

TIMKEN INDIA LIMITED

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TIMKEN INDIA LIMITED

BOARD OF DIRECTORS

(As on 16 February 2010)

MR R W LINDSAY	– Chairman
MR AJAY K DAS	– Managing Director
MR N MAHANTY	
MR J S PATHAK	
MR P S DASGUPTA	
MR S RANGARAJAN	

COMMITTEES OF THE BOARD

(As on 16 February 2010)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

INVESTORS GRIEVANCE COMMITTEE

MR N MAHANTY – Chairman
MR AJAY K DAS
MR S RANGARAJAN

Auditors

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

Registered Office

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

NOTICE

Notice is hereby given that the Twenty-third Annual General Meeting of Timken India Limited will be held at Timken Engineering and Research (I) Pvt. Ltd, Wing B, Office 2, Block A, Salarpuria Soft Zone, Survey # 80/1, 81/1 & 81/2, Bellandur Village, Varthur Hobli, Bangalore South Taluk, Bangalore - 560 037 on Wednesday, 28 April 2010 at 9.00 am to transact the following business:

1. To receive and adopt the Profit and Loss Account for the year ended 31 December 2009 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. Jai S Pathak who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Roger W Lindsay who retires by rotation and being eligible offers himself for reappointment.
4. To reappoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. Appointment of Mr. Ajay K Das as a Director of the Company

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

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

6. Appointment of Mr. Ajay K Das as the Managing Director of the Company

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

“RESOLVED THAT pursuant to Section 269, 309 and other applicable provisions if any, of the Companies Act, 1956 ('the Act') and subject to approval of the Central Government and such other approvals as may be necessary, Mr. Ajay K Das ('Mr. Das') be and is hereby appointed as the Managing Director of the Company effective 1 August 2009 on the terms and conditions set out in an Agreement to be entered into between the Company and Mr. Das in terms of the draft placed before the meeting and initialed by the Chairman for the purpose of identification and that the Board of Directors of the Company be and is hereby authorized to take all such steps in this regard as may be necessary, proper and expedient, including without limitation, to enter into an Agreement on behalf of the Company with Mr. Das in terms of the said draft.”

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 Business under item no. 5 and 6 is annexed hereto. Applicable details relating to Directors pursuant to Clause 49 of the Listing Agreement are also annexed.
3. The Register of Members and the share transfer books of the Company would remain closed from 21 April 2010 to 28 April 2010, both days inclusive.
4. A copy of the draft Agreement relating to appointment of Mr. Ajay K. Das as Managing Director to be executed between the Company and Mr. Das in terms of the resolution under item no. 6 above shall be available for inspection at the Registered Office of the Company at 39-42, Electronic City, Phase II, Hosur Road, Bangalore - 560 100 on any working day prior to the date of the Annual General Meeting between the hours of 10.00 am and 12.00 noon and shall also be available for inspection from 8.00 am at the venue on the date of the meeting.

By Order of the Board

Registered Office :
39-42, Electronic City
Phase II, Hosur Road
Bangalore - 560 100
16 February 2010

Soumitra Hazra
Company Secretary
& Chief - Compliance

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

Item No. 5

Mr. Ajay K. Das was appointed by the Board of Directors of the Company ('the Board') as an Additional Director effective 1 August 2009. As per the provisions of the Companies Act, 1956 Mr. Das holds office upto the date of forthcoming Annual General Meeting.

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

The proposal for the appointment of Mr. Das as Director on the Board, is therefore, placed before the members for approval as set out under item no. 5 of the accompanying Notice. The Board recommends the Resolution set out under item no. 5 for approval of members.

Memorandum of Interest

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

Item No. 6

Members may please recall that, subject to the approval of the Members of the Company and such other approvals as may be necessary, Mr. Ajay K Das ('Mr. Das') has been appointed by the Board of Directors of the Company ('the Board'), as the Managing Director for a period of five years effective 1 August 2009 as per the terms and conditions set out in the 'Abstract of the terms and Memorandum of Interest' dated 27 July 2009 circulated to all the members earlier and reproduced as below:

Salary & Allowances	Rs 3,74,566 per month This may progressively go up by such amounts as may be approved by Chairman of the Board based on periodic performance review by the Chairman / merit increase / industry trends, subject however, that in no case this Salary shall exceed Rs. 6,00,000 per month.
Term	5 years
Performance Incentive	as per rules of the Company
Perquisites	<ul style="list-style-type: none"> i) Company leased accommodation. ii) Free use of telephone facility at his residence which shall not be considered as perquisite / benefit but personal long distance calls on telephone shall be billed by the Company to Mr. Das. iii) Free use of Company car with driver for the purpose of Company business which shall not be considered as perquisite / benefit. But the use of car for private purpose shall be billed by the Company to Mr. Das. iv) Medical facilities as per rules of the Company. v) Club membership of one club each in Jamshedpur & Bangalore. vi) Free passage for self and family from present place of residence to the place of work in India. All freight charges of luggage & belongings for relocation from United States to India to be borne by the Company. vii) One month of current base pay at the time of relocation as reimbursement for relocation from the United States to India. viii) Leave accrual and encashment - as per rules of the Company. ix) Leave Travel Concession as per rules of the Company. x) Company's contribution to Provident Fund / Pension Fund / Employee Deposit Linked Insurance / Group Insurance / Superannuation Fund etc. xi) Gratuity as per rules of the Company.
Minimum Remuneration	The salary & allowances and perquisites aforesaid shall nevertheless be paid and allowed as the minimum remuneration for any year in the event of absence or inadequacy of profits for such year.
Duties and Conditions	<ul style="list-style-type: none"> i) Mr. Das will perform the duties and exercise the powers, which from time to time may be assigned to or vested in him by the Board of Directors of the Company. ii) The appointment may be terminated by either party by giving three months' notice in writing to that effect unless termination at a shorter notice is mutually agreed by both Mr. Das and the Board of Directors. iii) Mr. Das shall not be entitled to any Sitting Fees for attending any meetings of the Board or any Committee thereof. iv) Mr. Das shall be entitled to be reimbursed for all expenses incurred by him for the purpose of business of the Company.

TIMKEN INDIA LIMITED

The proposal for the appointment of Mr. Das as the Managing Director of the Company as per the terms and conditions referred to above, is therefore placed before the members for approval as set out under item no. 6 of the accompanying Notice. The Board recommends the Resolution set out under item no. 6 for approval of members.

Memorandum of Interest

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

By Order of the Board

Registered Office :
39-42, Electronic City
Phase II, Hosur Road
Bangalore - 560 100
16 February 2010

Soumitra Hazra
Company Secretary
& Chief - Compliance

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

Name of Director	Mr. Jai S Pathak	Mr. Roger W Lindsay	Mr. Ajay K Das
Date of Birth	14 January 1959	27 August 1956	6 June 1967
Date of Appointment	28 April 2006	24 April 2008	1 August 2009
Expertise in specific functional areas	<ul style="list-style-type: none"> ■ Legal Profession ■ General Management 	<ul style="list-style-type: none"> ■ Human Resources ■ General Management 	<ul style="list-style-type: none"> ■ Manufacturing ■ Sales & Marketing ■ General Management
Qualifications	<ul style="list-style-type: none"> ■ BA (Hons.), Delhi University ■ MA Intl. Relation, JNU ■ BA (Hons.), Jurisprudence, Oxford University, UK ■ MA, Oxford University, UK ■ LLM, University of Virginia, USA 	<ul style="list-style-type: none"> ■ BA - Economics & Sociology, University of Southampton ■ Masters - Management, MIT, USA 	<ul style="list-style-type: none"> ■ BE (Mechanical) ■ MBA, XLRI, Jamshedpur
List of public companies in which outside Directorship held as on 31 December 2009	<ul style="list-style-type: none"> ■ MediaRing Limited 	<ul style="list-style-type: none"> ■ Timken (Mauritius) Limited ■ Timken (China) Investment Co., Ltd. ■ Timken-XEMC (Hunan) Bearing Co., Ltd. ■ Timken Singapore Pte. Ltd. ■ Timken Super Precision Singapore Pte. Ltd. ■ Nihon Timken K. K. ■ Timken Korea Limited Liability Corporation ■ Timken (Shanghai) Distribution and Sales Co., Ltd. ■ Timken (Wuxi) Bearings Co., Ltd. ■ Yantai Timken Co., Ltd. ■ Timken (Chengdu) Aerospace and Precision Products Co., Ltd. ■ Jiangsu TWB Bearing Co., Ltd. ■ FirstBridge (Shanghai) Trading Co., Ltd. 	Nil
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on 31 December 2009	<ul style="list-style-type: none"> ■ Timken India Limited - Member - Audit Committee ■ Timken India Limited - Member - Remuneration Committee ■ MediaRing Limited - Member - Audit Committee ■ MediaRing Limited - Compensation Committee 	Nil	Nil
Shareholding in the Company	—	—	—

CHAIRMAN'S STATEMENT

Dear Shareholders,

2009 was a year of mixed fortunes for Timken India. As the global economy reeled under recessionary pressures, all industries faced a situation of reduced demand, tighter margins for an uncertain duration. Exports suffered a serious set back with weak demand from the beleaguered American and European markets. The domestic markets were also hit with demand for commercial trucks and tractors taking a steep downward trend. Global process industries and the energy markets too were not spared. As this report goes to the press, a feeling of cautious optimism envelopes industry and consumers as investments and spending increase gradually.

2009 had its fair share of successes. Your Company's sustained focus on efficient management of working capital and prudent cost conservation have resulted in a positive cash-flow during the last year. Our relationships with key customers have further been strengthened during this particularly challenging year. I would like to commend all Timken India associates for their efforts to drive down costs and generate cash. I would also commend their dedication to the Timken Company's Vision and Values to ensure customer service par excellence at all times. A fact reiterated on the cover of this report and the corporate theme for 2010-The Moment of Trust.

Project O.N.E. (Our New Enterprise), the SAP enabled enterprise resource planning system has transformed Timken India. It has significantly improved operating efficiency through a new lean, efficient and accurate management system of business processes, thus helping us achieve excellence in serving our customers and shareholders.

Your Company continues to expand on products and services offered to customers. Through an agreement with Spareage Seals Ltd., the Company now offers a wide range of oil seals to bring a complete line of friction management products to our discernible customers. Globally the Timken Company has also expanded its ability to offer high-performance; premium engineered steel solutions to customers in Asia. As the service business grows we see more revenue generating opportunities from the expanded Industrial Bearings Services facility in Jamshedpur, MILLTEC® services and other services such as reliability and condition monitoring services.

By continuing to grow our Company in ways that build sustainable value, we help to fulfill our responsibility to our investors, associates, the environment and to our communities. We remain committed to Global Citizenship with the continued contributions to the communities we work in.

As the year looms ahead of us, our focus will remain on cost management and conservation of cash. There will be an equal emphasis on sustaining excellent customer service. Customer service will be of prime importance for all of us as we increase visibility and extend our reach in the market, especially in the industrial and services business. In 2010, we will reinvigorate our focus on profitable growth opportunities. This can be achieved through robust cash management, efficient execution of business plans and a committed perseverance towards our Vision and Values. Through this we aim to deliver long term value to our customers and you, our shareholders.

Thanking you,

Yours sincerely,



Roger W. Lindsay
Chairman

Place: Bangalore
Date: 16 February, 2010

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Twenty-third Annual Report on the business and operations of the Company together with the Financial Results for the year ended 31 December 2009.

FINANCIAL RESULTS

	(Rs./Lakhs)	
	Year ended 31 December	
	2009	2008
a) Net Sales / Income	33,103	42,743
b) Total Expenditure	27,534	33,843
c) Gross Profit	5,569	8,900
d) Less: Depreciation	1,034	1,046
e) Earnings before Interest, Tax & Prior period item	4,535	7,854
f) Less: Interest	42	106
g) Add: Income/(Expense) relating to prior period	(2)	43
h) Profit before Tax (PBT)	4,491	7,791
i) Less: Taxes	1,237	2,492
j) Profit after Tax (PAT)	3,254	5,299
k) Add: Profit brought forward from previous year	20,727	15,428
l) Profit available for appropriation	23,981	20,727
m) Balance carried forward	23,981	20,727

During the year under review, overall net sales fell by 23% primarily due to a 52% decrease in exports compared to 2008. Recession in US auto markets was the prime reason for such a severe fall in exports. Domestic sales also went down marginally to Rs. 237 Crores compared Rs. 240 Crores in 2008. The Company's Plant in Jamshedpur operated at a level below capacity.

Accordingly, Profit before tax went down by 42% to Rs. 4,491 lakhs primarily due to fall in exports.

Production at Jamshedpur Plant in terms of equivalent bearings registered a decline by 31% in 2009 whereas the Standard Value of Production went down by 28% to Rs.187 Crores.

DIVIDENDS

Your Directors are not recommending payment of any dividend on equity shares for 2009.

FINANCE

Working capital was managed well in 2009 resulting in generation of adequate cash flows. Pending investment of such funds in suitable growth opportunities in India, it was temporarily parked in debt based schemes offered by various

Mutual Funds. Receivables continued to be managed well, as a result of which the number of days outstanding for domestic receivable at the end of 2009 had come down to 63 days compared to 90 days of last year. Inventory management continued to remain under focus of the management team, more so in view of the recessionary phase being experienced at present, resulting in a reduction of Rs. 17 Crores at the end of 2009.

During the year under review, the Company did not borrow any fund to meet its working capital or other needs and ended the year debt-free – both secured and unsecured.

LISTING OF EQUITY SHARES ON STOCK EXCHANGES

Listing of the Company's equity shares on Bombay Stock Exchange Limited and National Stock Exchange of India Limited continued during 2009 and the listing fees for the year 2009-10 have been paid to the Stock Exchanges.

DIRECTORS

Ms. Sunitha Narahari ceased to be an Alternate Director to Mr. Roger W. Lindsay effective 23 March 2009. Mr. Gordon W Robinson resigned as the Chairman & Managing Director of the Company effective 1 August 2009. The Board placed on record its deep appreciation of the valuable contribution made by Ms. Narahari as an Alternate Director and Mr. Robinson as the Chairman & Managing Director of the Company.

Mr. Roger W Lindsay has been appointed as the Chairman of the Board with effect from 1 August 2009. Mr. Ajay K. Das has been appointed as the Managing Director with effect from 1 August 2009. In terms of relevant provisions of the Companies Act, 1956 ('the Act'), Mr. Das holds office upto the date of the forthcoming Annual General Meeting. The Company has received a notice from a member in terms of Section 257 of the Act signifying his intention to propose the name of Mr. Das for appointment as Director of the Company at the next Annual General Meeting. This item has been included in the Notice convening the next Annual General Meeting of the Company.

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

AUDITORS

Messrs. S R Batliboi & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the Twenty-third 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 2009.

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 2009 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 communities where Timken facilities are located.

PARTICULARS OF EMPLOYEES

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE

All the new machineries installed during the year are energy efficient. Significant cost saving on cutting fluids and consumption of electricity have been achieved by machine modifications, energy audit and efficient coolant management. Regarding absorption of foreign technology, the process is ongoing in the areas of machining, heat treatment and

finishing. The Company has now achieved full indigenization of all components for Standard Bearings and substantial indigenization for AP Bearings. It is the intention of the Company to proceed with the process of indigenization further.

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (1) The applicable Accounting Standards have been followed, in the preparation of the accompanying Accounts;
- (2) The Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year ended 31 December 2009 and of the profit of the Company for the said period;
- (3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (4) The Directors have prepared the accompanying Accounts on a going concern basis.

For and on behalf of the Board of Directors

Bangalore
16 February 2010

Roger W. Lindsay
Chairman

Declaration in terms of Clause 49 – Code of Conduct

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

I confirm that the Company has received from the Senior Management Team of the Company and from the members of the Board of Directors a declaration of compliance with the code for 2009.

For the purpose of this declaration, Senior Management Team means members of Management one level below the Executive Directors as on 31 December 2009.

Bangalore
16 February 2010

Ajay K. Das
Managing Director

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

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

- (a) Improved Plant power factor maintained at 0.98 in 2009 even at a lower production level.
 - 1) All high power consuming equipments / furnaces operation were closely monitored to reduce the overall power consumption.
 - 2) All high power motors operation converted from star delta mode to star mode.
 - 3) All mist controller motor were interlocked with grinding process so that it is not running while grinding operation is not on.
 - 4) Administrative office operations reduced from 6 days to 5 days a week for part of the year.
 - 5) All Office staff accommodated in one administrative building to reduce cost of airconditioning and lighting.
 - 6) Solar heater installed for canteen application.
 - 7) Selective stoppage of plant air conditioning based on ambient condition.
 - 8) New equipments / machines added during the year are energy efficient.
- (b) 1) Solar lighting for street lights.
- 2) Variable drive for plant air compressor system.
- (c) 1) The Electricity unit consumption reduced by 27,86,760 units in absolute terms.
- 2) The power cost reduced by Rs 84,85,425 in absolute terms.

- (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, recession in US severely impacted exports bringing it down to Rs. 79 Crores compared to Rs. 165 crores in 2008. The current indications about the export trend do not envisage a marked improvement in 2010.
Some of the Part Numbers previously used to be manufactured at other Timken locations worldwide continued to remain with the Company's Plant in Jamshedpur.

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

	2009	2008
i) Foreign Exchange Earnings	110	159
ii) Foreign Exchange Outgo	38	67

FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy

A. Power and fuel consumption

1. Electricity

	2009	2008
(a) Purchased Units (KWH)	16,239,250	19,026,010
Total amount (Rs.)	62,255,945	68,544,337
Rate Per Unit (Rs.) (all inclusive)	3.83	3.60

(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)

Not Used

- Quantity (tonnes)
- Total Cost
- Average rate

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

B. Consumption per unit of production

	Standards (if any)	2009	2008
Products (with details) unit			
Standard Bearings	Not applicable (Standard varies with product mix)		
Electricity		3.25	2.64
Furnace oil		Not Used	Not Used
Coal (specify quality)		Not Used	Not Used
Others (specify)		Nil	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
16 February, 2010

Roger W. Lindsay
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Bearing Industry Structure and Development

Year 2009 started with bottomed out economy, marked with uncertain outlook. Commodity prices fell at 60% of corresponding period in 1st Qtr 2008. Monetary policies and stimulus packages of the Government had desired effect resulting in consecutive rise in IIP for first 3 Qtr of 2009. The Indian economy registered a growth of around 6% during the first two quarters of calendar year 2009, falling from 9.5% and 8% GDP growth in 2007 and 2008. However, each quarter showed an increasing trend in the growth rates with quarter end-December 2009 registering 7.9%. Going forward we expect the India growth momentum to pick up through

- 1) increasing contribution of private investment in India's capital formation
- 2) investment in infrastructure and
- 3) urbanisation and industrialization of the economy.

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

The Indian bearing market is estimated at INR 55 billion and has been growing at about 9% CAGR during 2003-2008, but remained flat in 2009.

From a low of 2008 end and early 2009, the key markets for bearings, automotive and the infrastructure sector, both witnessed a steady increase in demand which led to substantial order booking in 4th Qtr of 2009.

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 sourcing these from other Timken Company plants globally.

During the year under review, the Company achieved a net sales of Rs.29,708 lakhs - a decline of 23% over 2008. There was a marginal decrease in domestic sales but exports fell by 52%, resulted in the overall fall of 23% in net sales. Recession in US auto markets was the prime reason for such a severe fall in exports. The Company's Plant in Jamshedpur operated at a level below capacity in 2009.

The Company's product portfolio has been diversifying with continued emphasis on value added products and services. In 2009, the Company started another new site operation, supporting a new hot plate Mill. Leveraging the Timken Technology Centre at Bangalore, the Company is working on applications for heavy truck, rail and infrastructure industries.

New business models, focusing on large fleet owners and service points, are being developed to increase penetration in the automotive aftermarket.

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

During 2009, the Company successfully implemented Project O.N.E. (Our New Enterprise) which includes the installation of a new SAP enabled ERP system to support business processes in order to serve our customers better through real time tracking of demand, inventory and supply.

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 to foresee and work with original equipment manufacturers in their new product development.

In 2009 Timken Company launched high performance non-TRB products. This together with - significant outsourcing of maintenance operations by some of our major customers especially in the heavy industry sector, provide growth opportunities for Timken.

Year 2010 poses opportunities in increasing business in growing Industrial, Rail and Automotive Markets. Major industries consuming roller bearings viz., heavy truck, steel, cement, off-highway equipments, power transmission and farm tractors are all seeing ramping up production and firming up of demand and also further declining export opportunities.

The Company fully realizes that tighter control on inventory, receivables and operating cost will be a critical focus in order to succeed in such market conditions.

Rising input costs 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 continue to 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 are continuously monitored by the Internal Audit team and the findings of these audits are reported to the Audit Committee of the Board and also to the Board of Directors. The adequacy of the internal control system has also been examined by the Statutory Auditors and the Audit Department of The Timken Company, USA and the Company has not

received any major adverse comments from them on the adequacy of the internal control systems.

HR Front

During the year 2009, 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 remained congenial all through out the year. The Company employed 574 Associates (including 282 Officers) as on 31 December 2009.

AUDITORS' REPORT

TO THE MEMBERS OF TIMKEN INDIA LIMITED

1. We have audited the attached Balance Sheet of Timken India Limited ('the Company') as at December 31, 2009 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on December 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2009 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 December 31, 2009;
 - 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.

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

per R. K. AGRAWAL
Partner
Membership No. 16667

Place: Kolkata
Date: 16th February 2010

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 a period of three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification of fixed assets. There was no substantial disposal of fixed assets during the year.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year. 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 Order 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 Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.
- (v) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered. The company interalia, undertakes transactions of purchase and sale of goods, materials and components, and services with associate and group companies, in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956. As these transactions relate to proprietary items manufactured by the Timken Group and raw materials and components in connection thereto, and / or specialized services rendered, comparative rates thereof are not always available; however as informed, considering the selling prices of such goods, in the market, and relevant transfer pricing guidelines, prima facie these transactions have been done at reasonable prices. For services received, there are no comparatives since as per the management's explanation such services are highly specialized in nature.
- (vi) The Company has not accepted any deposits from the public.
- (vii) 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 generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income tax, Sales tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities. As informed 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, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

ANNEXURE TO THE AUDITORS' REPORT (Continued)

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

Name of Statute	Nature of Dues	Amount (Rs.)	Period to which the amount relates	Forum
Income Tax Act, 1961	Income Tax Demands	64,185,442	2002-03, 2005-06, 2006-07	Commissioner of Income Tax (Appeals) Jamshedpur
		21,180,142	1998-99, 2000-01, 2001-02	Income Tax Appellate Tribunal, Ranchi
Income Tax Act, 1961	Demand of Additional Income Tax due to non-consideration of TDS Certificate	1,476,649	1991-92	Joint Commissioner of Income Tax, Jamshedpur
Jharkhand Finance (Amendment) Act, 2001	Local & Central Sales Tax Demands	222,747,031	1991-92 to 2006-07	Jt. Commissioner (Appeals), Jamshedpur
UP Trade Tax Act, 1948	Local & Central Sales Tax Demands	915,171	1994-1995 to 1996-1997	Appeal filed in Allahabad H'Court
		4,015,859	2003-04, 2004-05 & 2006-07	Pending with Dy. Commissioner (Appeal)
Haryana VAT Act, 2003	Sales Tax Demands	192,000	2003-04	Pending with Dy. Commissioner (Appeal)
Karnataka General Sales Tax Act, 1963	Sales Tax Demands	263,493	2001-02	Dy. Commissioner (Appeals), Bangalore (In process)
Madhya Pradesh Commercial Tax Act, 1994	Sales Tax Demands	304,368	1995-1996	Commissioner of Sales Tax, Raipur, Chattisgarh
West Bengal Sales Tax Act	Sales Tax Demands	3,731,111	2003-04	Dy. Commissioner of Commercial Taxes, Kolkata
		186,135	2005-06	Commissioner of Commercial Taxes (Appeals), Kolkata
Orissa Sales Tax Act	Sales Tax Demands	171,563	2003-04 & 2004-05	Jt. Commissioner (Appeal)
Central Excise Act, 1944	Excise Duty Demands	5,245,045	1998-99 to 2001-02	Deputy Commissioner of Central Excise, Jamshedpur

- (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) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

ANNEXURE TO THE AUDITORS' REPORT *(Continued)*

- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year 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.

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

Place: Kolkata
Date: 16th February, 2010

Per
R. K. AGRAWAL
Partner
Membership No. 16667

BALANCE SHEET AS AT 31ST DECEMBER, 2009

	Schedule	Rupees	As at 31.12.2009 Rupees	As at 31.12.2008 Rupees
SOURCES OF FUNDS				
a) SHAREHOLDERS' FUNDS				
(i) Share Capital	1	637,207,500		637,207,500
(ii) Reserves & Surplus	2	2,658,111,424		2,332,765,316
			3,295,318,924	2,969,972,816
b) LOAN FUNDS				
Secured Loans	3		—	37,429
			3,295,318,924	2,970,010,245
APPLICATION OF FUNDS				
c) FIXED ASSETS :	4			
(i) Gross Block		2,005,022,173		1,881,485,993
(ii) Less : Accumulated Depreciation		1,437,412,873		1,347,809,544
(iii) Net Block		567,609,300		533,676,449
(iv) Capital Work-In-Progress		108,553,780		171,820,338
— including capital advances Rs. 1,562,556 (Rs. 29,296,464)			676,163,080	705,496,787
d) INVESTMENTS	5		1,690,944,685	1,134,104,094
e) DEFERRED TAX ASSETS (NET) (refer note (m), schedule 17)			4,494,484	8,959,265
f) CURRENT ASSETS, LOANS AND ADVANCES				
(i) Inventories	6	672,688,724		841,615,222
(ii) Sundry Debtors	7	507,256,148		786,739,727
(iii) Cash and Bank Balances	8	75,439,439		52,608,523
(iv) Loans and Advances	9	262,125,634		283,323,675
		1,517,509,945		1,964,287,147
g) LESS : CURRENT LIABILITIES & PROVISIONS				
(i) Current Liabilities	10	543,607,230		770,310,592
(ii) Provisions	11	50,186,040		72,526,456
		593,793,270		842,837,048
h) NET CURRENT ASSETS			923,716,675	1,121,450,099
			3,295,318,924	2,970,010,245
i) SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	17			

Schedules 1 to 17 form an integral part of these accounts.

As per our report of even date
For S. R. BATLIBOI & CO.
Chartered Accountants
Per R. K. AGRAWAL
Partner
Membership No. 16667
Kolkata, 16 February, 2010

Ajay K. Das
Managing Director

For and on behalf of the Board
Roger W. Lindsay
Chairman
Soumitra Hazra
Company Secretary & Chief-Compliance

Bangalore, 16 February, 2010

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

	Schedule	Rupees	Year ended December 31, 2009 Rupees	Year ended December 31, 2008 Rupees
INCOME				
a) Sale of Products (Gross)		3,230,081,834		4,291,809,537
Less : Trade Discounts		30,850,783		41,595,088
Less : Excise Duty Recovered		228,431,816		377,674,969
Sale of Products (Net)			2,970,799,235	3,872,539,480
b) Income from Services	12		189,587,606	172,405,581
c) Other Income	13		149,965,257	229,392,424
			3,310,352,098	4,274,337,485
EXPENDITURE				
d) (Increase)/Decrease in Stock of Finished and Work in Progress	14		121,716,235	(156,607,751)
e) Excise Duty & Cess on Stocks (refer note (q) of Schedule 17)			(18,890,595)	2,397,719
f) Manufacturing and other expenses	15		2,650,601,618	3,538,485,923
g) Interest	16		4,200,481	10,570,564
h) Depreciation	4		103,401,628	104,597,091
			2,861,029,367	3,499,443,546
PROFIT BEFORE TAX & PRIOR PERIOD ITEMS			449,322,731	774,893,939
i) Income/(Expenses) Relating to Prior Period (net) (refer note (aa) of Schedule 17)			(219,840)	4,251,218
PROFIT BEFORE TAX			449,102,891	779,145,157
j) Provision for Taxation				
– Current		117,505,351		256,042,573
– Deferred		4,464,781		(16,742,598)
– Fringe Benefit Tax		1,786,651		9,873,082
			123,756,783	249,173,057
PROFIT AFTER TAX			325,346,108	529,972,100
k) PROFIT BROUGHT FORWARD FROM PREVIOUS YEAR			2,072,765,316	1,542,793,216
PROFIT CARRIED TO BALANCE SHEET			2,398,111,424	2,072,765,316
l) EARNINGS PER SHARE - Basic & Diluted			5.10	8.32
Nominal value of shares Rs. 10 (Previous year - Rs. 10) [refer note (y) of Schedule 17]				
m) SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS	17			

Schedules 1 to 17 form an integral part of these accounts.

As per our report of even date
For S. R. BATLIBOI & CO.
Chartered Accountants
Per R. K. AGRAWAL
Partner
Membership No. 16667
Kolkata, 16 February, 2010

Ajay K. Das
Managing Director

For and on behalf of the Board
Roger W. Lindsay
Chairman
Soumitra Hazra
Company Secretary & Chief-Compliance

Bangalore, 16 February, 2010

SCHEDULES 1 TO 17 FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST DECEMBER 2009**SCHEDULE 1 : SHARE CAPITAL**

	<u>Rupees</u>	<u>As at 31.12.2009 Rupees</u>	<u>As at 31.12.2008 Rupees</u>
Authorised :			
75,000,000 Equity Shares of Rs. 10 /- each	750,000,000		750,000,000
2,600,000 9% Cumulative Redeemable Preference Shares of Rs.100/- each	260,000,000		260,000,000
		1,010,000,000	1,010,000,000
Issued :			
63,750,000 Equity Shares of Rs. 10 /- each		637,500,000	637,500,000
Subscribed:			
(refer note (p), Schedule 17)			
63,734,850 Equity Shares of Rs. 10 /- each fully paid-up	637,348,500		637,348,500
Less: Calls in Arrears - others than directors	141,000		141,000
		637,207,500	637,207,500

SCHEDULE 2 : RESERVES & SURPLUS

a) Capital Redemption Reserve – as per last Account		260,000,000	260,000,000
b) Profit & Loss Account Balance		2,398,111,424	2,072,765,316
		2,658,111,424	2,332,765,316

SCHEDULE 3 : SECURED LOANS

Cash Credit from a Scheduled Bank		—	37,429
(Secured by hypothecation of entire inventories & receivables)		—	37,429

SCHEDULE 4 : FIXED ASSETS

(refer note (r) Schedule 17)

ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	Opening Balance as at 01.01.2009	ADDITIONS	DEDUCTIONS	AS AT 31.12.2009	Opening Balance as at 01.01.2009	FOR THE YEAR	DEDUCTIONS	TOTAL UPTO 31.12.2009	AS AT 31.12.2009	AS AT 31.12.2008
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Buildings	160,759,617	7,569,892	834,020	167,495,489	65,443,988	5,510,083	513,442	70,440,629	97,054,860	95,315,629
Plant & Machinery (Including Tools)	1,612,627,683	131,587,895	16,240,468	1,727,975,110	1,218,542,691	84,212,837	9,538,719	1,293,216,809	434,758,301	394,084,992
Office Equipment	22,931,446	251,549	424,342	22,758,653	16,322,458	2,383,987	340,643	18,365,802	4,392,851	6,608,988
Computer	41,861,747	4,971,747	300,165	46,533,329	23,121,458	6,822,012	203,466	29,740,004	16,793,325	18,740,289
Furniture & Fixtures	19,433,336	160,569	293,320	19,300,585	12,021,132	1,088,012	183,117	12,926,027	6,374,558	7,412,204
Vehicles	23,872,164	533,265	3,446,422	20,959,007	12,357,817	3,384,697	3,018,912	12,723,602	8,235,405	11,514,347
Total	1,881,485,993	145,074,917	21,538,737	2,005,022,173	1,347,809,544	103,401,628	13,798,299	1,437,412,873	567,609,300	533,676,449
Previous Year's Total	1,806,613,743	113,726,810	38,854,560	1,881,485,993	1,275,635,327	104,597,091	32,422,874	1,347,809,544	533,676,449	

SCHEDULE 5 : INVESTMENTS

	Face Value Rs	Holdings As at 31.12.2009		Holdings as at 31.12.2008	
		Nos	Rs	Nos	Rs
Long Term Investments (At Cost)					
Trade (Unquoted) Equity Shares fully paid					
Nicco Jubilee Park Limited	10	30,000	300,000	30,000	300,000
Total (A)			300,000		300,000
Current Investments (Non Trade) (At Lower of Cost and Market Value)					
Other Investments					
Quoted					
Kotak FMP 13M Series 5 - Growth	10	13,025,494	130,254,940	—	—
SBI Debt Fund Series - 13 Months - 10 - Institutional - Growth	10	5,000,000	50,000,000	—	—
Birla Sun Life Fixed Term Plan - Instl. - Series - BK - Growth	10	6,390,101	63,901,011	—	—
Reliance Fixed Horizon Fund - XII - Series 3-Super Institutional Plan - Growth	10	5,989,269	59,892,691	—	—
Total (B)			304,048,642		—
Unquoted					
Reliance Fixed Horizon Fund - VII - Series 4-Institutional - Growth	10	—	—	5,000,000	50,000,000
Birla Sun Life FTP - INSTL- Series AN - Growth	10	—	—	4,000,000	40,000,000
DSPBR FMP 121/2M SERIES 1 Inst - Growth	10	—	—	2,000,000	20,000,000
HDFC FMP 370D Mar 2008 (VII) (2) - Wholesale Plan - Growth	10	—	—	4,042,402	40,424,017
Birla Sun Life FTP - INSTL - Series AZ - Growth	10	—	—	5,000,000	50,000,000
Tata Fixed Investment Plan - 2 Scheme- B - Institutional Plan - Growth	10	—	—	5,000,000	50,000,000
DSPBR FMP 12M Series 2 Inst - Growth	10	—	—	5,000,000	50,000,000
Birla Sun Life Short Term Fund - Institutional Daily Dividend	10	—	—	11,790,749	117,972,265
Birla Sun Life Savings Fund - Instl. - DDR	10	25,402,053	254,193,259	—	—
DSP BlackRock Floating Rate Fund - Institutional Plan - DDR	1000	50,186	50,213,746	—	—
HDFC FMP 90D November 2008 (X) (2) - Wholesale Plan - Dividend	10	—	—	6,000,000	60,000,000
HDFC Cash Management Fund - Savings Plus Plan - Wholesale - DDR	10	21,571,480	216,394,297	3,037,532	30,470,995
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale option - DDR	10	4,121,326	41,546,673	—	—
ICICI Prudential Institutional Liquid Plan - Super Institutional - DDR	10	—	—	5,000,751	50,010,010
ICICI Prudential Flexible Income Plan Premium - DDR	100	1,514,916	160,179,664	—	—
Kotak Quarterly Interval Plan Series 3 - Dividend	10	—	—	5,174,882	51,749,314
Kotak Quarterly Interval Plan Series 4 - Dividend	10	—	—	2,048,070	20,480,699
Kotak Floater Long Term - DDR	10	13,999,946	141,116,652	—	—
Reliance Medium Term Fund - DDR	10	12,296,053	210,207,168	9,274,640	158,554,600
SBI Debt Fund Series-90 Days- 32 -Dividend	10	—	—	4,386,727	43,867,275
SBI Debt Fund Series -90 Days- 30 - Dividend	10	—	—	6,236,292	62,362,924
Tata Floater Fund - DDR	10	22,412,114	224,919,014	16,105,611	161,629,459
UTI Treasury Advantage Fund Institutional - DDR	1000	87,803	87,825,570	76,267	76,282,536
Total (C)			1,386,596,043		1,133,804,094
Total (A + B+ C)			1,690,944,685		1,134,104,094
Note -					
Aggregate Amount of Investments					
Quoted			304,048,642		—
Unquoted			1,386,896,043		1,134,104,094
Market Value of Quoted Investments			323,268,610		—

SCHEDULE 5 : INVESTMENTS(Contd.)

The following Investments were purchased and sold during the year

	Face Value Rs	Purchased / Dividend Reinvested Nos	Purchased/ Dividend Reinvested Rs.	Sale/Conversion Nos	Sale/Conversion Rs.
Current Investments (Non Trade)					
Quoted					
Kotak FMP 13M Series 5 - Growth	10	13,025,494	130,254,940	—	—
SBI Debt Fund Series - 13 Months - 10 - Institutional - Growth	10	5,000,000	50,000,000	—	—
Birla Sun Life Fixed Term Plan - Instl. - Series - BK - Growth	10	6,390,101	63,901,011	—	—
Reliance Fixed Horizon Fund - XII - Series 3-Super Institutional Plan - Growth	10	5,989,269	59,892,691	—	—
Unquoted					
Reliance Fixed Horizon Fund - VII - Series 4-Institutional - Growth	10	—	—	5,000,000	50,000,000
Birla Sun Life FTP - INSTL - Series AN - Growth	10	—	—	4,000,000	40,000,000
DSPBR FMP 121/2M SERIES 1 Inst - Growth	10	—	—	2,000,000	20,000,000
HDFC FMP 370D Mar 2008 (VII) (2) - Wholesale Plan - Growth	10	—	—	4,042,402	40,424,017
Birla Sun Life FTP - INSTL - Series AZ - Growth	10	—	—	5,000,000	50,000,000
Tata Fixed Investment Plan - 2 Scheme- B - Institutional Plan - Growth	10	—	—	5,000,000	50,000,000
DSPBR FMP 12M Series 2 Inst - Growth	10	—	—	5,000,000	50,000,000
Birla Sun Life Short Term Fund - Institutional Daily Dividend	10	149,070	1,491,591	11,939,819	119,463,856
Birla Sun Life Savings Fund - Instl. - DDR	10	33,979,382	340,024,876	8,577,329	85,831,616
DSP BlackRock Strategic Bond Fund - Institutional Plan - DDR	1000	22,200	22,247,432	22,200	22,247,432
DSP BlackRock Floating Rate Fund - Institutional Plan - DDR	1000	50,186	50,213,747	—	—
HDFC FMP 90D November 2008 (X) (2) - Wholesale Plan - Dividend	10	—	—	6,000,000	60,000,000
HDFC Cash Management Fund - Savings Plus Plan - Wholesale - DDR	10	21,576,691	216,446,578	3,042,743	30,523,275
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale option - DDR	10	4,121,326	41,546,674	—	—
HDFC Cash Management Fund - Savings Plan - DDR	10	5,210,743	55,423,542	5,210,743	55,423,542
ICICI Prudential Institutional Liquid Plan - Super Institutional - DDR	10	102,701	1,034,205	5,103,452	51,044,215
ICICI Prudential Floating Rate Plan D - DDR	10	15,353,920	153,571,445	15,353,920	153,571,445
ICICI Prudential Floating Rate Plan D - DDR	100	1,035,003	103,521,994	1,035,003	103,521,994
ICICI Prudential Flexible Income Plan Premium - DDR	10	10,459,288	110,591,285	10,459,288	110,591,285
ICICI Prudential Flexible Income Plan Premium - DDR	100	2,565,787	271,293,452	1,050,870	111,113,788
Kotak Quarterly Interval Plan Series 3 - Dividend	10	62,888	628,881	5,237,771	52,378,196
Kotak Quarterly Interval Plan Series 4 - Dividend	10	34,590	345,903	2,082,660	20,826,602
Kotak Floater Long Term - DDR	10	28,002,913	282,263,761	14,002,967	141,147,109
Reliance Medium Term Fund - DDR	10	18,040,210	308,406,415	15,018,797	256,753,846
SBI Debt Fund Series-90 Days- 32 -Dividend	10	82,935	829,355	4,469,663	44,696,629
SBI Debt Fund Series -90 Days- 30 - Dividend	10	134,891	1,348,910	6,371,183	63,711,834
SBI - SHF - Ultra Short Term Fund - Institutional - DDR	10	4,485,417	44,876,598	4,485,417	44,876,598
Tata Floater Fund - DDR	10	15,388,108	154,428,895	9,081,603	91,139,338
UTI Treasury Advantage Fund Institutional - DDR	1000	83,605	83,626,318	72,068	72,083,287
			2,548,210,499		1,991,369,904

	As at 31.12.2009 Rupees	As at 31.12.2008 Rupees
SCHEDULE 6 : INVENTORIES		
<i>(At lower of Cost and Net Realisable Value)</i>		
a) Stores and Spares *	64,940,141	75,627,084
b) Raw materials and Components * (refer note (c)2, Schedule 17)	174,697,381	211,220,701
c) Work - in - progress	174,225,154	70,327,934
d) Finished stock *	258,826,048	484,439,503
	672,688,724	841,615,222
*Includes in transit.		
Stores & Spares	2,008,738	6,416,884
Raw Material	18,808,934	103,062,599
Finished Stock	59,089,175	19,267,733
	79,906,847	128,747,216
SCHEDULE 7 : SUNDRY DEBTORS		
<i>(refer note (t), Schedule 17)</i>		
a) Debts outstanding for a period over six months		
Secured and considered good	169,099	989,703
Unsecured – considered good	8,020,517	13,535,752
– considered doubtful	12,743,503	17,473,749
	20,933,119	31,999,204
b) Other Debts		
Secured and considered good	4,490,694	5,028,251
Unsecured – considered good	494,575,846	767,186,025
– considered doubtful	5,249,527	1,020,589
	504,316,067	773,234,865
Less : Provision for Bad and Doubtful debts	17,993,038	18,494,342
	507,256,148	786,739,727
SCHEDULE 8 : CASH AND BANK BALANCES		
a) Cash and Cheques in Hand		
Cash	65,239	306,501
Cheques in Hand	—	330,281
Remittances in Transit	—	38,085,590
b) Balance with Scheduled Banks		
In Current Accounts	75,374,200	13,886,151
	75,439,439	52,608,523

TIMKEN INDIA LIMITED

	As at 31.12.2009 Rupees	As at 31.12.2008 Rupees
SCHEDULE 9 : LOANS AND ADVANCES (Unsecured) (refer note (u), Schedule 17)		
a) Advances recoverable in Cash or in Kind or for value to be received	95,253,108	74,178,222
b) Advance Tax / Tax Deducted at source (net of Provision) (Rs. 1,411,370,992 (Rs. 1,292,078,989))	47,898,820	26,990,676
c) Prepaid expenses	3,335,435	9,009,694
d) Export Incentive Receivable	21,633,882	42,153,521
e) Balances with Customs, Excise and other statutory authorities	74,618,804	105,644,722
f) Deposits	19,485,585	25,689,340
	262,225,634	283,666,175
Less : Provision for Doubtful Advances & Deposits	100,000	342,500
	262,125,634	283,323,675

Notes : 1) Amount due from a Director Rs. Nil (Rs. Nil). Maximum amount due during the year Rs. 47,425 (Rs. 107,105).

2) Amount due from an Officer Rs. 32,583 (Rs. 22,500). Maximum amount due during the year Rs. 32,583 (Rs. 40,000).

SCHEDULE 10 : CURRENT LIABILITIES

	Rupees	As at 31.12. 2009 Rupees	As at 31.12.2008 Rupees
a) Sundry Creditors :			
i) Dues of Micro and Small Enterprises (refer note (s), Schedule 17)	397,296		5,690,794
ii) Dues to Others Creditors	483,250,730		675,054,439
		483,648,026	680,745,233
b) Advance from Customers / Contractors		1,861,246	315,983
c) Deposit from Customers (Bearing Interest)		9,228,850	15,968,828
d) Other Liabilities (refer note (l), Schedule 17)		48,869,108	73,280,548
		543,607,230	770,310,592

	As at 31.12.2009 Rupees	As at 31.12.2008 Rupees
SCHEDULE 11 : PROVISIONS		
a) Employees' Compensated Absences	29,049,730	39,822,727
b) Employees' Death Benefit Scheme (for changes in estimates & disclosures refer note (x), Schedule 17)	10,152,520	14,664,451
c) Employees' Provident Fund (for changes in estimates & disclosures refer note (x), Schedule 17)	2,985,220	3,847,170
d) Employees' Gratuity (for changes in estimates & disclosures refer note (x), Schedule 17)	7,998,570	14,192,108
	50,186,040	72,526,456
	Year ended December 31, 2009 Rupees	Year ended December 31, 2008 Rupees
SCHEDULE 12 : INCOME FROM SERVICES		
i) Agency Commission	52,195,046	66,327,268
ii) Other Services – including TDS Rs. 4,226,089 (Rs. 2,792,868)	137,392,560	106,078,313
	189,587,606	172,405,581
SCHEDULE 13 : OTHER INCOME		
i) Foreign Exchange Gain (net)	10,690,922	44,283,770
ii) Liabilities no longer required written back [including provisions Rs. 4,955,407 (Rs. 5,399,586)]	21,988,906	11,603,605
iii) Export incentives under DEPB Scheme (net)	21,033,972	51,634,741
iv) Dividend from Current Investments - Non Trade	46,017,251	56,002,232
v) Profit on Sale of Current Investments - Non Trade	32,802,566	36,463,333
vi) Insurance Claims	6,225,409	5,072,402
vii) Interest Income – Others		
From Suppliers	2,207,860	5,050,630
On Income Tax Refund	—	3,843,313
viii) Miscellaneous Income	8,998,371	15,438,398
	149,965,257	229,392,424
SCHEDULE 14 : (INCREASE)/DECREASE IN STOCK OF FINISHED AND WORK IN PROGRESS		
Opening Stock		
Work in Progress	70,327,934	53,988,351
Finished Goods	484,439,503	344,171,335
	554,767,437	398,159,686
Less : Closing Stock		
Work in Progress	174,225,154	70,327,934
Finished Goods	258,826,048	484,439,503
	433,051,202	554,767,437
	121,716,235	(156,607,751)

		Year ended December 31, 2009 Rupees	Year ended December 31, 2008 Rupees
	Rupees		
SCHEDULE 15 : MANUFACTURING AND OTHER EXPENSES			
1) Purchase of Products for resale (refer note (c), Schedule 17)		81,886,836	460,239,078
2) Raw Materials and Components consumed (Includes additional custom duty of Rs. 14,593,526 (Rs. Nil) relating to previous years) (refer note (d) & (o), Schedule 17)		1,438,212,198	1,739,980,865
3) Payments to and Provision for employees			
a) Salaries, Wages and Bonus (refer note (ab), Schedule 17)	279,557,576		342,213,022
b) Contribution to Provident & Other Funds	18,576,815		45,302,978
c) Staff Welfare expenses	20,632,425		24,850,936
		318,766,816	412,366,936
4) Operation & Other Expenses			
a) Stores and spare Consumed (including Consumables) (also refer note (e)(ii), Schedule 17)	192,660,488		255,442,356
b) Power	62,255,945		68,544,337
c) Repairs to Buildings	7,674,999		9,820,770
d) Repairs to Machineries	20,986,235		22,605,531
e) Royalty	72,555,578		103,540,327
f) Rent	21,916,384		16,088,518
g) Rates and Taxes	4,274,580		3,300,178
h) Insurance	6,127,687		4,455,677
i) Commission & Discount	53,973,513		53,089,682
j) Travelling	46,139,949		84,285,327
k) Conversion Charges	38,108,858		28,099,790
l) Legal & Professional Fees	74,142,830		90,289,446
m) Donations	—		354,049
n) Other Expenses (refer note (o), Schedule 17)	165,420,499		132,429,080
		766,237,545	872,345,068
5) Carriage and Handling		28,324,479	40,102,573
6) Provision for doubtful debts, deposits & advances		14,798,258	9,230,914
7) Irrecoverable Debts, Deposits & Advances written off	12,823,196		7,728,712
Less : Adjusted against opening Provision	10,239,157		5,289,384
		2,584,039	2,439,328
8) Excise Duty Expense	291,653		3,791,421
Less: Recovery	500,206		2,010,260
(refer note (z), Schedule 17)		(208,553)	1,781,161
		2,650,601,618	3,538,485,923
SCHEDULE 16 : INTEREST			
Interest Expense			
Other than fixed loan		4,200,481	10,570,564
		4,200,481	10,570,564

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

a) SIGNIFICANT ACCOUNTING POLICIES

(i) Nature of Operations

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

(ii) Basis of Preparation

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

(iii) Use of estimates

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

(iv) Revenue Recognition

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

Sale of Goods

Revenue from sale of goods 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. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arisen during the year.

Income from Services

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

Export Incentives under the Duty Entitlement Pass Book (DEPB) scheme are recognized 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.

(v) Fixed Assets

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

(vi) Cash & Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, cheques in hand, remittances in transit and short-term investments with an original maturity of three months or less.

(vii) Depreciation

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

	Rates (SLM)	Schedule XIV Rates (SLM)
Building	3.34%	3.34%
Furniture & Fixtures	10%	6.33%
Office Equipment, Amortised Tools, Computer & Vehicles	20%	9.5%, 10.34%, 16.21%
Air conditioning at Plant		

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

(viii) Foreign Currency Translations

Foreign currency transactions

(i) Initial Recognition

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

SCHEDULE 17 : (Contd.)**(ii) Conversion**

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

(iii) Exchange Differences

Exchange differences arising on a monetary item that, in substance, form part of the company's net investment in a nonintegral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

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

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

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

(ix) Inventories

Inventories are valued as follows:

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

(x) Retirement Benefits

a) Gratuity is administered through an approved benefit fund, 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.

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 and loss account and are not deferred.

(xi) Excise Duty

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

(xii) 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.

(xiii) 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, 1961 enacted in India. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. 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.

SCHEDULE 17 : (Contd.)

(xiv) Investments

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

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

(xv) Borrowing Costs

a) Borrowing costs that are directly attributable to the acquisition / construction of a qualifying asset are capitalized as part of the cost of that asset till the time it is ready to put to use.

b) All other borrowing costs are recognized as expenditure during the period in which these are incurred.

(xvi) 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.

(xvii) 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.

(xviii) Impairment

a) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value 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.

(xix) 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.

(xx) Segment Reporting Policies

Identification of segments:

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

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

Allocation of common costs:

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

Segment Policies:

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

SCHEDULE 17 : (Contd.)**b) LICENSED AND INSTALLED CAPACITY AND PRODUCTION**

Installed capacity				Production			
i)	Standard Roller Bearings including components	4,000,000 (4,000,000)	Nos. Nos.	i)	Standard Roller Bearings	1,271,597 (1,432,175)	Nos. Nos.
ii)	Special Roller Bearings including components	370,000 (370,000)	Nos. Nos.	ii)	Special Roller Bearings	101,859 (103,557)	Nos. Nos.
				iii)	Components (manufactured for sale)	3,834,228 (9,485,173)	Nos. Nos.

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

c) TURNOVER, CLOSING AND OPENING STOCK OF GOODS

	TURNOVER				CLOSING STOCK				OPENING STOCK				PURCHASE #			
	Quantity *		Rupees **		Quantity		Rupees		Quantity		Rupees		Quantity		Rupees	
i) Tapered Roller / Ball Bearings (Including purchased for resale)	1,956,096	Nos.	1,761,152,075		247,202	Nos.	116,754,798		1,020,640	Nos.	179,697,648		93,758	Nos.	3,685,226	
	(2,518,848)	Nos.	(1,891,262,012)		(1,020,640)	Nos.	(179,697,648)		(1,288,108)	Nos.	(178,090,766)		(920,994)	Nos.	(116,479,593)	
ii) Components (Including purchased for resale)	5,220,195	Nos.	1,098,978,813		822,247	Nos.	129,431,656		2,282,208	Nos.	286,537,189		92,392	Nos.	22,874,230	
	(10,396,455)	Nos.	(1,881,727,938)		(2,282,208)	Nos.	(286,537,189)		(1,960,192)	Nos.	(149,232,118)		(1,286,188)	Nos.	(250,918,120)	
iii) Bearing accessories & Maintenance Products (including Purchased for resale)	@		110,668,347				12,639,594				18,204,666				55,327,380	
			(99,549,530)				(18,204,666)				(16,848,451)				(92,841,365)	
			<u>2,970,799,235</u>				<u>258,826,048</u>				<u>484,439,503</u>				<u>81,886,836</u>	
			<u>(3,872,539,480)</u>				<u>(484,439,503)</u>				<u>(344,171,335)</u>				<u>(460,239,078)</u>	

Notes:

- * Excludes free samples to customers.
- ** Sale of Products is stated net of excise duty and trade discount.
- # Purchases are for resale and inclusive of stock in transit.
- @ Quantitative information not furnished due to nature and large volume of such items with small values.

Notes :

1. The company has obtained excise registration for certain regional distribution centers, and during the year has started treating them as manufacturing locations. Consequently, opening stock of finished goods as at 1.4.2009, at such centers, was reclassified as Work-in-Progress. Excise duty on such goods was re-credited to CENVAT balances, and such duties were repaid upon completion of production at such centers.
2. In view of the fact that the company also manufactures and purchases number of similar components that are used in the manufacture of the final products, and the fact that individual identification of which is not possible, raw materials and components include both the class of materials.

SCHEDULE 17 : (Contd.)

d) CONSUMPTION OF RAW MATERIALS AND COMPONENTS*

Details of Raw Materials/Components	Year ended December 31, 2009		Year ended December 31, 2008	
	Quantity	Rupees	Quantity	Rupees
Raw Materials - Steel	8,47,473 Kgs.	60,970,026	13,92,574 Kgs.	87,552,622
Rings	43,47,128 Nos.	768,065,564	66,32,641 Nos.	1,070,789,469
Components & Accessories	@	609,176,608	@	581,638,774
		1,438,212,198		1,739,980,865

@ Quantitative information not furnished due to nature and large volume of such items with small values.

* Raw materials and components consumed include Rs. 10,662,651 (Rs. Nil) being provision towards raw materials turned defective, lying at the plant.

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, 2009		Year ended December 31, 2008	
	%	Rupees	%	Rupees
i) Raw Materials and components*				
Imported	8.36	120,259,450	12.70	220,924,166
Indigenous	91.64	1,317,952,748	87.30	1,519,056,699
	100.00	1,438,212,198	100.00	1,739,980,865
ii) Stores and spare parts				
Imported	5.86	11,291,043	12.59	32,152,146
Indigenous	94.14	181,369,445	87.41	223,290,210
	100.00	192,660,488	100.00	255,442,356

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

	Year ended December 31, 2009 Rupees	Year ended December 31, 2008 Rupees
i) Raw Materials, components, stores and spare parts	266,376,923	285,089,127
ii) Finished Products for re-sale	6,800,812	257,485,239
iii) Capital Goods	13,885,965	90,064,425

SCHEDULE 17 : (Contd.)

	Year ended December 31, 2009 Rupees	Year ended December 31, 2008 Rupees
g) EXPENDITURE IN FOREIGN CURRENCY (on cash basis)		
i) Foreign Travel	2,970,965	8,275,633
ii) Bank Charges	192,928	130,926
iii) Royalty (net of withholding tax)	43,729,843	72,455,481
iv) Agency commission	2,067,793	1,229,904
v) Others*	74,712,764	34,403,378
* Others include Intercompany service billings & reimbursement of expenses.		
h) EARNINGS IN FOREIGN EXCHANGE (on cash basis)		
i) F.O.B. value of exports	1,049,763,210	1,523,297,037
ii) Agency commission	49,766,533	70,999,236
	As at 31.12.2009 Rupees	As at 31.12.2008 Rupees
i) CONTINGENT LIABILITIES NOT PROVIDED FOR		
A. Demands raised by Sales Tax/Income Tax/Excise authorities		
i) Demand of sales tax for non-availability/non-consideration by Assessing Officer of various sales tax declaration forms.	224,268,896	108,373,790
ii) Demand of sales tax on account of non-deduction of various allowances and consequent enhancement of Gross turnover.	5,856,165	13,884,317
iii) Demand of sales tax on method of valuation of Goods.	1,221,668	1,221,669
iv) Demand of Additional Income Tax due to non-consideration of TDS Certificates by the Assessing Officer.	1,476,649	1,476,649
v) Demand of Income Tax due to disallowance of certain business expenses & incentives by the Assessing Officer.	85,254,317	67,658,126
vi) Demand of excise duty on CVD credit for imported components of railway bearings.	5,245,045	5,245,045
viii) Demand of excise duty, on discounts allowed to customers, during finalization of Provisional Assessment for the period Apr'04 to Mar'06	Nil	27,925,353
B. Other Claims against the Company not acknowledged as debts		
i) Demand towards ESI contribution on employees at Kolkata office of the Company. The Company has contested on the applicability of ESI for such employees and the issue is pending before the Assistant Regional Director, ESI Corporation, Kolkata.	613,737	788,885
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.	508,351	488,690
iii) Claims for recovery arising out of suit filed by a contractor before the Calcutta High Court	5,799,702	5,799,702
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 (both under (A) & (B) categories) and hence, no provision there against is considered necessary.		
j) ESTIMATED AMOUNT OF CONTRACTS REMAINING TO BE EXECUTED ON CAPITAL ACCOUNT AND NOT PROVIDED FOR (net of advances paid)	3,991,111	52,985,967

SCHEDULE 17 : (Contd.)

	Year ended December 31, 2009 Rupees	Year ended December 31, 2008 Rupees
k) DIRECTORS' REMUNERATION		
i) Salary	4,874,417	15,450,108
ii) Contribution to Provident & Other Funds	434,721	374,340
iii) Estimated Value of Perquisites	641,421	1,763,860
Total	5,950,559	17,588,308

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

l) The company carries a liability of Rs.54,949,922 (Rs.37,443,979) being provision towards additional custom duty on imports for various years which appears as part of other liability in Schedule 10. The company has made these provisions based on most recent assessments. Further, the management is of the view that this liability shall be payable only at the time of final assessment. Pending such final assessment, the company has also deposited Rs.42,007,525 (Rs.49,804,944) with customs authorities. The net liability for the current year is included in other liabilities in Schedule 10, whereas the net deposit for the previous year is included in Deposits in Schedule 9.

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 :

	As at 31.12.2009 Rupees	As at 31.12.2008 Rupees
– Disallowance u/s 43B and 40(a)(ia) of Income Tax Act, 1961	20,812,308	29,537,388
– Provision for Bad Debts	7,222,044	6,551,715
– Depreciation	(23,539,868)	(27,129,838)
Net Deferred Tax Assets/(Liabilities)	4,494,484	8,959,265

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

i) Forward Contract outstanding as at Balance Sheet Date	Purpose
Particulars of Forward Contracts	
Sell US \$ 1,050,000 (Rs. 48,520,500)	Hedge of Trade Receivables denominated
[US \$ 3,320,000 (Rs. 161,700,000)]	in Foreign Currencies.

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

Sl. No.	Particulars	Foreign Currency	Rupees
a)	Sundry Debtors, Loans & Advances	USD 2,316,383 (5,592,045)	107,040,072 (270,734,713)
		EURO Nil (111)	Nil (7,508)
		YEN 1,320,000 Nil	694,584 Nil
b)	Current Liabilities & Provisions	USD 3,405,904 (6,291,562)	160,486,196 (305,554,117)
		EURO 2,963 (12,143)	201,395 (839,949)
		GBP 579 (160)	43,962 (11,310)
		YEN 210,000 (861,555)	107,667 (465,240)
		CHF 2,134 Nil	97,631 Nil

SCHEDULE 17 : (Contd.)

	Year ended December 31, 2009 Rupees	Year ended December 31, 2008 Rupees
o) OTHER EXPENSES		
Item 4 (n) of Schedule 15 includes :		
i) Auditors' Remuneration *		
– For services as Auditors	1,550,000	1,360,000
– For Limited Reviews	1,350,000	1,200,000
– For Tax Audit	500,000	475,000
– For US GAAP Certification	525,000	475,000
– For Other Services	245,000	185,000
– For Corporate Governance	84,700	66,200
– For Travelling and out-of-pocket expenses	Nil	273,322
* Exclusive of service tax		
ii) Directors' fees	165,000	200,000
iii) Loss on disposal / discarding of assets (net) (Excluding insurance claims of Rs. Nil (Rs. 584,933) included in other Income (ref Schedule 13(vi))	6,845,505	4,393,921
iv) Provision for wealth tax	Nil	205,000
v) Networking & ERP charges	33,365,417	1,682,297

Note: - Other Expenses include Rs. 9,077,700 (Rs. Nil) being provision for raw materials lying with the job worker which has turned defective, for which the company has decided to reimburse the loss to such job worker, since these materials were procured for company's use only.

- p) i) No Equity shares have been allotted during the year ended 31st December, 2009 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, 2009.
- iii) Calls in arrears of Rs. 141,000 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) The leasehold land on which the factory is located, is on a sub lease from another company. As informed, the lessee is presently in discussion with relevant authority to get the lease renewed as its original lease has expired. The company has however made appropriate provision for anticipated lease charges (refer Schedule 4).
- s) Information in terms of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

Details of dues to Micro and Small Enterprises as per MSMED Act, 2006	As at / For the year ended 31-12-2009 (Rupees)	As at / For the year ended 31-12-2008 (Rupees)
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Principal – 297,435 Interest – 20,748	Principal – 5,623,749 Interest – 67,045
The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Principal – 3,303,970 Interest – Nil	Principal – Nil Interest – Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	67,045	67,045
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	99,861	67,045
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprise Development Act, 2006	12,068	—

SCHEDULE 17 : (Contd.)

	As at 31.12.2009 Rupees	As at 31.12.2008 Rupees
t) Sundry Debtors include dues from companies under the same Management :-		
Timken UK Limited	1,085,935	331,894
Australian Timken Proprietary Limited	3,884,959	5,495,349
Timken Do Brasil Com.E.Ind.Ltda.	45,582,640	37,000,867
Timken Singapore PTE. Limited	198,037	11,921,514
Timken South Africa (PTY) Limited	2,299,710	4,549,741
Timken Shanghai Distribution & Sales	2,554,511	11,173,365
Timken India Manufacturing Pvt. Ltd.	248,241	—
Timken Bearing Services South Africa	—	7,138,038

	As at 31.12. 2009 Rupees	Maximum Amount due during 2009 Rupees	As at 31.12. 2008 Rupees	Maximum Amount due during 2008 Rupees
Timken Europe (France)	—	—	—	284,366
Timken Engg. and Research India Pvt. Ltd.	—	409,353	—	3,435
Timken Yantai Company Limited	—	—	—	11,074
Timken Singapore Ltd.	406,839	1,148,213	530,885	838,617
Timken – Shanghai	—	—	9,421,848	9,421,848
Timken Italia S.R.L.	—	—	—	92,367
Timken Wuxi (China)	—	—	—	26,735
Timken India Manufacturing Pvt. Ltd.	1,714,000	3,222,001	2,203,835	17,854,152

v) **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.

Geographical Segments:

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

Secondary Segment - Geographical

	Year ended December 31, 2009 Rupees	Year ended December 31, 2008 Rupees
Sales Revenue by Geographical Market		
India	2,371,399,927	2,398,477,013
Outside India	788,986,914	1,646,468,048
Total	3,160,386,841	4,044,945,061
Carrying Amount of Segment Assets		
India	3,680,463,735	3,344,455,132
Outside India	156,255,155	432,442,220
Total	3,836,718,890	3,776,897,352
Purchase of Fixed Assets		
India	109,542,267	195,208,646
Outside India	—	—
Total	109,542,267	195,208,646

SCHEDULE 17 : (Contd.)**w) Related Party Disclosure:**

During the year, the company entered into transactions with related parties. Those transactions along with related balances at 31st December 2009 and for the year then ended are presented in the following table.

SI No.	Name of the Related Party	Relationship	Nature of transactions	Transaction Amount (Rs)	Outstanding as at 31-12-2009 (Rs)
1	The Timken Company, USA	Holding Co. with 80% equity shares	Purchase of goods	200,542,808 (370,145,111)	97,523,102 (232,230,550)
			Sale of Goods	459,854,618 (1,167,427,230)	81,733,639 (317,660,856)
			Purchases of Fixed Assets	13,144,636 (78,371,169)	868,162 (36,999,384)
			Expenses Receivable	8,620,687 (12,796,655)	4,018,285 (1,953,954)
			Expenses Payable	67,468,129 (34,805,940)	12,467,958 (16,787,129)
			Agency Commission (Income)	51,478,222 (66,065,342)	10,558,068 (9,056,846)
			Royalty	72,555,578 (98,609,834)	78,499,213 (76,235,198)
2	Timken UK Limited	Fellow Subsidiary	Sale of Goods	37,137,324 (16,718,924)	1,085,935 (331,894)
			Expenses Payable	98,202 (—)	— (—)
3	Timken Do Brasil COM.E.IND.LTDA	Fellow Subsidiary	Sale of Goods	77,937,356 (137,550,327)	45,582,640 (37,000,867)
			Purchase of goods	— (1,358,584)	— (136,582)
			Agency Commission (Expense)	73,371 (825,084)	— (750,722)
4	Timken Korea LLC	Fellow Subsidiary	Agency Commission (Expense)	3,206,938 (751,425)	3,021,677 (825,517)
5	Timken South Africa Limited	Fellow Subsidiary	Sale of Goods	22,786,910 (43,531,393)	2,299,710 (4,549,741)
			Purchase of goods	27,112 (60,967)	34,718 (74,371)
			Agency Commission (Income)	— (237,068)	— (—)
6	Timken Bearing Services South Africa	Fellow Subsidiary	Sale of Goods	26,649,467 (70,785,458)	— (7,138,038)
7	Timken Romania	Fellow Subsidiary	Purchase of goods	7,439 (2,077,364)	7,555 (—)
			Expenses Payable	6,819 (—)	— (—)
8	Timken Singapore PTE. Limited	Fellow Subsidiary	Sale of Goods	15,794,195 (28,656,525)	198,037 (11,921,514)
			Purchase of goods	13,951,889 (26,548,202)	2,863,404 (1,590,251)
			Purchases of Fixed Assets	— (116,536)	— (—)
			Expenses Receivable	3,560,449 (2,306,572)	406,817 (530,885)
			Expenses Payable	— (3,661,718)	— (3,661,597)

SCHEDULE 17 : (Contd.)

SI No.	Name of the Related Party	Relationship	Nature of transactions	Transaction Amount (Rs)	Outstanding as at 31-12-2009 (Rs)
9	Yantai Timken Company Limited	Fellow Subsidiary	Purchase of goods	1,371,204 (3,747,154)	709,785 (571,034)
			Purchases of Fixed Assets	—	—
			Expenses Payable	(2,781,412)	(—)
10	Australian Timken Proprietary Limited	Fellow Subsidiary		—	—
				(13,575)	(13,881)
			Sale of Goods	57,530,977 (71,653,441)	3,884,959 (5,495,350)
11	Timken Polska	Fellow Subsidiary	Purchase of goods	—	—
				(57,732)	(80,509)
			Purchases of Fixed Assets	1,925,374 (1,011,895)	1,128,194 (730,686)
12	Timken (China) Holding company	Fellow Subsidiary		842,261	—
				(286,679)	(254,273)
			Expenses Payable	2,194,630 (—)	— (—)
13	Timken Wuxi Co Ltd — China	Fellow Subsidiary	Purchase of goods	3,640,513 (—)	3,387,742 (—)
			Expenses Payable	411,245 (—)	— (—)
				—	—
14	Timken (Shanghai) Distribution & Sales Co. Ltd — China	Fellow Subsidiary	Purchase of goods	(27,832)	(481,618)
			Purchases of Fixed Assets	—	—
			Expenses Payable	(1,492,901)	(—)
15	Timken Gmbh	Fellow Subsidiary		—	—
				(86,186)	(103,121)
			Sale of Goods	2,991,426 (12,926,337)	2,554,511 (11,173,365)
16	Timken Europa	Fellow Subsidiary	Purchase of goods	460,251 (4,488,668)	— (72,570)
			Expenses Payable	63,858 (—)	5,178 (—)
			Agency Commission (Income)	22,240 (—)	— (—)
17	Others *	Fellow Subsidiary	Purchase of goods	4,469,581 (666,667)	4,094,569 (788,924)
			Sale of Goods	3,057,032 (1,083,238)	248,241 (—)
			Expenses Receivable	12,264,066 (16,587,671)	1,714,000 (2,203,835)
18	G. W. Robinson	Chairman & Managing Director Key Management Personnel		80,597,391 (97,376,650)	2,525,173 (27,142,799)
			Expenses Payable	—	—
			Remuneration	2,625,000 (12,699,510)	— (7,932,863)
19	Ajay Das	Managing Director Key Management Personnel		3,325,559 (—)	— (—)
			Remuneration	—	—
			Remuneration	(4,888,798)	(1,087,727)
20	Shyamal K Sinha	Deputy Managing Director — Key Management Personnel		—	—
			Remuneration	—	—
			Remuneration	(4,888,798)	(1,087,727)

* Others Include Timken India Mfg. Pvt. Ltd., Timken Engineering & Research India Pvt Ltd., Timken Niyon

SCHEDULE 17 : (Contd.)**x) Disclosures as per Revised Accounting Standard -15****Gratuity and other post-employment benefit plans:**

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

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

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

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

Profit and Loss account :

Net employee benefit expense (recognised in Employee Cost)

(Rupees)

	Gratuity fund		Employee death benefit scheme		Provident fund	
	31-Dec-09	31-Dec-08	31-Dec-09	31-Dec-08	31-Dec-09	31-Dec-08
Current service cost	2,456,620	2,611,060	947,110	664,000	515,110	360,870
Interest cost on benefit obligation	3,260,610	2,904,750	970,820	714,000	261,610	166,677
Expected return on plan assets	(2,979,740)	(2,807,550)	—	—	—	—
Net actuarial(gain) / loss recognised in the year	(6,335,755)	12,801,950	(5,654,580)	5,304,000	(1,638,670)	609,630
Net benefit expense	(3,598,265)	15,510,210	(3,736,650)	6,682,000	(861,950)	1,137,177
Actual return on plan assets	8.50%	8.50%	NA	NA	NA	NA

Balance sheet :**Details of Provision :**

Defined benefit obligation	44,917,590	50,335,000	10,152,520	14,664,451	2,985,220	3,847,170
Fair value of plan assets	36,919,020	36,142,892	—	—	—	—
	7,998,570	14,192,108	10,152,520	14,664,451	2,985,220	3,847,170
Less: Unrecognised past service cost	—	—	—	—	—	—
Plan (asset) / liability	7,998,570	14,192,108	10,152,520	14,664,451	2,985,220	3,847,170

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

Opening defined benefit obligation	50,335,000	35,603,572	14,664,451	8,624,009	3,847,170	2,710,000
Interest cost	3,260,610	2,904,750	970,820	714,000	261,610	166,670
Current service cost	2,456,620	2,611,060	947,110	664,000	515,110	360,870
Benefits paid	(4,769,600)	(3,654,702)	(775,280)	(641,558)	—	—
Actuarial (gains) / losses on obligation	(6,365,040)	12,870,320	(5,654,580)	5,304,000	(1,638,670)	609,630
Closing defined benefit obligation	44,917,590	50,335,000	10,152,521	14,664,451	2,985,220	3,847,170

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

Opening fair value of plan assets	36,142,890	36,921,680	NA	NA	NA	NA
Expected return	2,979,740	2,807,550	NA	NA	NA	NA
Contributions by employer	2,595,280	—	775,280	NA	NA	NA
Benefits paid	(4,769,600)	(3,654,702)	(775,280)	NA	NA	NA
Actuarial gains / (losses)	(29,290)	68,364	NA	NA	NA	NA
Closing fair value of plan assets	36,919,020	36,142,892	NA	NA	NA	NA

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

Investments with approved fund as per relevant Act / Trust Deed	100%	100%	NA	NA	100%	100%
---	------	------	----	----	------	------

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. The company expects to contribute Rs. 2,550,000 to the gratuity funds in the next year.

SCHEDULE 17 : (Contd.)

(Rupees)

	Gratuity fund		Employee death benefit scheme		Provident fund	
	31-Dec-09	31-Dec-08	31-Dec-09	31-Dec-08	31-Dec-09	31-Dec-08
The principal assumptions used in determining Provision for the Company's plans are shown below:						
Discount rate	8.70%	6.80%	8.70%	6.80%	8.70%	6.80%
Expected rate of return on assets	8.50%	8.50%	NA	NA	8.50%	8.25%
Salary escalation for respective class of employees	6.5 & 5.5 %	6.5 & 5.5%	NA	NA	6.5 & 5.5 %	6.5 & 5.5%
Employee turnover	1.60%	1.30%	NA	NA	1.60%	1.30%

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.

Amounts for the current period are as follows:

Defined benefit obligation	44,917,590	50,335,000	10,152,521	14,664,451	2,985,220	3,847,170
Plan assets	36,919,020	36,142,892	—	—	—	—
(Surplus)/deficit	7,998,570	14,192,108	10,152,521	14,664,451	2,985,220	3,847,170
Experience adjustment on Plan Liabilities	(2,240,360)	1,421,040	(3,525,240)	3,487,000	N.A	N.A
Experience adjustment on Plan Assets	(29,290)	68,380	—	—	N.A	N.A

y) Earnings Per Share (Basic & Diluted) :

	Year ended December 31, 2009 Rupees	Year ended December 31, 2008 Rupees
Profit After Tax	325,346,108	529,972,100
Earnings Available for Equity Shareholders	325,346,108	529,972,100
Weighted Average No. of Equity Shares @ Rs. 10/- each	63,734,850	63,734,850
Earnings per share - Basic & Diluted	5.10	8.32

- z) Excise duty expense (net of recovery) represents duty paid/provided for stocks written off, burnt stock, free samples etc.
- aa) Prior period expense of Rs. 219,840 pertains to Service tax charge for earlier year.
- ab) Previous Wage Agreement with Associates' Union has expired in April 2008 and the management is in the final stage of negotiation for a new wage agreement, pending finalisation of which the liabilities for differential wages, as per management's estimate has been provided and included in 'Salaries, Wages and Bonus' under item 3(a) of Schedule 15 without any separate allocation of such provision towards Company's contribution to Provident and other funds. Adjustment if any, required consequent on finalisation of such negotiation, will be provided in the year of conclusion thereof.
- ac) Previous year's figures (including those in brackets) have been regrouped / rearranged, wherever necessary.

Signature to Schedules 1 to 17

For and on behalf of the Board

Roger W. Lindsay
Chairman

Ajay K. Das
Managing Director

As per our report of even date

For S. R. BATLIBOI & CO.

Chartered Accountants
Per R. K. AGRAWAL
Partner

Membership No. 16667
Kolkata, 16 February, 2010

Soumitra Hazra
Company Secretary & Chief-Compliance

Bangalore, 16 February, 2010

ABSTRACT OF THE BALANCE SHEET AS AT 31.12.2009 AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI (AMENDED) TO THE COMPANIES ACT, 1956

I. Registration Details

Registration No.

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

State Code

0	8
---	---

Balance Sheet Date

3	1
---	---

1	2
---	---

2	0	0	9
---	---	---	---

Date Month Year

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

Public Issue

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

Bonus Issue

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

Rights Issue

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

Private Placement

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

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

Total Liabilities

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

Total Assets

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

Sources of Funds

Paid-Up Capital

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

Secured Loans

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

Reserves & Surplus

2	6	5	8	1	1	1
---	---	---	---	---	---	---

Unsecured Loans

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

Application of Funds

Net Fixed Assets

6	7	6	1	6	3
---	---	---	---	---	---

Net Current Assets

9	2	3	7	1	7
---	---	---	---	---	---

Accumulated Losses

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

Investment

1	6	9	0	9	4	5
---	---	---	---	---	---	---

Deferred Tax Assets (Net)

4	4	9	4
---	---	---	---

Misc. Expenditure

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

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

Turnover

3	3	1	0	3	5	2
---	---	---	---	---	---	---

+ - Profit/loss Before Tax

+		4	4	9	1	0	3
---	--	---	---	---	---	---	---

+ - Earning per Share in Rs.

+			.		
---	--	--	---	--	--

Total Expenditure

2	8	6	1	2	4	9
---	---	---	---	---	---	---

+ - Profit/loss After Tax

+		3	2	5	3	4	6
---	--	---	---	---	---	---	---

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
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 &

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

Product Description

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

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

Product Description

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

Item Code No.

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

Product Description

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

For and on behalf of the Board

Soumitra Hazra

Ajay K. Das

Roger W. Lindsay

Bangalore, 16 February 2010

Company Secretary & Chief-Compliance

Managing Director

Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2009

	Year ended December 31, 2009 Rupees	Year ended December 31, 2008 Rupees
A. Cash Flow from Operating Activities :		
Net Profit/(Loss) before Tax and Extraordinary items	449,102,891	779,145,157
Adjustments for :		
Depreciation	103,401,628	104,597,091
Interest income	(2,207,860)	(8,893,943)
Interest expense	4,200,481	10,570,564
Income from Investments (Net)	(78,819,817)	(92,465,565)
(Profit)/Loss on sale of assets	6,845,505	4,393,921
Provision for Doubtful debts / advances	14,798,258	9,230,914
Provision no longer required written back	(21,988,906)	(11,603,604)
Debts, Deposits & Advances written off	2,584,039	7,728,712
Provision for Wealth Tax	—	205,000
	28,813,328	23,763,090
Operating Profit before Working Capital Changes	477,916,219	802,908,247
Adjustments for :		
Trade and Other Receivables	304,072,957	(224,670,633)
Inventories	168,926,498	(213,843,973)
Trade Payables and Other Liabilities	(227,054,872)	270,040,953
	245,944,583	(168,473,653)
Cash Generated from Operations	723,860,802	634,434,594
Direct Tax paid [net of refund Rs. Nil (Rs. 4,689,041)]	(140,065,636)	(262,041,053)
	(140,065,636)	(262,041,053)
Net Cash from Operating Activities	583,795,166	372,393,541
B. Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(81,808,359)	(179,581,802)
Sale of Fixed Assets	894,933	2,037,767
Purchase of Investments	(2,548,210,500)	(3,762,088,300)
Sale of Investments	2,024,172,475	3,487,506,512
Dividend from Investments	46,017,251	56,002,233
Interest received	2,207,860	8,893,943
Net Cash from Investing Activities	(556,726,340)	(387,229,647)
C. Cash Flow from Financing Activities :		
Interest paid	(4,200,481)	(10,465,124)
Cash Credit (Net)	(37,429)	(4,280,598)
Net Cash from Financing Activities	(4,237,910)	(14,745,722)
Net increase/(decrease) in Cash and Cash equivalents	22,830,916	(29,581,828)
Cash and Cash equivalents as at 1st January (Opening Balance) (refer Schedule 8)	52,608,523	82,190,351
Cash and Cash equivalents as at 31st December (Closing Balance) (refer Schedule 8)	75,439,439	52,608,523

For and on behalf of the Board

As per our report of even date
For S. R. BATLIBOI & CO.
Chartered Accountants
Per R. K. AGRAWAL
Partner
Membership No. 16667
Kolkata, 16 February, 2010

Soumitra Hazra
Company Secretary & Chief-Compliance

Roger W. Lindsay
Chairman
Ajay K. Das
Managing Director

Bangalore, 16 February, 2010

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 a Non-Executive Chairman as at the year-end and the number of Independent Directors was not less than one-third of the total number of Directors. The number of Non-Executive Directors was more than 50% of the total number of Directors, with the Managing Director being the only Executive Director on the Board of Directors of the Company.

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

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

Name	Category	No. of Board Meetings attended during the year ended 31 December, 2009	Whether attended AGM held on 24 April 2009	No. of Directorships in other companies	No. of Committee positions held in other companies	
					Chairman	Only Member
Mr. Gordon W. Robinson*	Promoter Director, Executive, Not Independent	3	Yes	—	—	—
Mr. Roger W Lindsay	Promoter Director, Non-Executive, Not Independent	3	Yes	—	—	—
Mr. Ajay K Das**	Executive, Not Independent	1	Yes	—	—	—
Mr Niroop Mahanty	Non-Executive, Independent	4	Yes	2	—	—
Mr. Jai S. Pathak	Non-Executive, Independent	2	Yes	1	—	—
Mr. P S Dasgupta	Non-Executive, Independent	4	Yes	17	—	8
Mr. Sridharan Rangarajan^	Non-Executive, Not Independent	3	Yes	—	—	—
Ms. Sunitha Narahari # Alternate Director to Mr. Roger W Lindsay	Non-Executive, Independent	1	—	—	—	—

including directorships in Private Limited companies

** resigned with effect from 1 August 2009*

*** appointed with effect from 1 August 2009*

^ appointed with effect from 26 February 2009

ceased with effect from 23 March 2009

Four Board Meetings were held during the year ended 31 December 2009 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

- 1) 26 February 2009
- 2) 24 April 2009
- 3) 24 July 2009
- 4) 23 October 2009

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, in applicable cases, 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 2009. Mr. Dasgupta, as the Chairman of the Audit Committee was present at the Twenty-second Annual General Meeting of the Company held on 24 April 2009.

In 2009, the composition of the Audit Committee and the details of meetings attended by the members thereof were as follows:

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

*appointed with effect from 26 February 2009

Audit Committee Meetings were attended by Controller of Accounts and representatives of PricewaterhouseCoopers, as Internal Auditors, Chairman, Managing Director and other Directors were also present as invitees at all the Audit Committee Meetings held in 2009. 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 2009. The dates on which the said meetings were held are as follows:

- 1) 26 February 2009
- 2) 24 April 2009
- 3) 24 July 2009
- 4) 23 October 2009

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 one Executive Director under the designation 'Managing Director'.

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

In 2009, the composition of the Remuneration Committee was as follows:

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

As per Company's policy, the Independent Directors of the Company were paid remuneration by way of sitting fees only. Accordingly, a sum of Rs. 10,000/- was paid to each Independent Director for attending a meeting of the Board and a sum of Rs. 5,000/- was paid to each Independent Director for attending a meeting of the Committee of the Board. Other Directors were not paid any sitting fees. Managing Director is not entitled to receive any sitting fees for attending meetings of the Board of Directors or Committees thereof.

The Company generally pays remuneration by way of salary, perquisites and allowances (fixed components) and Performance Incentive (variable component) to the Managing Director being the Executive Director on the Board of Directors of the Company, after obtaining the requisite approvals from the Remuneration Committee, Board of Directors of the Company, the shareholders and in applicable cases from Central Government after complying with the requisite formalities as prescribed under the Companies Act, 1956. As per practices consistently followed by the Company, Performance Incentives (variable component) are 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.

Though no meeting of the Remuneration Committee was held in 2009 necessary approvals were obtained by way of resolutions by circulation.

Details of Remuneration of Directors for year 2009

Non-Executive Directors

Name of the Director	Sitting Fees (Rs.)
Mr. Roger W Lindsay	Nil
Mr. Niroop Mahanty	65,000
Mr. Jai S. Pathak	30,000
Mr. P. S. Dasgupta	60,000
Ms. Sunitha Narahari	10,000
Mr. Sridharan Rangarajan	Nil

TIMKEN INDIA LIMITED

Executive Directors

In Rupees

Name of the Director	Salary & Allowances	Perquisites	Performance Incentive	Stock Options
Mr. Gordon W Robinson*	2,625,000	—	—	Nil
Mr. Ajay K. Das**	2,684,138	641,421	—	Nil

* Resigned with effect from 1 August, 2009

** Appointed with effect from 1 August, 2009

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

Investors Grievance Committee

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

In 2009, the composition of the Investors Grievance Committee is given below:

Name of the Members	Category
Mr. Niroop Mahanty, Chairman	Non-Executive, Independent
Mr. Gordon W. Robinson, Member**	Executive, Not Independent
Mr. Jai S. Pathak, Member**	Non-Executive, Independent
Mr. Ajay K. Das, Member*	Executive, Not Independent
Mr. Sridharan Rangarajan, Member*	Non-Executive, Not Independent

*appointed with effect from 1 August, 2009

**ceased with effect from 1 August, 2009

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

One meeting of the Investors Grievance Committee was held on 23 October 2009. 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 37 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 31 December 2009 is given below:

Particulars	Total Received	Total Replied	Total Pending as on 31.12.09
Change of Address / POA	126	126	—
Others	86	86	—
Duplicate /New Certificates	69	69	—
Endorsement	43	43	—
Non-receipt of interest/redemption	30	30	—
Non-receipt of Certificates	24	24	—
Transmission	20	20	—
Dematerialisation	7	7	—
Correction of Name	6	6	—
Revalidation	1	1	—
TOTAL	412	412	—

As on 31 December 2009, 31 requests for registration of transfer of Equity Shares of the Company remained outstanding in the books of the Company, partly being requests received subsequent to 21 December 2009 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
2006	Center for Excellence, Jubilee Road Jamshedpur – 831 001	AGM	27 April 2007	Friday	3.00 pm	—
2007	Center for Excellence, Jubilee Road Jamshedpur – 831 001	AGM	24 April 2008	Thursday	3.00 pm	2
2008	Timken Engineering and Research India Private Limited, Wing B, Office 2, Block A, Salarpuria Soft Zone, Bangalore - 560 037	AGM	24 April, 2009	Friday	9.00 am	—

Note : Of the resolutions passed at the General Meetings as aforesaid, only two Special Resolutions relating to Shifting of Registered Office from Jamshedpur to Bangalore and change in Articles of Association were required to be passed by way of Special Resolution in terms of the relevant provisions of the Companies Act, 1956. No Special Resolution was passed in 2009 through Postal Ballot.

Disclosures

There were 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 2009.

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

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

The Company has not as such adopted a Whistle Blower Policy being a non-mandatory requirement in terms of Clause 49 of the Listing Agreement. However, the Associates of the Company have access to "The Timken Helpline", a toll free phone number that any Associate can call, if he has any concern or question, which he is not willing to discuss face to face with his Supervisor, Manager or a member of the Human Resource Team. This Helpline is available around the clock, every day. No call tracing or recording devices are ever used and if the Associate so wishes, he may remain completely anonymous. 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 – The Chairman of the Board of Directors being a Non-Executive Director enjoyed all the infrastructural support during his visits last year to the offices of the Company in performance of his duties.
- 2) Remuneration Committee – The Company has a Remuneration Committee in place and it is functioning properly.
- 3) Shareholders' Rights – Half-yearly declaration of financial performance are not currently sent to each of the household of Shareholders but are published in terms of Clause 41 of the Listing Agreement in certain newspapers and also to the Stock Exchanges. Besides, all the Quarterly / Half-year financial results are posted 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 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

5th 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
P.O. Box H M 666
Hamilton, HM 11, Bermuda

Timken Global Treasury, SARL

5, Rue Guillauma
Kroll L – 1882, Luxembourg

Timken India Manufacturing Private Limited

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

Timken Engineering and Research India Private Limited

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

Means of Communication

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

The financial results were also displayed on the Company's website at www.timken.com/india

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

Directors' Shareholding

Except Mr. P S Dasgupta, no other Non-Executive Directors holds any Equity Shares of the Company. Mr. Dasgupta holds 1 Equity Share.

General Shareholders Information

1.	AGM	28 April 2010 at 9.00 am at Timken Engineering and Research India Pvt. Ltd., Wing B, Office 2, Block A, Salarpuria Softzone, Survey #80/1, 81/1 & 81/2, Bellandur Village, Varthur Hobli, Bangalore South Taluk, Bangalore - 560 037.																																							
2.	Financial Calendar	The Accounting Year covers the period from January 1 to December 31, 2010. Financial reporting for: a) 1st Quarter ending 31 March 2010 – end April, 2010 b) Half year ending 30 June 2010 – end July, 2010 c) 3rd Quarter ending 30 September 2010 – end October, 2010 d) Year ending 31 December 2010 – end January / February 2011 Note : the above calendar is indicative in nature.																																							
3.	Date of Book Closure	21 April 2010 to 28 April 2010 (both days inclusive)																																							
4.	Dividend Payment Date	—																																							
5.	Listing on Stock Exchanges	Equity Shares of the Company are presently listed on the following Stock Exchanges: The National Stock Exchange of India Limited “Exchange Plaza” Bandra Kurla Complex Bandra (E) Mumbai – 400 051 The Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 Magadh Stock Exchange Association 9th Floor, Ashiana Plaza Budh Marg Patna – 800 001 Steps have been taken to get the Equity Shares delisted from the Magadh Stock Exchange. The Company has paid annual Listing Fees to all these three Stock Exchanges for the year 2009-2010.																																							
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, Mumbai during the year ended December 31, 2009 (<i>source : www.bseindia.com</i>)																																							
		<table> <tr> <th>Month</th><th>High (Rs.)</th><th>Low (Rs.)</th></tr> <tr><td>January 2009</td><td>69.40</td><td>49.60</td></tr> <tr><td>February 2009</td><td>60.90</td><td>52.00</td></tr> <tr><td>March 2009</td><td>67.00</td><td>50.05</td></tr> <tr><td>April 2009</td><td>93.50</td><td>55.00</td></tr> <tr><td>May 2009</td><td>104.80</td><td>65.00</td></tr> <tr><td>June 2009</td><td>125.00</td><td>80.55</td></tr> <tr><td>July 2009</td><td>93.65</td><td>71.60</td></tr> <tr><td>August 2009</td><td>113.35</td><td>86.60</td></tr> <tr><td>September 2009</td><td>135.90</td><td>101.25</td></tr> <tr><td>October 2009</td><td>138.55</td><td>107.05</td></tr> <tr><td>November 2009</td><td>126.90</td><td>101.00</td></tr> <tr><td>December 2009</td><td>144.40</td><td>115.30</td></tr> </table>	Month	High (Rs.)	Low (Rs.)	January 2009	69.40	49.60	February 2009	60.90	52.00	March 2009	67.00	50.05	April 2009	93.50	55.00	May 2009	104.80	65.00	June 2009	125.00	80.55	July 2009	93.65	71.60	August 2009	113.35	86.60	September 2009	135.90	101.25	October 2009	138.55	107.05	November 2009	126.90	101.00	December 2009	144.40	115.30
Month	High (Rs.)	Low (Rs.)																																							
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November 2009	126.90	101.00																																							
December 2009	144.40	115.30																																							

8.	Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc.	Performance of the Company's Share Prices in comparison with the BSE Sensex is given below:																																								
	<div><p>PRICE (Rs.)</p><p>MONTH</p><p>— BSE High (Rs.) — Sensex (Points)</p></div>																																									
9.	Registrar & Transfer Agents	C B Management Services (P) Limited P-22, Bondel Road Kolkata - 700 019																																								
10.	Share Transfer System	<p>Requests for registration of transfer of Shares held in physical form may be lodged with C B Management Services (P) Limited at Kolkata or may also be sent to Company Secretary & Chief – Compliance at the Registered Office of the Company at Bangalore.</p> <p>All valid requests for registration of transfer are normally processed within 10 - 12 days from the date of receipt of the documents, if the same are complete in all respect.</p> <p>A Committee of the Board under the title “Investors Grievance Committee” has been entrusted with the authority, <i>inter alia</i>, to approve registration of transfer of shares.</p>																																								
11.	Distribution of Share holding	<p>The distribution of shareholding as on 31 December, 2009 is given below :</p> <table><tr><th>Range (Rs.)</th><th>Accounts</th><th>Shares</th><th>%</th></tr><tr><td>1 – 5000</td><td>50991</td><td>5954422</td><td>9.34</td></tr><tr><td>5001 – 10000</td><td>794</td><td>639768</td><td>1.00</td></tr><tr><td>10001 – 20000</td><td>362</td><td>533594</td><td>0.84</td></tr><tr><td>20001 – 30000</td><td>100</td><td>256580</td><td>0.40</td></tr><tr><td>30001 – 40000</td><td>43</td><td>156547</td><td>0.25</td></tr><tr><td>40001 – 50000</td><td>55</td><td>257739</td><td>0.40</td></tr><tr><td>50001 – 100000</td><td>41</td><td>317143</td><td>0.50</td></tr><tr><td>100001 and above</td><td>46</td><td>55619057</td><td>87.27</td></tr><tr><td></td><td>52432</td><td>63734850</td><td>100.00</td></tr></table>	Range (Rs.)	Accounts	Shares	%	1 – 5000	50991	5954422	9.34	5001 – 10000	794	639768	1.00	10001 – 20000	362	533594	0.84	20001 – 30000	100	256580	0.40	30001 – 40000	43	156547	0.25	40001 – 50000	55	257739	0.40	50001 – 100000	41	317143	0.50	100001 and above	46	55619057	87.27		52432	63734850	100.00
Range (Rs.)	Accounts	Shares	%																																							
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100001 and above	46	55619057	87.27																																							
	52432	63734850	100.00																																							

TIMKEN INDIA LIMITED

12.	Dematerialisation of Shares and liquidity	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 95% of the Company's Equity Share Capital is dematerialised. The Shares of the Company are listed as aforesaid and are regularly traded on the BSE & NSE, Mumbai.	
13.	Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity	Nil	
14.	Plant location	The Company's Plant is located at Bara, P.O. Agrico, Jamshedpur - 831 009.	
15.	Address for correspondence	Any investor related queries may be addressed to the following addresses :	
		Company Secretary & Chief - Compliance Timken India Limited 39-42, Electronics Phase II, Hosur Road Bangalore – 560 100 Tel.No. 080 - 40053133 Fax No. 080 - 28521039 E-mail: santosh.kumar@timken.com	C B Management Services (P) Limited P-22, Bondel Road Kolkata – 700 019 Tel. No. 033 – 40116700, 40116711, 40116718, 40116723 E-mail: rta@cbmsl.com

AUDITORS' 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 31 December 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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.

For S R BATLIBOI & CO.
CHARTERED ACCOUNTANTS

per
R. K. AGRAWAL
Partner

Kolkata.
Date: 16th February 2010

Membership No. 16667

FIVE YEARS AT A GLANCE

		Year Ended				
		Year Ended 31.12.2009	Year Ended 31.12.2008	Year Ended 31.12.2007	Year Ended 31.12.2006	Year Ended 31.12.2005
Production						
(i)	Standard Roller Brgs (Equiv. Nos.)	890,288	1,650,170	2,175,062	2,110,058	1,866,621
(ii)	Special Roller Bearings (Equiv. Nos.)	1,454,873	1,444,620	1,180,365	1,419,012	863,492
(iii)	Components (Equiv. Nos.)	2,645,995	4,107,566	4,204,134	2,715,466	2,833,987
Rs/Lakhs						
Profit & Loss Account						
(i)	Net Sales					
	(a) Domestic	25,214	26,279	23,691	21,299	17,379
	(b) Export	7,890	16,464	11,130	12,575	13,521
	Total (a+b)	33,104	42,743	34,821	33,874	30,900
(ii)	EBIT	4,533	7,898	5,708	5,982	5,391
(iii)	Profit Before Tax	4,491	7,792	5,609	5,875	5,295
(iv)	Profit After Tax	3,253	5,300	3,740	3,813	3,488
Balance Sheet						
(i)	Gross Block (Includes CWIP)	21,136	20,533	19,077	17,994	16,814
(ii)	Net Block	5,676	7,055	6,320	5,938	5,626
(iii)	Net Current Asset	9,237	11,215	9,970	8,801	6,326
(iv)	Capital Employed	32,908	29,611	24,521	20,909	17,398
(v)	Beginning Invested Capital (BIC)	29,085	23,700	20,053	16,224	14,197
(vi)	Total Debt	—	—	43	158	336
(vii)	Equity	32,953	29,700	24,400	20,648	16,835
Other Comparative Data						
(i)	PAT to Net Sales (%)	10%	12%	11%	11%	11%
(ii)	EBIT / BIC (%)	16%	33%	28%	37%	38%
(iii)	Return on Net Worth (%)	10%	18%	15%	18%	21%
(iv)	E.P.S. (Rs)	5.10	8.32	5.87	5.98	5.47
(v)	Total Debt to Equity (%)	0%	0%	0%	1%	2%
(vi)	Total Debt to Total Capital (%)	0%	0%	0%	1%	2%
(vii)	Fixed Asset Turnover (times)	5.83	6.06	5.51	5.70	5.49
(viii)	Working Capital Turnover (times)	3.58	3.81	3.49	3.85	4.88
(ix)	Current Ratio (times)	2.56	2.33	2.72	3.09	2.10
(x)	Interest Cover (times)	107.93	74.51	57.38	56.08	56.66
(xi)	Net Sales/Employee (Rs/Lakhs)	58	70	58	58	55

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.

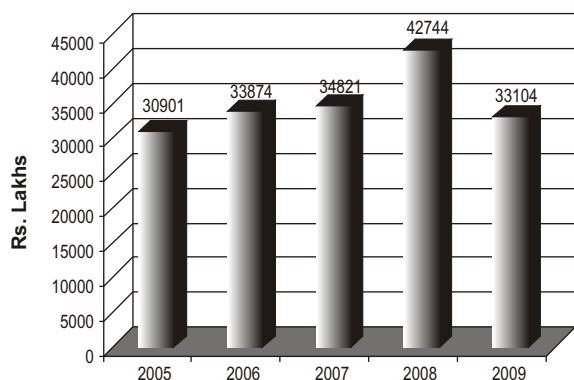
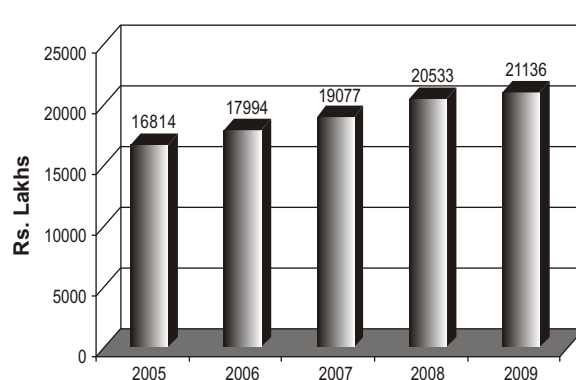
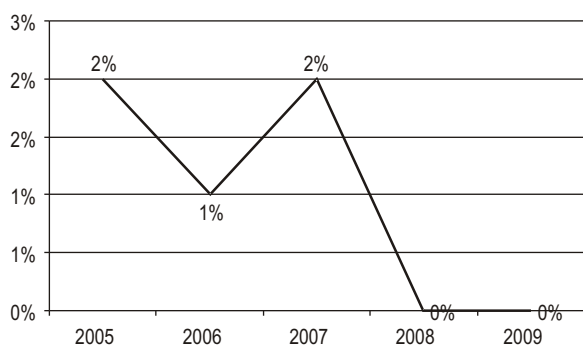
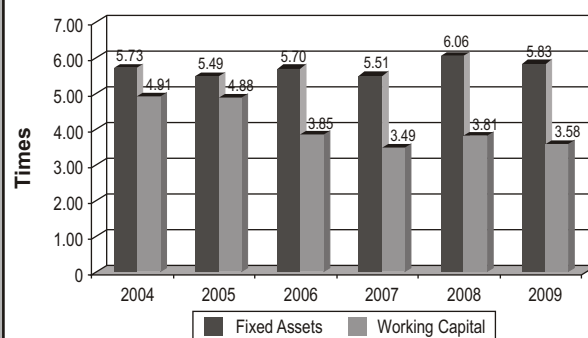
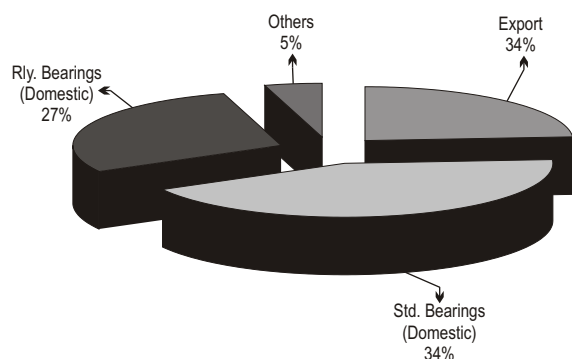
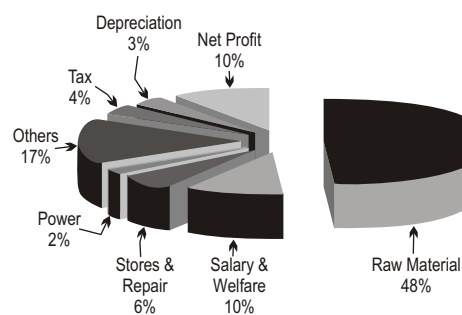
(iii) Equity includes preference share capital net off accumulated losses and miscellaneous expenditure to the extent not written off.

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

ATTENDANCE SLIP

Name

Folio No.

No. of Shares held

I hereby record my presence at the Twenty Third Annual General Meeting of the Company at Timken Engineering and Research India Private Limited, Wing B, Office 2, Block A, Salarpuria Soft Zone, Survey # 80/1, 81/1 & 81/2, Bellandur Village, Varthur Hobli, Bangalore South Taluk, Bangalore - 560 037 on Wednesday, 28 April 2010.

SIGNATURE OF THE MEMBER/PROXY

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

TIMKEN INDIA LIMITED

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

PROXY

I/We,

of in the District of

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

of in the District of or failing him/her

..... of in the District of

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

my/our behalf at the Twenty Third Annual General Meeting of the Company, to be held on Wednesday, 28 April 2010 and at any adjournment thereof.

Signed this day of 2010.

Reference Folio :

No. of Shares :

Signature

Affix
Revenue
Stamp

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