

# TIMKEN INDIA LIMITED

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# TIMKEN INDIA LIMITED

## BOARD OF DIRECTORS

**MR G W ROBINSON** – Chairman & Managing Director  
**MR S K SINHA** – Dy. Managing Director  
**MR M J HILL**  
**MR N MAHANTY**  
**MR J S PATHAK**  
**MR P S DASGUPTA**  
**MS SUNITHA NARAHARI** – Alternate to Mr M J Hill

## COMMITTEES OF THE BOARD

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### INVESTORS GRIEVANCE COMMITTEE

**MR N MAHANTY** – Chairman  
**MR S K SINHA**  
**MR J S PATHAK**

### Auditors

Messrs S R Batliboi & Co.  
Chartered Accountants  
22, Camac Street  
Block - C, 3rd Floor,  
Kolkata –700 016.

### Registered Office

Bara, P. O. Agrico  
Jamshedpur – 831 009  
Ph. No. (0657) 2152 500  
Fax No. (0657) 2210 290

## NOTICE

Notice is hereby given that the Twenty-first Annual General Meeting of Timken India Limited will be held at Center for Excellence, Circuit House Area, Jamshedpur – 831 001 on Thursday, 24 April 2008 at 3.00 pm to transact the following business:

1. To receive and adopt the Profit and Loss Account for the year ended 31 December 2007 and the Balance Sheet as on that date and the reports of the Directors and the Auditors.
2. To appoint a Director in place of Mr. Niroop Mahanty who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors of the Company and to fix their remuneration.

## SPECIAL BUSINESS

### 4. Shifting of Registered Office

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

“RESOLVED –

THAT subject to approval of the Central Government in terms of the applicable provisions of law, Clause II of the Memorandum of Association of the Company be substituted with following Clause:

II. The Registered Office of the Company will be situated in the State of Karnataka.

THAT on obtaining confirmation from the Central Government, the Registered Office of the Company be shifted from Bara, P.O. Agrico, Jamshedpur 831 009 to 39-42, Electronic City, Phase II, Hosur Road, Bangalore 560 100 or to such other place in the State of Karnataka as may be decided by Board of Directors of the Company from time to time.”

### 5. Alteration of the Articles of Association

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

“RESOLVED THAT the Articles of Association of the Company be and are hereby altered in the manner set out below :

- 1) In Article 1, the definition of “Tata Steel” be deleted.
- 2) In Article 1, in the definition of the term “paid-up” the word “capital” be inserted between the words “includes” and “credited”.
- 3) In Article 1, in the definition of the term “Securities” the following words be inserted at the end of the definition – “and includes hybrids.”
- 4) In Article 2, in line 1, the word “regulations” be replaced with the word “Regulation”.
- 5) In Article 3a, in line 1, the words “Board of Directors” be replaced with the word “Company” and in line 3, the following words be inserted between the words “subject to” and “such limits” – “provisions of Section 77A and Section 77B of the Act, up to”.
- 6) In Article 4a(i)(i), in line 2, the word “Company” be deleted.
- 7) In Article 4a(iii), in line 1, the words “sub-clause(4a)(i)” be substituted by the word “sub-clause(4a)(i) and (ii)” and the last sentence, in the first paragraph, starting with the words “The Company shall.....” be replaced by the following new sentence – “The Company has furnished to TIMKEN an irrevocable undertaking to the afore going effect.”
- 8) The Article 4b(ii) be deleted.
- 9) In Article 5, line 2, the figure and the word appearing as “7,50,00,000 Equity” be substituted by the figure and word “7,50,00,000 Equity shares”.
- 10) In Article 33, in line 1, the words “Section 111” be inserted after the words “provisions of”.
- 11) In Article 43c, in line 1, the word “clause (ii)” be replaced with the word “clause (iii)”.
- 12) In Article 51, in last line, the word ‘agreed’ be replaced with the word “agreed, ”.
- 13) In Article 51a(1), the word “Securities” be replaced with the words “The Securities”.

- 14) The following new sub-clauses (l) and (m) be inserted in Clause 85(1) –
  - l) being already a director of a public company, he is disqualified in terms of Section 274(1) (g) of the Act;
  - m) his appointment is in contravention of Section 266A or Section 266D of the Act;
- 15) The proviso to Article 94 be deleted.
- 16) In Article 95, the words “as also as Article 78” as appearing in the last line be deleted.
- 17) In Article 100, in last line, the word “office” should be replaced with the word “office,”.
- 18) In Article 142, in the second and sixth line, the words ‘forty-two (42)’ be substituted with the words “thirty (30)” and in the fourth line, the words “from the date of expiry of the said period of forty-two (42) days” be deleted.
- 19) In Article 144(b), in the fifth line, the words “unless he is a retiring Auditor or Auditors” be deleted.”

**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 Special Businesses under item no. 4 and 5 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 11 April 2008 to 24 April 2008, both days inclusive.

Registered Office :  
Bara, P.O. Agrico  
Jamshedpur – 831 009  
17 March, 2008

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. 4

The Registered Office of the Company was shifted from Calcutta to Jamshedpur in 1996 after obtaining all the appropriate approvals.

It is now proposed to shift the Registered Office from Jamshedpur to Bangalore.

Timken has three units in India, of which Registered Offices of two units are located in Bangalore. In order to have better coordination, management and control, the Board of Directors are of the opinion that the Registered Office of the Company be shifted from Jamshedpur to Bangalore. For this purpose, it is necessary to amend Clause II of the Memorandum of Association of the Company. The Board, therefore, recommends the proposal for approval by the Members as set out in Resolution under item No. 4.

### Memorandum of Interest

No Director is concerned or interested in the resolution.

### Item No. 5

The Company's Articles of Association were amended in 1999. Since then, amendments to several provisions of the Companies Act, 1956 have been brought into effect. In order to align the Articles of Association of the Company with the amended provisions of the said Act, the Articles of Association of the Company require alteration. In terms of Section 31 of the said Act, Articles of Association of the Company may be amended by a Special Resolution in a General Meeting.

The Board of Directors commends the Special Resolution as set out under item No. 5 for the approval of Members.

A printed copy of the Memorandum and Articles of Association of the Company showing the proposed alterations will be open for inspection by the Members at the Registered Office of the Company at Bara, P.O. Agrico, Jamshedpur – 831 009 between 11.00 am and 1.00 pm on any working day prior to the date of the Annual General Meeting and will also be available for inspection from 1.00 pm at the place on the day of the Annual General Meeting.

### Memorandum of Interest

No Director is concerned or interested in the resolution.

By Order of the Board

Registered Office :  
Bara, P.O. Agrico  
Jamshedpur – 831 009  
17 March, 2008

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

### APPLICABLE DETAILS OF DIRECTOR IN TERMS OF CLAUSE 49 OF THE LISTING AGREEMENT

Name of Director	<b>Mr. Niroop Mahanty</b>
Date of Birth	January 12, 1950
Date of Appointment	April 24, 2004
Expertise in specific functional areas	<ul style="list-style-type: none"> <li>■ Human Resources</li> <li>■ General Management</li> </ul>
Qualifications	<ul style="list-style-type: none"> <li>■ BA (Hons.)– St. Stephens College, Delhi University</li> <li>■ MBA – University of Colorado,USA</li> </ul>
List of public companies in which outside Directorship held as on December 31, 2007	<ul style="list-style-type: none"> <li>■ Steel City Press Limited</li> <li>■ Kalinga Aquatics Limited</li> </ul>
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2007	<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>
Shareholding in the Company	—

## STATEMENT FROM CHAIRMAN & MANAGING DIRECTOR

Dear Shareholders,

2007 was a year of mixed fortunes for Timken India. Exports continued to weaken due to significant downturn in US Auto Industry. Rail exports also suffered a set back on the same count. The situation was further complicated by the strengthening of Rupee against the US Dollar by almost 12%.

Despite this difficult global outlook, your Company in domestic market could retain the market position while searching for alternative profitable growth market in India. Accordingly, the Company is expanding the horizon in India towards value added services in the field of aerospace, on-site mill services, windmill, power transmission etc.

The Company has also taken a big step forward in knowledge sharing with business partners – mechanics and distributors through introduction of a mobile training van fitted with state of the art training equipments.

While the India market remained reasonably strong; rising input costs, especially Steel continued to put pressure on our margins. We have had limited success in sharing these increasing cost burden with our customers. I want to commend all Timken India Associates for their efforts to drive costs down to help protect the Company's profitability. But going forward, there is a compelling need to have a significant increase in our selling prices if margins are to be maintained.

The slow progress in development of infrastructure across the country has remained a constraint in bringing improvements in our customers' delivery performance on time.

Within these limitations, we made much progress in improving the efficiency of our distribution network across India which is now largely complete. To attain further efficiency in our operation in India, a complete revamp of our existing home grown IT systems which have served your Company well over 15 years has become more than a necessity. During 2008, we are all set to launch a cross-functional team, to map and re-design of our core business processes to implement SAP. While it is an expensive project, both in terms of man and money, this is an essential cost to position Timken India for future growth.

As a part of our responsibility to the community, all our facilities across the country has been made "smoke free" zones. We are thankful to all our associates who have joined hands and embraced these social calls. We also continued to contribute support towards our community in and around the steel city of Jamshedpur and elsewhere in the country.

Thanking you,

Yours sincerely,



**Gordon William Robinson**  
*Chairman & Managing Director*

Place : Bangalore  
Date : 25 March, 2008

## DIRECTORS' REPORT

### TO THE MEMBERS

The Directors have pleasure in presenting the Twenty-first Annual Report on the business and operations of the Company together with the Financial Results for the year ended December 31, 2007.

### FINANCIAL RESULTS

	Year ended December 31, 2007 (Rs/Lakhs)	Year ended December 31, 2006 (Rs/Lakhs)
a) Net Sales/Income	34800	33874
b) Total Expenditure	28142	26889
c) Gross Profit	6658	6985
d) <b>Less:</b> Depreciation	1023	1003
e) Earnings before Interest, Tax & Prior period item	5635	5982
f) <b>Less:</b> Interest (Net)	77	107
g) <b>Add:</b> Income relating to prior period	51	—
h) Profit before Tax (PBT)	5609	5875
i) <b>Less:</b> Taxes	1869	2062
j) Profit after Tax (PAT)	3740	3813
k) <b>Add:</b> Profit brought forward from previous year	11688	7863
l) Profit available for appropriation	15428	11676
m) Balance carried forward	15428	11676

Exports continued to remain under pressure in 2007 also. During this year, your Company's exports declined by 12% from Rs. 126 Crores in 2006 to Rs. 111 Crores. Continued slow down in US auto market and strong rupee to US dollar were mainly responsible for the declining trend in exports. Domestic Sales, however, continued to rise. In 2007, domestic sales increased by 11% compared to 2006 from Rs. 213 Crores to Rs.237 Crores. This 11% rise has helped your Company to post a 3% overall increase in Net Sales for the year under review.

Net Profit before Tax for 2007 is 5% lower compared to last year mainly due to increased input costs especially steel. Interest cost, however, went down by 28% due to better receivables management.

The Plant at Jamshedpur performed well during the year. There had been a 21% increase in production of equivalent bearings without any substantial investment in capacity expansion.

### DIVIDENDS

Your Directors are not recommending payment of any dividend on equity shares for 2007.

### FINANCE

Working capital was managed as per strategy in 2007 generating

adequate cash flow as planned. Pending investment of such funds in further growth in India, it was temporarily parked in short term investment in various high secured mutual funds. The average number of days outstandings for domestic receivables showed a marked improvement at the end of the year – compared to 81 days as at 31 December, 2006, it came down to 69 days at the end of the year under review. No long term loan was taken in 2007.

### SHIFTING OF REGISTERED OFFICE

Timken has three units in India, of which Registered Offices of two units are located in Bangalore. In order to have better coordination, management and control, the Board of Directors are of the opinion that the Registered Office of the Company be shifted from Jamshedpur to Bangalore. For this purpose, it is necessary to amend Clause II of the Memorandum of Association of the Company. The Board, therefore, recommends the proposal to shift the Registered Office of the Company to Bangalore for approval by the Members as set out in Resolution under Item No. 4 of the accompanying Notice convening the next Annual General Meeting.

### ALTERATIONS OF ARTICLES OF ASSOCIATION

The Company's Articles of Association were last amended in 1999. Since then, amendments to several provisions of the Companies Act, 1956 have been brought into effect. In order to align TIL's Articles of Association with the amended provisions of the said Act, it is necessary to alter the Articles of Association of the Company. The Board therefore, recommends the proposal to alter the Articles of Association of the Company in the manner set forth in the resolution under item no. 5 of the accompanying Notice convening the next Annual General Meeting for approval by the Members.

### VOLUNTARY DELISTING OF EQUITY SHARES ON STOCK EXCHANGES

Applications for delisting of the Company's equity shares from Calcutta and Magadh Stock Exchanges are pending at the respective Stock Exchanges.

The Company as per plan maintained the listing of the Company's equity shares with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

The listing fees for the year 2007-08 have been paid to the Stock Exchanges.

### DIRECTORS

Mr. Niroop Mahanty, a Director of the Company, is liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment at the said Annual General Meeting.

### AUDITORS

Messrs. S R Batliboi and Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the Twenty-first Annual General Meeting and offer themselves for reappointment. They have furnished to the Company a Certificate, regarding their eligibility for reappointment.

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 year ended 31 December 2007.

## 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 year ended 31 December 2007 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 has been actively participating in the promotion of social welfare activities of the community in the industrial town of Jamshedpur.

## PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure to the Directors' Report.

## 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

indigenisation of all components for Standard Bearings and substantial indigenisation for AP Bearings. It is the intention of the Company to proceed with the process of indigenisation 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 had been followed in the preparation of the accompanying Accounts;
- (2) The Directors had 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 year ended 31 December 2007 and of the profit of the Company for the said period;
- (3) The Directors had 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 had prepared the accompanying Accounts on a going concern basis.

For and on behalf of the Board of Directors

Bangalore  
17 March, 2008

**Gordon William Robinson**  
*Chairman & Managing Director*

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## 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 including Chairman & Managing Director, Dy. Managing Director and other 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 2007.

For the purpose of this declaration, Senior Management Team means members of Management one level below the Executive Directors as on 31 December 2007.

Bangalore  
17 March, 2008

**Gordon William Robinson**  
*Chairman & 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**

**A. CONSERVATION OF ENERGY**

- (a) Energy conservation measures taken
- (b) Additional Investments / proposal, if any
- (c) Impact of the measures at (a) and (b) above

The overall Plant power factor continued to improve in 2007 from 0.94 to 0.97. This has resulted in an approximate saving of Rs. 1.25 lacs on Maximum Demand and a recurring saving of Rs. 13.50 lacs is expected to the Company. The Company plans to improve the overall power factor to 0.98 resulting in further savings. New energy efficient chilling unit and variable frequency drives were installed in utility equipment to reduce power consumption.

New equipments / machines added during the year are energy efficient.

- (d) Total energy consumption and energy consumption per unit of production

As per details given below under Form A.

**B. TECHNOLOGY ABSORPTION**

- (e) As per details given below under Form B.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

- (f) Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans

During the period under review, exports were lower compared to that of 2006 at Rs. 111 Crores. Slow down in US auto market and stronger rupee to US dollar are primarily responsible for this decrease in exports. Some of the Part Numbers hitherto manufactured at other Timken locations worldwide have now moved to Company's Plant in Jamshedpur. The current indications about the export trend do not envisage a marked improvement in 2008.

- (g) Total foreign exchange used and earned (Rs./Crores)

	<b>2007</b>	2006
i) Foreign Exchange Earnings	<b>95</b>	130
ii) Foreign Exchange Outgo	<b>54</b>	73

**FORM A**

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

**A. Power and fuel consumption**

1. Electricity

	<b>2007</b>	2006
(a) Purchased Units (KWH)	<b>1,95,76,430</b>	1,86,66,090
Total amount (Rs.)	<b>6,87,21,923</b>	6,44,15,788
Rate Per Unit (Rs.) (all inclusive)	<b>3.51</b>	3.45

(b) Own generation

- (i) Through diesel generator
  - Unit
  - Unit per ltr. of diesel oil
  - Cost / unit

Not used for operations. Only for emergency lighting and water requirements.

- (ii) Through steam turbine / generator
  - Units
  - Units per ltr. of fuel oil/gas
  - Cost / unit

There is no Steam Turbine / Generator.

2. Coal (specify quality and where used)

- Quantity (tonnes)
- Total Cost
- Average rate

Not Used

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

**B. Consumption per unit of production**

	Standards (if any)	2007	2006
Products (with details) unit			
Standard Bearings	Not applicable (Standard varies with product mix)		
Electricity		<b>2.59</b>	2.99
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 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.

- |  |   |  |
|--|---|--|
| a) Technology imported   | : | Manufacture of Tapered Roller Bearings   |
| b) Year of import  | : | 1991-92 onwards.   |
| c) Has technology been fully absorbed?   | : | It is being gradually absorbed and is continuous process.  |
| d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of actions | : | 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  
17 March, 2008

**Gordon William Robinson**  
*Chairman & Managing Director*

## MANAGEMENT DISCUSSION AND ANALYSIS

### Bearing Industry Structure and Development

In continuation of GDP growth of around 9% in last two years, the Indian economy registered 9% growth during the first three quarters of calendar year 2007. The strong fundamentals of the India economy provides the necessary optimism for achieving the 11th Five Year Plan projections of 9% annual GDP growth rate and in fact, provides room for improving the same.

Two key elements of during the next five years will be 1) increasing contribution of private investment in India's capital formation and 2) investment in infrastructure to increase from current levels of around 3% of GDP to about 9% of GDP.

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

Increase in bank lending rates in the recent past and excess capacity of medium and heavy trucks that was created during the last five years, led to a slow down in the commercial vehicle sector. A general slowdown was also experienced in motorcycles and passenger car segments. However, the growth in infrastructure sector more than compensated for the slowdown in the automotive sector.

The Indian bearing market is estimated at US\$ 900 million has been growing at about 11% CAGR during the last five years and is projected to grow at much higher rate in the medium to long term.

Given the growth prospects of economy and industry drivers, significant capacity expansion is being planned by most bearing manufacturers. Most of the investments on ground and expansion programmes cater to the automotive sector. Large size bearings, used predominantly in heavy industries, continue to be imported into India. Reduction of import tariff has made this route more viable.

### Business Review

The Company manufactures Tapered Roller Bearings in its Jamshedpur Plant. These bearings cater to medium and heavy trucks in India, railways and 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 needle roller bearings by importing these from other Timken Company

plants globally. The Company also runs bearing refurbishment business, though in a small way.

Despite a slowdown in the Auto Market, both in India and abroad, in 2007, the Company achieved a net sales of Rs.348 Crores, a growth of 3% over 2006. Exports declined by about 12% in 2007 primarily due to stronger rupee to US dollar and slow down of Auto Market in US. Exports accounted for 32% of net sales. Production in terms of equivalent bearings grew by 21% over 2006.

The Company has been continuously increasing sale of non-tapered roller bearings by launching other types of bearings and related products, both to the original equipment manufacturers and in the after market. The Company is also expanding its services footprint. In 2007, the Company acquired two strategic services contract in the steel industry.

A major initiative was undertaken to improve customer service. The new business model makes the inventory available at the four regional hubs, closer to most original equipment manufacturers. Also, the operations from picking from plant to delivery to customer have been outsourced to a single global logistics company.

The Company is focussing on cost reduction initiatives and scrap reduction to mitigate the rising input costs.

New business models, focusing on Large Fleet Owners and Service Points, are being developed to increase penetration in the automotive after market.

The Company leverages the Timken Company's Technology Centre in Bangalore for all its application engineering needs. Some of the projects are handled in tandem with new product development of original equipment manufacturers.

### Opportunities, Threats and Outlook

The Company, being part of a global bearing major, considers India as a strategic market for growth. The Company's knowledge of trends and needs of various developed and developing markets provides the necessary advantage and foresee and work with original equipment manufacturers in their new product development.

Launch of other Timken products and significant outsourcing of maintenance operations, especially in the heavy industry sector, provides growth opportunities for Timken.

Fundamentals of economy remaining strong and no adverse sentiments emerging, growth of automotive and infrastructure sector is expected to increase more aggressively than it did in the past.

Rising input costs coupled with slow improvement in infrastructure pose a major challenge, especially in a price sensitive market like India.

Stiff competition from domestic bearing companies and possibility of growing imports from China pose a major challenge to the Company.

However, the Company recognizes these and is geared up to defining its value proposition and retaining its competitive edge.

#### **Internal Control Systems**

The various internal control systems operating in the Company are working satisfactorily. The adequacy and effectiveness of these systems is 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 year 2007, the Company did not witness any kind of adverse development on the HR/IR front. The relationship between the Associates of the Company and the Management remains congenial all through out the year as always. The Company employed 597 Associates (including 207 Officers) as on December 31, 2007.

**AUDITORS' REPORT****TO THE MEMBERS OF TIMKEN INDIA LIMITED**

We have audited the attached Balance Sheet of Timken India Limited, as at 31st December 2007 and also the Profit and Loss Account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

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.

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 written representations received from the directors, as on 31st December 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2007 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 31st December, 2007;
  - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - c. in the case of cash flow statement, of the cash flows for the year ended on that date.

Place : Kolkata  
Date : 22nd February, 2008

**S. R. BATLIBOI & CO.**  
**CHARTERED ACCOUNTANTS**  
**Per RAHUL ROY**  
*a Partner*  
Membership No. 53956

## 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 year based on a phased programme of verifying all the assets over 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 verification. There was no substantial disposal of fixed assets during the year.
- (ii) The management has conducted physical verification of inventory at reasonable intervals. 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) As informed 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) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (b) As informed 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) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.
- (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 Act 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 services with associate and group companies, in pursuance of contracts / arrangements entered in the register maintained under section 301 of the Companies Act, 1956. As such transactions relate to proprietary items manufactured by the Timken Group and Raw Materials in connection thereto, and / or specialized services rendered, comparative rates are not always available; however, consideration of the selling price of such goods, in the market, and relevant transfer pricing guidelines, prima facie indicate that the transactions are at reasonable prices. For services received, there are no comparatives since as per management's explanations, such services are highly specialized in nature.
- (vi) The Company has not accepted any deposit from public within the meaning of sections 58A and 58AA of the Companies Act, 1956.
- (vii) The Company has an internal audit system, which in our opinion, is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the order 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 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 to us, 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, Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty, Cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. As informed to us, the provisions of Employees' State Insurance Act are not applicable to the Company.
- (c) There are no dues outstanding of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess on account of any dispute, other than the following:

Name of Statute	Nature of dues	Amount (Rs.)	Period to which it relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax Demands	2,17,84,470	1991-92, 1998-99, 2000-01, 2001-02, 2004-05	Commissioner of Income Tax (Appeals), Jamshedpur
Jharkhand Finance (Amendment) Act, 2001	Local Sales Tax Demands	1,78,92,893	1999-2000 to 2002-03	Joint Commissioner (Appeals), Jamshedpur
Jharkhand Finance (Amendment) Act, 2001	Central Sales Tax Demands	8,84,28,694	1995-96 to 2002-03	Joint Commissioner (Appeals), Jamshedpur
UP Trade Tax Act, 1948	Local Sales Tax Demands	9,05,229	1994-95 to 1996-97	Allahabad High Court, Tribunal Bench, Ghaziabad (UP)
UP Trade Tax Act, 1948	Local Sales Tax Demands	1,07,064	2004-05	Deputy Commissioner Appeal, Noida (UP)

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

Name of Statute	Nature of dues	Amount (Rs.)	Period to which it relates	Forum where dispute is pending
UP Trade Tax Act, 1948	Central Sales Tax Demands	48,552	2003-04	Deputy Commissioner Appeal, Noida (UP)
UP Trade Tax Act, 1948	Central Sales Tax Demand	9,942	1996-97	Allahabad High Court, Tribunal Bench, Ghaziabad (UP)
Haryana VAT Act, 2003	Central Sales Tax Demands	1,92,000	2003-04	Excise & Taxation Officer, Faridabad
Kerala General Sales Tax Act, 1963	Central Sales Tax Demands	9,82,206	2001-02	Deputy Commissioner Appeals, Ernakulam
Madhya Pradesh Commercial Tax Act, 1994	Local Sales Tax Demands	3,04,368	1998-99	Commissioner of Sales Tax, Raipur, Chattisgarh
West Bengal Sales Tax Act, 1994	Central Sales Tax Demands	48,21,200	2003-04 to 2004-05	Commissioner of Commercial Taxes (Appeals), Kolkata
Orissa Sales Tax Act, 1947	Central Sales Tax Demands	1,71,563	2003-04 to 2004-05	Joint Commissioner (Appeals), Cuttack
Central Excise Act, 1944	Excise Duty Demands	65,21,761	1998-99 to 2001-02, 2005-06	Assistant Commissioner, Central Excise, Division 2, Jamshedpur CESTAT
Central Excise Act, 1944	Excise Duty Demands	2,90,89,596	2004-05 to 2005-06	Deputy Commissioner, Central Excise, Division 2, Jamshedpur CESTAT

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) As per books and records maintained by the Company and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or 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 Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) 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.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement 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 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 year.
- (xx) The Company has not raised any money through a public issue during the year.
- (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 course of our audit.

Place : Kolkata  
Date : 22 February, 2008

**S. R. BATLIBOI & CO.**  
**CHARTERED ACCOUNTANTS**  
**Per RAHUL ROY**  
*a Partner*  
Membership No. 53956

**BALANCE SHEET AS AT 31ST DECEMBER, 2007**

	Schedule	Rupees	As at 31.12.2007 Rupees	As at 31.12.2006 Rupees
<b>SOURCES OF FUNDS</b>				
<b>a) SHAREHOLDERS' FUNDS</b>				
(i) Share Capital	1	63,72,07,500		63,72,07,500
(ii) Reserves & Surplus	2	<u>180,27,93,216</u>		<u>142,75,61,455</u>
			<b>244,00,00,716</b>	<b>206,47,68,955</b>
<b>b) LOAN FUNDS</b>				
(i) Secured Loans	3	43,18,027		44,06,308
(ii) Unsecured Loans	4	<u>—</u>		<u>1,14,28,627</u>
			<b>43,18,027</b>	<b>158,34,935</b>
<b>c) DEFERRED TAX LIABILITIES (NET)</b>				
[refer note (m), Schedule 18]			<u>77,83,334</u>	<u>102,97,268</u>
			<b>245,21,02,077</b>	<b>209,09,01,158</b>
<b>APPLICATION OF FUNDS</b>				
<b>d) FIXED ASSETS :</b>				
(i) Gross Block	5	180,66,13,743		175,06,54,656
(ii) Less : Accumulated Depreciation		<u>127,56,35,327</u>		<u>120,56,03,734</u>
(iii) Net Block		<u>53,09,78,416</u>		<u>54,50,50,922</u>
(iv) Capital Work-In-Progress		<u>10,10,70,702</u>		<u>4,87,26,549</u>
– including capital advances Rs.4,00,28,665 (Rs. 1,92,65,409)			<b>63,20,49,118</b>	<b>59,37,77,471</b>
<b>e) INVESTMENTS</b>				
	6		<b>82,30,58,976</b>	<b>61,69,86,005</b>
<b>f) CURRENT ASSETS, LOANS AND ADVANCES</b>				
(i) Inventories	7	62,77,71,247		50,74,07,979
(ii) Sundry Debtors	8	66,06,52,947		59,41,16,678
(iii) Cash and Bank Balances	9	8,21,95,351		8,55,94,384
(iv) Loans and Advances	10	<u>20,74,57,844</u>		<u>11,35,90,206</u>
		<b>157,80,77,389</b>		<b>130,07,09,247</b>
<b>g) LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>				
(i) Current Liabilities	11	54,25,60,772		37,35,76,565
(ii) Provisions	12	<u>3,85,22,634</u>		<u>4,69,95,000</u>
		<b>58,10,83,406</b>		<b>42,05,71,565</b>
<b>h) NET CURRENT ASSETS</b>				
			<b>99,69,93,983</b>	<b>88,01,37,682</b>
			<b>245,21,02,077</b>	<b>209,09,01,158</b>
<b>i) SIGNIFICANT ACCOUNTING POLICIES AND NOTES</b>				
Schedules 1 to 18 form an integral part of these accounts.	18			

As per our report of even date

**For S.R.BATLIBOI & CO.**  
Chartered Accountants  
**Per Rahul Roy**  
a Partner

Membership No. 53956  
Kolkata, 22 February, 2008

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

For and on behalf of the Board

**G. W. Robinson**  
Chairman & Managing Director

**Shyamal K. Sinha**  
Dy. Managing Director

Kochi, February 22, 2008



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2007**

	Schedule	Rupees	Year ended December 31, 2007 Rupees	Year ended December 31, 2006 Rupees
<b>INCOME</b>				
a) Sale of Products (Gross)		<b>370,74,08,743</b>		355,64,84,554
Less : Trade Discounts		<b>5,30,30,249</b>		6,03,15,586
Less : Excise Duty Recovered		<b>41,56,15,158</b>		30,73,57,888
Sale of Products (Net)			<b>323,87,63,336</b>	318,88,11,080
b) Income from Services	13		<b>14,91,44,701</b>	11,97,81,729
c) Other Income	14		<b>9,20,58,248</b>	7,87,69,158
			<b>347,99,66,285</b>	338,73,61,967
<b>EXPENDITURE</b>				
d) (Increase)/Decrease in Stock of Finished and Semi Finished Goods	15		<b>(9,95,86,987)</b>	(5,23,84,582)
e) Excise Duty & Cess on Stock (refer note (q) of Schedule 18)			<b>1,62,43,925</b>	29,92,398
f) Manufacturing and other expenses	16		<b>289,75,09,541</b>	273,82,73,869
g) Interest (net)	17		<b>77,29,987</b>	106,66,283
h) Depreciation	5		<b>10,22,56,187</b>	10,02,99,647
			<b>292,41,52,653</b>	279,98,47,615
<b>PROFIT BEFORE TAX &amp; PRIOR PERIOD ITEMS</b>			<b>55,58,13,632</b>	58,75,14,352
i) Income/(Expenses) Relating to Prior Period (net) (refer note (aa) of Schedule 18)			<b>51,29,544</b>	—
<b>PROFIT BEFORE TAX</b>			<b>56,09,43,176</b>	58,75,14,352
j) Provision for Taxation				
– Current [including prior period Rs. Nil (Rs. 1,31,10,971)]		<b>18,26,35,068</b>		21,23,17,500
– Deferred		<b>(31,28,132)</b>		(1,23,93,320)
– Fringe Benefit Tax		<b>73,97,280</b>		63,35,000
			<b>18,69,04,216</b>	20,62,59,180
<b>PROFIT AFTER TAX</b>			<b>37,40,38,960</b>	38,12,55,172
k) PROFIT BROUGHT FORWARD FROM PREVIOUS YEAR (after adjustment for employee benefit provisions Rs. 11,92,801 [net of tax Rs. 6,14,199]) [refer note (a)(ii) of Schedule 18]			<b>116,87,54,256</b>	78,63,06,283
<b>PROFIT CARRIED TO BALANCE SHEET</b>			<b>154,27,93,216</b>	116,75,61,455
l) <b>EARNINGS PER SHARE - Basic &amp; Diluted</b>			<b>5.87</b>	5.98
Nominal value of shares Rs. 10 (Previous year - Rs. 10) [refer note (x) of Schedule 18]				
m) <b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES</b> 18				

Schedules 1 to 18 form an integral part of these accounts.

As per our report of even date

**For S.R.BATLIBOI & CO.**

Chartered Accountants

**Per Rahul Roy**

a Partner

Membership No. 53956

Kolkata, 22 February, 2008

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

For and on behalf of the Board

**G. W. Robinson**  
Chairman & Managing Director

**Shyamal K. Sinha**  
Dy. Managing Director

Kochi, February 22, 2008

## SCHEDULES 1 TO 18 FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST DECEMBER 2007

## SCHEDULE 1 : SHARE CAPITAL

	<u>Rupees</u>	<u>As at 31.12.2007 Rupees</u>	<u>As at 31.12.2006 Rupees</u>
<b>Authorised :</b>			
7,50,00,000 (Previous year 7,50,00,000) Equity Shares of Rs. 10 /- each	<b>75,00,00,000</b>		75,00,00,000
26,00,000 (Previous year 26,00,000) 9% Cumulative Redeemable Preference Shares of Rs.100/- each	<b>26,00,00,000</b>		26,00,00,000
		<b>101,00,00,000</b>	101,00,00,000
<b>Issued :</b>			
6,37,50,000 (Previous year 6,37,50,000) Equity Shares of Rs. 10 /- each		<b>63,75,00,000</b>	63,75,00,000
<b>Subscribed:</b>			
(refer note (p), Schedule 18)			
6,37,34,850 (Previous year 6,37,34,850) Equity Shares of Rs. 10 /- each fully paid-up	<b>63,73,48,500</b>		63,73,48,500
Less: Calls in Arrears - others	<b>1,41,000</b>		1,41,000
		<b>63,72,07,500</b>	63,72,07,500
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>			
a) Capital Redemption Reserve – as per last Accounts		<b>26,00,00,000</b>	26,00,00,000
b) Profit & Loss Account		<b>154,27,93,216</b>	116,75,61,455
		<b>180,27,93,216</b>	142,75,61,455
<b>SCHEDULE 3 : SECURED LOANS</b>			
Cash Credit from State Bank of India (Secured by hypothecation of entire inventories & receivables)		<b>43,18,027</b>	44,06,308
		<b>43,18,027</b>	44,06,308
<b>SCHEDULE 4 : UNSECURED LOANS</b>			
Short Term Loans from Scheduled Bank [amount repayable within one year Rs Nil (Rs 1,14,28,627)]		—	1,14,28,627
		—	1,14,28,627

**SCHEDULE 5 : FIXED ASSETS**

ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	Opening Balance as at 01.01.2007	ADDITIONS	DEDUCTIONS	AS AT 31.12.2007	Opening Balance as at 01.01.2007	FOR THE YEAR	DEDUCTIONS	TOTAL UPTO 31.12.2007	AS AT 31.12.2007	AS AT 31.12.2006
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Buildings	15,46,38,642	41,90,472	—	15,88,29,114	5,03,96,234	51,66,990	—	5,55,63,224	10,32,65,890	10,42,42,408
Plant & Machinery (including office equipment, computers & tools)	156,33,90,270	8,11,86,999*	3,61,45,955	160,84,31,314	113,41,63,416	9,30,40,511	2,91,80,643	119,80,23,284	41,04,08,030	42,92,26,854
Furniture & Fixtures	1,55,01,242	38,06,822	9,38,710	1,83,69,354	99,06,409	11,68,987	7,85,476	102,89,920	80,79,434	55,94,833
Vehicles	1,71,24,502	68,88,795	30,29,336	2,09,83,961	111,37,675	28,79,699	22,58,475	117,58,899	92,25,062	59,86,827
<b>Total</b>	<b>175,06,54,656</b>	<b>9,60,73,088</b>	<b>4,01,14,001</b>	<b>180,66,13,743</b>	<b>120,56,03,734</b>	<b>10,22,56,187</b>	<b>3,22,24,594</b>	<b>127,56,35,327</b>	<b>53,09,78,416</b>	<b>54,50,50,922</b>
Previous Year	160,33,20,030	16,62,39,267	1,89,04,641	175,06,54,656	111,87,23,079	10,02,99,647	1,34,18,992	120,56,03,734	54,50,50,922	

\* Includes foreign exchange differences capitalised Rs. Nil (Rs. 8,98,774)

**SCHEDULE 6 : INVESTMENTS**

	Face Value	Opening Balance as at 01.01.2007	Purchased / Dividend Reinvested	Purchased / Dividend Reinvested	Sale/ Conversion	Sale/ Conversion	Holdings As at 31.12.2007			Holdings As at 31.12.2006
							Nos	Rs	Rs	
<b>Long Term Investments (At Cost)</b>										
<b>Trade (Unquoted) Equity Shares fully paid</b>										
Nicco Jubilee Park Limited	10	30,000					30,000	3,00,000	3,00,000	3,00,000
<b>Current Investments</b>										
<i>(At Lower of Cost and Market Value)</i>										
<b>Other Investments (Unquoted)</b>										
ABN Amro FTP Series 2 Thirteen Month Plan - Growth	10	30,00,000	—	—	30,00,000	3,00,00,000	—	—	—	3,00,00,000
Birla FTP - Series H - Growth	10	20,00,000	—	—	20,00,000	2,00,00,000	—	—	—	2,00,00,000
Grindlays Fixed Maturity - 22nd Plan - Growth	10	35,00,811	—	—	35,00,811	3,50,08,110	—	—	—	3,50,08,110
HDFC FMP 13M March 2006 (1) Institutional Plan - Growth	10	20,00,000	—	—	20,00,000	2,00,00,000	—	—	—	2,00,00,000
HSBC Fixed Term Series - 4 - Growth	10	30,00,000	—	—	30,00,000	3,00,00,000	—	—	—	3,00,00,000
Kotak FMP Series 21 - Growth	10	20,00,000	—	—	20,00,000	2,00,00,000	—	—	—	2,00,00,000
Kotak FMP Series 19 - Growth	10	20,00,000	—	—	20,00,000	2,00,00,000	—	—	—	2,00,00,000
Franklin Templeton Fixed Tenure Fund Series V 13 Months Plan-Growth	10	50,00,000	—	—	50,00,000	5,00,00,000	—	—	—	5,00,00,000
Tata Fixed Horizon Fund Series 3 - Scheme F (18 Months) - Growth	10	40,00,000	—	—	40,00,000	4,00,00,000	—	—	—	4,00,00,000
Tata Fixed Horizon Fund Series 3 - Scheme D (13 Months) - Growth	10	30,00,000	—	—	30,00,000	3,00,00,000	—	—	—	3,00,00,000
HSBC Fixed Term Series 1 - Growth	10	20,01,203	—	—	20,01,203	2,00,12,028	—	—	—	2,00,12,028
Kotak FMP 13M Series 1 Institutional - Growth	10	—	50,00,000	5,00,00,000	—	—	50,00,000	5,00,00,000	—	—
HDFC FMP 14M March 2007 (3) - Wholesale Plan - Growth	10	—	40,24,252	4,02,42,516	—	—	40,24,252	4,02,42,516	—	—
Reliance Fixed Horizon Fund II-Annual Plan-Series VI-Institutional-Growth	10	—	50,13,997	5,01,39,972	—	—	50,13,997	5,01,39,972	—	—
Tata Fixed Horizon Fund Series 7 - Scheme B - Inst. - Growth	10	—	30,00,000	3,00,00,000	—	—	30,00,000	3,00,00,000	—	—
Standard Chartered Fixed Maturity Plan-Yearly Series 2-Growth	10	—	50,00,000	5,00,00,000	—	—	50,00,000	5,00,00,000	—	—
UTI Fixed Maturity Plan Yearly Series YFMP/0407-Institutional-Growth	10	—	20,01,780	2,00,17,803	—	—	20,01,780	2,00,17,803	—	—
HSBC Fixed Term Series 28 - Institutional - Growth	10	—	50,23,047	5,02,30,474	—	—	50,23,047	5,02,30,474	—	—
Tata Fixed Horizon Fund Series 10 Scheme H - IG - Growth	10	—	30,00,000	3,00,00,000	—	—	30,00,000	3,00,00,000	—	—
HDFC FMP 90 D November 2006 - Wholesale Plan - Dividend	10	40,00,000	—	—	40,00,000	4,00,00,000	—	—	—	4,00,00,000
Kotak FMP 3M Series 6 - Dividend	10	50,24,731	—	—	50,24,731	5,02,47,306	—	—	—	5,02,47,306
SBI Debt Fund Series - 90 Days (November 06) - Dividend	10	30,00,000	—	—	30,00,000	3,00,00,000	—	—	—	3,00,00,000
ICICI Prudential Liquid Plan Institutional Plus - DDR	10	25,43,242	31,96,232	3,78,80,149	57,39,474	6,80,21,376	—	—	—	3,01,41,227
Tata Floating Rate Short Term Inst. Plan - DDR	10	26,04,323	7,872	78,763	26,12,195	2,61,48,608	—	—	—	2,60,69,845
UTI Liquid Cash Plan Institutional - DDR	1000	39,441	84,263	8,59,01,298	1,23,703	12,61,08,786	—	—	—	4,02,07,488
Reliance Fixed Horizon Fund I-Quarterly Plan-Series II-Dividend	10	35,00,000	—	—	35,00,000	3,50,00,000	—	—	—	3,50,00,000
Reliance Fixed Horizon Fund I-Quarterly Plan B-Series III-Dividend	10	50,00,000	—	—	50,00,000	5,00,00,000	—	—	—	5,00,00,000
Birla Sun Life Liquid Plus - Insti. - DDR	10	—	1,30,85,931	13,09,48,295	1,30,85,931	13,09,48,295	—	—	—	—
Birla Cash Plus - Insti. Prem. - DDR	10	—	1,55,78,016	15,60,83,927	1,55,78,016	15,60,83,927	—	—	—	—
Birla Interval Income Fund - Instl - Quarterly - Series 2 - Dividend	10	—	50,78,749	5,07,87,896	—	—	50,78,749	5,07,87,896	—	—
Birla Quarterly Interval - Series 1 - Dividend Reinvestment	10	—	30,15,150	3,01,51,497	—	—	30,15,150	3,01,51,497	—	—
DSP Merrill Lynch Fixed Term Plan Series 1 0 - Instl - Dividend	1000	—	40,667	4,06,67,230	40,667	4,06,67,230	—	—	—	—
DSP Merrill Lynch Fixed Maturity Plan 3M Series 1 - Instl - Dividend	10	—	40,67,675	4,06,76,754	—	—	40,67,675	4,06,76,754	—	—
HSBC Interval Fund - Plan 2 - Institutional - Dividend	10	—	51,91,745	5,19,17,453	—	—	51,91,745	5,19,17,453	—	—
HSBC Cash Fund - Institutional Plus - DDR	10	—	49,98,116	5,00,09,151	49,98,116	5,00,09,151	—	—	—	—
HSBC Liquid Plus - Institutional Plus - DDR	10	—	1,02,01,938	10,21,47,926	1,02,01,938	10,21,47,926	—	—	—	—
HSBC Liquid Plus - Institutional - DDR	10	—	30,14,005	3,01,77,728	30,14,005	3,01,77,728	—	—	—	—
HDFC FMP 90D November 2007 (VI) 2 - Wholesale Plan - Dividend	10	—	40,02,821	4,00,28,211	—	—	40,02,821	4,00,28,211	—	—
HDFC Quarterly Interval Fund - Plan B - Wholesale - Dividend	10	—	40,80,334	4,08,03,340	40,80,334	4,08,03,340	—	—	—	—
HDFC FMP 90D April 2007 (5) - Wholesale Plan - Dividend	10	—	21,82,260	2,18,22,600	21,82,260	2,18,22,600	—	—	—	—
HDFC Cash Management Fund-Savings Plus Plan-Wholesale-DDR	10	—	79,97,534	8,02,27,264	50,06,955	5,02,27,264	29,90,580	3,00,00,000	—	—
HDFC Cash Management Fund - Savings Plan - DDR	10	—	2,02,94,831	21,58,63,936	2,02,94,831	21,58,63,936	—	—	—	—
ICICI Prudential Floating Rate Plan C - DDR	10	—	60,18,211	6,01,94,148	60,18,211	6,01,94,148	—	—	—	—
ICICI Prudential Flexible Income Plan - DDR	10	—	35,94,788	3,80,09,491	35,94,788	3,80,09,491	—	—	—	—
Kotak FMP 3M Series 26 - Dividend	10	—	51,46,010	5,14,60,192	—	—	51,46,010	5,14,60,192	—	—
Kotak FMP 3M Series 16 - Dividend	10	—	30,01,655	3,00,16,553	30,01,655	3,00,16,553	—	—	—	—
Kotak Flexi Debt - DDR	10	—	1,20,97,461	12,13,50,845	1,20,97,461	12,13,50,845	—	—	—	—
Kotak Liquid (Institutional) - DDR	10	—	32,73,236	4,00,25,453	32,73,236	4,00,25,453	—	—	—	—
Kotak Liquid (Institutional Premium) - DDR	10	—	41,27,717	5,04,74,141	41,27,717	5,04,74,141	—	—	—	—
Principal Floating Rate Fund - FMP - Instl. - DDR	10	—	1,78,11,582	17,83,34,899	1,38,16,496	13,83,34,899	39,95,086	4,00,00,000	—	—
Reliance Liquid Plus Fund - Institutional Option - DDR	1000	—	1,41,308	14,15,07,576	91,070	9,12,14,417	50,238	5,02,93,159	—	—
Reliance Floating Rate Fund - DDR	10	—	84,92,781	8,54,56,092	84,92,781	8,54,56,092	—	—	—	—
SBI Debt Fund Series -90 Days- 18- (27-Nov-07) - Dividend	10	—	40,85,053	4,08,50,899	—	—	40,85,053	4,08,50,899	—	—
SBI Debt Fund Series -60 Days (April 07) - Dividend	10	—	30,00,000	3,00,00,000	30,00,000	3,00,00,000	—	—	—	—
SBI Debt Fund Series -90 Days- 13- (Aug. 07) - Dividend	10	—	40,68,916	4,06,89,160	40,68,916	4,06,89,160	—	—	—	—
Tata Fixed Horizon Fund Series-10 Scheme D-IP-Periodic Dividend	10	—	30,61,371	3,06,14,114	30,61,371	3,06,14,114	—	—	—	—
Tata Liquid Super High Investment Fund - DDR	1000	—	54,083	6,02,76,484	54,083	6,02,76,484	—	—	—	—
UTI Fixed Maturity Plan Quarterly Series QFMP/0407/1 - Dividend	10	—	35,73,329	3,57,33,292	35,73,329	3,57,33,292	—	—	—	—
UTI Fixed Maturity Plan Quarterly 0807/II - Institutional - Dividend	10	—	40,67,928	4,06,79,276	40,67,928	4,06,79,276	—	—	—	—
UTI Liquid Plus Fund Institutional - DDR	1000	—	75,946	7,59,62,150	—	—	75,946	7,59,62,150	82,27,58,976	61,66,86,005
									82,30,58,976	61,69,86,005

Note - Aggregate amount of Unquoted Investments - Rs 82,30,58,976

TIMKEN INDIA LIMITED

	<b>As at 31.12.2007 Rupees</b>	<b>As at 31.12.2006 Rupees</b>
<b>SCHEDULE 7 : INVENTORIES</b>		
<i>(At lower of Cost and Net Realisable Value)</i>		
a) Stores and Spares *	7,35,59,912	6,82,03,018
b) Raw materials and Components *	15,60,51,649	14,06,32,262
c) Work - in - progress	5,39,88,351	5,70,67,456
d) Finished stock *	<u>34,41,71,335</u>	<u>24,15,05,243</u>
	<u><b>62,77,71,247</b></u>	<u><b>50,74,07,979</b></u>
*Including in transit.		
<b>SCHEDULE 8 : SUNDRY DEBTORS</b>		
[refer note (s), Schedule 18]		
a) Debts outstanding for a period over six months	2,90,69,567	2,64,43,462
b) Other Debts	<u>65,15,35,775</u>	<u>57,81,81,956</u>
	<b>68,06,05,342</b>	60,46,25,418
Less : Provision for Bad and Doubtful debts	<u>1,99,52,395</u>	1,05,08,740
	<u><b>66,06,52,947</b></u>	<u><b>59,41,16,678</b></u>
<b>Classification of Debts :-</b>		
Secured and considered good	64,88,001	64,84,838
Unsecured – considered good	65,41,64,946	58,76,31,840
– considered doubtful (out of debts outstanding for a period over six months)	1,99,52,395	1,05,08,740
	<u><b>68,06,05,342</b></u>	<u><b>60,46,25,418</b></u>
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>		
a) Cash and Cheques in Hand (including Remittances in Transit)	7,29,24,970	7,49,82,423
b) Balance with Scheduled Banks		
i) In Current Accounts	92,65,381	1,06,06,961
ii) Towards margin money	5,000	5,000
	<u><b>8,21,95,351</b></u>	<u><b>8,55,94,384</b></u>

	<b>As at 31.12.2007 Rupees</b>	As at 31.12.2006 Rupees
<b>SCHEDULE 10 : LOANS AND ADVANCES</b>		
[refer note (t), Schedule 18]		
a) Prepaid expenses	<b>37,02,000</b>	29,79,798
b) Advance Payment of Tax - net of Provision	<b>3,10,70,279</b>	24,68,524
c) Advances recoverable in Cash or in Kind or for value to be received	<b>9,25,59,833</b>	3,71,88,313
d) Advance to Gratuity Fund [refer note (w) of Schedule 18]	<b>13,18,110</b>	—
e) Export Incentive Receivable	<b>2,05,42,343</b>	1,94,83,563
f) Balances with Customs, Excise and other statutory authorities	<b>2,77,92,775</b>	2,16,71,020
g) Deposits [ refer note (l) of Schedule 18 ]	<b>3,08,15,004</b>	3,01,41,488
	<b>20,78,00,344</b>	11,39,32,706
Less : Provision for Doubtful Advances & Deposits	<b>3,42,500</b>	3,42,500
	<b>20,74,57,844</b>	11,35,90,206
<b>Classification of Loans &amp; Advances :-</b>		
Secured and considered good	—	—
Unsecured – considered good	<b>20,74,57,844</b>	11,35,90,206
– considered doubtful	<b>3,42,500</b>	3,42,500
	<b>20,78,00,344</b>	11,39,32,706

Notes : 1) Amount due from a Director Rs. Nil (Rs. Nil). Maximum amount due during the year Rs. 2,33,150 (Rs. 3,05,786).  
2) Amount due from an Officer Rs. 5,000 (Rs. 2,414). Maximum amount due during the year Rs. 1,00,000 (Rs. 2,41,590).

**SCHEDULE 11 : CURRENT LIABILITIES**

	<b>Rupees</b>	<b>As at 31.12. 2007 Rupees</b>	As at 31.12.2006 Rupees
a) Sundry Creditors :			
i) Total outstanding dues of Micro, Small and Medium Enterprises [refer note (r), Schedule 18]	<b>56,49,553</b>		52,27,626
ii) Others	<b>42,63,77,665</b>		27,77,55,467
		<b>43,20,27,218</b>	28,29,83,093
b) Advance payments from Customers		<b>4,53,700</b>	8,66,168
c) Deposit from Customers		<b>1,30,13,856</b>	1,23,87,134
d) Other Liabilities		<b>9,70,65,998</b>	7,73,40,170
		<b>54,25,60,772</b>	37,35,76,565

TIMKEN INDIA LIMITED

	<b>As at 31.12.2007 Rupees</b>	<b>As at 31.12.2006 Rupees</b>
<b>SCHEDULE 12 : PROVISIONS</b>		
a) Provision for Leave Encashment	<b>2,39,63,480</b>	3,29,13,000
b) Provision for Employee Death Benefit Scheme	<b>86,23,500</b>	81,73,000
c) Provision for Employee Provident Fund	<b>36,60,000</b>	—
d) Provision for Employee Gratuity	<b>—</b>	59,09,000
e) Provision for supplies not in conformity with specifications (refer note (y), Schedule 18)	<b>22,75,654</b>	—
	<b><u>3,85,22,634</u></b>	<b><u>4,69,95,000</u></b>
	<b>Year ended December 31,2007 Rupees</b>	<b>Year ended December 31, 2006 Rupees</b>
<b>SCHEDULE 13 : INCOME FROM SERVICES</b>		
i) Agency Commission	<b>7,19,03,292</b>	6,40,38,686
ii) Other Services – including TDS Rs. 4,74,679 (Rs. 23,044)	<b>7,72,41,409</b>	5,57,43,043
	<b><u>14,91,44,701</u></b>	<b><u>11,97,81,729</u></b>
<b>SCHEDULE 14 : OTHER INCOME</b>		
i) Liabilities no longer required written back [including provisions Rs. 21,93,048 (Rs. 1,28,65,619)]	<b>70,18,993</b>	1,88,98,711
ii) Export incentives under DEPB Scheme (net)	<b>2,61,66,108</b>	1,81,11,203
iii) Dividend from Current Investments - Non Trade	<b>2,46,87,025</b>	1,89,31,563
iv) Profit on Sale of Investments	<b>2,91,35,166</b>	1,57,82,260
v) Miscellaneous Income	<b>50,50,956</b>	70,45,421
	<b><u>9,20,58,248</u></b>	<b><u>7,87,69,158</u></b>
<b>SCHEDULE 15 : (INCREASE)/DECREASE IN STOCK OF FINISHED AND SEMI FINISHED GOODS</b>		
Opening Stock		
Work in Progress	<b>5,70,67,456</b>	5,75,39,926
Finished Goods	<b>24,15,05,243</b>	18,86,48,191
	<b><u>29,85,72,699</u></b>	<b><u>24,61,88,117</u></b>
Less : Closing Stock		
Work in Progress	<b>5,39,88,351</b>	5,70,67,456
Finished Goods	<b>34,41,71,335</b>	24,15,05,243
	<b><u>39,81,59,686</u></b>	<b><u>29,85,72,699</u></b>
	<b><u>(9,95,86,987)</u></b>	<b><u>(5,23,84,582)</u></b>

	Rupees	Year ended December 31, 2007 Rupees	Year ended December 31, 2006 Rupees
<b>SCHEDULE 16 : MANUFACTURING AND OTHER EXPENSES</b>			
1) Purchase of Products for resale [refer note (c), Schedule 18]		<b>30,13,52,823</b>	34,11,05,068
2) Raw Materials and Components consumed [refer note (d), Schedule 18]		<b>148,75,71,488</b>	136,08,93,757
3) Payments to and Provision for employees			
a) Salaries, Wages and Bonus	<b>26,49,07,339</b>		25,71,68,757
b) Provident Fund expenses	<b>1,54,56,758</b>		1,38,16,454
c) Gratuity expenses	<b>24,55,807</b>		71,30,793
d) Company's contribution to Super-annuation Fund	<b>58,37,606</b>		54,70,186
e) Employee Death Benefit Scheme expenses	<b>13,34,319</b>		10,94,526
f) Staff Welfare expenses	<b>2,44,26,429</b>		1,96,67,825
		<b>31,44,18,258</b>	30,43,48,541
4) Operation & Other Expenses			
a) Stores and spare parts consumed [refer note (e)(ii), Schedule 18]	<b>24,37,51,541</b>		19,96,59,457
b) Power	<b>6,87,21,923</b>		6,44,15,788
c) Repairs to Buildings	<b>97,91,579</b>		1,55,98,692
d) Repairs to Machineries	<b>2,10,35,329</b>		2,20,92,595
e) Royalty	<b>8,70,47,066</b>		8,23,13,757
f) Rent	<b>1,23,77,100</b>		61,06,558
g) Rates and Taxes	<b>30,55,107</b>		50,69,482
h) Insurance	<b>39,30,730</b>		36,64,291
i) Commission & Discount	<b>2,77,75,319</b>		1,59,07,986
j) Travelling	<b>5,77,58,444</b>		5,93,26,305
k) Conversion Charges [refer note(y), Schedule 18]	<b>2,33,47,063</b>		3,01,24,967
l) Legal & Professional Fees	<b>7,22,03,633</b>		5,28,87,846
m) Other Expenses [refer note (o), Schedule 18]	<b>11,08,98,225</b>		11,48,38,175
		<b>74,16,93,059</b>	67,20,05,899
5) Foreign Exchange Loss (Net)		<b>7,72,330</b>	8,83,410
6) Carriage and Handling		<b>3,70,71,013</b>	4,17,70,671
7) Provision for doubtful debts, deposits & advances		<b>1,39,57,405</b>	75,16,272
8) Irrecoverable Debts, Deposits & Advances written off Less : Adjusted against opening Provision	<b>26,22,796</b> <b>23,21,206</b>		27,67,417 24,52,336
		<b>3,01,590</b>	3,15,081
9) Excise Duty (Net of recovery) [refer note (z), Schedule 18]		<b>3,71,575</b>	94,35,170
		<b>289,75,09,541</b>	273,82,73,869
<b>SCHEDULE 17 : INTEREST - NET</b>			
Interest Expense			
Others		<b>99,47,072</b>	1,10,14,600
Less :			
Interest Income		<b>22,17,085</b>	3,48,317
		<b>77,29,987</b>	1,06,66,283

**SCHEDULE 18 : SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS****a) SIGNIFICANT ACCOUNTING POLICIES****(i) Basis of Accounting**

The Company prepares its accounts on accrual basis under the historical cost convention and in accordance with the Notified accounting standard by Companies Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956.

**(ii) Changes in Accounting Policies**

Till December 31, 2006, the Company was providing for employee benefits in accordance with Accounting Standard 15 (pre-revised). In current year, the Company has adopted the Accounting Standard 15 (Revised) which is mandatory from accounting periods commencing on or after from December 7, 2006. In accordance with the transitional provision in the revised accounting standard, Rs.11,92,801 (net of tax liability Rs.6,14,199) relating to Gratuity, Leave encashment, Employee death benefit scheme and Provident fund has been adjusted to the Opening Balance of Profit & Loss Account. This change does not have a material impact on the profit for the current year.

**(iii) 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.

Revenue from sale of goods including manufactured products 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.

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) scheme are recognised when such incentive accrues upon export of goods, in applicable cases.

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

**(iv) 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 and financial charges up to the date the asset is ready for its intended use.

**(v) Depreciation**

Depreciation is provided under straight line method as detailed below –

- a) For building, vehicles, furniture & fixture, office equipments, certain amortised tools not consumable in nature & computers – on the basis of estimated useful life of such assets, as below, which are lower than the useful life of such assets as per Schedule XIV to the Companies Act, 1956.

Building	30 years
Furniture & Fixtures	10 years
Office Equipment, Amortised Tools, Computer & Vehicles	5 years

- b) For other Plant & Machinery - at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.

- c) 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.

**(vi) Foreign Currency Transactions**

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

Foreign currency monetary assets and liabilities (other than those covered by forward contracts) as on the balance sheet date are revalued in the accounts on the basis of exchange rates prevailing at the balance sheet date and exchange difference arising there from is charged to Profit & Loss Account.

In the case of transactions covered by forward contracts, the difference between the contract rate and the exchange rate prevailing on the date of transaction is charged to Profit & Loss Account, proportionately over the contract period. Exchange differences on such contracts are recognized 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 recognized as income or as expenses for the year.

**(vii) Inventories**

Inventories are valued at lower of cost and net realisable value. For the purpose of valuation of inventories, cost is determined on 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.

**(viii) Retirement Benefits**

- a) Gratuity is administered through an approved benefit fund, contributions to which are made in accordance with year-end actuarial valuation on projected unit credit method and charged to the Profit & Loss Account of the relevant period.

The liability on account of unutilised leave and death benefit scheme due to the employees is charged to the Profit & Loss Account, on the basis of year-end actuarial valuation on projected unit credit method.



**SCHEDULE 18 : (Contd.)**

- b) 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.
- c) Actuarial gains/losses are immediately taken to Profit & Loss Account and are not deferred.

**(ix) 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 factory as on the balance sheet date.

**(x) Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, 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.

**(xi) Income Taxes**

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. 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 (including unrecognized deferred tax assets of earlier years) 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.

**(xii) 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, provisions for diminution in value is made to recognize a decline other than temporary in the value of long-term investments.

**(xiii) 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.

**(xiv) Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event; 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 its 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.

**(xv) Contingent Liabilities**

No provision is made for liabilities which are contingent in nature, unless it is probable that future events will confirm that an asset has been impaired or a liability 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.

**(xvi) 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 at the weighted average cost of capital.
- 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.

**(xvii) Earning Per Share**

Earning 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.

## SCHEDULE 18 : (Contd.)

## b) LICENCED AND INSTALLED CAPACITY AND PRODUCTION

Installed capacity				Production			
i)	Standard Roller Bearings, including components	40,00,000 (40,00,000)	Nos. Nos.	i)	Standard Roller Bearings	18,06,265 (17,62,163)	Nos. Nos.
ii)	Special Roller Bearings, including components	3,70,000 (3,70,000)	Nos. Nos.	ii)	Special Roller Bearings	84,614 (66,146)	Nos. Nos.
				iii)	Components (manufactured for sale)	84,89,826 (71,86,734)	Nos. Nos.

- 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.
- Above installed capacity represents existing manufacturing facilities for respective products and are certified by the Management.
- The above installed capacity is fixed with reference to the specific bearing size. Actual production may vary depending on the sizes that were produced in a 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)	26,98,973 (23,52,965)	Nos. Nos.	176,89,88,681 (165,43,22,859)	12,88,108 (6,52,522)	Nos. Nos.	17,80,90,766 (14,94,83,753)	6,52,522 (3,27,032)	Nos. Nos.	14,94,83,753 (10,30,86,385)	14,38,118 (9,22,143)	Nos. Nos.	12,00,01,699 (15,95,48,462)
ii) Components (Including purchased for resale)	79,32,632 (81,27,593)	Nos. Nos.	138,21,05,336 (145,71,91,046)	19,60,192 (7,10,868)	Nos. Nos.	14,92,32,118 (7,29,65,019)	7,10,868 (7,56,016)	Nos. Nos.	7,29,65,019 (7,85,36,205)	7,52,348 (4,35,602)	Nos. Nos.	11,48,78,932 (9,98,36,545)
iii) Bearing accessories & Maintenance Products (including Purchased for resale)	@	8,76,69,319 (7,72,97,175)				1,68,48,451 (1,90,56,471)			1,90,56,471 (70,25,601)			6,64,72,192 (8,17,20,061)
		323,87,63,336 (318,88,11,080)		34,41,71,335 (24,15,05,243)		24,15,05,243 (18,86,48,191)			30,13,52,823 (34,11,05,068)			

## 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 volume of such items.

**SCHEDULE 18 : (Contd.)**

**d) CONSUMPTION OF RAW MATERIALS AND COMPONENTS**

Details of Raw Materials/Components	Year ended December 31, 2007		Year ended December 31, 2006	
	Quantity	Rupees	Quantity	Rupees
Raw Materials - Steel	14,85,432 Kgs.	9,21,33,116	14,53,707 Kgs.	9,48,51,134
Rings	68,95,521 Nos.	90,98,92,067	65,85,022 Nos.	86,60,25,513
Components & Accessories		48,55,46,305		40,00,17,110
		<u>148,75,71,488</u>		<u>136,08,93,757</u>

**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 :

	Year ended December 31, 2007		Year ended December 31, 2006	
	%	Rupees	%	Rupees
<b>i) Raw Materials and components</b>				
Imported	12.56	18,67,82,350	16.20	22,04,51,931
Indigenous	87.44	130,07,89,138	83.80	114,04,41,826
	<u>100.00</u>	<u>148,75,71,488</u>	<u>100.00</u>	<u>136,08,93,757</u>
<b>ii) Stores and spare parts</b>				
Imported	11.47	2,79,52,575	19.79	3,95,14,700
Indigenous	88.53	21,57,98,966	80.21	16,01,44,757
	<u>100.00</u>	<u>24,37,51,541</u>	<u>100.00</u>	<u>19,96,59,457</u>

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

	Year ended December 31, 2007 Rupees	Year ended December 31, 2006 Rupees
i) Raw Materials, components, stores and spare parts	31,27,90,618	26,44,86,020
ii) Finished Products for re-sale	18,25,76,413	17,10,35,192
iii) Capital Goods	4,68,70,467	4,84,35,783

## SCHEDULE 18 : (Contd.)

	Year ended December 31, 2007 Rupees	Year ended December 31, 2006 Rupees
<b>g) EXPENDITURE IN FOREIGN CURRENCY (on cash basis)</b>		
i) Foreign Travel	64,86,489	91,29,961
ii) Bank Charges	1,35,467	1,02,551
iii) Royalty (net of withholding tax)	6,71,66,524	6,37,14,006
iv) Others	3,41,04,751	5,38,73,919
<b>h) EARNINGS IN FOREIGN EXCHANGE (on realisation basis)</b>		
i) F.O.B. value of exports	88,12,89,650	124,40,66,622
ii) Agency commission	6,90,03,505	5,68,45,239
<b>i) CONTINGENT LIABILITIES</b>	<b>As at 31.12.2007 Rs. in Lakhs</b>	<b>As at 31.12.2006 Rs. in Lakhs</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.	986.43	915.71
ii) Demand of sales tax on account of non-deduction of various allowances and consequent enhancement of Gross turnover.	128.19	126.70
iii) Demand of sales tax on method of valuation of Goods.	12.22	12.20
iv) Demand of sales tax department, Jamshedpur towards additional electricity duty on account of basis of valuation.	—	16.74
v) Demand of Additional Income Tax due to non-consideration of TDS Certificates by the Assessing Officer.	14.77	14.77
vi) Demand of Income Tax due to disallowance of certain business expenses & incentives by the Assessing Officer.	324.95	804.56
vii) Demand of excise duty on Scrap generated at Job-workers' premises.	—	50.28
viii) Demand of excise duty on CVD credit for imported components of railway bearings.	52.45	52.45
ix) Demand of excise duty on scrap grinding sludge and short/excess of stock.	12.77	12.77
x) Demand of excise duty, on discounts allowed to customers, during finalization of Provisional Assessment for the period Apr'04 to Mar'06	279.25	—
The Company has preferred appeals against all the above issues and the same are pending with the relevant appropriate authorities.		
<b>B. Other Claims against the Company not acknowledged as debts</b>		
i) Demand of ESI Corporation for 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.	2.89	2.89
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.	5.31	5.23
Based on discussions with the solicitors/favourable 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 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>As at 31.12.2007 Rupees</b>	<b>As at 31.12.2006 Rupees</b>
	3,08,02,316	1,06,65,950

**SCHEDULE 18 : (Contd.)**

	<b>Year ended December 31, 2007 Rupees</b>	<b>Year ended December 31, 2006 Rupees</b>
<b>k) MANAGERIAL REMUNERATION</b>		
i) Salary	1,62,96,581	1,88,82,058
ii) Contribution to Provident & Other Funds	4,31,158	3,46,170
iii) Estimated Value of Perquisites	11,19,927	8,38,312
<b>Total</b>	<b>1,78,47,666</b>	<b>2,00,66,540</b>

Note: Managerial Remuneration does not include gratuity, leave pay and similar benefits provided on the basis of actuarial valuation in the accounts which is to be included for this purpose at the time of actual payment.

l) Deposits include Rs 1,81,26,596 (Rs. 1,82,38,597) with Customs Authorities, pending final assessment against which a liability of Rs. 57,65,265 (Rs. 61,08,928), considered adequate, is held in the accounts.

m) Deferred Tax Accounting – The deferred tax credit for the year has been recognised in the Profit & Loss Account for the year. Details of Deferred Tax Assets/(Liabilities) are as follows :

	<b>As at 31.12.2007 Rupees</b>	<b>As at 31.12.2006 Rupees</b>
– Disallowance u/s 43B and 40(a)(ia) of Income Tax Act, 1961	2,00,75,938	2,23,79,539
– Provision for Bad Debts	68,98,235	36,52,527
– Depreciation	(3,41,43,308)	(3,63,29,334)
– Retiral Benefits	(6,14,199)	—
<b>Net Deferred Tax Assets/(Liabilities)</b>	<b>(77,83,334)</b>	<b>(1,02,97,268)</b>

n) The Company has following un-hedged exposures in foreign currencies as at 31st December, 2007 :

<b>Sl. No.</b>	<b>Particulars</b>	<b>Foreign Currency</b>	<b>Rupees</b>
i)	Sundry Debtors, Loans & Advances	USD 58,85,028	23,17,25,939
		(26,58,151)	(11,75,43,441)
		EURO 1,767	1,01,027
		(88)	(5,126)
ii)	Current Liabilities & Provisions	USD 44,03,728	17,37,38,088
		(31,07,299)	(13,76,53,347)
		EURO 64,258	37,39,167
		(24,312)	(14,15,665)
		GBP 96	7,593
		—	—
		YEN 9,555	3,392
		—	—

**o) OTHER EXPENSES**

Item 4 (m) of Schedule 16 includes :

	<b>Year ended December 31, 2007 Rupees</b>	<b>Year ended December 31, 2006 Rupees</b>
i) Auditors' Remuneration *		
– For services as Auditors	13,27,400	8,76,140
– For Limited Review	10,55,000	9,22,240
– For Tax Audit	4,16,500	3,66,800
– For US GAAP Certification	4,00,000	3,14,400
– For Other Services	1,45,000	1,31,200
– For Corporate Governance	1,41,100	1,04,800
– For travelling and out-of-pocket expenses	2,08,654	96,457

\* Exclusive of service tax

**SCHEDULE 18 : (Contd.)**

	<b>Year ended December 31, 2007 Rupees</b>	<b>Year ended December 31, 2006 Rupees</b>
ii) Directors' fees	<b>1,85,000</b>	1,85,000
iii) Loss on disposal / discarding of assets (net) [excluding insurance claims of Rs. 5,75,000 (Rs. 50,00,000) included in Miscellaneous Income (ref Schedule 14(v)]	<b>70,93,948</b>	70,00,159
iv) Provision for wealth tax	<b>Nil</b>	82,630
p) i) No Equity shares have been allotted during the year ended 31st December, 2007 out of 15,150 shares of Rs. 10/- each kept in abeyance as at 31st March, 1998.		
ii) Out of the total shares issued, 5,09,99,988 fully paid-up Equity shares of Rs. 10/- each are held by The Timken Company, USA (The Holding Company) as at 31st December, 2007.		
iii) Calls in arrears of Rs. 1,41,000 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 paid / provided on opening and closing stock of Finished goods.		
r) Pending receipt of any intimation from its suppliers about registration under MSMED Act, the management has reclassified erstwhile SSI creditors as MSMED creditors.		

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

<b>Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006</b>	<b>31-Dec-07 (Rupees)</b>	<b>31-Dec-06 (Rupees)</b>
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	56,49,553	Principal – 1,87,095 Interest – 8,994
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	8,994	—
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.	—	8,994
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	—	8,994
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	—	—

**SCHEDULE 18 : (Contd.)**

	<b>As at 31.12.2007 Rupees</b>	<b>As at 31.12.2006 Rupees</b>
s) Sundry Debtors include dues from companies under the same Management :-		
Timken Europa GmbH	2,17,814	6,16,589
Timken UK Limited	25,62,079	—
Australian Timken Proprietary Limited	—	64,56,743
Timken Do Brasil Com.E.Ind.Ltda.	4,01,35,756	35,17,475
Timken Singapore PTE. Limited	7,77,617	30,33,704
Timken Italia S.R.L.	—	9,19,820
Timken South Africa (PTY) Limited	1,65,26,477	41,06,125
Timken Romania S.A.	33,159	33,159
Timken Engineering and Research India Pvt. Ltd.	—	1,24,742
Timken India Manufacturing Pvt. Ltd.	30,361	—
Yantai Timken Company Limited	12,60,654	—
Timken Bearing Services South Africa	1,20,30,040	23,59,990

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

	<b>As at 31.12. 2007 Rupees</b>	<b>Maximum Amount due during 2007 Rupees</b>	<b>As at 31.12. 2006 Rupees</b>	<b>Maximum Amount due during 2006 Rupees</b>
Timken Europe (France)	2,84,366	2,84,366	5,126	48,638
Timken Romania	—	2,25,594	2,25,594	2,25,594
Timken Engineering and Research India Pvt. Ltd.	—	1,13,943	11,262	2,84,649
Timken Yantai Company Limited	—	9,260	—	—
Timken Singapore Ltd.	93,831	93,831	24,141	24,141
Timken Italia S.R.L.	—	31,853	—	75,448
Timken Wuxi (China)	26,735	26,735	90,576	90,576
Timken India Manufacturing Pvt. Ltd.	83,74,529	83,74,529	24,20,356	24,20,356

u) **Segment Information**

**Business Segment:**

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

## SCHEDULE 18 : (Contd.)

**Geographical Segments:**

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

**Secondary Segment - Geographical**

Sales Revenue by Geographical Market	Year ended December 31, 2007 Rupees	Year ended December 31, 2006 Rupees
India	236,69,16,844	212,99,09,626
Outside India	111,30,49,441	125,74,52,341
Total	<u>347,99,66,285</u>	<u>338,73,61,967</u>
<b>Carrying Amount of Segment Assets</b>		
India	280,29,07,800	239,67,99,187
Outside India	23,02,77,683	11,42,51,494
Total	<u>303,31,85,483</u>	<u>251,10,50,681</u>
<b>Purchase of Fixed and Intangible Assets</b>		
India	12,76,53,986	14,80,63,515
Outside India	—	—
Total	<u>12,76,53,986</u>	<u>14,80,63,515</u>

**v) Related Party Disclosure:**

During the year, the Company entered into transactions with related parties. Those transactions along with related balances at 31st December 2007 and for the year then ended are presented in the following table.

SI No.	Name of the Related Party	Nature of transactions	Transaction Amount (Rs)	Outstanding as at 31.12.2007 (Rs)
1	The Timken Company, USA	Purchase of goods	32,23,61,680 (18,30,96,828)	11,39,31,074 (4,22,99,620)
		Sale of Goods	70,70,17,192 (90,86,40,768)	14,58,53,883 (7,41,14,251)
		Purchases of Fixed Assets	3,55,48,464 (3,42,10,948)	1,64,87,321 (12,43,595)
		Expenses Receivable	2,39,26,820 (1,23,83,983)	1,05,86,520 (12,94,482)
		Expenses Payable	3,14,90,797 (5,82,14,390)	1,46,19,670 (2,04,31,873)
		Agency Commission (Expenses)	— (2,147)	— (2,112)
		Agency Commission (Income)	7,12,17,002 (6,32,66,184)	15,18,922 (1,70,39,472)
		Freight Recovery	— (5,848)	— (—)
		Royalty	8,29,01,968 (7,83,94,055)	6,38,59,597 (5,99,76,540)
2	Timken UK Limited	Sale of Goods	1,48,22,808 (1,46,82,799)	25,62,079 (—)
3	Timken Do Brasil Com.E.Ind.Ltda	Sale of Goods	9,80,77,344 (5,95,35,567)	4,01,35,756 (35,17,475)
		Purchase of goods	1,15,425 (—)	1,10,960 (—)
		Expenses Payable	— (15,05,089)	— (15,05,089)
		Agency Commission (Expense)	4,12,504 (1,89,064)	8,80,150 (4,67,646)
4	Timken Korea LLC	Agency Commission (Expense)	1,53,408 (2,84,170)	4,28,216 (2,74,808)



**SCHEDULE 18 : (Contd.)**

Sl No.	Name of the Related Party	Nature of transactions	Transaction Amount (Rs)	Outstanding as at 31.12.2007 (Rs)
5	Timken South Africa Limited	Sale of Goods	<b>7,15,60,903</b> (6,08,19,043)	<b>1,65,26,477</b> (41,06,125)
		Purchase of goods	— (53,06,052)	— (—)
		Expenses receivable	— (3,91,921)	— (—)
		Freight Recovery	— (1,29,960)	— (—)
		Agency Commission (Income)	<b>2,10,426</b> (98,397)	— (—)
6	Timken Bearing Services South Africa	Sale of Goods	<b>7,89,07,506</b> (23,96,281)	<b>1,20,30,040</b> (23,59,990)
7	Timken Romania	Purchase of goods	<b>51,991</b> (1,09,38,071)	— (18,55,844)
		Expenses Payable	<b>1,23,235</b> (73,834)	<b>1,04,589</b> (54,469)
		Expenses Receivable	<b>97,885</b> (3,86,521)	— (2,25,594)
		Agency Commission (Income)	— (—)	<b>33,159</b> (33,159)
8	Timken Singapore PTE. Limited	Sale of Goods	<b>1,15,07,114</b> (4,42,70,592)	<b>7,77,617</b> (30,33,704)
		Purchase of goods	<b>3,17,00,477</b> (4,00,47,992)	<b>97,55,296</b> (11,01,994)
		Expenses Receivable	<b>94,421</b> (24,141)	<b>93,831</b> (24,141)
		Freight Recovery	— (5,178)	— (—)
9	Yantai Timken Company Limited	Sale of Goods	— (47,152)	— (—)
		Purchase of goods	<b>66,96,751</b> (3,07,29,592)	<b>17,64,030</b> (26,95,722)
		Expenses Receivable	<b>9,260</b> (—)	— (—)
10	Australian Timken Proprietary Limited	Sale of Goods	<b>4,50,55,457</b> (9,24,88,346)	— (64,56,743)
11	Timken Polska	Purchase of goods	<b>83,862</b> (5,22,540)	<b>82,140</b> (—)
		Purchases of Fixed Assets	<b>3,21,757</b> (29,409)	— (—)
12	Timken (China) Investment Company Limited	Expenses Payable	— (22,48,383)	— (22,50,400)
13	Timken (Shanghai) Distribution & Sales Co. Ltd –China	Purchase of goods	<b>95,844</b> (—)	<b>94,951</b> (—)
		Sale of Goods	<b>28,54,044</b> (—)	<b>12,60,654</b> (—)
14	Timken GmbH	Purchase of goods	<b>32,36,405</b> (—)	<b>32,52,465</b> (—)
15	Others	Purchase of goods	<b>86,476</b> (3,83,818)	<b>1,86,411</b> (1,16,051)
		Sale of Goods	<b>49,493</b> (10,67,905)	<b>30,361</b> (10,44,562)
		Purchases of Fixed Assets	— (62,37,190)	— (—)
		Expenses Receivable	<b>1,89,43,436</b> (30,52,046)	<b>84,01,264</b> (25,22,194)
		Expenses Payable	<b>4,94,78,597</b> (3,43,32,710)	<b>52,99,529</b> (94,40,182)
		Agency Commission (Income)	<b>5,21,434</b> (5,36,342)	<b>2,17,814</b> (6,16,589)
16	G.W.Robinson	Remuneration*	<b>1,35,00,000</b> (1,60,22,100)	<b>90,00,000</b> (86,23,530)
17	Shyamal K. Sinha	Remuneration*	<b>43,47,666</b> (40,44,440)	<b>10,32,610</b> (7,46,564)

1. Others Comprise - Timken Italia SRL, Timken Engineering & Research India - Pvt Ltd, Timken India Mfg. Pvt. Ltd., Timken Germany GMBH, Timken Wuxi, Timken RBS.

2. Key Management Personnel Mr. G W Robinson, Chairman & Managing Director and Mr. Shyamal K Sinha, Deputy Managing Director.

\* For payments being Managerial Remuneration to Key Management Personnel - refer note (k) of Schedule 18.

**SCHEDULE 18 : (Contd.)****w) Disclosures as per Revised Accounting Standard -15  
Gratuity and other post-employment benefit plans:**

The following tables summarise the components of net benefit expense recognised in the Profit & Loss Account and the funded status and amounts recognised in the balance sheet for the respective plans.

**Profit and Loss Account :**

Net employee benefit expense (recognised in Employee Cost)

(Rs. in lakhs)

	<u>Gratuity fund</u>	<u>Employee death benefit scheme</u>	<u>Provident fund</u>
Current service cost	24.42	6.63	3.88
Interest cost on benefit obligation	26.09	6.54	2.13
Expected return on plan assets	(24.76)	—	—
Curtailment Cost	—	—	—
Net actuarial( gain) / loss recognised in the year	1.10	(3.92)	2.35
Past service cost	—	—	—
Net benefit expense	<u>26.85</u>	<u>9.25</u>	<u>8.36</u>
Actual return on plan assets	8%	NA	NA
Balance Sheet :			
Details of Provision :			
Defined benefit obligation	356.04	86.23	36.02
Fair value of plan assets	<u>369.22</u>	<u>—</u>	<u>—</u>
	13.18	86.23	36.02
Less: Unrecognised past service cost	—	—	—
Plan asset / (liability)	<u>13.18</u>	<u>86.23</u>	<u>36.02</u>
Changes in the present value of the defined benefit obligation are as follows:			
Opening defined benefit obligation	309.76	76.98	35.41
Interest cost	26.09	6.54	2.13
Current service cost	24.42	6.63	3.88
Curtailment Cost	—	—	—
Benefits paid	(5.61)	—	(7.75)
Employer Contribution	—	—	—
Actuarial (gains) / losses on obligation	1.38	(3.92)	2.35
Closing defined benefit obligation	<u>356.04</u>	<u>86.23</u>	<u>36.02</u>
<b>Changes in the fair value of plan assets are as follows:</b>			
Opening fair value of plan assets	274.73	NA	—
Expected return	24.76	NA	—
Contributions by employer	75.07	NA	—
Employees Contribution	—	NA	—
Benefits paid	(5.62)	NA	—
Actuarial gains / (losses)	0.28	NA	—
Closing fair value of plan assets	<u>369.22</u>	<u>NA</u>	<u>—</u>

The Company expects to contribute Rs. 2,62,650 to gratuity in 2008.

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

Investments with approved fund	100%	NA	100%
--------------------------------	------	----	------

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 principal assumptions used in determining Provision for the Company's plans are shown below:**

Discount rate	8.60%	8.60%	8.60%
Expected rate of return on assets	8.00%	NA	8.25%
Salary escalation	5.00%	5.00%	5.00%
Employee turnover	1.60%	NA	1.50%

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

**SCHEDULE 18 : (Contd.)**

(Rs. in lakhs)

	<u>Gratuity fund</u>	<u>Employee death benefit scheme</u>	<u>Provident fund.</u>
<b>Amounts for the current period are as follows:</b>			
Defined benefit obligation	356.04	86.23	36.02
Plan assets	369.22	—	—
Surplus / (deficit)	13.18	(86.23)	(36.02)
Experience adjustments on plan liabilities	—	—	—
Experience adjustments on plan assets	—	—	—

Since AS 15 (Revised) on Employee Benefits has been adopted from 1st January 2007, disclosures given above are only for the current year.

ICAI has issued a limited revision to AS 15 (revised) which allows an entity to make disclosures required by paragraph 120(n) of AS 15 (revised) prospectively from the transition date and also provides an option to charge the additional defined benefit liability arising upon the first application of AS 15 (revised) as an expense over a period upto five years, instead of adjusting the entire increase in liability to opening reserves. The limited revision has not yet been incorporated in AS 15 notified under Companies (Accounting Standard) Rules, 2006.

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

	<b>Year ended December 31, 2007 Rupees</b>	Year ended December 31, 2006 Rupees
Profit After Tax	<u>37,40,38,960</u>	<u>38,12,55,172</u>
Earnings available for Equity Shareholders	<u>37,40,38,960</u>	<u>38,12,55,172</u>
Weighted Average No. of Equity Shares @ Rs. 10/- each	<b>6,37,34,850</b>	6,37,34,850
Earnings per share - Basic & Diluted	<b>5.87</b>	5.98

y) **Provisions :**

	Balance as at 01.01.2007 Rs.	Additions during the year Rs.	Amounts used during the year Rs.	Unused amounts reversed during the year Rs.	Balance as at 31.12.2007 Rs.
Provision for Supplies not in conformity with specifications	— (2,04,28,059)	25,34,639 (1,25,73,393)	2,58,985 (3,22,11,854)	— (7,89,598)	22,75,654 —

The above provision of Rs. 25,34,639 (Rs. 1,25,73,393) for supplies not in conformity with specification is included in conversion charges. (Refer 4(k) Schedule 16)

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

aa) The income relating to prior period comprises write back of material costs relating to earlier years. Prior period expense of Rs 6,37,545 pertaining to staff welfare has been netted off with prior period income for the year.

ab) Previous year's figures (including those in brackets) have been regrouped/rearranged, wherever necessary.

Signature to Schedules 1 to 18

For and on behalf of the Board

**G. W. Robinson**

Chairman & Managing Director

As per our report of even date

**For S.R.BATLIBOI & CO.**

Chartered Accountants

**Per Rahul Roy**

a Partner

Membership No 53956

Kolkata, 22 February, 2008

**Soumitra Hazra**

Company Secretary & Chief-Compliance

**Shyamal K. Sinha**

Dy. Managing Director

Kochi, February 22, 2008

**ABSTRACT OF THE BALANCE SHEET AS AT 31.12.2007 AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI (AMENDED) TO THE COMPANIES ACT, 1956**

I. Registration Details  
 Registration No. 

0	7	6	0	1
---	---	---	---	---

 State Code 

0	3
---	---

  
 Balance Sheet Date 

3	1
---	---

1	2
---	---

2	0	0	7
---	---	---	---

  
 Date Month Year

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

N	I	L
---	---	---

 Rights Issue 

N	I	L
---	---	---

  
 Bonus Issue 

N	I	L
---	---	---

 Private Placement 

N	I	L
---	---	---

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

2	4	5	2	1	0	2
---	---	---	---	---	---	---

 Total Assets 

2	4	5	2	1	0	2
---	---	---	---	---	---	---

  
 Sources of Funds  
 Paid-Up Capital 

6	3	7	2	0	8
---	---	---	---	---	---

 Reserves & Surplus 

1	8	0	2	7	9	3
---	---	---	---	---	---	---

  
 Secured Loans 

0	4	3	1	8
---	---	---	---	---

 Unsecured Loans 

N	I	L
---	---	---

  
 Deferred Tax Liabilities (Net) 

0	7	7	8	3
---	---	---	---	---

  
 Application of Funds  
 Net Fixed Assets 

6	3	2	0	4	9
---	---	---	---	---	---

 Investment 

8	2	3	0	5	9
---	---	---	---	---	---

  
 Net Current Assets 

9	9	6	9	9	4
---	---	---	---	---	---

 Misc. Expenditure 

N	I	L
---	---	---

  
 Accumulated Losses 

N	I	L
---	---	---

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

3	4	7	9	9	6	6
---	---	---	---	---	---	---

 Total Expenditure 

2	9	2	4	1	5	3
---	---	---	---	---	---	---

  
 + - Profit/loss Before Tax 

+		5	6	0	9	4	3
---	--	---	---	---	---	---	---

 + - Profit/loss After Tax 

+		3	7	4	0	3	9
---	--	---	---	---	---	---	---

  
 + - Earning per Share in Rs. 

+		5	.	8	7
---	--	---	---	---	---

 Dividend rate % 

N	I	L
---	---	---

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
---	---	---	---	---	---	---	---

 & 

8	4	8	2	2	0	0	2
---	---	---	---	---	---	---	---

  
 (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
---	---	---	---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---

  
 Item Code No. 

8	4	8	2	2	0	0	3
---	---	---	---	---	---	---	---

  
 (ITC Code)  
 Product Description 

A	P		C	A	R	T	R	I	D	G	E		T	A	P	E	R	E	D				

  
 Item Code No. 

8	4	8	2	8	0	0	0
---	---	---	---	---	---	---	---

  
 (ITC Code)  
 Product Description 

O	T	H	E	R																			


On behalf of the Board of Directors

Kochi,  
 February 22, 2008

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

**Shyamal K. Sinha**  
 Dy. Managing Director

**G. W. Robinson**  
 Chairman & Managing Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 2007**

	Year ended December 31, 2007 Rupees	Year ended December 31, 2006 Rupees
<b>A. Cash Flow from Operating Activities :</b>		
<b>Net Profit/(Loss) before Tax and Extraordinary items</b>	<b>56,09,43,176</b>	58,75,14,352
Adjustments for :		
Depreciation	10,22,56,187	10,02,99,646
Interest income	(22,17,085)	(3,48,317)
Interest expense	99,47,072	1,10,14,600
Income from Investments (Net)	(5,38,22,191)	(3,47,13,823)
(Profit)/Loss on sale of assets	70,93,948	70,00,159
Provision for Wealth Tax	—	82,630
	<b>6,32,57,931</b>	8,33,34,895
<b>Operating Profit before Working Capital Changes</b>	<b>62,42,01,107</b>	67,08,49,247
Adjustments for :		
Trade and Other Receivables	(12,97,30,590)	(6,40,43,616)
Inventories	(12,03,63,270)	(6,58,52,434)
Trade Payables and Other Liabilities	16,12,17,662	(15,33,88,860)
	<b>(8,88,76,198)</b>	(28,32,84,910)
<b>Cash Generated from Operations</b>	<b>53,53,24,909</b>	38,75,64,337
Direct Tax paid	(21,86,34,104)	(21,77,79,287)
	<b>(21,86,34,104)</b>	(21,77,79,287)
<b>Net Cash from Operating Activities</b>	<b>31,66,90,805</b>	16,97,85,050
<b>B. Cash Flow from Investing Activities :</b>		
Purchase of Fixed Assets	(14,94,27,465)	(13,55,43,550)
Sale of Fixed Assets	7,95,554	96,300
Purchase of Investments	(171,75,00,000)	(83,21,04,917)
Sale of Investments	154,05,62,196	77,54,74,140
Income from Mutual Fund (Net)	2,46,87,025	1,89,31,563
Interest received	22,17,085	3,48,317
<b>Net Cash from Investing Activities</b>	<b>(29,86,65,605)</b>	(17,27,98,147)
<b>C. Cash Flow from Financing Activities :</b>		
Interest paid	(99,07,325)	(1,10,14,600)
Proceeds / (Redemption) of Share Capital	—	750
Proceeds / (Repayment) from Term/Short Term Borrowings	(1,14,28,627)	(35,18,867)
Cash Credit (Net)	(88,281)	(1,42,21,675)
<b>Net Cash from Financing Activities</b>	<b>(2,14,24,233)</b>	(2,87,54,392)
<b>Net increase/(decrease) in Cash and Cash equivalents</b>	<b>(33,99,033)</b>	(3,17,67,489)
<b>Cash and Cash equivalents as at 1st January (Opening Balance)</b>	<b>8,55,94,384</b>	11,73,61,873
<b>Cash and Cash equivalents as at 31st December (Closing Balance)</b>	<b>8,21,95,351</b>	8,55,94,384

Notes : (1) Figures in brackets represent outflows.

(2) Previous year figures have been regrouped/rearranged, wherever necessary.

As per our Report of even date attached

**For S.R.BATLIBOI & CO.**

Chartered Accountants

**Per Rahul Roy**

a Partner

Membership No 53956

Kolkata, 22 February, 2008

**Soumitra Hazra**

Company Secretary & Chief-Compliance

**Shyamal K. Sinha**

Dy. Managing Director

**G. W. Robinson**

Chairman & Managing Director

Kochi, February 22, 2008

## Corporate Governance Report

### Company's philosophy on code of governance

The Vision Statement of the Company expresses the Company's commitment towards exceeding customers' expectations at the world's lowest cost. This, it is believed, will help the Company in maximizing the shareholders' value through realization of healthy margin, maintaining customer satisfaction and developing a sound vendor base to enable it to procure quality materials at the right price and at the right time.

The Standards of Business Ethics Policy as adopted by The Timken Company, USA 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 an Executive Chairman and the number of Independent Directors in 2007 was not less than 50% of the total number of Directors. The number of Non-Executive Directors was more than 50% of the total number of Directors, with the Chairman & Managing Director and the Dy. Managing Director being the only Executive Directors 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 year ended December 31, 2007	Whether attended AGM held on April 27, 2007	No. of Directorships in other companies**	No. of Committee positions held in other companies	
					Chairman	Only Member
Mr. Gordon W. Robinson	Executive, Not Independent	3	Yes	2	—	—
Mr. Shyamal K. Sinha	Executive, Not Independent	3	Yes	2	—	—
Mr. Michael J. Hill	Promoter Director, Non-Executive, Not Independent	—	No	NA	NA	NA
Mr. Niroop Mahanty	Non-Executive, Independent	4	Yes	2	—	—
Mr. Jai S. Pathak	Non-Executive, Independent	3	Yes	1	1	2
Mr. P S Dasgupta	Non-Executive, Independent	3	Yes	19	—	7
Ms. Sunitha Narahari Alternate Director to Mr. Michael J. Hill	Non-Executive, Independent	3	Yes	5	—	—

\*\* Including directorships in Private Limited companies

Four Board Meetings were held during the year ended December 31, 2007 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

- 1) February 9, 2007
- 2) April 27, 2007
- 3) July 31, 2007
- 4) October 30, 2007

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 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 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 in 2007. Mr. Dasgupta, as the Chairman of the Audit Committee was present at the Twentieth Annual General Meeting of the Company held on April 27, 2007.

In 2007, 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	3
Mr. Niroop Mahanty, Member	Non-Executive, Independent	4
Mr. Jai S. Pathak, Member	Non-Executive, Independent	3
Mr. Shyamal K. Sinha, Member	Executive, Not Independent	3

Audit Committee Meetings were attended by Controller of Accounts, Manager – Internal Audit / Audit - Manager. Business Controller had also attended two Audit Committee Meetings in 2007. Chairman & Managing Director and Ms. Sunitha Narahari were also present as invitees at three of the four Audit Committee Meetings held in 2007. 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.

Four Audit Committee Meetings were held during the year 2007. The dates on which the said meetings were held are as follows:

- 1) February 9, 2007
- 2) April 27, 2007
- 3) July 31, 2007
- 4) October 30, 2007

Necessary quorum was present at all these meetings.

#### Remuneration Committee

Broad terms of reference of the Remuneration Committee includes 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 two Executive Directors under the respective designations 'Chairman & Managing Director' and 'Dy. 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.

In 2007, 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 resident Non-Executive Directors of the Company were paid remuneration by way of Sitting Fees only. Accordingly, a sum of Rs. 10,000/- was paid to each resident Non-Executive Director for attending a meeting of the Board and a sum of Rs. 5,000/- was paid to each resident Non-Executive Director for attending a meeting of the Committee of the Board. Non-resident Non-Executive Directors were not paid any Sitting Fees. Chairman & Managing Director and Dy. Managing Director were also not entitled to receive any Sitting Fees for attending meetings of the Board of Directors or Committees thereof.

The Company paid remuneration by way of salary, perquisites and allowances (fixed component) and Performance Incentive (variable component) to the Chairman & Managing Director and Dy. Managing Director being the Executive Directors 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 2007.

#### Details of Remuneration of Directors for the year 2007

##### Non-Executive Directors

Name of the Director	Sitting Fees (Rs.)
Mr. M. J. Hill	Nil
Mr. Niroop Mahanty	65,000
Mr. Jai S. Pathak	45,000
Mr. P. S. Dasgupta	45,000
Ms. Sunitha Narahari	30,000

*Executive Directors*

Name of the Director	Salary & Allowances	Perquisites	Performance Incentive	Stock Options
Mr. Gordon W. Robinson	45,00,000	—	90,00,000	Nil
Mr. Shyamal K. Sinha	25,27,739	11,19,927	7,00,000	Nil

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

**Investors Grievance Committee**

The terms of reference of the Investors Grievance Committee comprise 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.

In 2007, the composition of the Investors Grievance Committee is given below:

Name of the Members	Category
Mr. Niroop Mahanty, Chairman	Non-Executive Independent
Mr. Shyamal K. Sinha, Member	Executive Not Independent
Mr. Jai S. Pathak, Member	Non-Executive Independent

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

One meeting of the Investors Grievance Committee was held on July 31, 2007. 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 41 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 year ended on December 31, 2007 is given below:

Particulars	Total Received	Total Replied	Total Pending as on 31.12.07
Change of Address / POA	173	173	—
Others	238	238	—
Duplicate /New Certificates	138	138	—
Non-receipt of interest / redemption	92	92	—
Non-receipt of Certificates	54	54	—
Endorsement	110	110	—
Transmission	40	40	—
Dematerialisation	19	19	—
Revalidation	10	10	—
Transfers	12	12	—
TOTAL	886	886	—

As on December 31, 2007, 62 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 December 21, 2007 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
2004	Center for Excellence, Jubilee Road, Jamshedpur – 831 001	AGM	April 23, 2005	Saturday	12.30 p.m.	1
2005	Center for Excellence, Jubilee Road, Jamshedpur – 831 001	AGM	April 28, 2006	Friday	03.00 p.m.	—
2006	Center for Excellence, Jubilee Road, Jamshedpur – 831 001	AGM	April 27, 2007	Friday	03.00 p.m.	—



Note : Of the resolutions passed at the General Meetings as aforesaid, only one Special Resolution relating to proposed delisting of Equity Shares from the Calcutta and Magadh Stock Exchanges was required to be passed by way of Special Resolution in terms of the relevant provisions of the Companies Act, 1956. No Special Resolution was required to be passed 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 year 2007.

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. Besides, assistance of an Ombudsman is also available at Jamshedpur with whom the Associates of the Company can have direct interaction on any matter, which they feel is not right.

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 – Since the Company has an Executive Chairman, the provisions of this Clause is not applicable for the Company.
- 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-yearly 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.

The Timken Company has additionally disclosed to the Company that the below mentioned entities are part of the Timken Company's group. These companies along with The Timken Company would constitute a group as defined under the Monopolies and Restrictive Trade Practices Act, 1969.

**Timken Europe B.V**  
Prins Berdhardplein 200  
1097, JB Amsterdam  
Amsterdam, Netherlands

**Timken (Mauritius) Limited**  
5<sup>th</sup> Floor, Chancery House  
Lislet Geoffroy Street  
Port Louis, Mauritius

**Timken Services and Sales Company**  
1835, Dueber Avenue, SW  
Canton, OH 44706, USA

**Timken (Gibraltar) Limited**  
57/63, Line Wall Road,  
Gibraltar

**Timken (Gibraltar) 2 Limited**  
57/63, Line Wall Road,  
Gibraltar

**Timken (Bermuda) L.P.**  
Clarendon House,  
2 Church Street,  
PO Box HM 666  
Hamilton, HM 11, Bermuda

**Timken Global Treasury SARM**  
5, Rue Guillaume,  
Kroll L – 1882, Luxembourg

**Timken India Manufacturing Private Limited**  
39-42, Electronic City,  
Phase II, Hosur Road  
Bangalore – 560 100

**Timken Engineering & Research India Private Limited**  
39-42, Electronic City, Phase II,  
Hosur Road  
Bangalore – 560 100

#### Means of Communication

Quarterly results were published in the Economic Times and Hindi newspapers (Uditvani / Chamakta Aina / Prabhat Khabar).

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 Director holds any Equity Shares of the Company. Mr. Dasgupta holds 1 Equity Share. Mr. Shyamal K Sinha, an Executive Director holds 150 Equity Shares of the Company.

## General Shareholders Information

1. AGM	April 24, 2008 at 3.00 pm at Center for Excellence, Jubilee Road, Jamshedpur - 831001.		
2. Financial Calendar	The Accounting Year covers the period from January 1 to December 31, 2008. Financial reporting for: a) 1st Quarter ending March 31, 2008 – end April, 2008 b) Half year ending June 30, 2008 – end July, 2008 c) 3rd Quarter ending September 30, 2008 – end October, 2008 d) Year ending December 31, 2008 – end January / February 2009 Note : The above calendar is indicative in nature.		
3. Date of Book Closure	April 11, 2008 to April 24, 2008 (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 (East), Mumbai - 400 051</p> <p>The Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001</p> <p>The Calcutta Stock Exchange Association Ltd. 7, Lyons Range Kolkata – 700 001</p> <p>Magadh Stock Exchange Association 9th Floor, Ashiana Plaza Budh Marg Patna – 800 001</p> <p>Steps have been taken to get the Equity Shares for delisting from the Calcutta and Magadh Stock Exchanges. The Company has paid annual Listing Fees to all these four Stock Exchanges for the year 2007-2008.</p>		
6. Stock Code	522113 (Equity) (BSE), Timken (NSE)		
7. Market Price Data	Monthly High/Low of Market Prices of the Company's Equity Shares, traded on the Bombay Stock Exchange Limited during the year ended December 31, 2007:		
	<b>Month</b>	<b>High (Rs.)</b>	<b>Low (Rs.)</b>
	January 2007	162.00	141.90
	February 2007	168.35	127.80
	March 2007	132.70	114.00
	April 2007	135.95	113.00
	May 2007	168.40	116.10
	June 2007	156.40	124.00
	July 2007	147.50	129.10
	August 2007	131.85	116.20
	September 2007	135.00	125.00
	October 2007	139.90	117.00
	November 2007	142.30	116.00
	December 2007	153.00	129.30

<p>8. Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc.</p>	<p>Performance of the Company's Share Prices in comparison of the BSE Sensex is given below:</p>																																								
<p>9. Registrar &amp; Transfer Agents</p>	<p>C B Management Services (P) Limited P-22, Bondel Road Kolkata – 700 019</p>																																								
<p>10. Share Transfer System and liquidity</p>	<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 Jamshedpur.</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>																																								
<p>11. Distribution of Share holding</p>	<p>The distribution of shareholding as on December 31, 2007 is given below :</p> <table border="1" data-bbox="592 1559 1477 1948"> <thead> <tr> <th>Range (Rs.)</th> <th>Accounts</th> <th>Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>1 – 5000</td> <td>52746</td> <td>6225556</td> <td>9.77</td> </tr> <tr> <td>5001 – 10000</td> <td>806</td> <td>644606</td> <td>1.01</td> </tr> <tr> <td>10001 – 20000</td> <td>360</td> <td>542047</td> <td>0.85</td> </tr> <tr> <td>20001 – 30000</td> <td>112</td> <td>290115</td> <td>0.46</td> </tr> <tr> <td>30001 – 40000</td> <td>43</td> <td>155614</td> <td>0.24</td> </tr> <tr> <td>40001 – 50000</td> <td>51</td> <td>238232</td> <td>0.37</td> </tr> <tr> <td>50001 – 100000</td> <td>37</td> <td>279852</td> <td>0.44</td> </tr> <tr> <td>100001 and above</td> <td>42</td> <td>55358828</td> <td>86.86</td> </tr> <tr> <td></td> <td><b>54197</b></td> <td><b>63734850</b></td> <td><b>100.00</b></td> </tr> </tbody> </table>	Range (Rs.)	Accounts	Shares	%	1 – 5000	52746	6225556	9.77	5001 – 10000	806	644606	1.01	10001 – 20000	360	542047	0.85	20001 – 30000	112	290115	0.46	30001 – 40000	43	155614	0.24	40001 – 50000	51	238232	0.37	50001 – 100000	37	279852	0.44	100001 and above	42	55358828	86.86		<b>54197</b>	<b>63734850</b>	<b>100.00</b>
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## TIMKEN INDIA LIMITED

12. Dematerialisation of Shares	The Company has arrangements with National Securities Depositories Ltd. (NSDL) as well the Central Depository Services (India) Ltd. (CDSL) for Demat facility. At present around 54.67% of the Company's Equity Share Capital is dematerialised. The Shares of the Company are listed as aforesaid and are regularly traded on BSE and NSE.	
13. Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity	Nil	
14. Plant location	The Company's manufacturing facility 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 Bara, P.O. Agrico Jamshedpur – 831 009 Tel. No. 0657 – 2152500 Fax No. 0657 – 2210290	C B Management Services (P) Limited P-22, Bondel Road Kolkata – 700 019 Tel. No. 033-22806692-94/2486/2937 E-mail : cbmsl1@cal2.vsnl.net.in

## AUDITOR'S CERTIFICATE

To  
**The Members of Timken India Limited**

We have examined the compliance of conditions of corporate governance by Timken India Limited, for the year ended on 31st December 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of 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.

Place : Kolkata  
 Date : 22 February, 2008

**For S. R. BATLIBOI & CO.**  
**CHARTERED ACCOUNTANTS**

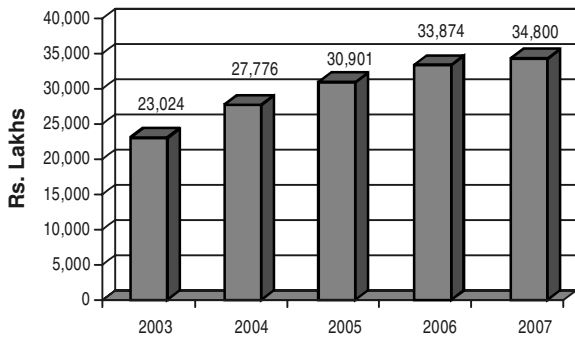
**Per RAHUL ROY**  
*a Partner*  
 Membership no. 53956

**FIVE YEARS AT A GLANCE**

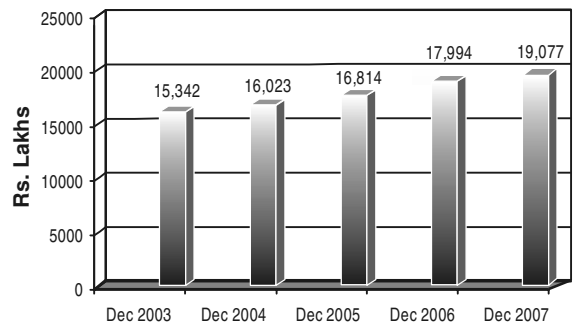
	<b>Year Ended</b>				
	<b>31.12.2007</b>	31.12.2006	31.12.2005	31.12.2004	31.12.2003
<b>Production</b>					
(i) Standard Roller Brgs (Equiv. Nos.)	<b>21,75,062</b>	21,10,058	18,66,621	19,01,588	16,79,028
(ii) Special Roller Bearings (Equiv. Nos.)	<b>25,03,890</b>	14,19,012	8,63,492	9,12,875	6,60,044
(iii) Components (Equiv. Nos.)	<b>28,80,609</b>	27,15,466	28,33,987	23,44,194	19,92,481
<b>Rs/Lakhs</b>					
<b>Profit &amp; Loss Account</b>					
(i) Gross Sales	<b>38,973</b>	36,942	33,246	29,998	25,012
(ii) Net Sales					
(a) Domestic	<b>23,670</b>	21,299	17,379	16,462	15,033
(b) Export	<b>11,130</b>	12,575	13,521	11,314	7,991
Total (a+b)	<b>34,800</b>	33,874	30,901	27,776	23,024
(iii) EBIT	<b>5,687</b>	5,982	5,391	5,179	3,403
(iv) Profit Before Tax	<b>5,609</b>	5,875	5,295	5,089	3,308
(v) Profit After Tax	<b>3,740</b>	3,813	3,488	3,299	2,314
<b>Balance Sheet</b>					
(i) Gross Block	<b>19,077</b>	17,994	16,814	16,023	15,342
(ii) Net Block	<b>6,320</b>	5,938	5,626	4,851	4,957
(iii) Net Current Asset	<b>9,970</b>	8,801	6,326	5,655	5,255
(iv) Capital Employed	<b>24,521</b>	20,909	17,398	14,686	10,813
(v) Beginning Invested Capital (BIC)	<b>20,053</b>	16,224	14,197	9,837	12,385
(vi) Total Debt	<b>43</b>	158	336	964	324
(vii) Equity	<b>24,400</b>	20,648	16,835	13,325	9,999
<b>Other Comparative Data</b>					
(i) PAT to Net Sales (%)	<b>11</b>	11	11	12	10
(ii) EBIT / BIC (%)	<b>28</b>	37	38	53	27
(iii) Return on Net Worth (%)	<b>15</b>	18	21	25	23
(iv) E.P.S. (Rs)	<b>5.87</b>	5.98	5.47	5.18	3.14
(v) Total Debt to Equity (%)	<b>0</b>	1	2	7	3
(vi) Total Debt to Total Capital (%)	<b>0</b>	1	2	7	3
(vii) Fixed Asset Turnover (times)	<b>5.51</b>	5.70	5.49	5.73	4.65
(viii) Working Capital Turnover (times)	<b>3.49</b>	3.85	4.88	4.91	4.38
(ix) Current Ratio (times)	<b>2.72</b>	3.09	2.10	2.16	2.31
(x) Interest Cover (times)	<b>73.57</b>	56.08	56.66	57.37	35.91
(xi) Net Sales/Employee (Rs/Lakhs)	<b>58</b>	58	55	50	41

- 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.

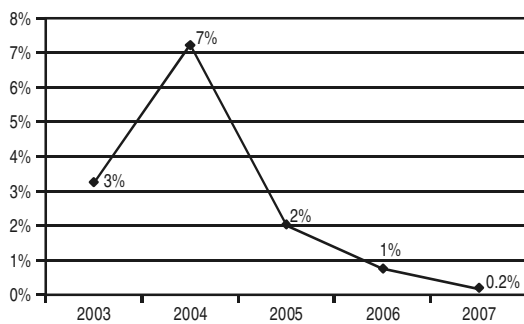
**NET SALES**



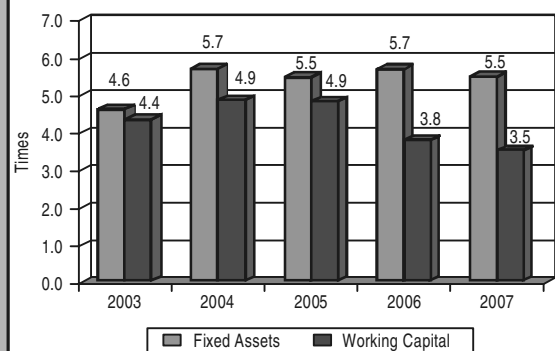
**GROSS BLOCK**



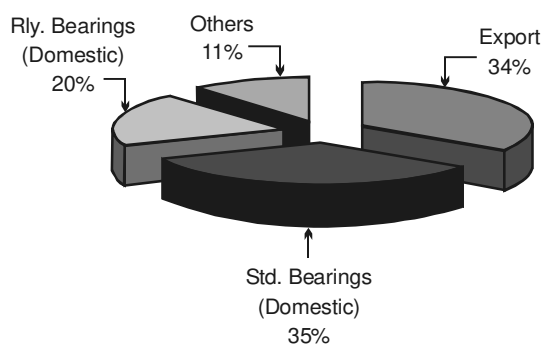
**TOTAL DEBT : EQUITY**



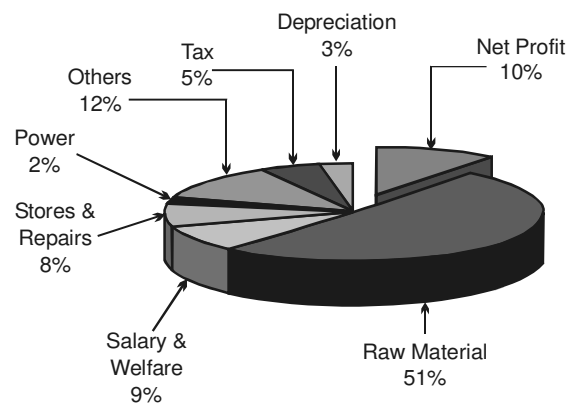
**ASSET TURNOVER**



**HOW THE MONEY WAS EARNED**



**HOW THE MONEY WAS DISTRIBUTED**



**TIMKEN INDIA LIMITED**

Regd. Office : Bara, P.O. Agrico, Jamshedpur - 831 009

**ATTENDANCE SLIP**

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

I hereby record my presence at the Twenty-first Annual General Meeting of the Company at Center for Excellence, Circuit House Area, Jamshedpur - 831 001 on Thursday, April 24, 2008 at 3.00 p.m.

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

- Notes :**
- Members/Proxyholders wishing to attend the meeting must bring the Attendance Slip to the Meeting and hand over at the entrance duly signed.
  - 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 : Bara, P.O. Agrico, Jamshedpur - 831 009

**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-first Annual General Meeting of the Company, to be held on Thursday, April 24, 2008 and  
at any adjournment thereof.

Signed this ..... day of ..... 2008.

Reference Folio : .....

No. of Shares : .....

Signature .....



Note : The Proxy must be returned so as to reach the Registered Office of the Company at Bara, P.O. Agrico, Jamshedpur - 831 009 not less than 48 hours before the time for holding the aforesaid Meeting.

**ANNEXURE TO THE DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2007**  
**Statement of particulars of employees pursuant to the provisions of Sec 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.**

Sl. No.	Name	Designation & Nature of Duty	Remuneration received (Rs)	Qualification	Age (Years)	Experience (Years)	Date of Commencement of Employment	Particulars of Last Employment (last post held, Employer, Period of Employment)
1	Robinson G.W.	Chairman & Managing Director	1,31,23,530	Dip in Mech. Engg.	59	42	30/03/2005	President Emerging Market, The Timken Co. - USA, 4 Years
2	Sinha S.K.	Dy. Managing Director	45,36,926	B.Com (Hons) AICWA	56	35	01/09/1995	Chief of Accounts, Tata Steel (Bearing Division), 16 Years
3	White David L.	Director Sales & Marketing	1,63,07,083	Mech. Engg., MBA	42	20	26/05/2005	Global Product Marketing Manager, Ingersoll-Rand Infrastructure Group, USA, 7 Years
4	Sinha Sanjay	General Manager-Plant (on deputation to TIMPL, Chennai)	29,87,139	B.E. (Mech.), MBA	44	22	17/03/2005	Sr. G.M. Eaton India Ltd., Pune, 2 Years
5	Das Ajay K.	General Manager - Wind Energy (on deputation to Timken, USA)	35,46,480	B.E. (Mech.), MBA	40	18	09/03/1992	Engineer, Tata Motors, Jamshedpur, 2 Years

**Notes :** (1) Remuneration received includes salary, allowances and taxable value of perquisites, and in applicable cases, Company's contribution to Provident & Superannuation Funds, but excludes contribution to Gratuity Fund.

(2) The nature of Employment in all cases is contractual.

(3) None of the Employees mentioned above is a relative of any Director of the Company.

(4) None of the Employees mentioned above holds equity shares either by himself or along with spouse or dependent children, exceeding 2% of the value of total equity shares of the Company.

Bangalore, 17 March, 2008

For and on behalf of the Board of Directors  
**Gordon William Robinson**  
*Chairman & Managing Director*