b>206,787,721</b>	—
– Transfer to General Reserve			<b>80,657,043</b>	—
<b>PROFIT CARRIED TO BALANCE SHEET</b>			<b>2,153,375,445</b>	<u>2,908,685,274</u>
l) <b>EARNINGS PER SHARE - Basic &amp; Diluted</b>			<b>12.66</b>	8.01
Nominal value of shares Rs. 10 (Previous year - Rs. 10) [refer note (y) of Schedule 17]				
m) <b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES</b>	17			

Schedules 1 to 17 form an integral part of these financial statements

As per our report of even date  
**For S. R. BATLIBOI & CO.**  
 Firm Registration No. 301003E  
 Chartered Accountants  
**Per SANJOY K. GUPTA**  
 Partner  
 Membership No. 54968  
 Kolkata, 02 May, 2012

**Ajay K. Das**  
 Managing Director

For and on behalf of the Board  
**James R. Menning**  
 Chairman

**Soumitra Hazra**  
 Company Secretary & Chief-Compliance

Bangalore, 02 May, 2012

**CASH FLOW STATEMENT FOR THE 15 MONTHS ENDED 31ST MARCH, 2012**

	15 Months ended March 31, 2012 Rupees	Year ended December 31, 2010 Rupees
<b>A. Cash Flow from Operating Activities :</b>		
<b>Net Profit before Tax</b>	1,105,619,415	713,482,352
Adjustments for :		
Depreciation	148,806,003	112,454,730
Interest income	(780,632)	(1,424,657)
Interest expense	12,217,506	8,906,048
Income from Investments	(60,528,316)	(24,018,842)
(Gain) / Loss on sale of assets (Net)	(162,026)	872,074
Provision for Doubtful debts / advances	—	1,195,570
Provision no longer required written back	(11,822,416)	(19,296,343)
Debts, Deposits & Advances written off	—	1,035,771
Unrealised foreign exchange loss / (gain)	4,392,000	(5,038,560)
Provision for Wealth Tax	130,000	255,000
	<u>92,252,119</u>	<u>74,940,791</u>
<b>Operating Profit before Working Capital Changes</b>	<u>1,197,871,534</u>	<u>788,423,143</u>
Adjustments for movement in :		
Sundry Debtors and Loans and Advances	(309,813,069)	(275,616,953)
Inventories	(423,056,426)	(380,083,985)
Current Liabilities and Provisions	205,216,589	497,545,074
	<u>(527,652,906)</u>	<u>(158,155,864)</u>
<b>Cash Generated from Operations</b>	<u>670,218,628</u>	<u>630,267,279</u>
Direct Tax paid	(329,081,820)	(246,300,000)
<b>Net Cash from Operating Activities</b>	<u>341,136,808</u>	<u>383,967,279</u>
<b>B. Cash Flow from Investing Activities :</b>		
Purchase of Fixed Assets including capital work in progress	(444,504,339)	(38,212,170)
Sale of Fixed Assets	1,543,173	948,822
Purchase of Investments	(720,886,529)	—
Sale of Investments	661,414,847	328,067,485
Interest received	780,632	1,424,657
<b>Net Cash from / (used in) Investing Activities</b>	<u>(501,652,216)</u>	<u>292,228,794</u>
<b>C. Cash Flow from Financing Activities :</b>		
Interest paid	(9,241,777)	(3,634,345)
Proceeds from short term loan	300,458,144	—
Repayment during the period	(151,243,204)	—
Interim dividend paid	(1,251,455,820)	—
Tax on Dividend distribution	(206,787,721)	—
Proceeds from Calls in Arrears	17,000	1,500
<b>Net Cash used in Financing Activities</b>	<u>(1,318,253,378)</u>	<u>(3,632,845)</u>
<b>Net increase/(Decrease) in Cash and Cash equivalents</b>	<u>(1,478,768,786)</u>	<u>672,563,228</u>
<b>Cash and Cash equivalents - Opening Balance</b>	<u>2,134,598,710</u>	<u>1,462,035,482</u>
<b>Cash and Cash equivalents - Closing Balance*</b>	<u>655,829,924</u>	<u>2,134,598,710</u>

\* Includes dividend account balance of Rs.22,979,680 (Rs.Nil) , which will be utilised only for the payment of Interim dividend.

Cash and cash equivalents consist of cash on hand, cheques in hand, balances with banks and short term investments with a maturity period of 90 days or less. Cash and cash equivalents included in the cash flow statement comprises of the following balance sheet amounts :

Cash on hand and balances with banks (refer Schedule 8)	117,806,961	31,427,605
Short term Investments (refer Schedule 5)	538,688,091	2,103,171,105
Cash & Cash equivalents	656,495,052	2,134,598,710
Effect of exchange differences on cash & cash equivalents held in foreign currency	(665,128)	—
<b>Cash and cash equivalents as restated</b>	<u>655,829,924</u>	<u>2,134,598,710</u>

As per our report of even date  
**For S. R. BATLIBOI & CO.**  
 Firm Registration No. 301003E  
 Chartered Accountants  
**Per SANJOY K. GUPTA**  
 Partner  
 Membership No. 54968  
 Kolkata, 02 May, 2012

**Ajay K. Das**  
 Managing Director

For and on behalf of the Board  
**James R. Menning**  
 Chairman

**Soumitra Hazra**  
 Company Secretary & Chief-Compliance

Bangalore, 02 May, 2012

**SCHEDULES 1 TO 17 FORMING PART OF THE ACCOUNTS AS AT AND FOR THE 15 MONTHS ENDED 31ST MARCH 2012**

**SCHEDULE 1 : SHARE CAPITAL**

**Authorised :**

75,000,000 (75,000,000) Equity Shares of Rs. 10 /- each  
2,600,000 (2,600,000) 9% Cumulative Redeemable Preference Shares of Rs.100/- each

**Issued :**

63,750,000 (63,750,000) Equity Shares of Rs. 10 /- each

**Subscribed and Paid-up :**  
(refer note (p), Schedule 17)

63,734,850 (63,734,850) Equity Shares of Rs. 10 /- each fully paid-up

Less: Calls in Arrears - others than directors

**SCHEDULE 2 : RESERVES & SURPLUS**

- a) Capital Redemption Reserve – as per last Account
- b) Profit & Loss Account Balance
- c) General Reserve transferred from profit & loss account during the period

**SCHEDULE 3 : UNSECURED LOANS**

Short term loans from bank

Rupees	As at March 31, 2012 Rupees	As at December 31, 2010 Rupees
<b>750,000,000</b>		750,000,000
<b>260,000,000</b>		260,000,000
	<b>1,010,000,000</b>	1,010,000,000
	<b>637,500,000</b>	637,500,000
<b>637,348,500</b>		637,348,500
<b>122,500</b>		139,500
	<b>637,226,000</b>	637,209,000
	<b>260,000,000</b>	260,000,000
	<b>2,153,375,445</b>	2,908,685,274
	<b>80,657,043</b>	—
	<b>2,494,032,488</b>	3,168,685,274
	<b>147,752,610</b>	—
	<b>147,752,610</b>	—

**SCHEDULE 4 : FIXED ASSETS**

ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	Opening Balance as at 01.01.2011	ADDITIONS	DEDUCTIONS	AS AT 31.03.2012	Opening Balance as at 01.01.2011	FOR THE 15 MONTHS PERIOD	DEDUCTIONS	TOTAL UPTO 31.03.2012	AS AT 31.03.2012	AS AT 31.12.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Tangible Assets</b>										
Buildings	183,943,267	447,376	—	184,390,643	76,207,696	7,672,614	—	83,880,310	100,510,333	107,735,571
Plant & Machinery * (Including Tools)	1,797,438,199	354,147,499	27,883,542	2,123,702,156	1,349,994,340	127,197,209	26,908,695	1,450,282,854	673,419,302	447,443,859
Office Equipment	25,142,763	459,506	402,091	25,200,178	20,264,122	2,410,566	402,091	22,272,597	2,927,581	4,878,641
Computers	46,996,393	5,298,864	3,702,358	48,592,899	36,044,502	6,915,872	3,667,031	39,293,343	9,299,556	10,951,891
Furniture & Fixtures	18,436,528	972,248	—	19,408,776	13,598,099	1,102,088	—	14,700,187	4,708,589	4,838,429
Vehicles	18,441,112	1,788,605	5,089,129	15,140,588	12,462,326	3,358,446	4,718,155	11,102,617	4,037,971	5,978,786
<b>Intangible Assets</b>										
Computer Software	—	1,790,500	—	1,790,500	—	149,208	—	149,208	1,641,292	—
<b>Total</b>	<b>2,090,398,262</b>	<b>364,904,598</b>	<b>37,077,120</b>	<b>2,418,225,740</b>	<b>1,508,571,085</b>	<b>148,806,003</b>	<b>35,695,972</b>	<b>1,621,681,116</b>	<b>796,544,624</b>	<b>581,827,177</b>
Previous Year	2,005,022,173	128,493,503	43,117,414	2,090,398,262	1,437,412,873	112,454,730	41,296,518	1,508,571,085	581,827,177	

\* Plant & Machinery includes Machinery given on operating lease as follows :

Gross Book value Rs. 296,511,955 (Previous Year Rs. Nil)  
Depreciation for the Year Rs. 15,887,086 (Previous Year Rs. Nil)  
Net Book value Rs. 280,624,869 (Previous Year Rs. Nil)

For further details, refer note r (ii) in Schedule 17

TIMKEN INDIA LIMITED

**SCHEDULE 5 : INVESTMENTS**

	Face Value Rs	Holdings As at 31.03.2012		Holdings as at 31.12.2010	
		Nos.	Rs.	Nos.	Rs.
<b>Long Term Investments (At Cost)</b>					
<b>Trade (Unquoted) Equity Shares fully paid</b>					
Nicco Jubilee Park Limited	10	30,000	300,000	30,000	300,000
<b>Total (A)</b>			<b>300,000</b>		<b>300,000</b>
<b>Long term Investments (Non Trade ) (At Cost)</b>					
<b>Other Investments</b>					
<b>Quoted</b>					
SBI Debt Fund Series - 367 Days-5-Growth	10	7,000,000	70,000,000	—	—
HSBC Fixed Term Series 81 - Growth - Tenure 370 Days	10	5,000,000	50,000,000	—	—
<b>Total (B)</b>			<b>120,000,000</b>		<b>—</b>
<b>Current Investments (Non Trade )</b>					
(At Lower of Cost and Market Value)					
<b>Other Investments</b>					
<b>Quoted</b>					
Kotak Quarterly Interval Plan Series 2 - Dividend	10	3,497,936	35,000,000	—	—
ICICI Prudential Interval Fund II Quarterly Interval Plan Institutional Dividend	10	6,025,029	60,250,290	—	—
DSP BlackRock FMP - Series 40 - 3M - Dividend Payout	10	5,504,400	55,043,998	—	—
<b>Total (C)</b>			<b>150,294,288</b>		<b>—</b>
<b>Unquoted</b>					
Birla Sun Life Savings Fund - Instl. - DDR	10	—	—	33,648,467	336,713,478
Birla Sun Life Cash Plus - Institutional Prem. - DDR	100	1,015,854	101,783,512	—	—
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - DDR	10	—	—	36,651,513	367,669,655
ICICI Prudential Liquid Super Institutional Plan - DDR	100	—	—	1,674,800	167,517,857
Kotak Floater Long Term - DDR	10	—	—	39,688,195	400,049,069
Kotak Liquid (institutional Premium) - DDR	10	4,141,840	50,646,839	—	—
Reliance Money Manager Fund - Institutional - DDR	1,000	—	—	369,216	369,722,347
Reliance Liquidity Fund - DDR	10	8,672,689	86,771,120	—	—
SBI - SHF - Ultra Short Term Fund - Institutional - DDR	10	—	—	14,708,753	147,175,784
Tata Liquid Super High Investment Fund - DDR	1,000	133,862	149,192,332	—	—
Tata Floater Fund - DDR	10	—	—	31,320,789	314,322,914
<b>Total (D)</b>			<b>388,393,803</b>		<b>2,103,171,104</b>
<b>Total (A+B+C+D)</b>			<b>658,988,091</b>		<b>2,103,471,104</b>
<b>Note -</b>					
Aggregate Amount of Investments					
Quoted			270,294,288		—
Unquoted			388,693,803		2,103,471,104
Market Value of Quoted Investments			277,281,650		—

The following Investments were purchased and sold during the period :

	Face Value Rs	Purchased / Dividend Reinvested Nos	Purchased/ Dividend Reinvested Rs.	Sale/ Conversion Nos	Sale/ Conversion Rs.
<b>Quoted</b>					
DSP BlackRock FMP - 12M Series 14 - Growth	10	12,000,000	120,000,000	12,000,000	120,000,000
Birla Sun Life Fixed Term Plan - Series CP - Growth	10	10,681,117	106,811,170	10,681,117	106,811,170
Kotak FMP Series 37 - Growth	10	9,050,887	90,508,870	9,050,887	90,508,870
ICICI Prudential FMP Series 55- 1 Year Plan D Cumulative	10	11,628,297	116,282,974	11,628,297	116,282,974
Tata Fixed Maturity Plan Series 31 Scheme B - Growth	10	9,397,336	93,973,360	9,397,336	93,973,360
Reliance Fixed Horizon Fund - XIX -Series 8-Growth Plan	10	7,331,016	73,310,157	7,331,016	73,310,157
SBI Debt Fund Series - 367 Days-5-Growth	10	7,000,000	70,000,000	—	—
HSBC Fixed Term Series 81 - Growth - Tenure 370 Days	10	5,000,000	50,000,000	—	—
Birla Sunlife Short Term FMP Series 11 Dividend - Payout	10	12,339,406	123,394,060	12,339,406	123,394,060
Birla Sunlife Short Term FMP Series 16 Dividend - Payout	10	12,339,406	123,394,060	12,339,406	123,394,060
DSP BlackRock FMP - 3M Series 31 - Dividend Payout	10	10,000,000	100,000,000	10,000,000	100,000,000
DSP BlackRock FMP - 3M Series 37 - Dividend Payout	10	10,000,000	100,000,000	10,000,000	100,000,000
ICICI Prudential Interval Fund II Quarterly Interval Plan D Institutional Dividend	10	11,000,000	110,000,000	11,000,000	110,000,000
Reliance Quarterly Interval Fund - Series III - Institutional Dividend Plan	10	16,408,006	164,250,584	16,408,006	164,250,584
Tata Fixed Maturity Plan Series 28 Scheme C Dividend	10	11,230,139	112,301,390	11,230,139	112,301,390
Kotak Quarterly Interval Plan Series 4 - Dividend	10	12,077,140	120,811,257	12,077,140	120,811,257
Kotak Quarterly Interval Plan Series 2 - Dividend	10	3,497,936	35,000,000	—	—
ICICI Prudential Interval Fund II Quarterly Interval Plan Institutional Dividend	10	6,025,029	60,250,290	—	—
DSP BlackRock FMP - Series 40 - 3M - Dividend Payout	10	5,504,400	55,043,998	—	—

(Contd.)

**SCHEDULE 5 : INVESTMENTS(Contd.)**

	Face Value Rs	Purchased / Dividend Reinvested Nos	Purchased/ Dividend Reinvested Rs.	Sale/ Conversion Nos	Sale/ Conversion Rs.
<b>Unquoted</b>					
Birla Sun Life Savings Fund - Instl. - DDR	10	350,129	3,503,673	33,998,596	340,217,151
DSP BlackRock Strategic Bond Fund - Institutional Plan - DDR	1,000	22,200	22,247,432	22,200	22,247,432
Birla Sun Life Cash Manager - IP - DDR	10	11,792,282	117,958,199	11,792,282	117,958,199
Birla Sun Life Cash Manager - IP - DDR	100	519,732	51,988,749	519,732	51,988,749
Birla Sun Life Cash Plus - Institutional Prem. - DDR	10	17,462,432	174,964,834	17,462,432	174,964,834
Birla Sun Life Cash Plus - Institutional Prem. - DDR	100	3,364,202	337,076,225	2,348,348	235,292,712
DSP BlackRock Liquidity Fund - Institutional Plan - DDR	1,000	55,027	55,043,998	55,027	55,043,998
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - DDR	10	846,108	8,487,728	37,497,621	376,157,384
ICICI Prudential Liquid Super Institutional Plan - DDR	100	1,746,057	174,645,128	3,420,857	342,162,985
ICICI Prudential Flexible Income Plan Premium - DDR	100	1,263,987	133,647,613	1,263,987	133,647,613
IDFC Cash Fund - Super Inst Plan C - DDR	10	14,128,607	141,321,388	14,128,607	141,321,388
IDFC Cash Fund - Super Inst Plan C - DDR	1,000	241,617	241,677,302	241,617	241,677,302
IDFC Money Manager Fund -TP - Super Inst Plan C - DDR	10	17,457,558	174,601,765	17,457,558	174,601,765
Kotak Floater Long Term - DDR	10	22,669,138	228,500,374	62,357,333	628,549,444
Kotak Floater Short Term - DDR	10	21,479,457	217,290,478	21,479,457	217,290,478
Kotak Liquid (institutional Premium) - DDR	10	4,141,840	50,646,839	—	—
Reliance Money Manager Fund - Institutional - DDR	1,000	52,759	52,830,996	421,975	422,553,343
Reliance Liquid Fund - Cash Plan - DDR	10	4,133,644	46,054,993	4,133,644	46,054,993
Reliance Liquidity Fund - DDR	10	27,179,870	271,937,313	18,507,181	185,166,194
SBI - SHF - Ultra Short Term Fund - Institutional - DDR	10	15,871,349	158,808,723	30,580,103	305,984,507
Tata Liquid Super High Investment Fund - DDR	1,000	462,313	515,257,548	328,451	366,065,216
Tata Floater Fund - DDR	10	54,101,737	542,943,389	85,422,526	857,266,304
UTI Treasury Advantage Fund - Institutional Plan - DDR	1,000	162,894	162,928,859	162,894	162,928,859
<b>Total</b>			<b>5,709,695,719</b>		<b>7,154,178,733</b>

Note - In addition to investment purchased and sold during the period, disclosure is also given of investment purchased or sold during the period.

The following Investments were purchased and sold during the previous year

	Face Value Rs	Purchased / Dividend Reinvested Nos	Purchased/ Dividend Reinvested Rs.	Sale/ Conversion Nos	Sale/ Conversion Rs.
<b>Quoted</b>					
Kotak FMP 13M Series 5 - Growth	10	—	—	13,025,494	130,254,940
SBI Debt Fund Series - 13 Months - 10 - Institutional - Growth	10	—	—	5,000,000	50,000,000
Birla Sun Life Fixed Term Plan - Instl. - Series - BK - Growth	10	—	—	6,390,101	63,901,011
Reliance Fixed Horizon Fund - XII - Series 3-Super Institutional Plan - Growth	10	—	—	5,989,269	59,892,691
<b>Unquoted</b>					
Birla Sun Life Savings Fund - Instl. - DDR	10	29,381,703	294,016,821	21,135,288	211,496,599
Birla Sun Life Ultra Short Term Fund - Institutional Plan - DDR	10	29,219,693	292,357,636	29,219,693	292,357,636
DSP BlackRock Floating Rate Fund - Institutional Plan - DDR	1,000	1,206	1,206,173	51,392	51,419,919
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - DDR	10	19,826,004	198,884,558	4,745,970	47,609,199
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale option - DDR	10	23,490	236,801	4,144,816	41,783,474
ICICI Prudential Flexible Income Plan Premium - DDR	100	614,090	64,930,771	2,129,006	225,110,435
ICICI Prudential Liquid Super Institutional Plan - DDR	100	2,280,154	228,066,965	605,354	60,549,108
Kotak Floater Long Term - DDR	10	29,218,167	294,513,274	3,529,917	35,580,858
Reliance Medium Term Fund - DDR	10	8,838,393	151,105,217	21,134,446	361,312,384
Reliance Money Manager Fund - Institutional - DDR	1,000	166,607	166,835,219	—	—
Reliance Monthly Interval Fund - Series II - Institutional - Dividend	10	36,810,619	569,030,046	36,810,619	366,142,918
SBI - SHF - Ultra Short Term Fund - Institutional - DDR	10	18,714,712	187,259,407	4,005,959	40,083,624
Tata Floater Fund - DDR	10	35,723,764	358,509,404	26,815,089	269,105,507
UTI Treasury Advantage Fund Institutional - DDR	1,000	36,622	36,626,676	124,426	124,452,245
UTI Liquid Cash Plan - Institutional - DDR	1,000	47,658	48,584,338	47,658	48,584,339
<b>Total</b>			<b>2,892,163,306</b>		<b>2,479,636,887</b>

Note - In addition to investment purchased and sold during the period, disclosure is also given of investment purchased or sold during the period.

	As at March 31, 2012 Rupees	As at December 31, 2010 Rupees
<b>SCHEDULE 6 : INVENTORIES</b>		
<i>(At lower of Cost and Net Realisable Value)</i>		
a) Stores and Spares *	106,040,928	78,471,805
b) Raw materials and Components *	335,781,669	269,717,426
c) Work - in - progress	208,433,430	171,886,196
d) Finished stock *	825,573,108	532,697,282
	<u>1,475,829,135</u>	<u>1,052,772,709</u>
*Including in transit :		
Stores & Spares	6,794,858	3,476,350
Raw Materials and Components	160,297,120	137,534,455
Finished Stock	125,251,443	66,048,687
<b>SCHEDULE 7 : SUNDRY DEBTORS</b>		
<i>(For disclosure of dues from companies under the same management refer note (t), Schedule 17)</i>		
a) Debts outstanding for a period over six months		
Secured and considered good	44,921	259,868
Unsecured – considered good	1,965,995	3,477,083
– considered doubtful	11,161,513	15,257,906
	<u>13,172,429</u>	<u>18,994,857</u>
b) Other Debts		
Secured and considered good	6,878,303	7,037,451
Unsecured – considered good	1,080,119,646	811,950,323
– considered doubtful	—	210,175
	<u>1,086,997,949</u>	<u>819,197,949</u>
Less : Provision for Bad and Doubtful debts	11,161,513	15,468,081
	<u>1,089,008,865</u>	<u>822,724,725</u>
<b>SCHEDULE 8 : CASH AND BANK BALANCES</b>		
a) Cash in Hand	124,072	90,422
b) Cheques in hand	13,325,600	—
c) Balance with Scheduled Banks		
– On Current Accounts	81,377,609	31,337,183
– On unpaid dividend account	22,979,680	—
	<u>117,806,961</u>	<u>31,427,605</u>



<b>SCHEDULE 9 : LOANS AND ADVANCES</b> <b>(Unsecured considered good unless otherwise stated)</b>	<b>As at March 31, 2012 Rupees</b>	<b>As at December 31, 2010 Rupees</b>
a) Advances recoverable in cash or in kind or for value to be received (For disclosure of dues from companies under the same management refer note (u), Schedule 17)	<b>33,768,572</b>	28,589,844
b) Advance Tax / Tax deducted at source [net of Provision Rs.1,873,656,095 (Rs.1,646,672,920)]	<b>107,681,309</b>	63,119,472
c) Prepaid expenses	<b>8,699,841</b>	7,076,500
d) Export Incentive Receivable	<b>52,882,834</b>	53,108,150
e) Balances with Customs, Excise and other statutory authorities	<b>91,655,370</b>	72,439,437
f) Deposits		
– Considered Good	<b>10,978,092</b>	10,362,891
– Considered Doubtful	—	1,594,402
g) Surplus in Employees' Gratuity Fund (refer note (v), Schedule 17)	<b>14,971,620</b>	—
	<b>320,637,638</b>	236,290,696
Less : Provision for Doubtful Advances & Deposits	—	1,594,402
	<b>320,637,638</b>	234,696,294

Notes : 1) Amount due from a Director Rs.Nil (Rs.479,376). Maximum amount due during the year Rs.479,376 (Rs.1,006,777)  
2) Amount due from an Officer Rs.Nil (Rs.88,590). Maximum amount due during the year Rs.88,590 (Rs.377,753)

**SCHEDULE 10 : CURRENT LIABILITIES**

	<b>Rupees</b>	<b>As at March 31, 2012 Rupees</b>	<b>As at December 31, 2010 Rupees</b>
a) Sundry Creditors :			
i) Due to Micro and Small Enterprises (refer note (s), Schedule 17)	<b>20,912,882</b>		2,357,446
ii) Due to Other Creditors	<b>1,005,104,377</b>		787,251,777
		<b>1,026,017,259</b>	789,609,223
b) Advance from Customers		<b>9,537,844</b>	4,723,736
c) Deposit from Customers		<b>12,171,128</b>	11,440,327
d) Other Liabilities (refer note (l), Schedule 17)		<b>144,953,275</b>	126,954,023
e) Investor Education and Protection Fund shall be credited by following amounts (as and when due)			
– Unpaid dividend		<b>22,979,680</b>	—
		<b>1,215,659,186</b>	932,727,309

	<b>As at March 31, 2012 Rupees</b>	<b>As at December 31, 2010 Rupees</b>
<b>SCHEDULE 11 : PROVISIONS</b>		
a) Employees' Compensated Absences	49,107,899	46,992,450
b) Employees' Death Benefit Scheme (refer note (v), Schedule 17)	16,064,500	6,368,880
c) Employees' Provident Fund (refer note (v), Schedule 17)	18,104,330	6,888,680
d) Employees' Gratuity (refer note (v), Schedule 17)	—	76,863,000
e) Provision for Indirect taxes (refer note (ab), Schedule 17)	12,365,179	12,777,963
	<u>95,641,908</u>	<u>149,890,973</u>
	<b>15 months ended March 31, 2012 Rupees</b>	<b>Year ended December 31, 2010 Rupees</b>
<b>SCHEDULE 12 : INCOME FROM SERVICES</b>		
i) Agency Commission	79,554,201	58,447,709
ii) Other Services	260,135,325	137,752,114
	<u>339,689,526</u>	<u>196,199,823</u>
<b>SCHEDULE 13 : OTHER INCOME</b>		
i) Foreign Exchange Gain (net)	—	2,415,940
ii) Excess provisions no longer required written back [Including provisions for Doubtful Debts Rs.1,291,250 (Nil)]	11,822,416	19,296,343
iii) Export incentives	76,985,674	51,650,231
iv) Dividend from Current Investments - Non Trade	114,672,463	85,044,486
v) Profit on Sale of long term Investments - Non Trade	60,528,316	24,018,842
vi) Interest Income - on advances to vendors — Including TDS Rs. 78,063 (Rs. 167,761)	780,632	1,424,657
vii) Operating lease rental	15,887,086	—
viii) Gain on sale of fixed assets (Net)	162,026	—
ix) Miscellaneous Income	15,379,123	6,538,826
	<u>296,217,736</u>	<u>190,389,325</u>
<b>SCHEDULE 14 : INCREASE IN STOCK OF FINISHED GOODS AND WORK IN PROGRESS</b>		
	<b>15 months ended March 31, 2012 Rupees</b>	<b>Year ended December 31, 2010 Rupees</b>
<b>Opening Stock</b>		
Work in Progress	171,886,196	174,225,154
Finished Goods	532,697,282	258,826,048
	<u>704,583,478</u>	<u>433,051,202</u>
<b>Less : Closing Stock</b>		
Work in Progress	208,433,430	171,886,196
Finished Goods	825,573,108	532,697,282
	<u>1,034,006,538</u>	<u>704,583,478</u>
	<u>(329,423,060)</u>	<u>(271,532,276)</u>

	<u>Rupees</u>	<u>15 months ended March 31, 2012 Rupees</u>	<u>Year ended December 31, 2010 Rupees</u>
<b>SCHEDULE 15 : MANUFACTURING AND OTHER EXPENSES</b>			
1) Purchase of Products for resale (refer note (c), Schedule 17)		<b>1,124,002,470</b>	262,767,395
2) Raw Materials and Components consumed (refer note (d), Schedule 17)		<b>3,969,745,061</b>	2,372,491,806
3) Payments to and Provision for employees			
a) Salaries, Wages and Bonus	<b>494,200,219</b>		337,453,285
b) Contribution to Provident & Other Funds	<b>51,333,644</b>		84,804,266
c) Staff Welfare expenses	<b>58,376,830</b>		28,520,609
		<b>603,910,693</b>	450,778,160
4) Operation & Other Expenses			
a) Stores and spares consumed (Including Consumables) (also refer note (e)(ii), Schedule 17)	<b>350,608,227</b>		261,754,911
b) Power	<b>98,311,128</b>		77,239,477
c) Repairs to Buildings	<b>22,936,138</b>		20,134,362
d) Repairs to Machineries	<b>82,988,712</b>		39,799,336
e) Repairs Others	<b>14,697,755</b>		8,366,032
f) Royalty	<b>205,644,542</b>		100,314,006
g) Rent	<b>28,653,876</b>		20,091,845
h) Rates and Taxes	<b>21,268,408</b>		15,965,248
i) Insurance	<b>5,850,494</b>		6,020,761
j) Commission	<b>124,192,604</b>		78,839,898
k) Cash Discount	<b>30,969,709</b>		12,632,986
l) Travelling	<b>99,869,612</b>		56,880,747
m) Subcontracting charges	<b>116,354,547</b>		62,003,523
n) Legal & Professional Fees	<b>110,897,106</b>		64,824,853
o) Inter company Service Charges	<b>125,654,662</b>		78,481,104
p) Networking & ERP Expenses	<b>47,571,165</b>		38,690,392
q) Foreign Exchange Loss (net)	<b>65,011,059</b>		—
r) Other Expenses (refer note (o), Schedule 17)	<b>215,294,670</b>		120,789,042
		<b>1,766,774,414</b>	1,062,828,523
5) Carriage and Handling		<b>61,770,967</b>	33,496,849
6) Provision for doubtful debts, deposits & advances		—	1,195,570
7) Irrecoverable Debtors written off	<b>2,917,220</b>		2,974,964
Less : Adjusted against opening Provision	<b>2,917,220</b>		1,939,193
		—	1,035,771
8) Excise Duty Expense (refer note (z), Schedule 17)		<b>1,495,920</b>	5,636,367
		<b>7,527,699,525</b>	4,190,230,441
<b>SCHEDULE 16 : INTEREST EXPENSES</b>			
Interest Expense			
On short term loan from bank		<b>1,962,414</b>	—
Other than Loan		<b>10,255,092</b>	8,906,048
		<b>12,217,506</b>	8,906,048

**SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****a) SIGNIFICANT ACCOUNTING POLICIES****(i) Nature of Operations**

Timken India Limited is into manufacture and distribution of Tapered Roller Bearings, Components & accessories for the Automotive Sector and the Railway Industry. It also provides maintenance contract services.

**(ii) Basis of Preparation**

The financial statements have been prepared to comply in all material respects with the accounting standards notified by the Companies' (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies are consistent with those used in the previous year, unless otherwise stated.

**(iii) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**(iv) Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

**Sale of Goods**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with delivery to the customers. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arisen during the year.

**Income from Services**

Revenue from Agency Commission and Maintenance and Service Contracts are recognized as and when services are rendered.

Export Incentives under the Duty Entitlement Pass Book (DEPB) / Duty drawback scheme are recognized when such incentive accrues upon export of goods, in applicable cases.

**Dividend Income**

Revenue for dividend income is recognized when the right to receive payment is established by the balance sheet date.

**(v) Fixed Assets**

Fixed Assets are stated at cost of acquisition less accumulated depreciation and impairment loss (if any). Cost of acquisition includes duties (net of Cenvat), taxes, incidental expenses, erection / commissioning expenses. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

**(vi) Cash & Cash Equivalents**

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank, in hand, cheques in hand and short-term investments with an original maturity of three months or less.

**(vii) Depreciation**

Depreciation is provided under straight line method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher.

	Rates (SLM)	Schedule XIV Rates (SLM)
Building	3.34%	3.34%
Furniture & Fixtures	10%	6.33%
Plant & Machineries ( Including Tools)	5%,10%,20%	4.75%, 10.34%,11.31%
Computers	20%, 33.33%	16.21%
Vehicles	20%	9.5%
Office Equipment	20%	13.9%
Computer software	33.33%	25%

Additions / deletions during the year are depreciated pro-rata from the date of such addition / deletion except assets costing below Rs. 5000 which are fully depreciated in the year they are put to use. Extra shift depreciation is calculated on actual shift basis in respect of each operating department.

**(viii) Foreign Currency Translations****(a) Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**SCHEDULE 17 : (Contd.)**

**(b) Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

**(c) Exchange Differences**

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

**(d) Forward Exchange Contracts not intended for trading or speculation purposes**

The premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

**(ix) Inventories**

Inventories are valued as follows :

Raw materials, components, stores and spares	Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
Work-in-progress and finished goods	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

**(x) Retirement Benefits**

- a) Gratuity is administered through an approved benefit fund. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- b) The liability on account of long term compensated absences and death benefit scheme due to the employees are provided for on the basis of an actuarial valuation on projected unit credit method at the end of each financial year.
- c) Retirement benefits in the form of Provident Fund and Superannuation / Pension Schemes are charged to the Profit & Loss Account of the year when the contribution to the respective funds are accrued. Interest shortfall, if any, on Provident Fund are provided for based on year-end actuarial valuation on projected unit credit method.
- d) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

**(xi) Excise Duty**

Excise Duty is accounted for at the point of manufacture of goods and accordingly, is considered for valuation of finished goods stock lying in the manufacturing locations as on the balance sheet date.

**(xii) Leases**

**Assets taken on Lease**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

**Assets given on Lease**

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the profit and loss account on a straight line basis over the lease term. Costs, including depreciation are recognized as an expense in the profit and loss account. An initial direct cost such as legal and professional cost is recognised immediately in the profit and loss account.

**(xiii) Income Taxes**

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 enacted in India. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

**SCHEDULE 17 : (Contd.)**

**(xiv) Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current Investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost or fair market value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of long-term investments.

**(xv) Borrowing Costs**

- a) Borrowing costs that are directly attributable to the acquisition / construction of a qualifying asset are capitalized as part of the cost of that asset till the time it is ready to put to use.
- b) All other borrowing costs are recognized as expenditure during the period in which these are incurred. Borrowing costs consist of interest and other cost that an entity incurs in connection with the borrowing of funds.

**(xvi) Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past events 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. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**(xvii) Contingent Liabilities**

No provision is made for liabilities which are contingent in nature, unless it is probable that future events will confirm that a liability is incurred as at the balance sheet date and a reasonable estimate of the resulting loss can be made. However, all known, material contingent liabilities are disclosed by way of separate notes.

**(xviii) Impairment**

- a) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.
- b) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.
- c) A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

**(xix) Earnings Per Share**

Basic Earnings per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**(xx) Segment Reporting Policies**

**Identification of segments:**

The Company's business includes manufacture and sale of bearings and related components and providing services in connection with or incidental to such sales. This is the only reportable business segment which is also the primary reportable segment.

Secondary reportable segments are based on geographical location of customers. The geographical segments have been disclosed based on revenues within India and outside India.

**Allocation of common costs:**

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

**Segment Policies:**

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

**SCHEDULE 17 : (Contd.)**

**b) LICENSED AND INSTALLED CAPACITY AND PRODUCTION**

Installed capacity				Production			
i)	Standard Roller Bearings including components	4,000,000 (4,000,000)	Nos. Nos.	i)	Standard Roller Bearings	5,996,806 (2,644,605)	Nos. Nos.
ii)	Special Roller Bearings including components	370,000 (370,000)	Nos. Nos.	ii)	Special Roller Bearings	155,859 (105,424)	Nos. Nos.
				iii)	Components (manufactured for sale / internal use)	12,991,533 (6,467,199)	Nos. Nos.

- 1) Licensed Capacity is not furnished as it is not applicable in terms of Government of India's Notification No.S.O.477(E) dated 25th July, 1991.
- 2) The above installed capacity represents existing manufacturing facilities for respective products and are certified by the Management.
- 3) The above installed capacity is fixed with reference to the specific bearing size. Actual production may vary depending on the sizes that are produced in specific year.

**c) TURNOVER, CLOSING AND OPENING STOCK OF GOODS**

	TURNOVER		CLOSING STOCK		OPENING STOCK		PURCHASE #					
	Quantity *	Rupees **	Quantity	Rupees	Quantity	Rupees	Quantity	Rupees				
i) Tapered Roller / Ball Bearings (Including purchased for resale)	3,914,518 (2,618,840)	Nos. Nos.	4,094,359,534 (2,306,691,071)	522,376 (409,865)	Nos. Nos.	364,451,675 (295,149,782)	409,865 (247,202)	Nos. Nos.	295,149,782 (116,754,798)	91,875 (16,507)	Nos. Nos.	316,627,738 (46,389,512)
ii) Components (Including purchased for resale)	11,626,602 (6,512,246)	Nos. Nos.	3,613,975,644 (2,005,115,019)	1,491,963 (868,522)	Nos. Nos.	445,288,252 (225,578,652)	868,522 (822,247)	Nos. Nos.	225,578,652 (129,431,656)	146,054 (57,109)	Nos. Nos.	735,558,925 (173,510,803)
iii) Bearing accessories & Maintenance Products (Including Purchased for resale)	@		166,709,019 (121,358,027)			15,833,181 (11,968,848)			11,968,848 (12,639,594)			71,815,806 (42,867,080)
			<u>7,875,044,197</u>			<u>825,573,108</u>			<u>532,697,282</u>			<u>1,124,002,470</u>
			<u>(4,433,164,117)</u>			<u>(532,697,282)</u>			<u>(258,826,048)</u>			<u>(262,767,395)</u>

**Notes:**

- \* Excludes free samples to customers.
- \*\* Sale of Products is stated net of excise duty and trade discount.
- # Purchases are for resale and inclusive of stock in transit.
- @ Quantitative information not furnished due to nature and large volume of such items with small values. None of the individual items included therein are 10% or more of the total value.

Note: In view of the fact that the company also manufactures and purchases number of similar components that are used in the manufacture of the final products, and the fact that individual identification of which is not possible, raw materials and components include both the class of materials.

## SCHEDULE 17 : (Contd.)

## d) CONSUMPTION OF RAW MATERIALS AND COMPONENTS

Details of Raw Materials/Components	15 Months ended March 31, 2012		Year ended December 31, 2010	
	Quantity	Rupees	Quantity	Rupees
Raw Materials - Steel	1,707,517 Kgs.	171,763,771	1,726,522 Kgs.	146,115,130
Rings	7,542,755 Nos.	1,444,956,082	6,589,713 Nos.	970,734,447
Components & Accessories	@	2,353,025,208	@	1,255,642,229
		<u>3,969,745,061</u>		<u>2,372,491,806</u>

@ Quantitative information not furnished due to nature and large volume of such items with small values. None of the individual items included therein are 10% or more of the total value.

## e) CONSUMPTION OF IMPORTED AND INDIGENOUS MATERIALS

Value of consumption of imported and indigenously obtained raw materials, components, stores and spare parts and percentage of each to the total consumption :

	15 Months ended March 31, 2012		Year ended December 31, 2010	
	%	Rupees	%	Rupees
<b>i) Raw Materials and components</b>				
Imported	35.81	1,421,659,068	38.18	905,931,309
Indigenous	64.19	2,548,085,993	61.82	1,466,560,497
	<u>100.00</u>	<u>3,969,745,061</u>	<u>100.00</u>	<u>2,372,491,806</u>
<b>ii) Stores and spare parts</b>				
Imported	6.89	24,157,332	5.85	15,318,962
Indigenous	93.11	326,450,895	94.15	246,435,949
	<u>100.00</u>	<u>350,608,227</u>	<u>100.00</u>	<u>261,754,911</u>

f) C.I.F. VALUE OF IMPORTS  
(including in transit)

	15 Months ended March 31, 2012 Rupees	Year ended December 31, 2010 Rupees
i) Raw Materials and components	1,260,978,256	700,323,429
ii) Stores and spare parts	43,969,321	32,867,961
iii) Finished Products for re-sale	732,121,347	155,031,335
iv) Capital Goods	290,721,406	15,433,995



**SCHEDULE 17 : (Contd.)**

	<b>For the 15 Months period ended March 31, 2012 Rupees</b>	<b>Year ended December 31, 2010 Rupees</b>
<b>g) EXPENDITURE IN FOREIGN CURRENCY(on cash basis)</b>		
i) Foreign Travel	<b>8,921,928</b>	4,449,945
ii) Bank Charges	<b>225,803</b>	200,005
iii) Royalty (net of withholding tax)	<b>163,845,734</b>	95,231,591
iv) Agency Commission	<b>477,579</b>	2,664,439
v) Others *	<b>237,042,320</b>	33,278,602
* Others represent Intercompany service billings & reimbursement of expenses		
<b>h) EARNINGS IN FOREIGN EXCHANGE (on cash basis)</b>		
i) F.O.B value of exports	<b>2,025,275,974</b>	1,165,769,927
ii) Agency commission	<b>76,618,371</b>	65,715,771
	<b>As at March 31, 2012 Rupees</b>	<b>As at December 31, 2010 Rupees</b>
<b>i) CONTINGENT LIABILITIES NOT PROVIDED FOR</b>		
<b>A. Demands raised by Sales Tax/Income Tax/Excise authorities</b>		
i) Demand of sales tax for non-availability/non-consideration by Assessing Officer of various sales tax declaration forms.	<b>238,852,264</b>	225,219,371
ii) Demand of sales tax on account of non-deduction of various allowances and consequent enhancement of Gross turnover.	<b>2,017,843</b>	2,017,843
iii) Demand of sales tax on method of valuation of Goods.	<b>1,221,669</b>	1,221,669
iv) Demand for Denial of Input Credit	<b>Nil</b>	2,425,800
v) Demand of income Tax due to disallowance of certain business expenses & incentives by the Assessing Officer.	<b>74,778,129</b>	73,714,229
vi) Demand of excise duty on CVD credit for imported components of railway bearings.	<b>Nil</b>	5,245,045
vii) Denial of Cenvat credit of service tax on outward transportation of goods beyond the place of removal	<b>1,441,114</b>	1,441,114
viii) Demand of Service tax consequent to change in service classification	<b>18,027,789</b>	Nil
<b>B. Other Claims against the Company not acknowledged as debts</b>		
i) Demand towards ESI contribution on employees at Kolkata office of the Company. The Company has contested on the applicability of ESI for such employees and the issue is pending before the Assistant Regional Director, ESI Corporation, Kolkata.	<b>2,001,562</b>	613,737
ii) Demands arising out of suits filed by Shareholders on account of short / non refund of Application Money for which shares have not been allotted and / or non-receipt of Share Certificates etc. Company's appeals against these issues are pending before relevant District Forums / State Commission / Civil Courts.	<b>508,351</b>	508,351
iii) Claims for recovery arising out of suit filed by a Contractor before the Calcutta High Court.	<b>5,799,702</b>	5,799,702
Based on discussions with the solicitors / favorable decisions in similar cases / legal opinions taken by the Company, the management believes that the Company has a good chance of success in above-mentioned cases (both under (A) & (B) categories) and hence, no provision there against is considered necessary.		
<b>j) ESTIMATED AMOUNT OF CONTRACTS REMAINING TO BE EXECUTED ON CAPITAL ACCOUNT AND NOT PROVIDED FOR (NET OF ADVANCES PAID)</b>	<b>12,401,963</b>	35,684,755

## SCHEDULE 17 : (Contd.)

	<b>15 months ended March 31, 2012 Rupees</b>	Year ended December 31, 2010 Rupees
<b>k) DIRECTORS' REMUNERATION</b>		
i) Salary	<b>20,260,833</b>	9,633,630
ii) Contribution to Provident & Other Funds	<b>1,657,516</b>	1,186,456
iii) Estimated Value of Perquisites	<b>2,352,083</b>	1,682,073
Total	<b>24,270,432</b>	12,502,159

Note: As the liabilities for gratuity and leave encashment are provided on an actuarial basis for company as a whole, the amounts pertaining to the directors are not included above.

- l) The company carries a liability of Rs.136,394,921 (Rs.84,359,586) being provision towards custom duty on imports for various years. The company has made these provisions based on most recent assessments. Further, the management is of the view that this liability shall be payable only at the time of final assessment. Pending such final assessment, the company has also deposited Rs.90,646,461 (Rs. 54,342,319) with customs authorities. The net liability is included in other liabilities in Schedule 10.
- m) Details of Deferred Tax Assets/ (Liabilities) are as follows:

	<b>As at March 31, 2012 Rupees</b>	As at December 31, 2010 Rupees
<b>Deferred Tax Assets</b>		
– Disallowance u/s 43B and 40(a)(ia) of Income Tax Act, 1961	<b>40,661,979</b>	53,331,694
– Provision for Bad Debts & Advances	<b>3,621,353</b>	5,667,733
<b>Total of Deferred Tax Assets</b>	<b>44,283,332</b>	58,999,427
<b>Deferred Tax Liabilities</b>		
– On difference in depreciation and other differences in block of fixed assets as per tax books and financial books	<b>(17,346,225)</b>	(22,366,515)
<b>Total of Deferred Tax Liabilities</b>	<b>(17,346,225)</b>	(22,366,515)
<b>Net deferred Tax Assets</b>	<b>26,937,107</b>	36,632,912

- n) Forward Contracts outstanding and un-hedged foreign currencies exposures are as given below :

- i) Forward Contract outstanding as at Balance Sheet Date

Particulars of Forward Contracts Sell	Purpose
Nil	
[US \$ 1,510,000 (Rs 72,956,200)]	Hedge of Trade Receivables denominated in Foreign Currencies.

- ii) Particulars of Un-hedged Foreign currency Exposure at the Balance Sheet Date as given below:

Sl. No.	Particulars	Foreign Currency	Rupees
a)	Sundry Debtors, Loans & Advances	USD <b>6,658,539</b> (6,150,774)	<b>337,654,538</b> (266,952,336)
		EURO <b>2,452</b> (Nil)	<b>165,336</b> (Nil)
		GBP <b>840</b> (Nil)	<b>67,838</b> (Nil)
b)	Current Liabilities & Provisions	USD <b>11,639,861</b> (9,426,506)	<b>599,802,052</b> (426,832,188)
		EURO <b>8,563</b> (7,290)	<b>591,293</b> (440,665)
		GBP <b>Nil</b> (579)	<b>Nil</b> (43,962)
		JPY <b>Nil</b> (9,422,000)	<b>Nil</b> (5,262,187)
c)	Unsecured Loan	USD <b>2,867,312</b> (Nil)	<b>147,752,610</b> (Nil)
d)	EEFC Bank account	USD <b>15,367</b> (Nil)	<b>791,863</b> (Nil)

**SCHEDULE 17 : (Contd.)**

	<b>For the 15 Months period ended March 31, 2012 Rupees</b>	<b>Year ended December 31, 2010 Rupees</b>
<b>o) OTHER EXPENSES</b>		
Item 4 (r) of Schedule 15 includes :		
i) As Auditors' Remuneration *		
As Auditors		
– For Statutory Audit	1,675,000	1,500,000
– For Limited Reviews	1,600,000	1,200,000
– For Corporate Governance	60,000	60,000
– For Travelling and out-of-pocket expenses	215,922	292,307
For Other Matters		
– For Tax Audit	1,000,000	900,000
– For US GAAP Reporting	500,000	400,000
– For Other Services	270,300	195,200
* Exclusive of service tax.		
ii) Directors' fees	335,000	310,000
iii) Loss on disposal / discarding of assets (net)	Nil	872,073
iv) Provision for wealth tax	130,000	255,000

- p) i) No Equity shares have been allotted during 15 months ended 31st March, 2012 out of 15,150 shares of Rs. 10/- each kept in abeyance as at 31st March, 1998.
- ii) Out of the total shares issued, 50,999,988 fully paid-up Equity shares of Rs. 10/- each were held by Timken (Mauritius) Limited till 25th March 2012. On 26th March 2012, such shares were transferred to Timken Singapore PTE Limited. Consequent thereto, Timken Singapore PTE Limited is the Holding Company as at 31st March 2012.
- iii) Calls in arrears of Rs.122,500 (Rs.139,500) have been computed on the basis of information certified by the Registrar & Share Transfer Agent of the Company.

q) Excise Duty and Cess on Stock represents differential excise duty and cess thereon paid/provided on opening and closing stock of Finished goods.

**r) i) Asset taken on lease**

Office premises are obtained on operating leases which are generally cancellable in nature. The lease term is for various number of years and renewable for further periods as per the lease agreements at the option of the company. In few lease agreements, escalation clauses are present consequent to which straight lining of lease rental is done and accounted for accordingly. There are no restrictions imposed by the lease arrangements. There are no subleases. The details of non-cancellable lease rentals payable are given below :

Future minimum lease payments :	<b>As at March 31, 2012 Rupees</b>	<b>As at December 31, 2010 Rupees</b>
Not later than one year	10,565,856	5,735,000
Later than one year but not later than five years	8,875,107	14,490,000
Later than five years	Nil	Nil

The Company has paid Rs.28,653,876 (Rs.20,091,845) towards lease rent during the period.

**ii) Asset given on lease**

The Company has leased out certain Plant & Machineries on operating lease to a related party. The lease term is for 10 years and thereafter renewable at the option of both the parties. There is no escalation clause in the lease agreement. There are no restrictions imposed by this lease arrangement.

Future minimum lease receipts :	<b>As at March 31, 2012 Rupees</b>	<b>As at December 31, 2010 Rupees</b>
Not later than one year	29,977,529	Nil
Later than one year but not later than five years	149,887,643	Nil
Later than five years	104,921,350	Nil

The Company has received Rs. 15,887,086 (Rs.Nil) towards lease rent during the period.

**SCHEDULE 17 : (Contd.)**

s) Information in terms of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 :

Details of dues to Micro and Small Enterprises as per MSMED Act, 2006	As at/for the 15 months ended March 31, 2012 (Rupees)	As at/for the year ended December 31, 2010 (Rupees)
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Principal – 20,000,848 Interest – 7,210	Principal – 2,051,033 Interest – 5,352
The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Principal – 41,428,983 Interest – Nil	Principal – 7,124,016 Interest – Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	598,411	201,200
The amount of interest accrued for the year and remaining unpaid at the end of each accounting year; 15 Months ended 31-Mar-2012 F.Y ended 31-Dec-2010 F.Y ended 31-Dec-2009 F.Y ended 31-Dec-2008	605,621 206,552 32,816 67,045	— 206,552 32,816 67,045
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	912,034	306,413

	As at March 31, 2012 Rupees	As at December 31, 2010 Rupees
t) Sundry Debtors include dues from companies under the same Management :-		
Timken UK Limited	5,804,754	2,961,314
(Formerly known as Timken Rail services)		
Australian Timken Proprietary Limited	10,534,117	22,179,906
Timken Do Brasil Com.E.Ind.Ltda.	47,019,020	94,810,297
Timken Singapore PTE. Limited	4,674,433	3,845,228
Timken South Africa (PTY) Limited	16,865,319	12,930,449
Timken Shanghai Distribution & Sales	9,409,096	1,362,820
Timken Wuxi Bearing Company Limited	121,559	85,336
Timken India Manufacturing Pvt. Ltd.	3,669,750	—
Timken Romania SA	54,107	—
Timken Argentina SRL	13,681,867	—

u) Loans and Advances include dues from companies under the same Management :-

	As at March 31, 2012 Rupees	Maximum Amount due during the period ended 31-Mar-12 Rupees	As at December 31, 2010 Rupees	Maximum Amount due during the year ended 31-Dec-10 Rupees
Timken Engineering and Research India Pvt. Ltd.	751,501	892,290	—	—
Timken Singapore PTE. Limited	3,856,215	3,856,215	395,625	644,995
Timken (China) Investment Co LTD	—	205,648	—	—
Timken India Manufacturing Pvt. Ltd.	7,668,688	10,403,268	1,612,957	4,196,329

v) **Disclosures as per Revised Accounting Standard -15  
Gratuity and other post-employment benefit plans:**

The Company has a defined benefit gratuity plan (funded). Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The Company also has a Death Benefit Scheme (unfunded) for its employees where the immediate beneficiaries are entitled to a monthly fixed sum till the date of superannuation, for death in harness.

The Company has a separate Provident Fund Trust (funded) whereby, all the employees are entitled to benefits as per Provident Fund Act / Trust Deed. Any shortfall for the Trust is borne by the Company, hence the same is treated as a defined benefit scheme.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans.

**SCHEDULE 17 : (Contd.)**

**Profit and Loss account :**

Net employee benefit expense (recognised in Employee Cost)

(Rupees)

	Gratuity fund		Employee Death Benefit Scheme		Provident fund	
	31-Mar-12	31-Dec-10	31-Mar-12	31-Dec-10	31-Mar-12	31-Dec-10
Current service cost	9,765,990	1,996,010	521,950	429,580	966,400	309,420
Interest cost on benefit obligation	11,620,030	3,788,860	603,570	720,850	697,480	259,710
Expected return on plan assets	(8,903,350)	(3,140,450)	—	—	—	—
Curtailment cost / (credit)	—	—	—	(3,257,230)	—	—
Past Service Cost	—	—	9,386,710	—	—	—
Net actuarial (gain) / loss recognised in the year	(12,530,310)	69,009,930	(1,320)	(1,021,550)	9,551,770	3,334,330
Net benefit expense	<b>(47,640)</b>	<b>71,654,350</b>	<b>10,510,910</b>	<b>(3,128,350)</b>	<b>11,215,650</b>	<b>3,903,460</b>
Actual return on plan assets	8.85%	8.50%	NA	NA	NA	NA

**Balance sheet :**

**Details of Provision :**

Defined benefit obligation	124,929,020	116,823,100	16,064,500	6,368,880	18,104,330	6,888,680
Fair value of plan assets	139,900,640	39,960,100	—	—	—	—
	<b>(14,971,620)</b>	<b>76,863,000</b>	<b>16,064,500</b>	<b>6,368,880</b>	<b>18,104,330</b>	<b>6,888,680</b>
Less: Unrecognised past service cost	—	—	—	—	—	—
Plan (asset) / liability	<b>(14,971,620)</b>	<b>76,863,000</b>	<b>16,064,500</b>	<b>6,368,880</b>	<b>18,104,330</b>	<b>6,888,680</b>

**Changes in the present value of the defined benefit obligation are as follows:**

Opening defined benefit obligation	116,823,100	44,917,590	6,368,880	10,152,520	6,888,680	2,985,220
Interest cost	11,620,030	3,788,860	603,570	720,850	697,480	259,710
Current service cost	9,765,990	1,996,010	521,950	429,580	966,400	309,420
Plan Amendments Cost / (Credit)	NA	NA	9,386,710	NA	NA	NA
Curtailment cost / (credit)	—	—	—	(3,257,230)	—	—
Benefits paid	(4,114,770)	(2,735,010)	(815,290)	(655,290)	—	—
Actuarial (gains) / losses on obligation	(9,165,320)	68,855,650	(1,320)	(1,021,550)	9,551,770	3,334,330
Closing defined benefit obligation	<b>124,929,030</b>	<b>116,823,100</b>	<b>16,064,500</b>	<b>6,368,880</b>	<b>18,104,330</b>	<b>6,888,680</b>

**Changes in the fair value of plan assets are as follows:**

Opening fair value of plan assets	39,960,100	36,919,020	NA	NA	NA	NA
Expected return	8,903,350	3,140,450	NA	NA	NA	NA
Contributions by employer	91,786,970	2,789,920	815,290	655,290	NA	NA
Benefits paid	(4,114,770)	(2,735,010)	(815,290)	(655,290)	NA	NA
Actuarial gains / (losses)	3,364,990	(154,280)	NA	NA	NA	NA
Closing fair value of plan assets	<b>139,900,640</b>	<b>39,960,100</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

**The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:**

Investments with approved fund as per relevant Act / Trust Deed	100%	100%	NA	NA	100%	100%
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The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. The Company expects to contribute Rs 15,051,000 (Rs 27,89,924) to the Gratuity Fund in the next year.

## SCHEDULE 17 : (Contd.)

The principal assumptions used in determining provision for the Company's plans and changes there in since previous year are shown below:

	Gratuity fund		Employee death benefit scheme		Provident fund	
	31-Mar-12	31-Dec-10	31-Mar-12	31-Dec-10	31-Mar-12	31-Dec-10
Discount rate	8.60%	8.10%	8.60%	8.10%	8.60%	8.10%
Expected rate of return on assets	8.50%	8.50%	NA	NA	8.50%	8.50%
Salary escalation for respective class of employees	Officer - 10% for 1st year and 8 % thereafter Non Officer - 8%	Officer - 12% for 1st year and 8% thereafter Non Officer - 15 % for 1st year and 10% thereafter	Officers - N .A Non Officer- 8%	NA	Officer - 10% for 1st year and 8% thereafter Non Officer - 8%	Officer - 12% for 1st year and 8% thereafter Non Officer - 15% for 1st year and 10% thereafter
Employee turnover	Officers - 10% Non Officers - 4%	Officers - 15% Non Officers - 4%	Officers - N.A. Non Officers - 4%	NA	Officers - 10% Non Officers - 4%	Officers - 15% Non Officers - 4%
	Age Rate 20-25 : 0.50% 25-30 : 0.30% 30-35 : 0.20% 35-50 : 0.10% 50 -55 : 0.20% 55-60 : 0.30%		Age Rate 20-25 : 0.50% 25-30 : 0.30% 30-35 : 0.20% 35-50 : 0.10% 50 -55 : 0.20% 55-60 : 0.30%		Age Rate 20-25 : 0.50% 25-30 : 0.30% 30-35 : 0.20% 35-50 : 0.10% 50 -55 : 0.20% 55-60 : 0.30%	

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

Amounts for the current period and previous 3 years are as follows:

	31-Mar-12	31-Dec-10	31-Dec-09	(Rupees) 31-Dec-08
<b>Gratuity Fund</b>				
Defined benefit obligation	124,929,030	116,823,100	44,917,590	50,335,000
Plan assets	139,900,640	39,960,100	36,919,020	36,142,892
(Surplus) / deficit	(14,971,610)	76,863,000	7,998,570	14,192,108
Experience adjustment on Plan Liabilities	(8,573,930)	(25,509,480)	(2,240,360)	1,421,040
Experience adjustment on Plan Assets	3,364,990	(154,280)	(29,290)	68,380
Actuarial Gain / (Loss) due to change on assumptions	17,739,250	(43,346,170)	8,605,410	(14,291,370)
<b>Employee Death benefit scheme</b>				
Defined benefit obligation	16,064,500	6,368,880	10,152,520	14,664,450
Plan assets	—	—	—	—
(Surplus) / deficit	16,064,500	6,368,880	10,152,520	14,664,450
Experience adjustment on Plan Liabilities	2,515,490	808,010	3,525,240	3,487,000
Experience adjustment on Plan Assets	—	—	—	—
Actuarial Gain / (Loss) due to change on assumptions	(2,515,490)	213,540	2,129,330	(1,817,000)
<b>Provident fund</b>				
Defined benefit obligation	18,104,330	6,888,680	2,985,220	3,847,170
Plan assets	—	—	—	—
(Surplus) / deficit	18,104,330	6,888,680	2,985,220	3,847,170
Experience (Gain) / Loss adjustment on Plan Liabilities	(9,562,940)	30,710	1,420,450	—
Experience (Gain) / Loss adjustment on Plan Assets	—	—	—	—
Actuarial Gain / (Loss) due to change on assumptions	11,160	—	—	—

## w) Segment Information

**Business Segment:**

The Company has reviewed the disclosure of business segment wise information and is of the view that it manufactures bearings and related components which is a single business segment in accordance with AS-17, Segment Reporting. Accordingly, no separate business segment information is furnished herewith.

**Geographical Segments:**

The Geographical segments have been identified on the basis of the location of the major customers of the Company.

**Secondary Segment - Geographical**

	15 Months ended March 31, 2012 Rupees	Year ended December 31, 2010 Rupees
<b>Sale of products and services by Geographical Market</b>		
India	6,161,282,498	3,190,266,601
Outside India	2,053,451,225	1,439,097,339
Total	8,214,733,723	4,629,363,940
<b>Carrying Amount of Segment Assets</b>		
India	3,460,138,167	2,346,813,827
Outside India	336,567,518	338,475,241
Total	3,796,705,685	2,685,289,068
<b>Purchase of Fixed Assets</b>		
India	435,122,353	44,899,753
Outside India	—	—
Total	435,122,353	44,899,753

**SCHEDULE 17 : (Contd.)**

**x) Related Party Disclosure:**

- Name of the Holding Company – Timken Singapore PTE. Limited \* (with effect from 26th March 2012)  
 – Timken (Mauritus) Limited\* (with effect from October 5, 2010 till 25th March 2012)  
 Name of the Ultimate Parent Company – The Timken Company, USA

\* Refer Note p(ii) of the Schedule above

During the period, the company entered into transactions with related parties. Those transactions along with related balances at 31st March 2012 and for the 15 Months ended are presented in the following table.

SI No.	Name of the Related Party	Relationship	Nature of transactions	Transaction Amount (Rs)	Outstanding as at March 31, 2012 (Rs)
1	The Timken Company, USA	Ultimate Parent Company	Purchase of goods	1,285,659,467 (582,490,034)	328,860,965 (161,129,708)
			Sale of Goods	1,440,224,585 (756,753,161)	218,123,452 (197,253,987)
			Purchases of Fixed Assets	264,679,816 (5,846,990)	10,440,112 (3,611,941)
			Expenses Receivable	24,924,068 (10,132,116)	1,134,254 (1,037,669)
			Expenses Payable	119,611,651 (57,196,374)	19,060,867 (33,439,899)
			Agency Commission (Income)	55,216,238 (58,476,485)	3,366,281 (2,814,151)
			Royalty (excluding cess)	205,644,542 (100,314,006)	75,558,350 (66,091,784)
			2	Timken Singapore PTE. Limited	Fellow subsidiary till 25th March 2012 and Holding Company thereafter
Agency Commission (Income)	18,448,681 (—)	1,531,213 (—)			
Purchase of goods	28,877,598 (21,208,255)	6,576,899 (5,464,944)			
Expenses Receivable	13,324,742 (4,125,012)	3,856,215 (395,625)			
Expenses Payable	1,290,775 (942,470)	757,890 (748,767)			
3	Timken UK Limited (Formerly Known as Timken Rail Services)	Fellow Subsidiary	Sale of Goods	35,654,706 (18,239,598)	5,212,717 (2,961,314)
			Expense Payable	— (—)	— (—)
			Agency Commission (Income)	1,964,411 (—)	592,037 (—)
4	Timken Do Brasil Com.E.Ind.Ltda.	Fellow Subsidiary	Sale of Goods	193,453,459 (256,521,456)	47,019,020 (94,810,297)
			Purchase of goods	1,637,614 (28,458)	1,686,440 (7,551)
			Purchases of Fixed Assets	— (1,575,891)	— (1,575,891)
			Expenses Payable	5,940,664 (958,818)	— (768,931)
			Agency Commission (Expense)	205 (265,742)	— (199,351)
5	Timken Korea LLC	Fellow Subsidiary	Agency Commission (Expense)	1,430,503 (1,321,931)	656,488 (953,415)
6	Timken South Africa (PTY) Limited	Fellow Subsidiary	Sale of Goods	88,014,960 (218,349,964)	16,709,153 (12,930,449)
			Purchases of Fixed Assets	2,403,381 (—)	— (—)
			Agency Commission (Income)	1,186,358 (—)	156,166 (—)
			Purchase of goods	16,154,350 (4,795,142)	2,642,308 (3,180,054)
7	Timken Romania	Fellow Subsidiary	Purchase of goods	83,709,419 (47,048,468)	21,435,377 (26,335,128)
			Agency Commission (Income)	994,568 (—)	54,107 (—)

TIMKEN INDIA LIMITED

SCHEDULE 17 : (Contd.)

SI No.	Name of the Related Party	Relationship	Nature of transactions	Transaction Amount (Rs)	Outstanding as at March 31, 2012 (Rs)
8	Yantai Timken Company Limited	Fellow Subsidiary	Purchase of goods	107,486,091 (32,677,623)	22,662,847 (20,976,042)
			Agency Commission (Income)	348 (—)	— (—)
			Purchases of Fixed Assets	3,530,616 (315,765)	— (—)
9	Australian Timken Proprietary Limited	Fellow Subsidiary	Sale of Goods	74,928,621 (66,995,571)	10,534,117 (22,179,906)
			Purchase of goods	3,512,844 (966,737)	204,532 (—)
10	Timken Polska	Fellow Subsidiary	Purchase of goods	47,076,160 (2,119,846)	28,067,490 (217,887)
			Agency Commission (Income)	36,861 (—)	— (—)
			Purchases of Fixed Assets	— (386,243)	— (—)
11	Timken (China) Investment Co LTD	Fellow Subsidiary	Expenses Payable	69,841,035 (53,392,821)	13,751,004 (46,033,784)
			Expenses Receivable	205,648 (—)	— (—)
12	Timken Wuxi Bearing Company Limited	Fellow Subsidiary	Purchase of goods	349,835,521 (83,081,871)	54,623,038 (38,630,788)
			Purchases of Fixed Assets	4,895,511 (—)	— (—)
			Expenses Payable	433,602 (—)	145,999 (—)
			Sale of Goods	370,091 (359,996)	— (85,336)
			Agency Commission (Income)	347,536 (—)	121,559 (—)
13	Timken (Shanghai) Distribution & Sales Co. Ltd - China	Fellow Subsidiary	Sale of Goods	50,583,930 (9,942,241)	9,409,096 (1,362,820)
			Purchase of Goods	4,519,415 (4,063,470)	261,881 (2,088,420)
14	Timken India Manufacturing Pvt. Ltd	Fellow Subsidiary	Purchase of goods	167,638,752 (30,330,536)	35,718,587 (2,083,137)
			Sale of Goods	24,546,181 (1,397,499)	3,669,750 (—)
			Expenses Receivable	27,811,549 (13,154,305)	5,170,561 (1,612,957)
			Lease rental	15,887,086 (—)	2,498,127 (—)
			Expenses Payable	735,534 (—)	— (—)
			Purchase of goods	2,375 (—)	— (—)
15	Timken Engineering and Research India Pvt. Ltd	Fellow Subsidiary	Expenses Receivable	3,184,206 (423,586)	751,501 (—)
			Expenses Payable	135,367,263 (83,524,180)	9,947,862 (14,421,035)
			Purchase of goods	21,011 (1,888,922)	— (80,790)
16	Timken DE Mexico S A DE CV	Fellow Subsidiary	Expenses Payable	— (7,395)	— (7,207)
			Purchase of goods	2,215,082 (1,381,768)	1,094,435 (—)
17	Jiangsu TWB Bearing Co Ltd	Fellow Subsidiary	Purchase of goods	2,215,082 (1,381,768)	1,094,435 (—)
18	Timken Canada LP	Fellow Subsidiary	Sale of Goods	— (649,009)	— (—)
19	Timken Argentina S R L	Fellow Subsidiary	Sale of Goods	14,044,108 (—)	13,681,867 (—)
20	Timken Italia SRL	Fellow Subsidiary	Sale of Goods	1,478,517 (—)	— (—)
21	Timken (Mauritius) Ltd	Holding Company till 25th March 2012 and Fellow Subsidiary thereafter	Dividend payable	1,019,999,760 (—)	— (—)
22	Ajay Das	Managing Director Key Management Personnel	Remuneration	24,270,432 (12,502,159)	1,255,384 (3,785,143)



**SCHEDULE 17 : (Contd.)**

**y) Earnings Per Share (Basic & Diluted) :**

	<b>15 Months ended March 31, 2012 Rupees</b>	Year ended December 31, 2010 Rupees
Profit After Tax	<b>806,570,435</b>	510,573,850
Earnings Available for Equity Shareholders	<b>806,570,435</b>	510,573,850
Weighted Average No. of Equity Shares @ Rs. 10/- each	<b>63,734,850</b>	63,734,850
Earnings per share - Basic & Diluted	<b>12.66</b>	8.01

z) Excise duty expense (net of recovery) represents duty paid/provided for stocks written off, burnt stock, free samples etc.

aa) Prior period expenses include Rs.Nil (Rs.16,029,050) towards gratuity on account of change in the estimate of one of the actuarial assumptions used in past actuarial valuations.

ab) Disclosure required by Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets":

<b>Particulars</b>	<b>15 Months period ended March 31, 2012 Rupees</b>	Year ended December 31, 2010 Rupees
Opening Balance	12,777,963	5,344,243
Addition / (utilisation) during the period	(412,784)	7,433,720
Closing Balance	<b>12,365,179</b>	<b>12,777,963</b>

The Company has reviewed the various liabilities relating to indirect taxes and estimated the provision for contingencies based on assessment of its probability. It is expected that most of the cost will be incurred within three years of the balance sheet date.

ac) Net dividend remitted in foreign currency

<b>Particulars</b>	<b>15 Months period ended March 31, 2012</b>	Year ended December 31, 2010
No. of non resident shareholders to whom such payment was made	1	Nil
Number of equity shares held on which dividend was due	50,999,988	Nil
Amount remitted (USD)	19,596,537	Nil

ad) Previous year's figures (including those in brackets) have been regrouped / rearranged, wherever necessary to correspond to current period's classifications. Further, due to change of the accounting year by the Company, current period's figures being for 15 months are not comparable with the previous year's figures of 12 months.

Signature to Schedules 1 to 17

For and on behalf of the Board

As per our report of even date  
**For S. R. BATLIBOI & CO.**  
Firm Registration No. 301003E  
Chartered Accountants  
**Per SANJOY K. GUPTA**  
Partner  
Membership No. 54968  
Kolkata, 02 May, 2012

**Ajay K. Das**  
Managing Director

**James R. Menning**  
Chairman

**Soumitra Hazra**  
Company Secretary & Chief-Compliance

Bangalore, 02 May, 2012

**ABSTRACT OF THE BALANCE SHEET AS AT 31.03.2012 AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI (AMENDED) TO THE COMPANIES ACT, 1956**

I. Registration Details

Registration No. 

L	2	9	1	3	0	K	A	1	9	9	6	P	L	C	0	4	8	2	0
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 State Code 

0	8
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 Balance Sheet Date 

3	1	0	3	2	0	1	2
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 Date Month Year

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	Rights Issue	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L							
N	I	L							
Bonus Issue	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	Private Placement	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L							
N	I	L							

III. Position of Mobilisation and Deployment of Fund (Amount in Rs. Thousands)

Total Liabilities	<table border="1"><tr><td>3</td><td>2</td><td>7</td><td>9</td><td>0</td><td>1</td><td>1</td></tr></table>	3	2	7	9	0	1	1	Total Assets	<table border="1"><tr><td>3</td><td>2</td><td>7</td><td>9</td><td>0</td><td>1</td><td>1</td></tr></table>	3	2	7	9	0	1	1
3	2	7	9	0	1	1											
3	2	7	9	0	1	1											
Sources of Funds		Reserves & Surplus	<table border="1"><tr><td>2</td><td>4</td><td>9</td><td>4</td><td>0</td><td>3</td><td>2</td></tr></table>	2	4	9	4	0	3	2							
2	4	9	4	0	3	2											
Paid-Up Capital	<table border="1"><tr><td>6</td><td>3</td><td>7</td><td>2</td><td>2</td><td>6</td></tr></table>	6	3	7	2	2	6	Unsecured Loans	<table border="1"><tr><td>1</td><td>4</td><td>7</td><td>7</td><td>5</td><td>3</td></tr></table>	1	4	7	7	5	3		
6	3	7	2	2	6												
1	4	7	7	5	3												
Secured Loans	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L													
N	I	L															
Application of Funds		Investment	<table border="1"><tr><td>6</td><td>5</td><td>8</td><td>9</td><td>8</td><td>8</td></tr></table>	6	5	8	9	8	8								
6	5	8	9	8	8												
Net Fixed Assets	<table border="1"><tr><td>9</td><td>0</td><td>1</td><td>1</td><td>0</td><td>4</td></tr></table>	9	0	1	1	0	4	Deferred Tax Assets (Net)	<table border="1"><tr><td>2</td><td>6</td><td>9</td><td>3</td><td>7</td></tr></table>	2	6	9	3	7			
9	0	1	1	0	4												
2	6	9	3	7													
Net Current Assets	<table border="1"><tr><td>1</td><td>6</td><td>9</td><td>1</td><td>9</td><td>8</td><td>2</td></tr></table>	1	6	9	1	9	8	2	Misc. Expenditure	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L				
1	6	9	1	9	8	2											
N	I	L															
Accumulated Losses	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L													
N	I	L															

IV. Performance of Company (Amount in Rs. Thousands)

Turnover	<table border="1"><tr><td>8</td><td>5</td><td>1</td><td>0</td><td>9</td><td>5</td><td>1</td></tr></table>	8	5	1	0	9	5	1	Total Expenditure	<table border="1"><tr><td>7</td><td>4</td><td>0</td><td>5</td><td>3</td><td>3</td><td>2</td></tr></table>	7	4	0	5	3	3	2			
8	5	1	0	9	5	1														
7	4	0	5	3	3	2														
+ - Profit/loss Before Tax	<table border="1"><tr><td>+</td><td></td><td>1</td><td>1</td><td>0</td><td>5</td><td>6</td><td>1</td><td>9</td></tr></table>	+		1	1	0	5	6	1	9	+ - Profit/loss After Tax	<table border="1"><tr><td>+</td><td></td><td>8</td><td>0</td><td>6</td><td>5</td><td>7</td><td>0</td></tr></table>	+		8	0	6	5	7	0
+		1	1	0	5	6	1	9												
+		8	0	6	5	7	0													
+ - Earning per Share in Rs.	<table border="1"><tr><td>+</td><td></td><td>1</td><td>2</td><td>.</td><td>6</td><td>6</td></tr></table>	+		1	2	.	6	6	Dividend rate %	<table border="1"><tr><td>2</td><td>0</td></tr></table>	2	0								
+		1	2	.	6	6														
2	0																			

V. Generic Names of Three Principal Products of the Company (as per monetary terms)

Item Code No. 

8	4	8	2	2	0	0	1
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 & 

8	4	8	2	2	0	0	2
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 (ITC Code)  
 Product Description 

T	A	P	E	R	E	D	R	O	L	L	E	R	B	E	A	R	I	N	G	S
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 Item Code No. 

8	4	8	2	2	0	0	3
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 (ITC Code)  
 Product Description 

A	P	C	A	R	T	R	I	D	G	E	T	A	P	E	R	E	D
R	O	L	L	E	R	B	E	A	R	I	N	G	S				

  
 Item Code No. 

8	4	8	2	8	0	0	0
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 (ITC Code)  
 Product Description 

O	T	H	E	R	I	N	C	L	U	D	I	N	G	C	O	M	B				
I	N	E	D	B	A	L	L	/	R	O	L	L	E	R	B	E	A				
R	I	N	G	S																	

Bangalore, 02 May, 2012

**Soumitra Hazra**  
 Company Secretary & Chief-Compliance

For and on behalf of the Board  
**Ajay K. Das**  
 Managing Director

**James R. Menning**  
 Chairman

## Corporate Governance Report

### Company's philosophy on code of governance

The Vision Statement of the Company expresses its commitment to improve customers' performance by applying our knowledge of friction management and power transmission to deliver unparalleled value and innovation all around the world. This, it is believed, will help the Company in maximizing the shareholders' value.

The Standards of Business Ethics Policy as adopted by The Timken Company and applicable to its subsidiaries also, requires the business of the Company to be conducted according to highest standards of integrity and ethics with due regard for all applicable laws. All associates are expected to be familiar and comply with all applicable laws and regulations.

Towards achieving these objectives, the Company has put in place a number of systems to ensure transparency in decision-making, empowerment at different levels, accountability and integrity. These systems are continuously monitored and fine-tuned so as to bring them in line with the changing requirements of the Listing Agreements.

### Board of Directors

#### Composition:

The Company has a non-executive Chairman and the number of independent directors was not less than one-third of the total number of directors. The number of non-executive directors was more than 50% of the total number of directors, with the Managing Director being the only executive director on the Board of Directors of the Company.

None of the directors on the Board is a member of more than 10 Committees and no director is the Chairman of more than 5 Committees across all the companies in which he is a director. The necessary disclosures regarding Committee positions have been made by all the directors.

The names and category of directors on the Board, their attendance at the Board Meetings held during the year and also at the last Annual General Meeting, the number of directorships and Committee memberships held by them in other companies are given below:

Name	Category	No. of Board Meetings attended during the 15 months period ended 31 March, 2012	Whether attended AGM held on 21 April 2011	No. of Directorships in other companies*	No. of Committee positions held in other companies	
					Chairman	Only Member
Mr. James R Menning	Promoter Director, Non-Executive, Not Independent	4	Yes	—	—	—
Mr. Ajay K. Das	Executive, Not Independent	5	Yes	—	—	—
Mr. Niroop Mahanty	Non-Executive, Independent	5	Yes	1	—	—
Mr. Jai S. Pathak	Non-Executive, Independent	4	Yes	2	—	4
Mr. P. S. Dasgupta	Non-Executive, Independent	4	Yes	8	1	7
Mr. Sridharan Rangarajan**	Non-Executive, Not Independent	2	Yes	—	—	—
Mr. Deepak Rastogi***	Non-Executive Not Independent	3	N.A.	—	—	—

\* excluding companies registered or incorporated outside India

\*\* resigned with effect from 1 June 2011

\*\*\* appointed with effect from 1 June 2011

Five Board Meetings were held during the 15 months period ended 31 March 2012 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

- 1) 10 February 2011
- 2) 21 April 2011
- 3) 5 August 2011
- 4) 7 November 2011
- 5) 3 February 2012

Information as required under Annexure I to Clause 49 has been made available to the Board. Except for sitting fees paid to the non-executive resident independent directors for attending the meetings of the Board or Committees thereof, the Company did not have any pecuniary relationship or transactions with non-executive directors during the period under review.

#### Audit Committee

The Audit Committee of the Board enjoys all the powers as mentioned in para II(C) of the Clause 49 of the Listing Agreement. The scope of the Audit Committee includes all the work stated in para II (D) of Clause 49.

The Company has complied with all the requirements of Clause 49 (II)(A) of the Listing Agreement relating to composition of the Audit Committee. Mr. P S Dasgupta, an independent, non-executive director acted as the Chairman of the Audit Committee during the 15 months period ended 31 March 2012. Mr. Dasgupta, as the Chairman of the Audit Committee was present at the Twenty-fourth Annual General Meeting of the Company held on 21 April 2011.

During the period under review, the composition of the Audit Committee and the details of meetings attended by the members thereof were as follows:

Name of the Members	Category	No. of Meetings attended
Mr. P S Dasgupta, Chairman	Non-Executive, Independent	4
Mr. Niroop Mahanty, Member	Non-Executive, Independent	5
Mr. Jai S. Pathak, Member	Non-Executive, Independent	4
Mr. Sridharan Rangarajan*, Member	Non-Executive, Not Independent	2
Mr. Deepak Rastogi**, Member	Non-Executive Not Independent	3

\* resigned with effect from 1 June 2011

\*\* appointed with effect from 1 June 2011

Audit Committee Meetings were attended by Business Controller, Controller of Accounts and representatives of Pricewaterhouse Coopers, as Internal Auditors. Chairman of the Board of Directors and Managing Director were also present as invitees at the Audit Committee Meetings. Representatives of the Statutory Auditors had also attended these meetings. As required under law, Company Secretary & Chief – Compliance acted as the Secretary of the Audit Committee.

Five Audit Committee Meetings were held during the 15 months period ended 31 March 2012. The dates on which the said meetings were held are as follows:

- 1) 10 February 2011
- 2) 21 April 2011
- 3) 5 August 2011
- 4) 7 November 2011
- 5) 3 February 2012

Necessary quorum was present at all these meetings.

#### Remuneration Committee

Broad terms of reference of the Remuneration Committee include determination on behalf of the Board of Directors of the Company and on behalf of the shareholders, the Company's policy on specific remuneration packages for executive directors of the Company. The Company has one executive director under the designation 'Managing Director'.

In terms of the provisions of Clause 49 of the Listing Agreement read with the amended provisions of Schedule XIII to the Companies Act, 1956, all the three members of the Remuneration Committee are non-executive, independent.

During the 15 months period ended 31 March 2012, the composition of the Remuneration Committee was as follows:

Name of the Members	Category
Mr. Niroop Mahanty, Chairman	Non-Executive Independent
Mr. P. S. Dasgupta, Member	Non-Executive Independent
Mr. Jai S. Pathak, Member	Non-Executive Independent

As per Company's policy, the independent directors of the Company were paid remuneration by way of Sitting Fees only. Accordingly, a sum of Rs. 15,000/- was paid to each independent director for attending a meeting of the Board and a sum of Rs. 10,000/- was paid to each independent director for attending a meeting of the Committee of the Board. Other directors were not paid any Sitting Fees.

The Company paid remuneration by way of salary, perquisites and allowances (fixed components) and Performance Incentive (variable component) to the Managing Director being the executive director on the Board of Directors of the Company, after obtaining the requisite approvals from the Remuneration Committee, Board of Directors of the Company, the shareholders and in applicable cases from Central Government after complying with the requisite formalities as prescribed under the Companies Act, 1956. As per practices consistently followed by the Company, Performance Incentives (variable component) were based on the performance criteria laid down at the beginning of the year broadly taking into account the profit targets set for the year under review.

No meeting of the Remuneration Committee was required to be held in 15 months period ended 31 March 2012.

#### Details of Remuneration of Directors for the 15 months period ended 31 March 2012

##### Non-Executive Directors

Name of the Director	Sitting Fees (Rs.)
Mr. James R. Menning	Nil
Mr. Niroop Mahanty	1,35,000
Mr. Jai S. Pathak	1,00,000
Mr. P. S. Dasgupta	1,00,000
Mr. Sridharan Rangarajan*	Nil
Mr. Deepak Rastogi**	Nil

\* resigned with effect from 1 June 2011

\*\* appointed with effect from 1 June 2011

Executive Directors

In Rupees

Name of the Director	Salary & Allowances	Perquisites	Performance Incentive	Stock Options
Mr. Ajay K. Das	98,13,468	23,52,083	1,21,04,881	Nil

The terms of appointment of the Managing Director are governed by the provisions of the Companies Act, 1956 and such appointment is subject to termination by either party by giving three months' notice unless termination at a shorter notice is mutually agreed by the Managing Director and the Board of Directors of the Company. As per terms of appointment, the Managing Director is not entitled to receive any severance fees.

**Investors Grievance Committee**

The terms of reference of the Investors Grievance Committee comprised looking into redressal of investor complaints, e.g. transfer of shares, non-receipt of Balance Sheet, etc. and also to authorize registration of transfer of shares, issue of duplicate / new certificates, etc.

During the period under review, the composition of the Investors Grievance Committee was as follows:

Name of the Members	Category
Mr. Niroop Mahanty, Chairman	Non-Executive, Independent
Mr. Ajay K. Das, Member	Executive, Not Independent
Mr. Sridharan Rangarajan*, Member	Non-Executive, Not Independent
Mr. Deepak Rastogi**, Member	Non-Executive, Not Independent

\* resigned with effect from 1 June 2011

\*\* appointed with effect from 1 June 2011

Company Secretary & Chief – Compliance acted as the Compliance Officer.

One meeting of the Investors Grievance Committee was held on 7 November 2012. Generally, approval of the members of Investors Grievance Committee are obtained through Circular Resolutions for effecting registration of transfer of shares, issue of duplicate / new certificates and other issues involving investor services. During the above period, an aggregate of 53

resolutions have been approved by the said Committee by way of circulation.

In addition, status reports, *inter alia*, on share price movement and investors' profile were circulated periodically to the members of the Investors Grievance Committee.

The status of investors' queries handled by the Company and also by the Registrars during the 15 months period ended on 31 March 2012 is given below:

Particulars	Total Received	Total Replied	Total Pending as on 31.03.2012
Change of Address / POA	355	355	—
Others	130	130	—
Duplicate /New Certificates	340	340	—
Endorsement/Stickers	185	185	—
Request for Annual Report	86	86	—
Non-receipt of interest/redemption	75	75	—
Non-receipt of Certificates	18	18	—
Transmission	93	93	—
Dematerialisation	9	9	—
Correction of Name	12	12	—
Dividend	175	175	—
<b>TOTAL</b>	<b>1478</b>	<b>1478</b>	<b>—</b>

As on 31 March 2012, 26 requests for registration of transfer of Equity Shares of the Company remained outstanding in the books of the Company, partly being requests received subsequent to 21 March 2012 and partly for sellers' confirmation.

**General Body Meetings**

Details on General Meetings:

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

Year	Location	AGM/ EGM	Date	Day	Time	No. of Special Resolutions
2008	Timken Engineering and Research India Private Limited, Wing B, Office 2, Block A, Salarpuria Soft Zone, Bangalore - 560 037	AGM	24 April, 2009	Friday	9.00 am	—
2009	Timken Engineering and Research India Private Limited, Wing B, Office 2, Block A, Salarpuria Soft Zone, Bangalore - 560 037	AGM	28 April, 2010	Wednesday	9.00 am	—
2010	Tangerine Conference Hall, Lemon Tree Hotel, Plot No. 54B/55A, Hosur Main Road, Electronic City, Phase I, Bangalore - 560 100	AGM	21 April, 2011	Thursday	10.00 am	—

Note : No Special Resolution was required to be passed during the period under review through Postal Ballot.

**Disclosures**

There was no materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company at large during the 15 months period ended 31 March 2012.

Representation from key management personnel has been received relating to financial and commercial transactions where he or his relatives may have personal interest.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchange / SEBI or any statutory authority on any matters related to capital markets during the last three years - NIL.

The Company has not as such adopted a Whistle Blower Policy being a non-mandatory requirement in terms of Clause 49 of the Listing Agreement. However, the Associates of the Company have access to "The Timken Helpline", a toll free phone number that any Associate can call, if he has any concern or question, which he is not willing to discuss face to face with his Supervisor, Manager or a member of the Human Resource Team. This Helpline is available around the clock, every day. No call tracing or recording devices are ever used and if the Associate so wishes, he may remain completely anonymous.

The Company has complied with all the mandatory requirements in terms of Clause 49 of the Listing Agreement.

Regarding compliance with non-mandatory requirements, the following is the status:

- 1) Chairman of the Board – The Chairman of the Board of Directors being a non-executive director enjoyed all the infrastructural support during his visits in the 15 months period ended 31 March 2012 to the offices of the Company in performance of his duties.

- 2) Remuneration Committee – The Company has a Remuneration Committee in place and it is functioning properly.
- 3) Shareholders' Rights – Half-yearly declaration of financial performance are not currently sent to each of the household of Shareholders but are published in terms of Clause 41 of the Listing Agreement in certain newspapers and also to the Stock Exchanges. Besides, all the Quarterly / Half-year financial results are published on the Company's website.
- 4) Audit Qualification – The Auditors' Report on the Company's financial statements does not contain any qualification.
- 5) Board Members – The Company has not adopted any mechanism for evaluating non-executive Board Members or for their training so far.
- 6) Whistle Blower Policy – Please read our comments as above.

**Means of Communication**

Quarterly results were published in the leading English Dailies (Economic Times) and Kannada newspapers (Samyukta Karnataka).

The financial results were also displayed on the Company's website at [www.timken.com/india](http://www.timken.com/india)

Half-yearly results of the Company were communicated through newspaper insertions and intimation to the Stock Exchanges and were also displayed on the Company's website.

**Directors' Shareholding**

Except Mr. P S Dasgupta, no other non-executive directors hold any Equity Shares of the Company. Mr. Dasgupta holds 1 Equity Share.

**General Shareholders Information**

1.	AGM	19 July 2012 at 10.00 am at Tangerine Conference Hall, Lemon Tree Hotel, Plot No. 54B/55A, Hosur Main Road, Electronic City, Phase I, Bangalore - 560 100
2.	Financial Calendar	<p>The Company has amended its accounting year from calendar year to financial year and closed its current financial year comprising 15 months on 31 March 2012. The next financial year will cover 1 April 2012 to 31 March 2013.</p> <p>Financial reporting for –</p> <ol style="list-style-type: none"> <li>a) 1st Quarter ending 30 June 2012 – end July 2012</li> <li>b) Half-year ending 30 September 2012 – end October 2012</li> <li>c) 3rd Quarter ending 31 December 2012 – end January 2013</li> <li>d) Annual Accounts for 2012-13 – end April 2013</li> </ol> <p>Note : the above calendar is indicative in nature.</p>

3.	Date of Book Closure	12 July 2012 to 19 July 2012 (both days inclusive)																																																
4.	Dividend Payment Date	—																																																
5.	Listing on Stock Exchanges	<p>Equity Shares of the Company are presently listed on the following Stock Exchanges:</p> <p>The National Stock Exchange of India Limited  “Exchange Plaza”  Bandra Kurla Complex  Bandra (E)  Mumbai – 400 051</p> <p>BSE Limited  Phiroze Jeejeebhoy Towers  Dalal Street  Mumbai – 400 001</p> <p>The Company has paid annual Listing Fees to the above Stock Exchanges for the year 2012-2013.</p> <p>Steps have been taken to get the Equity Shares for delisting from the Magadh Stock Exchange.</p>																																																
6.	Stock Code	522113 (Equity) (BSE), TIMKEN (NSE)																																																
7.	Market Price Data	<p>Monthly High/Low of Market Prices of the Company's Equity Shares, traded on the BSE Limited, Mumbai during the 15 months period ended 31 March 2012 (<i>source : www.bseindia.com</i>)</p> <table border="1"> <thead> <tr> <th>Month</th> <th>High (Rs.)</th> <th>Low (Rs.)</th> </tr> </thead> <tbody> <tr><td>January 2011</td><td>217.80</td><td>167.30</td></tr> <tr><td>February 2011</td><td>191.55</td><td>154.05</td></tr> <tr><td>March 2011</td><td>171.45</td><td>153.10</td></tr> <tr><td>April 2011</td><td>230.85</td><td>162.70</td></tr> <tr><td>May 2011</td><td>224.00</td><td>181.25</td></tr> <tr><td>June 2011</td><td>247.05</td><td>190.55</td></tr> <tr><td>July 2011</td><td>260.90</td><td>222.50</td></tr> <tr><td>August 2011</td><td>238.80</td><td>193.70</td></tr> <tr><td>September 2011</td><td>225.35</td><td>201.00</td></tr> <tr><td>October 2011</td><td>230.70</td><td>206.00</td></tr> <tr><td>November 2011</td><td>255.05</td><td>182.00</td></tr> <tr><td>December 2011</td><td>198.00</td><td>163.00</td></tr> <tr><td>January 2012</td><td>198.70</td><td>166.05</td></tr> <tr><td>February 2012</td><td>244.40</td><td>193.50</td></tr> <tr><td>March 2012</td><td>253.65</td><td>212.30</td></tr> </tbody> </table>	Month	High (Rs.)	Low (Rs.)	January 2011	217.80	167.30	February 2011	191.55	154.05	March 2011	171.45	153.10	April 2011	230.85	162.70	May 2011	224.00	181.25	June 2011	247.05	190.55	July 2011	260.90	222.50	August 2011	238.80	193.70	September 2011	225.35	201.00	October 2011	230.70	206.00	November 2011	255.05	182.00	December 2011	198.00	163.00	January 2012	198.70	166.05	February 2012	244.40	193.50	March 2012	253.65	212.30
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8.	Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc.	Performance of the Company's Share Prices in comparison with the BSE Sensex is given below:																																								
<p>The chart displays two data series: 'Price (Rs.)' represented by a grey line and 'Sensex (Points)' represented by a black line. The x-axis shows months from Jan-11 to Mar-12. The left y-axis represents Price (Rs.) from 0.00 to 300.00, and the right y-axis represents Sensex (Points) from 0.00 to 25000.00. Both series show significant volatility, with the Sensex generally tracking higher than the company's share price throughout the period.</p>																																										
9.	Registrar & Transfer Agents	C B Management Services (P) Limited P-22, Bondel Road Kolkata - 700 019																																								
10.	Share Transfer System	<p>Requests for registration of transfer of Shares held in physical form may be lodged with C B Management Services (P) Limited at Kolkata or may also be sent to Company Secretary &amp; Chief – Compliance at the Registered Office of the Company at Bangalore.</p> <p>All valid requests for registration of transfer are normally processed within 10 - 12 days from the date of receipt of the documents, if the same are complete in all respect.</p> <p>A Committee of the Board under the title "Investors Grievance Committee" has been entrusted with the authority, <i>inter alia</i>, to approve registration of transfer of shares.</p>																																								
11.	Distribution of Share holding	<p>The distribution of shareholding as on 31 March, 2012 is given below :</p> <table border="1" data-bbox="706 1624 1583 1948"> <thead> <tr> <th>Range (Rs.)</th> <th>Accounts</th> <th>Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>1 – 5000</td> <td>52378</td> <td>5834693</td> <td>9.16</td> </tr> <tr> <td>5001 – 10000</td> <td>969</td> <td>780980</td> <td>1.23</td> </tr> <tr> <td>10001 – 20000</td> <td>389</td> <td>578990</td> <td>0.91</td> </tr> <tr> <td>20001 – 30000</td> <td>124</td> <td>321091</td> <td>0.50</td> </tr> <tr> <td>30001 – 40000</td> <td>54</td> <td>198500</td> <td>0.31</td> </tr> <tr> <td>40001 – 50000</td> <td>50</td> <td>232555</td> <td>0.36</td> </tr> <tr> <td>50001 – 100000</td> <td>68</td> <td>512955</td> <td>0.80</td> </tr> <tr> <td>100001 and above</td> <td>76</td> <td>55275086</td> <td>86.73</td> </tr> <tr> <td></td> <td><b>54108</b></td> <td><b>63734850</b></td> <td><b>100.00</b></td> </tr> </tbody> </table>	Range (Rs.)	Accounts	Shares	%	1 – 5000	52378	5834693	9.16	5001 – 10000	969	780980	1.23	10001 – 20000	389	578990	0.91	20001 – 30000	124	321091	0.50	30001 – 40000	54	198500	0.31	40001 – 50000	50	232555	0.36	50001 – 100000	68	512955	0.80	100001 and above	76	55275086	86.73		<b>54108</b>	<b>63734850</b>	<b>100.00</b>
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12.	Dematerialisation of Shares and liquidity	The Company has arrangements with National Securities Depositories Ltd. (NSDL) as well as the Central Depository Services (India) Ltd. (CDSL) for Demat facility. At present around 95.60% of the Company's Equity Share Capital is dematerialised. The Shares of the Company are listed as aforesaid and are regularly traded on the BSE & NSE, Mumbai.	
13.	Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity	Nil	
14.	Plant location	The Company's Plant is located at Bara, P.O. Agrico, Jamshedpur - 831 009.	
15.	Address for correspondence	Any investor related queries may be addressed to the following addresses :	
		Company Secretary & Chief - Compliance Timken India Limited 39-42, Electronic City Phase II, Hosur Road Bangalore – 560 100 Tel. No. 080 – 40053133 Fax No. 080 – 28521039 E-mail: santosh.kumar@timken.com	C B Management Services (P) Limited P-22, Bondel Road Kolkata – 700 019 Tel. No. 033 – 40116700, 40116725, 40116729 E-mail: rta@cbmsl.com

## AUDITORS' CERTIFICATE

To  
The Members of Timken India Limited

We have examined the compliance with conditions of corporate governance by Timken India Limited, for the 15 months period ended on 31st March 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing 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 S. R. BATLIBOI & CO.**  
**Firm Registration Number: 301003E**  
**Chartered Accountants**

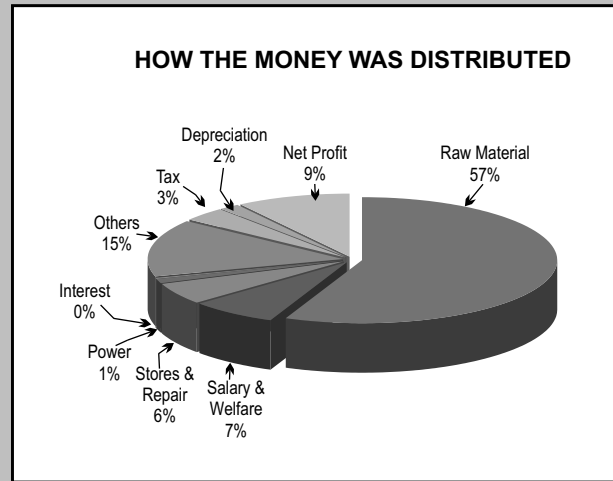
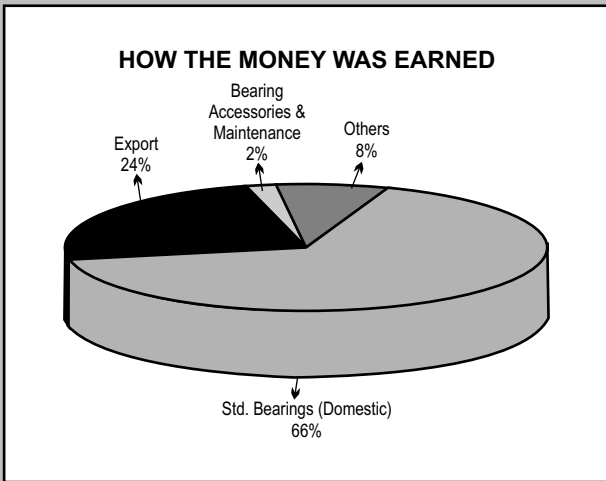
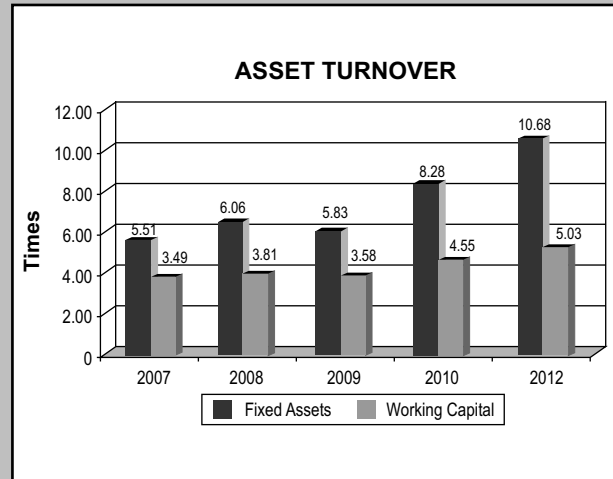
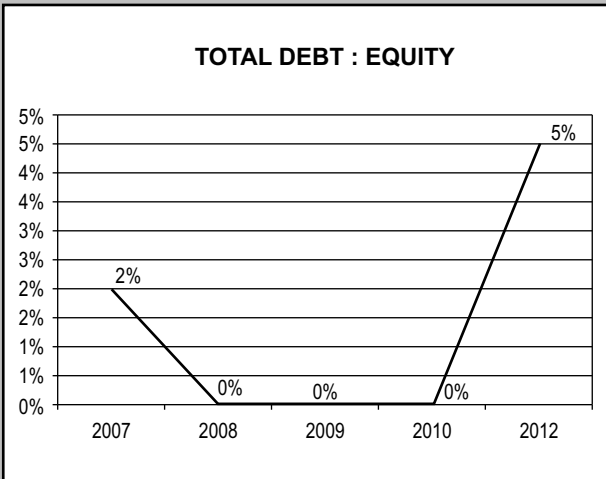
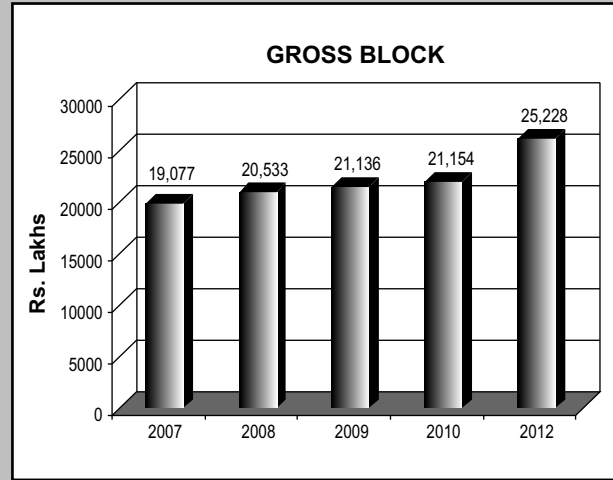
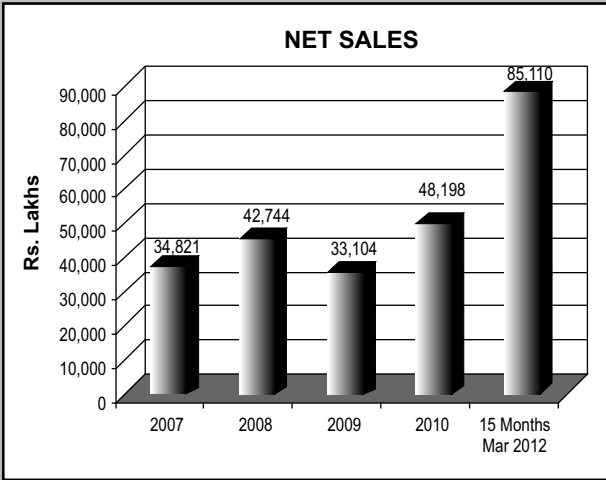
per Sanjoy. K. Gupta  
Partner  
Membership No. 54968

Place: Kolkata.  
Date: May 2, 2012

## FIVE YEARS AT A GLANCE

	Year Ended				
	15 months Ended 31.03.2012	Year Ended 31.12.2010	Year Ended 31.12.2009	Year Ended 31.12.2008	Year Ended 31.12.2007
<b>Production</b>					
(i) Standard Roller Brgs (Equiv. Nos.)	2,627,148	1,864,926	890,288	1,650,170	2,175,062
(ii) Special Roller Bearings (Equiv. Nos.)	2,184,660	1,435,855	1,454,873	1,444,620	1,180,365
(iii) Components (Equiv. Nos.)	4,792,248	3,819,550	2,645,995	4,107,566	4,204,134
<b>Rs/Lakhs</b>					
<b>Profit &amp; Loss Account</b>					
(i) Net Income					
(a) Domestic	64,575	33,807	25,214	26,279	23,691
(b) Export	20,535	14,391	7,890	16,464	11,130
Total (a+b)	<u>85,110</u>	<u>48,198</u>	<u>33,104</u>	<u>42,743</u>	<u>34,821</u>
(ii) EBIT	11,178	7,224	4,533	7,898	5,708
(iii) Profit Before Tax	11,056	7,135	4,491	7,792	5,609
(iv) Profit After Tax	8,066	5,106	3,253	5,300	3,740
<b>Balance Sheet</b>					
(i) Gross Block (Includes CWIP)	25,228	21,154	21,136	20,533	19,077
(ii) Net Block	7,965	5,818	5,676	7,055	6,320
(iii) Net Current Asset	16,920	10,590	9,237	11,215	9,970
(iv) Capital Employed	32,521	37,693	32,908	29,611	24,521
(v) Beginning Invested Capital (BIC)	37,378	32,154	29,085	23,700	20,053
(vi) Total Debt	1,478	—	—	—	43
(vii) Equity	31,313	38,059	32,953	29,700	24,400
<b>Other Comparative Data</b>					
(i) PAT to Net Sales (%)	9%	11%	10%	12%	11%
(ii) EBIT / BIC (%)	30%	22%	16%	33%	28%
(iii) Return on Net Worth (%)	26%	13%	10%	18%	15%
(iv) E.P.S. (Rs)	12.66	8.01	5.1	8.32	5.87
(v) Total Debt to Equity (%)	5%	0%	0%	0%	0%
(vi) Total Debt to Total Capital (%)	5%	0%	0%	0%	0%
(vii) Fixed Asset Turnover (times)	10.68	8.28	5.83	6.06	5.51
(viii) Working Capital Turnover (times)	5.03	4.55	3.58	3.81	3.49
(ix) Current Ratio (times)	2.29	1.98	2.56	2.33	2.72
(x) Interest Cover (times)	91.49	81.11	107.93	74.51	57.38
(xi) Net Sales/Employee (Rs/Lakhs)	139	82	58	70	58

- Notes: (i) EBIT/BIC i.e Beginning invested capital, a type of return on asset ratio, used internally to measure the company's performance. In broad terms, invested capital is total assets minus non interest-bearing current liabilities.
- (ii) Return on Net Worth is profit after tax divided by net worth as at the end of the year.
- (iii) Equity includes preference share capital net off accumulated losses and miscellaneous expenditure to the extent not written off.
- (iv) Fixed Asset Turnover is net sales divided by net fixed assets as at the end of the year.
- (v) Working Capital Turnover is net sales divided by net current asset as at the end of the year.
- (vi) Current ratio is current assets divided by current liabilities including current portion of long term loans, if any, repayable within one year.
- (vii) Interest Cover is profit before interest and taxation divided by net interest expenses.
- (viii) Due to change of the accounting year by the Company, current period's figures being for 15 months are not comparable with the previous year's figures of 12 months.



**NOTES**

**TIMKEN INDIA LIMITED**

Regd. Office : 39-42, Electronic City, Phase II, Hosur Road, Bangalore - 560 100

**ATTENDANCE SLIP**

Name .....
Folio No. ....
No. of Shares held .....

I hereby record my presence at the Twenty-fifth Annual General Meeting of the Company at Tangerine Conference Hall, Lemon Tree Hotel, Plot No. 54B/55A, Hosur Main Road, Electronic City, Phase I, Bangalore - 560 100 on Thursday, 19 July 2012 at 10.00 am.

SIGNATURE OF THE MEMBER/PROXY .....
-------------------------------------

- Notes :**
1. Members/Proxyholders wishing to attend the meeting must bring the Attendance Slip to the Meeting and hand over at the entrance duly signed.
  2. Members/Proxyholders desiring to attend the meeting are requested to bring their copy of the Annual Report for reference at the Meeting.

**TIMKEN INDIA LIMITED**

Regd. Office : 39-42, Electronic City, Phase II, Hosur Road, Bangalore - 560 100

**PROXY**

I/We, .....

of ..... in the District of .....

a Member/Members of the above named Company, hereby appoint .....

of ..... in the District of ..... or failing him/her

..... of ..... in the District of

..... as my/our Proxy to attend and vote for me/us and on

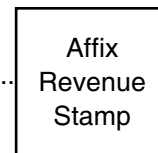
my/our behalf at the Twenty-fifth Annual General Meeting of the Company, to be held on Thursday, 19 July 2012 and at any adjournment thereof.

Signed this ..... day of ..... 2012.

Reference Folio : .....

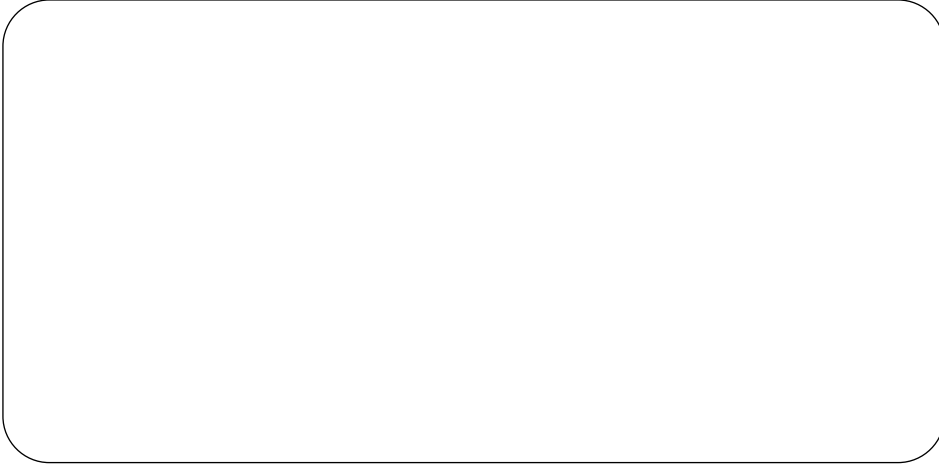
No. of Shares : .....

Signature .....



Note : The Proxy must be returned so as to reach the Registered Office of the Company at 39-42, Electronic City, Phase II, Hosur Road, Bangalore - 560 100 not less than 48 hours before the time for holding the aforesaid Meeting.

## BOOK POST



If undelivered please return to:  
**C B Management Service (P) Limited**  
P-22 Bondel Road, Kolkata - 700019.

# TIMKEN

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