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# TIMKEN INDIA LIMITED

## BOARD OF DIRECTORS

MR G W ROBINSON	– Chairman
MR S K SINHA	– Dy. Managing Director
MR J T ELSASSER	
MR V K DASARI	
MR M J HILL	
MR N MAHANTY	
MR J S PATHAK	– Alternate to Mr M J Hill
MR P S DASGUPTA	– Alternate to Mr J T Elsasser

## COMMITTEES OF THE BOARD

### AUDIT COMMITTEE

MR V K DASARI	– Chairman
MR N MAHANTY	
MR J S PATHAK	

### INVESTORS' RELATION & GRIEVANCE COMMITTEE

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

### REMUNERATION COMMITTEE

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

## MANAGEMENT TEAM

MR G W ROBINSON	– Chairman
MR S K SINHA	– Dy. Managing Director
MR K STHANPATI	– Director - Projects
MR A K DAS	– Director - Manufacturing
MR S HAZRA	– Finance Controller & Company Secretary
MR S VERMA	– Chief - Human Resources

### Auditors

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

### Registered Office

Bara, P. O. Agrico  
Jamshedpur – 831 009  
Ph. No. (0657) 2210 293  
Fax No. (0657) 2210 117

*Members are requested to please note that with effect from January 1, 2003, Ami Computers (I) Limited has been appointed as the Registrars & Share Transfer Agents of the Company. Any query relating to your shareholding may also be forwarded to: Ami Computers (I) Limited, 60A & 60B, Chowringhee Road, Kolkata – 700 020.*

*As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies to the meeting.*

## NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of Timken India Limited will be held at Center for Excellence, Jubilee Road, Jamshedpur – 831 001 on Saturday, April 23, 2005 at 12.30 pm to transact the following business:

1. To receive and adopt the Profit and Loss Account for the year ended December 31, 2004 and the Balance Sheet as on that date and the reports of the Directors and the Auditors.
2. To elect Directors in place of those retiring by rotation.
3. To appoint Auditors of the Company and to fix their remuneration.

### SPECIAL BUSINESS

4. Appointment of Mr. Gordon William Robinson as Chairman & 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 Sections 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. Gordon William Robinson (‘Mr. Robinson’) be appointed as the Chairman & Managing Director of the Company effective from the date of his obtaining the requisite employment VISA and compliance with such other formalities as may be applicable on the terms and conditions set out in an Agreement to be entered into between the Company and Mr. Robinson in terms of the draft placed before the meeting and initialled by the Chairman of the meeting 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 restriction to entering into an Agreement on behalf of the Company with Mr. Robinson in terms of the said draft.”

5. Remuneration payable to Dy. Managing Director

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

“RESOLVED THAT pursuant to Section 310 and other applicable provisions if any of the Companies Act, 1956 (‘the Act’) and subject to such approvals as may be necessary, the Company hereby accords its approval to the increase in the remuneration payable to Mr. Shyamal Kumar Sinha (‘Mr. Sinha’) as the Dy. Managing Director of the Company, as per details contained in the draft Supplementary Agreement to be entered into between the Company and Mr. Sinha in terms of the draft placed before the meeting and initialled by the Chairman of the meeting 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, entering into an agreement on behalf of the Company with Mr. Sinha in terms of the said draft.”

6. Voluntary delisting of the Company’s Equity Shares

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

“RESOLVED THAT subject to the provisions of the Companies Act, 1956 as amended, the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and subject to such approvals as may be necessary and subject also to such conditions and modifications as may be prescribed while granting such approvals which may be agreed to by the Board of Directors of the Company, consent is hereby accorded to the Board to delist the Equity Shares of the Company from any one or all of the Magadh Stock Exchange Association, Patna and The Calcutta Stock Exchange Association Limited, Kolkata.”

### 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 items nos. 4 to 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 April 8, 2005 to April 23, 2005, both days inclusive.
4. Copy of the Draft Agreement to be executed between the Company and Mr. Gordon William Robinson in terms of the Resolution under Item No. 4 is available for inspection at the Registered Office of the Company at Bara, P.O. Agrico, Jamshedpur - 831009 on any working day prior to the date of the aforesaid meeting between the hours of 10.00 a.m. and 12.00 noon and will also be available for inspection on April 23, 2005 from 10.00 a.m. at the place of the meeting.
5. Copy of the Draft Supplementary Agreement to be executed between the Company and Mr. Shyamal Kumar Sinha in terms of the Resolution under Item no. 5 is available for inspection at the Registered Office of the Company at Bara, P.O. Agrico, Jamshedpur - 831 009 on any working day prior to the date of the aforesaid meeting between the hours of 10.00 a.m. and 12.00 noon and will also be available for inspection on April 23, 2005 from 10.00 a.m. at the place of the meeting.

By Order of the Board

Registered Office :  
Bara, P.O. Agrico  
Jamshedpur – 831 009  
March 26, 2005

**Soumitra Hazra**  
Finance Controller  
& Company Secretary

**ANNEXURE TO THE NOTICE – EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956****Item No. 4**

Mr. Gordon William Robinson ('Mr. Robinson') has been appointed by the Board of Directors of the Company ('the Board') as the Chairman & Managing Director for a period of five years effective from the date of his obtaining the requisite employment VISA and compliance with such other formalities as may be applicable as per the following terms and conditions:

Salary	Gross Rs. 3,75,000/- per month
Term	5 years
Performance Incentive	As per corporate rules
Perquisites	<ul style="list-style-type: none"> <li>i) Entrance Fee and Membership Fees of one Club in Jamshedpur.</li> <li>ii) The Company shall bear all the travel and lodging related expenses to be incurred by Mr. Robinson in connection with business of Timken India Limited ('TIL'). In case, Mr. Robinson incurs any such expenses out of his own pocket, he shall be entitled to be reimbursed of all such expenses incurred for the purpose of the business of TIL.</li> <li>iii) In addition, Mr. Robinson will be entitled to be reimbursed of all other expenses incurred by him in connection with the business of TIL.</li> </ul>
Minimum Remuneration	The remuneration including the benefits and amenities 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"> <li>i) Mr. Robinson 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.</li> <li>ii) Salary payable to Mr. Robinson shall be subject to Indian Income Tax.</li> <li>iii) 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. Robinson and the Board of Directors.</li> <li>iv) Mr. Robinson shall not be entitled to any Sitting Fees for attending any meetings of the Board or any Committee thereof.</li> </ul>

The said appointment of Mr. Robinson, including his remuneration as referred to above is subject to and requires shareholders' approval.

The Board recommends the Resolution set out under Item no. 4 for approval of Members.

**Memorandum of Interest**

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

This may be treated as an abstract of the terms and memorandum of interest and also as an abstract of the proposed Agreement between the Company and Mr. Robinson pursuant to Section 302 of the Companies Act, 1956.

**Item No. 5**

Members may please recall that Mr. Shyamal Kumar Sinha ('Mr. Sinha') was appointed as the Dy. Managing Director of the Company with effect from the close of business on June 8, 2001 as per terms and conditions set out in the draft of an Agreement placed before the Annual General Meeting held on July 20, 2001 which was subsequently modified vide resolutions passed at the Annual General Meetings held on April 30, 2003 and April 24, 2004. It may be noted that the Board of Directors, subject to the requisite approval of the Members of the Company and such other approvals as may be necessary, has approved an increase in remuneration payable to Mr. Sinha as the Dy. Managing Director of the Company with effect from March 1, 2005 as per details contained in the draft Supplementary Agreement to be entered into between the Company and Mr. Sinha, an abstract of which is

set out as follows :

“The amount of salary & other allowances to be increased from Rs. 90,700/- per month to Rs. 1,11,950/- per month. All the other terms and conditions governing his appointment as the Dy. Managing Director will however remain unchanged.”

The Board of Directors recommends the Resolution set out under Item no. 5 for approval of the Members.

**Memorandum of Interest**

No Director of the Company, except Mr. Sinha is concerned or interested in the said Resolution.

This may be treated as the Abstract of the terms and Memorandum of Interest and also as an Abstract of the Agreement between the Company and Mr. Sinha pursuant to Section 302 of the Companies Act, 1956.

**Item No. 6**

In view of wide and extensive networking centers of The National Stock Exchange, Mumbai which enables the investors to have access to online dealings in the Shares of the Company and also keeping in mind the requests received from some of the members at the last Annual General Meeting, it has been decided to enlist the shares of the Company on The National Stock Exchange, Mumbai.

A review of the trading volumes of the Company's Equity Shares at the stock exchanges at Kolkata and Patna revealed that the trading volumes are on the decline and it was considered that continued listing of the Company's Equity Shares on these two Stock Exchanges would not be necessary. Accordingly, it has been decided to delist voluntarily the Company's Equity Shares from any one or all of The Calcutta Stock Exchange Association Ltd. and Magadh Stock Exchange Association. Such delisting and the decision to enlist on The National Stock Exchange will enhance benefits and not adversely affect the liquidity options of the investors in the shares of the Company.

The listing on The Stock Exchange, Mumbai will however, continue.

The Board recommends the Resolution under Item no. 6 of the accompanying Notice for approval of the members.

**Memorandum of Interest**

No Director of the Company is concerned or interested in the said Resolution.

Registered Office :  
Bara, P.O. Agrico  
Jamshedpur – 831 009  
March 26, 2005

By Order of the Board

**Soumitra Hazra**  
*Finance Controller  
& Company Secretary*

<b>APPLICABLE DETAILS OF DIRECTORS IN TERMS OF CLAUSE 49 OF THE LISTING AGREEMENT</b>			
Name of Director	<b>Mr. Gordon W Robinson</b>	<b>Mr. Michael J. Hill</b>	<b>Mr. Jon T. Elsasser</b>
Date of Birth	August 5, 1948	October 9, 1950	August 14, 1952
Date of Appointment	July 26, 1999	February 3, 2003	September 6, 1995
Expertise in specific functional areas	<ul style="list-style-type: none"> <li>● Sales &amp; Marketing</li> <li>● Marketing Communication</li> <li>● General Management</li> </ul>	<ul style="list-style-type: none"> <li>● Global Manufacturing</li> <li>● Supply Chain Management</li> </ul>	<ul style="list-style-type: none"> <li>● General Management</li> <li>● Strategy</li> </ul>
Qualifications	<ul style="list-style-type: none"> <li>● Higher National Diploma in Mechanical Engineering</li> <li>● Certificate of Apprenticeship in General Mechanical Engineering with Henry Simon Ltd.</li> <li>● Advanced Management Programme INSEAD</li> </ul>	<ul style="list-style-type: none"> <li>● BSCE</li> <li>● MSCE</li> <li>● Licensed Professional Engineer</li> </ul>	<ul style="list-style-type: none"> <li>● BA – Economics – College of William &amp; Mary</li> <li>● MBA – Harvard University</li> </ul>
List of public companies in which outside Directorship held as on December 31, 2004	<ul style="list-style-type: none"> <li>● Yantai Timken Company Ltd.</li> <li>● Timken NSK Bearings (Suzhou) Co. Ltd.</li> <li>● NRB Bearings Ltd.</li> <li>● Timken Engineering Products (Shanghai) Co. Ltd.</li> <li>● Timken Wuxi Bearing Co. Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Timken Romania S.A.</li> <li>● Stark State College of Technology</li> <li>● Timken Wuxi Bearing Co. Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Timken Polska Sp.Zo.o</li> <li>● Timken Romania S.A.</li> </ul>
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2004	—	—	—
Shareholding in the Company	—	—	—

## CHAIRMAN'S STATEMENT

### Dear Shareholders,

The faith placed in Timken India associates to continue the 2003 performance further into 2004 has indeed proved to be justified, as your company has been able to maintain the growth trend begun in the recent past.

Year 2004 witnessed a significant growth in the Indian Economy. Likewise, your company, with increased productivity, reduction in operating and administrative cost and with a strong customer focus could better the performance compared to the planned target.

2004 also witnessed an increase in demand for our products. The Jamshedpur plant being a focused, cost effective factory, could enlarge its role as a favoured exporter in the Timken network. Growth projections for 2005 look very encouraging in both our domestic and export markets.

However, with capacity getting saturated, capacity expansion programs should receive continuous attention. As part of it, TIL has embarked upon expansion projects. During 2004, the company completed the project of introducing a new 8" cone line. We have also undertaken a new project for manufacture of cones, which will be exclusively for exports. The future indeed looks exciting.

We continue to drive Lean Six Sigma projects across all parts of our operations and business processes. Timken India received external recognition of this commitment to continually improve customer service at lower costs, when it was awarded a special award for excellence in lean Six Sigma at the Indian Manufacturing Excellence Awards (IMEA) announced annually by Frost & Sullivan.

TIL has over the years strengthened its position from a manufacturer of bearings to a complete Friction Management Solutions Provider. Over the recent years, it broadened its offerings around friction management to include an array of related products and solutions. The most significant of these is the Onsite Maintenance Services – more popularly known as Milltec – which increased its coverage to more customers. The unique repair facilities at the large bearing service centre in Jamshedpur continued to prolong useful bearing life for customers in industrial and rail segments. Preventive maintenance and machinery health management technologies continued to ensure lower operating costs through minimized downtime and improved plant efficiency. Our research facility in Bangalore grew to be a strong selling point as customers in all industries seek innovative solutions to existing problems and new product development from our experts.

However, I consider the following issues to be the points of concern for 2005: -

- Increased input costs, especially steel must be matched with suitable recovery in revenue. At the same time, as a focused factory, TIL will have to stay as cost competitive and with increased exposure in the international market, adhere to stringent quality requirements. Keeping the quality level up at high international standards will be an uncompromising commitment for TIL for this year and every year to come.
- On time delivery of materials should continue to be in focus in 2005. While right quality materials are to be procured at the right time to keep the production lines moving, we will continue to ensure that commitments to customers are strictly maintained. This will not only be valuable to customers, it will also ensure minimum inventory- resulting in better cash generation to fund business activities. The good work seen in receivables management by the sales team should continue into this year as well.
- I am pleased that the recently announced budget reflects a further move to open the Indian economy to world trade. For TIL, this could be both an opportunity and a threat. While it means less expensive raw material imports to support our manufacturing, we will also have to face greater global competition from cheaper imported finished bearings. However, it is my belief that the impeccable Timken quality and service standards will continue to set us apart in the eyes of discerning customers. As one of India's most efficient bearing manufacturers, we are well positioned to take on the challenge.

The year ahead, though challenging, fills us with excitement as it is abounding in opportunities. I am confident that with the strong support of all our customers, suppliers and associates and with your patronage, TIL would be able to do even better to further enhance shareholder value.

Thanking you,

Yours sincerely,



Kolkata  
February 4, 2005

**Gordon William Robinson**  
Chairman

## DIRECTORS' REPORT

### TO THE MEMBERS

The Directors have pleasure in presenting the Eighteenth Annual Report on the business and operations of the Company together with the Financial Results for the year ended December 31, 2004.

### FINANCIAL RESULTS

	Year ended December 31, 2004 (Rs/Lakhs)	Year ended December 31, 2003 (Rs/Lakhs)
a) Gross Profit	<b>6006.72</b>	4307.72
b) Less: Depreciation	<b>827.94</b>	904.68
c) Earnings before Interest & Tax (EBIT)	<b>5178.78</b>	3403.04
d) Less: Interest (Net)	<b>90.27</b>	94.76
e) Profit before Tax (PBT)	<b>5088.51</b>	3308.28
f) Less: Taxes	<b>1789.17</b>	994.59
g) Profit after Tax (PAT)	<b>3299.34</b>	2313.69
h) Add: Profit brought forward from previous year	<b>1075.62</b>	1677.03
i) Profit available for appropriation	<b>4374.96</b>	3990.72
j) Less: Interim/Proposed Dividend on Preference Shares	—	315.10
k) Less: Transfer to Capital Redemption Reserve	—	2600.00
l) Balance carried forward	<b>4374.96</b>	1075.62

The Company continued its growth record in 2004 also. Net sales (excluding other income) grew by 23% from Rs. 218 Crores in 2003 to Rs. 267 Crores in 2004.

Exports through the Timken network grew even at a faster rate of 42% from Rs. 78 Crores in 2003 to Rs. 111 Crores in 2004. These exports mainly had been to USA with part shipments to France, Brazil, South Africa and Australia.

While overall sales growth was pegged at 23%, the Company earned PBT of Rs. 51 Crores, an increase of 54% over 2003. Such a significant improvement in profitability could be attributable to enhanced sales volume, better price realization on export sale, improved plant efficiency, and reduction in operating and administrative costs. During the year, the plant ran at full capacity enabling distribution of fixed costs over a larger volume of output and better margin.

Production during the year in terms of equivalent bearings, had increased by 19% over last year without any major investments.

### DIVIDENDS

With the kind of growth environment in horizon, your Directors intend to tap the opportunity and utilize the accumulated earnings of the Company for expansion purposes to enhance ultimately the shareholders' value in future. Accordingly, your Directors are not recommending payment of any dividend on equity shares for 2004.

### PROJECTS

In 2004, the Company has undertaken an expansion project of installing

a new 8" cone line. This new line is expected to produce a little over five lacs tapered single cones annually necessitating an approximate investment of Rs. 1.65 Crores.

Another project to manufacture cones for the purpose of export to US only has been embarked upon during 2004. The project envisages an investment of Rs. 10.50 Crores and is expected to generate sales revenue of Rs. 21 Crores when all the three cells are expected to become fully operational. This project is expected to be completed by the end of the first quarter of 2007.

### FINANCE

The efficient management of working capital comprising Inventory and Receivables coupled with low cost LIBOR linked Export Packing Credit have improved the cash flow of the Company. Pending investment of such fund in growth initiative, it has been temporarily parked in short-term investments in various high secured mutual funds. Such measures, though temporary, have resulted a significant addition to the bottom-line, further enhancing the profit earning capacity of the Company.

### LISTING / VOLUNTARY DELISTING OF EQUITY SHARES ON STOCK EXCHANGES

In order to enhance trading opportunities to the investors, it has been decided to enlist the Equity Shares of the Company on the National Stock Exchange, Mumbai. At the same time, due to low volume of trading of the Company's Equity Shares on the Calcutta and Magadh Stock Exchanges, it has been decided to delist the Company's Equity Shares from any one or all of these Stock Exchanges. In terms of applicable provisions of law, such delisting will require an approval of the shareholders and as such the agenda for the forthcoming Eighteenth Annual General meeting contains a resolution on this subject for the approval of the shareholders.

The listing of the Company's Equity Shares on The Stock Exchange, Mumbai will however continue.

The listing fees for the year 2004-05 have been paid to the Stock Exchanges.

### DIRECTORS

Mr. Gordon W. Robinson who has been acting as the Chairman of the Board of Directors ('the Board') since April 1999 has been appointed as the Chairman & Managing Director of the Company by the Board effective from the date of his obtaining the requisite employment VISA and compliance with such other formalities as may be applicable.

Mr. Scott A. Scherff has resigned as a Director of the Company with effect from 4 February, 2005. Directors wish to place on record their deep appreciation for the valuable contribution made by Mr. Scherff during his tenure as a Director of the Company.

Mr. Gordon W. Robinson and Mr. Michael J. Hill, being Non-Executive Directors as at present and being the longest in office, are liable to retire by rotation at the forthcoming Annual General Meeting of the Company; and both being eligible, offer themselves for reappointment. In case Mr. Gordon W. Robinson obtains employment VISA before the date of the Annual General Meeting, he would forthwith assume office of the Chairman & Managing Director of the Company and, therefore being an Executive Director, he will not be liable to retire at the said Annual General Meeting; and in that case, Mr. Michael J. Hill and Mr. Jon T. Elsasser, both being Non-Executive Directors of the Company being then the longest in office, will be liable to retire by rotation and being eligible, shall offer themselves for reappointment at the said Annual General Meeting of the Company.

### AUDITORS

Messrs. S R Battilboi and Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the Eighteenth 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



## TIMKEN INDIA LIMITED

to audit the Cost Accounts of the Company for the year ended December 31, 2004.

### 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 December 31, 2004 could be made possible only with the dedication, hard work and commitment of all the Associates. The Directors express their appreciation for the wholehearted support received from all sections of the Associates of the Company.

### SOCIAL RESPONSIBILITY

The Company has been actively participating in the promotion of social welfare activities of the community in the industrial town of Jamshedpur and far-flung places impacted by devastating Tsunami in the recent past. Associates of the Company donated one day's salary for this purpose and your Company donated twice the amount contributed by the Associates. The Timken Company, USA donated US\$ 1,00,000 for this purpose.

### PARTICULARS OF EMPLOYEES

No employee of the Company, employed throughout the year, was in receipt of remuneration which was in excess of the limits referred to in Section 217(2A) of the Companies Act, 1956, and the Rules framed thereunder. A statement pursuant to the aforesaid provisions containing particulars of an employee employed for the part of the year and receiving remuneration for any part thereof in excess of the prescribed limits is given in Annexure to the Directors' Report.

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

All the new machineries installed during the year are energy efficient. Significant cost saving on cutting fluids and consumption of electricity

have been achieved by machine modifications, energy audit and efficient coolant management. Regarding absorption of foreign technology, the process is ongoing in the areas of machining, heat treatment and finishing. The Company has now achieved full indigenisation of all components for Standard Bearings and substantial indigenisation for AP Bearings. It is the intention of the Company to proceed with the process of indigenisation further.

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

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- (1) The applicable Accounting Standards had been followed, in the preparation of the accompanying Accounts;
- (2) The Directors had selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year ended December 31, 2004 and of the profit of the Company for the said period;
- (3) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (4) The Directors had prepared the accompanying Accounts on a going concern basis.

For and on behalf of the Board of Directors

Kolkata  
February 4, 2005

**Gordon William Robinson**  
Chairman

## ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2004

Statement of particulars of employees pursuant to the provisions of Sec 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

Sl. No.	Name	Designation & Nature of Duty	Remuneration (Rs)	Qualification	Age (Years)	Experience (Years)	Date of Commencement of Employment	Particulars of Last Employment (last post held, Employer, Period of Employment)
1	Sinha A. K.*	Director (H.R. & A.)	1,603,478.00	B.A. (Hons.), L.L.B Dip. in Personnel Mgmt.	47	24	6/8/1995	Dy. Chief Personnel Manager, SAIL Bokaro, 15 Years

\* Part of the year.

Notes :

- (1) Gross remuneration comprises Salary, Allowances and Taxable Value of Perquisites, and in applicable cases, Company's contribution to Provident & Superannuation Funds, but excludes contribution to Gratuity Fund on the basis of actuarial valuation.
- (2) The Nature of Employment of Mr. A. K. Sinha was contractual.
- (3) Mr. A. K. Sinha is not a relative of any Director of the Company.

For and on behalf of the Board of Directors

Kolkata, February 4, 2005

**Gordon William Robinson**  
Chairman

**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

Comprehensive energy audit was done by The Energy Resources Institute (TERI). Most of the recommendations have been implemented. Overall Plant power factor improved from 0.85 to 0.92. Efficiency of Central A.C. Chiller improved by heat loss minimization, resulting in energy savings of 2.93 lacs KWH. In addition, three gas fired preheaters were installed helping in increasing energy productivity without any electrical consumption. Three electrically heated retort furnaces were replaced by gas fired 4B Furnace with operational controls put in place to optimize furnace usage. Overall Plant air pressure requirement was reduced from 5.8 bar to 5.1 bar by improving distribution losses. Air losses were minimized effecting the overall consumption reduced from 1000 cfm to 850 cfm.  
New equipments / machines added during the year are energy efficient like earlier installations (Also please see Directors' Report).

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

As per details given below under Form A

**B. TECHNOLOGY ABSORPTION**

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

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

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

During the period under review, exports registered an increase of 42% compared to 2003. Some of the Part Numbers hitherto manufactured at other Timken locations worldwide have now moved to Company's Plant in Jamshedpur. The current indications about the export trend remains encouraging even in 2005.

- (g) Total foreign exchange used and earned (Rs./Lacs)
- i) Foreign Exchange Earnings
- ii) Foreign Exchange Outgo

<b>2004</b>	2003
<b>9256</b>	9329
<b>3956</b>	4467

**FORM A**

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

**A. Power and fuel consumption**

1. Electricity

	<b>2004</b>	2003
(a) Purchased Units (KWH)	<b>1,87,92,090</b>	1,86,07,390
Total amount (Rs.)	<b>7,41,09,955</b>	7,49,68,421
Rate Per Unit (Rs.) (all inclusive)	<b>3.94</b>	4.03

(b) Own generation

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

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

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

There is no Steam Turbine / Generator.

- 2. Coal (specify quality and where used) —
- Quantity (tonnes)
- Total Cost
- Average rate

Not Used

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

**B. Consumption per unit of production**

	<b>Standards (if any)</b>	<b>2004</b>	<b>2003</b>
Products (with details) unit			
Standard Bearings	Not set (Standard varies with product mix)		
Electricity		<b>3.64</b>	4.30
Furnace oil		<b>Not Used</b>	Not Used
Coal (specify quality)		<b>Not Used</b>	Not Used
Others (specify)		<b>Nil</b>	Nil

**FORM B**

**Form for disclosure of particulars with respect to absorption**

**TECHNOLOGY ABSORPTION**

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

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

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

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

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

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

Manufacture of Tapered Roller Bearings  
1991-92 onwards.

It is being gradually absorbed.

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

Kolkata  
February 4, 2005

**Gordon William Robinson**  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Development

Bearing industry covers both Ball and Roller Bearings. Roller Bearings can further be divided into Tapered Roller, Spherical, Cylindrical Roller, Needle Roller and thrust bearings and other special application bearings. While some of the manufacturers cater to specialized applications, the rest are involved in manufacture of both Ball Bearings and Roller Bearings. Timken India Limited (TIL) specializes in the manufacture of Tapered Roller Bearings (TRBs) at its Jamshedpur plant. However through its sales organization, it sells wide range of imported bearings of all kinds manufactured at Timken's various Plants worldwide.

The growth in bearing industry is directly related to the growth of industries having bearing applications like automotive, electrical applications, pumps, fans and agricultural machinery. These high volume segments are catered primarily by domestic manufacturers. Heavy duty industrial applications in rolling stock, rolling mills, heavy earth moving equipments, cement mills and other heavy machinery are met from imports. TIL is essentially catering to heavy automobiles and rail segment – both in domestic and export markets in TRB applications. It meets the requirements of industrial applications – steel, heavy machinery from imports from other Timken units.

### Opportunities and Threats

As mentioned above, the growth of bearing industry is linked to the growth of the major bearing applications industry, i.e. the Automobiles/ Engineering/ Railways. Demand growth in bearings will largely depend on the growth of demand of the original equipment manufacturers (OEM) in the automobile industry, engineering segment and opportunities in the international markets. Since TIL specializes in TRBs only, the demand for growth of TRBs will heavily depend on the growth in the demand of trucks, tractors, railways, etc. both in domestic and international markets.

New bearings are also used for replacement of old, worn out bearings. The size of this market is dependent on equipment population, frequency of maintenance, etc.

TRBs as used in the engineering industry are large in size and are mostly catered through imports. The growth in demand for large industrial bearings will depend on the growth of industrial and infrastructural activities. Liberalization of industrial policy, rationalization of duty structure, growth in demand in export markets, entry of multinationals and increasing demand for industrial products may result in an increase in demand for large bearings.

With the acquisition of Torrington, the product offering by Timken has enlarged manifold. In addition to the offerings of bearings of other types, seals, related parts, grease, lubricators and Industrial bearing repair services, TIL has got access to the Torrington and Fafnir brand of products comprising needle,

spherical, cylindrical bearings, engine bearings and steering products and assemblies to name a few. It launched onsite industrial services at two new locations – at Bellary at Jindal, Vijaynagar and at Hazira at Essar Steel. Further, TIL introduced range of quality sealant and adhesives and value added offering such as Condition Monitoring to its Industrial customers.

The units in the unorganized sector of the Bearing Industry mainly cater to the low tech. applications and replacement market which is price elastic. They are competitive compared to the manufacturers in the organized sector but offer inferior quality. Though they have got a strict regional presence, their impact in Bearing Industry cannot be ignored.

### Segmentwise Performance

The Management reviewed the disclosure requirement of segmentwise reporting and is of the view that since the Company manufactures bearings and related components which is a single business segment in terms of AS-17, a separate disclosure on reporting by business segments is not required.

The geographical segments however, have been determined on the basis of location of major customers of the Company. During 2004, 59% of the Company's turnover was to customers located in India and the remaining 41% was to countries outside India. The shipments for exports were mainly to USA though the Company has also exported its products in Europe and Brazil.

### Outlook – Risks and Concern

TIL, being part of large multinational Timken Company, enjoys several advantages which will become increasingly important in view of a globalizing Indian economy:

- The Timken Company's global reach and its strength in R&D makes TIL the supplier of choice of the many international companies operating in India (as compared to local domestic competitors).
- The possibility to export to other countries represents a good growth potential for TIL and provides a possibility to partially compensate variation in demand on the domestic Indian market.
- The Timken Company's acquisition of Torrington broadens the product range and increases sales opportunities in India.

The main risks are:

- Significant raises in raw material costs will impact production costs and, if bearing market prices cannot be raised, will drastically impact profit margins unless operating costs can be reduced at unprecedented magnitude and speed. TIL needs to remain profitable for domestic sales and globally competitive for exports.
- Quality of inputs with on time delivery remained a significant concern to the Company's success in future. To uphold TIMKEN Brand equity, TIL needs to ensure

that the inputs being used to manufacture its products at the Jamshedpur Plant conform to the exact specification of global standard.

- With growing Indian economy coupled with the reduction in import duties makes India increasingly a target market for many international bearing manufacturers and therefore competitive pressures on the domestic market will continue to grow faster. Infact, imports from neighbouring countries are increasing over the years. This trend is expected to lead to price pressure in domestic market.

The management of TIL is aware of both, opportunities & threats, and will continue to work to maintain global competitiveness by reducing costs and improving quality as well as on growth of sales in the domestic market.

#### **Internal Control Systems**

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

#### **Financial Performance vis-à-vis Operational Performance**

During 2004, net sales grew by 23%, from Rs. 218 Crores in 2003 to Rs. 267 Crores mainly because of volume increases in both Standard and Railway Bearings. In 2004, exports have also increased by about 42% over 2003. The exports of the Company mainly constitute shipments to USA. Such volume gains coupled with better price realization on export front, improved utilization of existing capacity and reduction in operating and administrative costs have resulted in improvement of profits of the Company as reflected in the accompanying accounts.

During the period under review, production has increased by about 19% compared to last year due to better utilization of capacity. An aggregate of 65374 Railway Bearings were produced in 2004 compared to 47073 bearings in 2003. In Standard, the production during the period was at 1681027 nos. compared to 1449937 nos. of bearings during the previous year. Production of components however, has increased significantly to 11528260 nos. from 8517086 nos.

#### **HR Front**

During the year under review, the company did not witness any kind of adverse development on the HR/IR front. The relationship between the Associates of the company and the Management remains congenial all through out the year. The company employed 554 Associates (including 154 Officers) as on December 31, 2004.

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

We have audited the attached Balance Sheet of Timken India Limited, as at 31st December 2004 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- ii) In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of those books;
- iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v) On the basis of written representations received from the directors, as on 31st December 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2004;
  - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - c. in the case of cash flow statement, of the cash flows for the year ended on that date.

Place : Kolkata  
Date : February 4, 2005

**S. R. BATLIBOI & CO.**  
**CHARTERED ACCOUNTANTS**  
Per RAHUL ROY

*a Partner*  
Membership no. 53956

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

- (i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on verification. There was no substantial disposal of fixed assets during the year.
- (ii) The management has conducted physical verification of inventory at reasonable intervals. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) As informed to us, the Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.
- (v) Based on the information and explanations given to us, the particulars of contracts and arrangements that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956 have been so entered. The company interalia, undertakes transactions of purchase and sale of Goods, Materials, and services with associate and group companies, in pursuance of contracts / arrangements entered in the register maintained under section 301 of the Companies Act, 1956. As, a number of such transactions relate to proprietary items manufactured by the Timken Group and Raw Materials in connection thereto, comparative rates are not always available; however, consideration of the selling price of such goods, in the market, and relevant transfer pricing guidelines, prima facie indicate that the transactions are at reasonable prices.
- (vi) The Company has not accepted any deposit from public within the meaning of sections 58A and 58AA of the Companies Act, 1956.
- (vii) The Company has an internal audit system, which in our opinion, is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income tax, Sales tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities. As informed to us, the provisions of ESI Act are not applicable to the Company.

There are no dues outstanding of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess on account of any dispute, other than the following :

Name of Statute	Nature of Dues	Amount (Rs.)	Period to which it relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax Demands	12,33,334	1998-99	Deputy Commissioner of Income Tax, Circle - 1, Kolkata
Income Tax Act, 1961	Income Tax Demands	2,43,315	1991-92	Commissioner of Income Tax (Appeals) - 1, Kolkata
Assam General Sales Tax Act, 1993	Local Sales Tax Demands	1,81,450	1995-96 and 1996-97	Deputy Commissioner of Sales Tax (Appeals), Guwahati, Assam
Bihar Sales Tax Act, 1981	Local Sales Tax Demands	7,51,459	1991-92 and 1999-2000	Joint Commissioner (Assessment), Jamshedpur
Bihar Sales Tax Act, 1981	Central Sales Tax Demands	53,51,170	1991-92 and 1999-2000	Joint Commissioner (Assessment), Jamshedpur

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

Name of Statute	Nature of Dues	Amount (Rs.)	Period to which it relates	Forum where dispute is pending
UP Trade Tax Act, 1948	Local Sales Tax Demands	7,83,897	1994-95 and 1996-97	Tribunal Bench, Ghaziabad (UP)
Delhi Sales Tax Act, 1975	Local Sales Tax Demands	2,92,657	2001-02	Assessing Officer, Bikri Kar Bhawan, New Delhi
Tamilnadu General Sales Tax Act, 1959	Local Sales Tax Demands	27,41,295	2001-02	Sales Tax Assessing Officer, Tamilnadu
Madhya Pradesh Commercial Tax Act, 1994	Local Sales Tax Demands	3,04,368	1998-99	Commissioner of Sales Tax, Raipur, Chattisgarh
Central Excise Act, 1944	Excise Duty Demands	52,45,045	1998-99	Assistant Commissioner, Division 2, Jamshedpur
Central Excise Act, 1944	Excise Duty Demands	24,52,574	1998-99 to 2001-02	Appeal filed before CESTAT

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) As per books and records maintained by the Company and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has granted loans and advances on the basis of other securities in respect of which adequate documents and records are maintained. As informed and explained to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares and debentures.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) As informed and explained to us, the Company has not dealt/traded in securities or debentures during the year. In our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts relating to dealing/tradings in Shares and Other investments and timely entries have been made therein. The shares and other investments have been held by the Company, in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by its associates from bank or financial institutions. As informed to us, the Company has no subsidiary companies.
- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**S. R. BATLIBOI & CO.**  
**CHARTERED ACCOUNTANTS**  
**Per RAHUL ROY**

*a Partner*

Membership no. 53956

Place : Kolkata

Date : February 4, 2005



**BALANCE SHEET AS AT 31ST DECEMBER, 2004**

	Schedule	Rupees	As at 31.12.2004 Rupees	As at 31.12.2003 Rupees
<b>SOURCES OF FUNDS</b>				
<b>a) SHAREHOLDERS' FUNDS</b>				
(i) Share Capital	1	63,72,05,250		63,72,04,250
(ii) Reserves & Surplus	2	69,74,95,732		36,75,61,473
			<b>133,47,00,982</b>	<b>100,47,65,723</b>
<b>b) LOAN FUNDS</b>				
(i) Secured Loans	3	32,72,822		2,45,49,834
(ii) Unsecured Loans	4	9,31,44,605		78,47,330
			<b>9,64,17,427</b>	<b>3,23,97,164</b>
<b>c) DEFERRED TAX LIABILITIES (NET)</b> [refer note (n), schedule 17]				
			<b>3,74,56,049</b>	<b>4,40,94,263</b>
			<b>146,85,74,458</b>	<b>108,12,57,150</b>
<b>APPLICATION OF FUNDS</b>				
<b>d) FIXED ASSETS :</b>				
(i) Gross Block	5	154,47,04,467		151,14,79,197
(ii) Less : Depreciation		111,72,54,411		103,85,22,302
(iii) Net Block		42,74,50,056		47,29,56,895
(iv) Capital Work-In-progress		5,76,18,009		2,26,99,224
– including advances Rs.1,60,32,117 ( 31.12.2003 - Rs. 60,29,108)			<b>48,50,68,065</b>	<b>49,56,56,119</b>
<b>e) INVESTMENTS</b>				
	6		<b>41,58,18,118</b>	<b>5,53,00,000</b>
<b>f) CURRENT ASSETS, LOANS AND ADVANCES</b>				
(i) Inventories	7	38,76,58,905		32,45,08,934
(ii) Sundry Debtors	8	52,73,18,559		41,61,33,087
(iii) Cash and Bank Balances	9	4,67,07,634		9,27,25,665
(iv) Loans and Advances	10	9,10,46,419		9,39,64,966
		<b>105,27,31,517</b>		<b>92,73,32,652</b>
<b>g) LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>				
(i) Current Liabilities	11	45,16,15,321		35,78,15,422
(ii) Provisions	12	3,56,24,516		4,40,48,708
		<b>48,72,39,837</b>		<b>40,18,64,130</b>
<b>h) NET CURRENT ASSETS</b>				
			<b>56,54,91,680</b>	<b>52,54,68,522</b>
<b>i) MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF</b>				
	13		<b>21,96,595</b>	<b>48,32,509</b>
			<b>146,85,74,458</b>	<b>108,12,57,150</b>
<b>j) ACCOUNTING POLICIES AND NOTES</b>				
	17			
Schedules 1 to 17 form an integral part of these accounts				

As per our report of even date attached

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

Membership No. 53956  
Kolkata, 04 February, 2005

**Soumitra Hazra**  
Finance Controller & Company Secretary

For and on behalf of the Board

**G.W. Robinson**  
Chairman

**Shyamal K Sinha**  
Dy. Managing Director

Kolkata, February 04, 2005

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2004**

	Schedule	Rupees	Year ended December 31, 2004 Rupees	Previous Year ended December 31, 2003 Rupees
<b>INCOME</b>				
a) Sale of Products (Gross)		<b>292,12,36,579</b>		240,93,44,710
Less : Trade Discounts		<b>2,97,51,348</b>		3,48,32,913
Less : Excise Duty Recovered		<b>22,21,48,114</b>		19,89,01,473
Sale of Products (Net)			<b>266,93,37,117</b>	217,56,10,324
b) Other Income	14		<b>10,82,94,044</b>	12,67,35,414
			<b>277,76,31,161</b>	230,23,45,738
<b>EXPENDITURE</b>				
c) Manufacturing and other expenses	15		<b>217,69,58,695</b>	187,15,73,842
d) Interest (net)	16		<b>90,26,541</b>	94,76,021
e) Depreciation	5		<b>8,27,94,943</b>	9,04,67,515
			<b>226,87,80,179</b>	197,15,17,378
<b>PROFIT BEFORE TAX</b>			<b>50,88,50,982</b>	33,08,28,360
f) Provision for Taxation				
– Current		<b>18,55,37,937</b>		9,63,59,483
– Deferred		<b>(66,21,214)</b>		30,99,887
			<b>17,89,16,723</b>	9,94,59,370
<b>PROFIT AFTER TAX</b>			<b>32,99,34,259</b>	23,13,68,990
g) PROFIT BROUGHT FORWARD FROM PREVIOUS YEAR			<b>10,75,61,473</b>	16,77,02,947
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			<b>43,74,95,732</b>	39,90,71,937
h) APPROPRIATIONS :-				
– DIVIDEND ON PREFERENCE SHARES			—	3,15,10,464
– TRANSFERRED TO CAPITAL REDEMPTION RESERVE			—	26,00,00,000
<b>PROFIT CARRIED TO BALANCE SHEET</b>			<b>43,74,95,732</b>	10,75,61,473
i) <b>EARNINGS PER SHARE</b>				
– Basic			5.18	3.14
– Diluted			5.18	3.14
<b>[refer note (y) of Schedule 17]</b>				
j) <b>ACCOUNTING POLICIES AND NOTES</b>	17			

Schedules 1 to 17 form an integral part of these accounts

As per our report of even date attached

**S.R.BATLIBOI & CO.**  
Chartered Accountants  
**Per Rahul Roy**  
a Partner  
Membership No. 53956  
Kolkata, 04 February, 2005

**Soumitra Hazra**  
Finance Controller & Company Secretary

Kolkata, February 04, 2005

For and on behalf of the Board

**G.W. Robinson**  
Chairman

**Shyamal K Sinha**  
Dy. Managing Director

## SCHEDULES 1 TO 17 FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST DECEMBER 2004

## SCHEDULE 1 : SHARE CAPITAL

	<u>Rupees</u>	<u>As at 31.12.2004 Rupees</u>	<u>As at 31.12.2003 Rupees</u>
<b>Authorised :</b>			
7,50,00,000 Equity Shares of Rs. 10 /- each	<b>75,00,00,000</b>		75,00,00,000
26,00,000 9% Cumulative Redeemable Preference Shares of Rs.100/- each.	<b>26,00,00,000</b>		26,00,00,000
		<b>101,00,00,000</b>	101,00,00,000
<b>Issued :</b>			
6,37,50,000 Equity Shares of Rs. 10 /- each		<b>63,75,00,000</b>	63,75,00,000
<b>Subscribed:</b>			
(refer note (r), Schedule 17)			
6,37,34,850 Equity Shares of Rs. 10 /- each fully paid-up	<b>63,73,48,500</b>		63,73,48,500
Less: Calls in Arrears - others	<b>1,43,250</b>		1,44,250
		<b>63,72,05,250</b>	63,72,04,250

## SCHEDULE 2 : RESERVES AND SURPLUS

a) <b>Capital Redemption Reserve</b> – as per last accounts	<b>26,00,00,000</b>	26,00,00,000
b) <b>Profit &amp; Loss Account</b>	<b>43,74,95,732</b>	10,75,61,473
	<b>69,74,95,732</b>	36,75,61,473

## SCHEDULE 3 : SECURED LOANS

## Loans from Banks

i) State Bank of India	<b>32,72,822</b>	2,45,34,602
ii) Others	—	15,232
(Secured by hypothecation of entire inventory & receivables)		
	<b>32,72,822</b>	2,45,49,834

## SCHEDULE 4 : UNSECURED LOANS

[refer note (s), Schedule 17]

<b>Short Term Loans from Scheduled Banks</b>	<b>9,31,44,605</b>	78,47,330
	<b>9,31,44,605</b>	78,47,330

**SCHEDULE 5 : FIXED ASSETS**

ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	Opening Balance as at 01.01.2004	ADDITIONS	DEDUCTIONS	AS AT 31.12.2004	Opening Balance as at 01.01.2004	FOR THE YEAR	DEDUCTIONS	TOTAL UPTO 31.12.2004	AS AT 31.12.2004	AS AT 31.12.2003
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Buildings	13,55,22,481	22,75,025	—	13,77,97,506	3,72,96,129	45,76,091	—	4,18,72,220	9,59,25,286	9,82,26,352
Plant & Machinery (including office equipment, computers & tools)	134,95,55,502	3,31,86,034	30,76,621	137,96,64,915	98,53,89,264	7,52,26,489	30,53,682	105,75,62,071	32,21,02,844	36,41,66,238
Furniture & Fixtures	1,16,68,297	1,94,774	2,05,318	1,16,57,753	89,31,299	4,60,937	2,05,318	91,86,918	24,70,835	27,36,998
Vehicles	1,47,32,917	18,11,076	9,59,700	1,55,84,293	69,05,610	25,31,426	8,03,835	86,33,202	69,51,091	78,27,307
<b>Total</b>	<b>151,14,79,197</b>	<b>3,74,66,909 *</b>	<b>42,41,639</b>	<b>154,47,04,467</b>	<b>103,85,22,302</b>	<b>8,27,94,943</b>	<b>40,62,835</b>	<b>111,72,54,411</b>	<b>42,74,50,056</b>	<b>47,29,56,895</b>
Previous Year	145,37,31,461	7,62,69,312 *	1,85,21,576	151,14,79,197	96,52,13,285	9,04,67,515	1,71,58,498	103,85,22,302	47,29,56,895	48,85,18,176

\* Includes exchange differences of Rs. 40,598 (31-12-2003 : Rs. 8,836)

**SCHEDULE 6 : INVESTMENTS**

	Face Value	Opening Balance as at 01.01.2004	Purchased/ Dividend Reinvested	Sale/ Conversion	Holdings as at 31.12.2004			Holdings as at 31.12.2003	
					Nos.	Rs.	Rs.		
									Nos.
<b>Long Term Investments (At Cost)</b>									
<b>Trade (Unquoted) Equity Shares fully paid</b>									
Nicco Jubilee Park Limited	10	30,000	—	—	30,000	3,00,000	3,00,000	3,00,000	
<b>Current Investments</b>									
(At Lower of Cost or Market Value)									
<b>Other Investments (Unquoted)</b>									
Kotak Liquid Institutional Plan - Growth	10	20,48,979	—	—	20,48,979	2,50,00,000	—	2,50,00,000	
Alliance Cash Manager - Growth	10	9,92,461	—	9,92,461	—	—	—	1,50,00,000	
Templeton Floating Fund - Long Term - Growth	1,000	13,63,865	—	—	13,63,865	1,50,00,000	—	1,50,00,000	
Kotak Fixed Maturity Plans (8) - Growth	10	—	20,01,338	—	20,01,338	2,00,13,379	—	—	
HDFC Fixed Investment Plan - July 2004(2) - Growth	10	—	30,41,315	—	30,41,315	3,04,13,156	—	—	
JM High Liquidity Fund Institutional Plan - DDR	10	—	1,57,71,938	1,57,71,938	—	—	—	—	
Alliance Cash Manager - IP - DDR	10	—	96,37,942	96,37,942	—	—	—	—	
HDFC Cash Management Fund - Savings Plan - DDR	10	—	2,71,68,027	2,31,60,606	40,07,421	4,26,24,531	—	—	
IL&FS Liquid Account - Institutional Plan Dividend	10	—	16,03,330	16,03,330	—	—	—	—	
Sundaram Money Fund - DDR	10	—	32,54,514	32,54,514	—	—	—	—	
ING Vysya Liquid Fund - DDR	10	—	9,29,673	9,29,673	—	—	—	—	
RLF - Treasury Plan - Institutional Option - DDR	10	—	23,12,762	23,12,762	—	—	—	—	
Principal Cash Management Fund - Liquid Option - Institutional Plan -DDR	10	—	70,96,384	60,91,661	10,04,723	1,00,49,133	—	—	
Principal Deposit Fund (FMP-3) 91 Days Plan DR	10	—	30,32,579	30,32,579	—	—	—	—	
Kotak Liquid Institutional Plan - DDR	10	—	92,33,724	71,80,403	20,53,321.69	2,51,08,223	—	—	
Templeton India Treasury Management Account - DDR	10	—	20,250	—	20,249.87	3,06,17,080	—	—	
Reliance Fixed Term Scheme - Quarterly Plan -5 - Dividend Option	10	—	20,00,000	20,00,000	—	—	—	—	
Grindlays Cash Fund - Inst Plan B - DDR	10	—	56,86,900	56,86,900	—	—	—	—	
Tata Fixed Horizon Quarterly - Income	10	—	10,09,297	10,09,297	—	—	—	—	
Tata Liquid Super High Investment Fund - DDR	10	—	27,01,066	18,00,754	9,00,312	1,00,32,532	—	—	
Grindlays Floating Rate - Inst Plan B - DDR	10	—	35,05,870	—	35,05,870	3,53,05,164	—	—	
DSP Merrill Lynch Liquidity Fund - DDR	10	—	20,05,693	20,05,693	—	—	—	—	
Sundaram Money Fund Institutional - DDR	10	—	34,85,606	—	34,85,606	3,51,88,241	—	—	
UTI Liquid Advantage Fund Institutional - DDR	1,000	—	15,047	—	15,047	1,50,99,676	—	—	
Birla FMP Qtrly Series - Plan A Dividend	10	—	19,99,180	—	19,99,180	2,00,00,000	—	—	
Prudential ICICI Floating Rate Plan - DDR	10	—	25,05,353	—	25,05,353	2,50,56,533	—	—	
DSP Merrill Lynch Floating Rate - DDR	10	—	19,99,224	—	19,99,224	2,00,36,223	—	—	
Reliance Fixed Term Scheme - Quarterly Plan -6 - Dividend Option	10	—	20,00,000	—	20,00,000	2,00,00,000	—	—	
Reliance Fixed Term Scheme - Monthly Plan 15 - Dividend Option	10	—	35,97,425	—	35,97,425	3,59,74,247	—	—	
								41,55,18,118	5,50,00,000
								41,58,18,118	5,53,00,000

Note : Aggregate amount of Unquoted Investments- Rs 41,58,18,118

TIMKEN INDIA LIMITED

**SCHEDULE 7 : INVENTORIES**

(At lower of Cost or Net Realisable Value)

	<u>Rupees</u>	<u>As at 31.12.2004 Rupees</u>	<u>As at 31.12.2003 Rupees</u>
a) Stores and Spares (including in transit)		5,28,24,235	4,73,11,735
b) Raw materials and Components (including in transit)		12,84,52,449	10,21,49,604
c) Work - in - progress		5,10,04,643	5,01,12,900
d) Finished stocks (including in transit)	13,69,43,709		11,21,20,122
Add : Excise Duty on finished stock not assessed to duty	1,84,33,869		1,28,14,573
		<u>15,53,77,578</u>	<u>12,49,34,695</u>
		<u>38,76,58,905</u>	<u>32,45,08,934</u>

**SCHEDULE 8 : SUNDRY DEBTORS**

[refer note (u), Schedule 17]

a) Over six months		2,84,52,554	3,94,30,288
b) Others		50,93,60,481	39,28,12,331
		<u>53,78,13,035</u>	<u>43,22,42,619</u>
Less : Provision for Bad and Doubtful debts		1,04,94,476	1,61,09,532
		<u>52,73,18,559</u>	<u>41,61,33,087</u>

**Classification of Debts :-**

Secured and considered good		66,52,334	67,16,937
Unsecured and considered good		52,06,66,225	40,94,16,150
Considered doubtful		1,04,94,476	1,61,09,532
		<u>53,78,13,035</u>	<u>43,22,42,619</u>

**SCHEDULE 9 : CASH AND BANK BALANCES**

a) Cash and Cheques in Hand (including Remittances in Transit)		3,07,45,342	7,55,30,666
b) Balance with Scheduled Banks			
i) In Current Accounts		1,59,57,292	1,71,89,999
ii) Towards margin money		5,000	5,000
		<u>4,67,07,634</u>	<u>9,27,25,665</u>

**SCHEDULE 10 : LOANS AND ADVANCES**

[refer note (v), Schedule 17]

	<b>As at 31.12.2004 Rupees</b>	<b>As at 31.12.2003 Rupees</b>
a) Prepaid expenses	<b>24,79,883</b>	33,90,482
b) Advances recoverable in Cash or in Kind or for value to be received	<b>4,37,04,883</b>	4,87,75,111
c) Balances with Customs and Excise	<b>98,44,515</b>	1,11,62,338
d) Deposits [ refer note (m) of Schedule 17 ]	<b>3,67,92,969</b>	3,40,57,205
	<b>9,28,22,250</b>	9,73,85,136
Less : Provision for Doubtful Advances	<b>17,75,831</b>	34,20,170
	<b>9,10,46,419</b>	9,39,64,966

**Classification of Loans & Advances**

Secured and considered good	<b>38,18,800</b>	5,84,448
Unsecured and considered good	<b>8,72,27,619</b>	9,33,80,518
Considered doubtful	<b>17,75,831</b>	34,20,170
	<b>9,28,22,250</b>	9,73,85,136

- Notes : 1) Amount due by a Director Nil (31-12-2003 : Rs. Nil). Maximum amount due during the year Rs. 3,87,737 (2003 : Rs. 2,07,946).
- 2) Amount due by an Officer Rs. 23,000 (31-12-2003 : Rs. Nil). Maximum amount due during the year Rs. 1,90,672 (2003 : Rs. 22,000)

**SCHEDULE 11 : CURRENT LIABILITIES**

	<b>Rupees</b>	<b>As at 31.12.2004 Rupees</b>	<b>As at 31.12.2003 Rupees</b>
a) Sundry Creditors :			
i) Small Scale Industrial undertakings [refer note (t), Schedule 17]	<b>75,13,954</b>		94,96,236
ii) Others	<b>28,28,07,473</b>		22,53,39,964
		<b>29,03,21,427</b>	23,48,36,200
b) Advance payments from Customers		<b>12,70,050</b>	10,71,812
c) Investor Education and Protection Fund shall be credited by the following amounts, namely			
i) Unpaid Matured Debentures	<b>72,21,710</b>		73,19,418
ii) Unpaid Interest on Debentures [refer note (z), Schedule 17]	<b>62,10,098</b>		75,35,639
		<b>1,34,31,808</b>	1,48,55,057
d) Other Liabilities		<b>14,65,92,036</b>	10,70,52,353
		<b>45,16,15,321</b>	35,78,15,422

**SCHEDULE 12 : PROVISIONS**

	<b>As at 31.12.2004 Rupees</b>	As at 31.12.2003 Rupees
a) Provision for Leave Encashment & Other Employee Benefits	<b>3,26,37,000</b>	2,30,07,253
b) Provision for Taxes - net of advance Rs 41,81,55,857 (31.12.2003 Rs 21,44,88,982)	<b>29,87,516</b>	2,10,41,455
	<b><u>3,56,24,516</u></b>	<b><u>4,40,48,708</u></b>

**SCHEDULE 13 : MISCELLANEOUS EXPENDITURE***(TO THE EXTENT NOT WRITTEN OFF)*

[refer note (p), Schedule 17]

Technical Know-how Expenses paid	<b>48,32,509</b>	74,68,423
Less : Amortised for the year	<b>26,35,914</b>	26,35,914
	<b><u>21,96,595</u></b>	<b><u>48,32,509</u></b>

**SCHEDULE 14 : OTHER INCOME**

	<b>Year ended December 31,2004 Rupees</b>	Year ended December 31, 2003 Rupees
i) Agency Commission – including TDS Rs. 25,204 ( 2003 : Rs. 655 )	<b>2,49,13,503</b>	1,84,33,475
ii) Income from Services – including TDS Rs. 3,15,066 ( 2003 : Rs. 2,87,316 )	<b>2,49,31,960</b>	1,77,80,763
iii) Foreign Exchange Gain (net)	—	5,02,030
iv) Liabilities no longer required – including provisions written back Rs. 44,00,000 (2003 : Rs. 1,31,79,335)	<b>1,53,61,667</b>	2,63,49,600
v) Export incentives under DEPB Scheme (net)	<b>3,10,38,576</b>	4,50,47,500
vi) Income from Investments - Non Trade	<b>81,54,748</b>	4,62,613
vii) Profit on Sale of Investments	<b>10,55,299</b>	1,14,03,540
viii) Miscellaneous Income	<b>28,38,291</b>	67,55,893
	<b><u>10,82,94,044</u></b>	<b><u>12,67,35,414</u></b>

**SCHEDULE 15 : MANUFACTURING AND OTHER EXPENSES**

	Rupees	Year ended December 31, 2004 Rupees	Year ended December 31, 2003 Rupees
1) Purchase of Products for resale [refer note (c), Schedule 17]		<b>24,69,16,452</b>	24,08,71,515
2) Raw Materials and Components consumed [refer note (d), Schedule 17]		<b>110,07,54,934</b>	86,62,37,589
3) Payments to and Provision for employees			
a) Salaries, Wages and Bonus	<b>18,04,40,936</b>		17,33,52,567
b) Company's contribution to Provident and other Funds	<b>1,85,48,722</b>		1,56,67,376
c) Staff Welfare expenses	<b>2,42,84,441</b>		2,79,88,219
		<b>22,32,74,099</b>	21,70,08,162
4) Operation & Other Expenses			
a) Stores and spare parts consumed [refer note (e)(ii), Schedule 17]	<b>16,55,48,294</b>		12,78,70,986
b) Purchase of Power	<b>7,41,09,955</b>		7,49,68,421
c) Repairs to Buildings	<b>1,02,57,977</b>		1,11,91,812
d) Repairs to Machinery	<b>1,95,06,358</b>		1,81,05,978
e) Royalty	<b>6,89,24,235</b>		5,12,66,906
f) Rent	<b>33,10,598</b>		32,92,865
g) Rates and Taxes	<b>40,42,445</b>		28,38,038
h) Insurance	<b>39,03,686</b>		39,67,977
i) Commission & Discount	<b>1,20,80,598</b>		1,20,59,385
j) Travelling	<b>2,90,23,846</b>		2,18,18,367
k) Conversion Charges [refer note(o), Schedule 17]	<b>6,15,00,923</b>		1,71,50,763
l) Legal & Professional Fees	<b>3,34,26,714</b>		3,18,99,269
m) Other Expenses [refer note (q), Schedule 17]	<b>9,07,42,431</b>		8,23,61,326
		<b>57,63,78,060</b>	45,87,92,093
5) Foreign Exchange Loss (Net)		<b>74,299</b>	—
6) Carriage and Handling		<b>4,57,00,848</b>	2,86,29,885
7) Provision for doubtful debts & advances		<b>95,53,546</b>	63,46,082
8) Excise Duty Paid-(Net of recovery)		<b>21,787</b>	(4,50,841)
9) (Increase) / Decrease in stock of finished goods and semi-finished goods - excluding excise duty on plant stock			
Opening Stock	<b>16,22,33,022</b>		21,63,72,379
Less : Closing Stock	<b>18,79,48,352</b>		16,22,33,022
		<b>(2,57,15,330)</b>	5,41,39,357
		<b>217,69,58,695</b>	187,15,73,842

**SCHEDULE 16 : INTEREST - NET****Interest Expense**

i) Term Loans	—	13,38,798
ii) Others	<b>90,27,126</b>	<b>81,37,223</b>
	<b>90,27,126</b>	94,76,021
Less :		
Interest Income	<b>585</b>	—
	<b>90,26,541</b>	94,76,021



**SCHEDULE 17 : NOTES ON THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT****a) SIGNIFICANT ACCOUNTING POLICIES****(i) Basis of Accounting**

The Company prepares its accounts on accrual basis under the historical cost convention and in accordance with applicable Accounting Standards in India.

**(ii) Revenue Recognition**

Revenue from sale of goods including manufactured products are recognised upon passage of title to the customers, which generally coincides with delivery.

Revenue from agency commission and other service charges are recognised upon accrual of such income as per the respective contracts.

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

**(iii) Fixed Assets**

Fixed Assets are stated at cost of acquisition inclusive of duties (net of Cenvat), taxes, incidental expenses, erection / commissioning expenses and financial charges up to the date the asset is ready for its intended use.

**(iv) Depreciation**

Depreciation is provided under straight line method as detailed below –

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

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

- b) For other Plant & Machinery - at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.
- c) Additions / deletions during the year are depreciated pro-rata from the date of such addition / deletion except assets costing below Rs. 5000 which are fully depreciated in the year they are put to use. Extra shift depreciation is calculated on actual shift basis in respect of each operating department.
- d) Depreciation on the amount capitalised during the year on account of Foreign Exchange fluctuation is provided prospectively over the residual life of the respective assets.

**(v) Foreign Currency Transactions**

Foreign currency transactions are recorded on the basis of average of the exchange rates in force during the relevant month.

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

In the case of transactions covered by forward contracts, the difference between the contract rate and the exchange rate prevailing on the date of transaction is charged to Profit & Loss Account, proportionately over the contract period.

Exchange fluctuation on imported fixed assets is adjusted to the cost of fixed assets.

**(vi) Inventories**

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

**SCHEDULE 17 : (Contd.)****(vii) Retirement Benefits**

- a) Gratuity is administered through an approved fund, contributions to which, made in accordance with year-end actuarial valuation, are 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.

- 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 due.

**(viii) 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 factories as on the balance sheet date.

**(ix) Deferred Revenue Expenditure**

Technical Know-how fees are deferred over the period during which the benefits are expected to be derived.

**(x) Leases**

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit & loss account.

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

**(xi) Income Taxes**

Tax expense comprises both current and deferred taxes. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets (including unrecognised deferred tax assets of earlier years) are recognised only to the extent that there is reasonable certainty/virtual certainty, as applicable, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**(xii) Investments**

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

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

**(xiii) Borrowing Costs**

- a) Borrowing costs that are directly attributable to the acquisition / construction of a qualifying asset are capitalized as part of the cost of that asset.

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

**(xiv) 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.

**SCHEDULE 17 : (Contd.)**

**b) LICENCED AND INSTALLED CAPACITY AND PRODUCTION**

(as certified by the Management and accepted by the Auditors)

	<u>Installed capacity</u>		<u>Production</u>	
i) AP Cartridge Tapered Roller Bearings, unit including components and accessories	1,50,000	Nos.	65,374	Nos.
	(1,05,000)	Nos.	(47,073)	Nos.
ii) Tapered Roller Bearings, unit including components	40,00,000	Nos.	16,81,027	Nos.
	(40,00,000)	Nos.	(14,49,937)	Nos.
iii) Components (manufactured for sale)	—		1,15,28,260	Nos.
	—		(85,17,086)	Nos.

1) Licenced 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) Above installed capacity represents existing manufacturing facilities for respective products.

Note: Figures in brackets are for the previous year

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

	<u>TURNOVER</u>		<u>CLOSING STOCK</u>		<u>OPENING STOCK</u>		<u>PURCHASE #</u>	
	<u>Quantity *</u>	<u>Rupees **</u>	<u>Quantity</u>	<u>Rupees</u>	<u>Quantity</u>	<u>Rupees</u>	<u>Quantity</u>	<u>Rupees</u>
i) Tapered Roller Bearings (Including purchased for resale)	20,59,961 Nos.	145,05,37,658	2,48,024 Nos.	9,26,38,671	2,39,806 Nos.	7,57,43,057	3,33,506 Nos.	8,23,50,401
	(17,81,519) Nos.	(119,74,87,891)	(2,39,806) Nos.	(7,57,43,057)	(3,55,973) Nos.	(12,07,00,330)	(1,72,522) Nos.	(9,07,81,510)
ii) Components (Including purchased for resale)	1,10,36,318 Nos.	113,80,38,147	9,05,696 Nos.	5,49,38,592	2,83,703 Nos.	3,86,41,698	4,00,463 Nos.	9,22,08,719
	(87,52,091) Nos.	(89,37,06,471)	(2,83,703) Nos.	(3,86,41,698)	(2,79,708) Nos.	(3,78,00,701)	(2,40,193) Nos.	(7,92,30,538)
iii) Grease	9,45,812 Kgs.	7,75,18,174	68,648 Kgs.	48,67,274	90,841 Kgs.	63,10,642	9,28,030 Kgs.	6,80,35,746
	(10,58,122) Kgs.	(8,27,40,749)	(90,841) Kgs.	(63,10,642)	(1,46,822) Kgs.	(99,20,787)	(10,02,178) Kgs.	(7,08,59,467)
iv) Oil Seals	7,329 Nos.	2,14,564	1,33,172 Nos.	9,58,643	1,44,004 Nos.	29,04,892	—	—
	(51,201) Nos.	(16,46,563)	(1,44,004) Nos.	(29,04,892)	(1,95,714) Nos.	(40,17,454)	—	—
v) Dental Handpiece Cartridge (including Components)	— (35) Nos.	— (28,650)	4,238 Nos. (4,238) Nos.	— (13,34,406)	4,238 Nos. (4,273) Nos.	13,34,406 (17,34,199)	—	—
vi) Adhesive, Sealants Gasket maker etc.	22,036 Nos. —	30,28,574 —	27,196 Nos. —	19,74,398 —	— —	— —	49,286 Nos. —	43,21,586 —
		<u>266,93,37,117</u>		<u>15,53,77,578</u>		<u>12,49,34,695</u>		<u>24,69,16,452</u>
		<u>(217,56,10,324)</u>		<u>(12,49,34,695)</u>		<u>(17,41,73,471)</u>		<u>(24,08,71,515)</u>

\* Excludes free samples to customers.

# Purchases are for resale.

\*\* Sale of Products is stated net of excise duty and trade discount.

Note : Figures in brackets are for the previous year.

**SCHEDULE 17 : (Contd.)****d) CONSUMPTION OF RAW MATERIALS AND COMPONENTS**

Details of Raw Materials/Components	Year ended 31st December 2004		Year ended 31st December 2003	
	Quantity	Rupees	Quantity	Rupees
Cup	29,90,119 Nos.	36,76,00,575	22,57,630 Nos.	25,43,51,327
Cone	31,52,594 Nos.	30,29,37,007	28,79,507 Nos.	22,84,50,258
Rollers	1,45,63,045 Nos.	6,78,20,702	1,96,17,855 Nos.	10,76,11,180
Roller Wire	16,12,071 Kgs.	8,88,41,192	13,60,940 Kgs.	7,84,12,319
Components & Accessories		27,35,55,458		19,74,12,505
		<u>110,07,54,934</u>		<u>86,62,37,589</u>

**e) CONSUMPTION OF IMPORTED AND INDIGENOUS MATERIALS**

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

	Year ended 31st December 2004		Year ended 31st December 2003	
	%	Rupees	%	Rupees
<b>i) Raw Materials and components</b>				
Imported	19.50	21,46,46,344	28.09	24,33,41,104
Indigenous	80.50	88,61,08,590	71.91	62,28,96,485
	<u>100.00</u>	<u>110,07,54,934</u>	<u>100.00</u>	<u>86,62,37,589</u>
<b>ii) Stores and spare parts</b>				
Imported	17.87	2,95,89,256	12.61	1,61,29,525
Indigenous	82.13	13,59,59,038	87.39	11,17,41,461
	<u>100.00</u>	<u>16,55,48,294</u>	<u>100.00</u>	<u>12,78,70,986</u>

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

	Year ended 31st December 2004 Rupees	Year ended 31st December 2003 Rupees
i) Raw Materials, components, stores and spare parts	22,91,36,365	18,55,71,254
ii) Finished Products for re-sale	12,68,36,821	10,37,41,040
iii) Capital Goods	1,06,95,907	1,15,60,943

## SCHEDULE 17 : (Contd.)

	Year ended December 31, 2004 Rupees	Year ended December 31, 2003 Rupees
<b>g) EXPENDITURE IN FOREIGN CURRENCY (on cash basis)</b>		
i) Foreign Travel	68,33,888	38,56,108
ii) Bank Charges	1,84,121	9,02,637
iii) Royalty (net of withholding tax)	4,28,34,657	3,81,22,334
iv) Others	1,98,93,328	6,08,95,723
<b>h) DIVIDEND REMITTANCE IN FOREIGN CURRENCY (Preference Shares)</b>	—	6,43,01,918
(The Timken Company, USA held 26,00,000 9% Cumulative Redeemable Preference Shares of Rs 100/- each at the time of redemption of such shares on December 29,2003. The Company remitted dividend for the nine months ended December 31,2002 and also dividend for the period January 1,2003 to December 29,2003 on such shares during 2003).		
<b>i) EARNINGS IN FOREIGN EXCHANGE (on realisation basis)</b>		
i) F.O.B. value of exports	90,49,40,876	91,23,11,050
ii) Agency commission	2,07,03,527	2,05,73,629
<b>j) CONTINGENT LIABILITIES NOT PROVIDED FOR</b>		
– Income tax demands	14,76,649	14,76,649
– Other claims	7,54,546	7,55,835
– Excise duty and Sales Tax matters	1,97,77,476	2,76,52,692
<b>k) ESTIMATED AMOUNT OF CONTRACTS REMAINING TO BE EXECUTED ON CAPITAL ACCOUNT AND NOT PROVIDED FOR (net of advances paid)</b>	1,56,41,431	1,46,51,610
<b>l) MANAGERIAL REMUNERATION</b>		
i) Salary	15,41,607	11,72,955
ii) Contribution to Provident & Other Funds	2,55,882	2,10,765
iii) Estimated Value of Perquisites	1,69,871	98,821
<b>Total</b>	<u>19,67,360</u>	<u>14,82,541</u>

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

m) Deposits include Rs 3,15,33,165 (As on 31.12.2003 : Rs. 2,86,87,416) with Customs Authorities, pending final assessment against which a liability of Rs. 1,94,03,495 (As on 31.12.2003 : Rs. 1,99,51,976), considered adequate, is held in the accounts.

**SCHEDULE 17 : (Contd.)**

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

	<b>As on 31-12-2004</b>	As on 31-12-2003
	<b>Rupees</b>	Rupees
– Items under Section 43B of IT Act	<b>1,21,45,617</b>	76,70,827
– Provision for Bad Debts	<b>62,92,490</b>	83,85,820
– Items under Section 40(a)(ia) of IT Act	<b>39,90,880</b>	—
– Capital Loss	—	7,03,028
– Technical Know-how Fees	<b>(8,03,789)</b>	(17,33,662)
– Depreciation	<b>(5,90,81,247)</b>	(5,91,20,276)
<b>Net Deferred Tax Assets/(Liabilities)</b>	<b>(3,74,56,049)</b>	(4,40,94,263)

- o) Conversion charges includes Rs 3,95,56,305 (2003 : Rs 63,01,920) for warranty claims.
- p) As per Accounting Policy of deferred revenue expenditure, the Technical Know-how fees payable to the collaborator for providing technical assistance is deferred and amortised over a period of 72 equal monthly installments.

	<b>Year ended</b>	Year ended
	<b>December 31, 2004</b>	December 31, 2003
	<b>Rupees</b>	Rupees
<b>q) OTHER EXPENSES</b>		
Item 4 (m) of Schedule 15 includes :		
i) Auditors' Remuneration *		
– For services as Auditors	<b>8,81,600</b>	8,10,000
– For Limited Review	<b>9,23,500</b>	6,48,000
– For Tax Audit	<b>3,85,700</b>	1,02,375
– For US GAAP Certification	<b>3,30,600</b>	3,24,000
– For Other Services	<b>1,91,200</b>	2,16,000
– For travelling and out-of-pocket expenses	<b>1,28,850</b>	1,07,802
* Inclusive of service tax, where applicable		
ii) Directors' fees	<b>42,000</b>	48,000
iii) Loss on disposal / discarding of assets	<b>22,940</b>	9,29,500
iv) Provision for wealth tax	<b>75,000</b>	1,20,000
r) i) No Equity shares have been allotted during the year 2004 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 as at 31st December, 2004.		
iii) Calls in arrears in respect of the Shares Rs. 1,43,250 have been computed on the basis of information certified by the Registrar of the Company.		

**SCHEDULE 17 : (Contd.)**

s) Unsecured loans represent short-term loan repayable within one year amounting to Rs. 9,31,44,605 (As on 31.12.2003: Rs. 78,47,330)

t) Name of small scale industrial undertakings to whom the Company owes any sum which is outstanding for more than 30 days as at 31st December, 2004 :-

Annapurna Engg. Works, Devendra Packaging, Diamond Enterprises, Eastern Machinery Works, Kashmir Timber Traders, Maa Andula Packaging, Perfect Turners, Shivalik Industries, Sumit Techmart, Shyam Enterprises, Viks Gears.

u) Sundry Debtors include dues from companies under the same Management :-

	<b>As on 31.12.2004 Rupees</b>	<b>As on 31.12.2003 Rupees</b>
Timken Europa GmbH	36,444	—
Timken UK Limited	55,94,414	38,89,570
Australian Timken Proprietary Limited	56,11,242	31,33,604
Timken Do Brasil Com.E.Ind.Ltda.	1,85,79,480	1,56,49,379
Timken Singapore PTE Limited	66,95,502	21,57,179
Timken Italia S.R.L.	29,11,974	23,69,736
Yantai Timken Company Limited	9,07,585	35,53,947
Timken South Africa (PTY) Limited	1,31,29,567	16,68,325
Timken Engineering & Research - India Pvt Ltd	1,24,742	—

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

	<b>As on 31-12-2004 Rupees</b>	<b>Maximum Amount due during 2004 Rupees</b>	<b>As on 31-12-2003 Rupees</b>
Yantai Timken Company Limited	3,49,839	3,49,839	70,388
Timken Singapore PTE, Limited	51,151	51,151	46,945
Timken South Africa	3,02,713	17,62,230	86,460
Timken Engineering & Research - India Pvt Ltd	—	1,67,400	—
Timken Italia S.R.L.	79,277	1,22,558	—

w) Segment Information

*Business Segment:*

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

**SCHEDULE 17 : (Contd.)***Geographical segments:*

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

<b>Secondary Segment - Geographical</b>	<b>Year ended 31-12-2004 Rupees</b>	<b>Year ended 31-12-2003 Rupees</b>
<b>Sales Revenue by Geographical Market</b>		
India	<b>164,61,93,978</b>	150,32,30,216
Outside India	<b>113,14,37,183</b>	79,91,15,522
Total	<b>277,76,31,161</b>	230,23,45,738
<b>Carrying Amount of Segment Assets</b>		
India	<b>167,64,54,451</b>	140,92,49,587
Outside India	<b>27,93,59,844</b>	7,50,15,375
Total	<b>195,58,14,295</b>	148,42,64,962
<b>Purchase of Fixed and Intangible Assets</b>		
India	<b>7,23,85,695</b>	7,61,68,966
Outside India	—	—
Total	<b>7,23,85,695</b>	7,61,68,966

x) **Related Party Disclosure:**

During the year, the company entered into transactions with related parties. Those transactions along with related balances as at 31st December 2004 and for the year then ended are presented in the following table.

<b>SI No</b>	<b>Name of the Related Party</b>	<b>Relationship</b>	<b>Nature of transactions</b>	<b>Transaction Amount (Rs)</b>	<b>Outstanding as on 31/12/04 (Rs)</b>
1	The Timken Company, USA	Holding Co. with 80% equity shares	Purchase of goods	16,71,88,880 (13,43,53,370)	1,10,20,754 (3,20,83,060)
			Sale of Goods	84,54,19,256 (60,66,77,112)	21,75,20,336 (3,80,27,820)
			Purchases of Fixed Assets	42,97,551 (25,57,429)	35,75,011 (2,31,126)
			Expenses Receivable	23,76,435 (30,57,607)	13,97,140 (3,62,555)
			Expenses Payable	3,14,12,946 (2,64,14,954)	1,84,01,646 (71,74,363)
			Agency Commission (Expense)	— (1,89,482)	— —
			Agency Commission (Income)	2,38,77,209 (1,78,09,402)	36,05,420 (1,68,276)
			Freight Recovery	44,84,186 (1,23,03,205)	— —
			Royalty	6,89,24,235 (5,12,66,906)	5,66,09,153 (4,03,66,836)
			Technical Assistance Expenses	14,72,370 (14,10,241)	17,48,691 (14,10,241)
2	Timken UK Limited	Fellow Subsidiary	Sale of Goods	2,91,00,733 (3,01,24,532)	55,94,414 (38,89,570)
			Purchase of goods	67,230 —	— (11,62,218)
			Purchases of Fixed Assets	— (14,01,052)	— —
			Expenses Payable	80,296 (10,79,817)	1,14,341 (4,06,713)
			Freight Recovery	5,96,537 (1,75,421)	— —



TIMKEN INDIA LIMITED

SCHEDULE 17 : (Contd.)

Sl No	Name of the Related Party	Relationship	Nature of transactions	Transaction Amount (Rs)	Outstanding as on 31/12/04 (Rs)
3	Timken Do Brasil COM.E.IND.LTDA	Fellow Subsidiary	Sale of Goods	8,11,25,760 (4,73,28,457)	1,85,79,480 (1,56,49,378)
			Purchase of goods	10,725	10,284
			Freight Recovery	7,35,568	—
			Agency Commission (Expense)	3,41,362 (1,30,130)	1,20,052 (1,04,682)
4	Timken Korea LLC	Fellow Subsidiary	Agency Commission (Expense)	2,02,854 (7,74,334)	— (3,99,519)
5	Timken South Africa Limited	Fellow Subsidiary	Sale of Goods	5,33,92,322 (2,65,43,359)	1,31,29,567 (16,68,325)
			Purchase of goods	98,124 (2,19,072)	97,067 (2,53,073)
			Expenses Receivable	24,18,904 (7,72,575)	3,02,713 (86,460)
			Freight Recovery	8,362 (1,51,089)	— —
			Agency Commission (Income)	36,573 (1,88,636)	— —
6	Timken Romania	Fellow Subsidiary	Sale of Goods	— (3,70,215)	— —
			Purchase of goods	53,26,354 (87,75,576)	27,33,563 (45,89,553)
			Purchases of Fixed Assets	—	—
			Freight Recovery	—	—
			Expenses Payable	1,03,366	64,849
			Agency Commission (Income)	4,98,354 (1,98,963)	— —
7	Timken Singapore PTE. Limited	Fellow Subsidiary	Sale of Goods	1,77,05,592 (1,34,05,282)	66,95,502 (21,57,179)
			Purchase of goods	2,33,45,432 (15,24,973)	74,41,028 (15,22,933)
			Expense Receivable	51,151 (46,945)	51,151 (46,945)
			Freight Recovery	3,34,506 (3,71,927)	— —
8	Yantai Timken Company Limited	Fellow Subsidiary	Sale of Goods	81,89,212 (66,91,974)	9,07,585 (35,53,947)
			Purchase of goods	30,01,322 (58,335)	23,549 (58,363)
			Purchases of Fixed Assets	—	—
			Expense Receivable	3,49,839 (2,98,173)	3,49,839 (70,388)
			Freight Recovery	2,18,796 (2,01,164)	— —
9	Australian Timken Proprietary Limited	Fellow Subsidiary	Sale of Goods	4,03,05,961 (3,07,47,158)	56,11,242 (31,33,604)
			Purchase of goods	47,180 (10,275)	— (11,356)
10	Timken Polska	Fellow Subsidiary	Purchase of goods	28,44,472 (1,87,04,709)	5,56,731 (51,72,711)
11	Others	Fellow Subsidiary	Purchase of goods	— (1,91,008)	— —
			Sale of Goods	1,85,55,458 (45,50,267)	30,36,715 (23,69,736)
			Purchases of Fixed Assets	—	—
			Sale of Fixed Assets	—	—
			Expenses Receivable	3,87,131 (27,926)	79,277 —
			Expenses Payable	—	—
			Agency Commission (Income)	(1,88,91,409) 5,01,367	(24,10,094) 36,444
			Freight Recovery	—	—
12	Shyamal K Sinha	Deputy Managing Director - Key Management Personnel	Remuneration *	19,67,360 (14,82,541)	— —

**SCHEDULE 17 : (Contd.)**

1. Others comprise Timken Italia SRL, Timken Engineering & Research India - Pvt Ltd, Canadian Timken Ltd, Timken Europa GMBH.
  2. Provision for Doubtful Debts, Amount Written-off during the year & amount Written-back during the year - Rs.NIL
  3. Key Management Personnel Mr. Shyamal K Sinha, Deputy Managing Director.
- \* For payments being Managerial Remuneration to Key Management Personnel - Mr. Shyamal K Sinha - refer note (I) of Schedule 17.

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

	<b>Year ended December 31,2004 Rupees</b>	<b>Year ended December 31, 2003 Rupees</b>
Profit After Tax	<b>32,99,34,259</b>	23,13,68,990
Less: Preference Dividend for the period	—	3,15,10,464
Earning available to Equity Shareholders	<b>32,99,34,259</b>	19,98,58,526
Weighted Average No. of Equity Shares @ Rs. 10/- each	<b>6,37,34,850</b>	6,37,34,850
Earning per share	<b>5.18</b>	3.14

- z) Matured Debentures and interest thereon have been separately funded in the respective bank accounts and remains unpaid in absence of claim.

aa) Figures of the previous accounting period have been regrouped / rearranged, wherever necessary.

Signature to Schedules 1 to 17

For and on behalf of the Board

As per our report of even date attached

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

Chartered Accountants

**Per Rahul Roy**

a Partner

Membership No 53956

Kolkata, 04 February, 2005

**Soumitra Hazra**

*Finance Controller & Company Secretary*

Kolkata, February 04, 2005

**G.W. Robinson**

*Chairman*

**Shyamal K Sinha**

*Dy. Managing Director*

**ABSTRACT OF THE BALANCE SHEET AS AT 31.12.2004 AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI (AMENDED) TO THE COMPANIES ACT, 1956**

I. Registration Details  
 Registration No. 

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

 State Code 

0	3
---	---

  
 Balance Sheet Date 

3	1
---	---

1	2
---	---

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

  
 Date Month Year

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

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

 Rights Issue 

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

  
 Bonus Issue 

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

 Private Placement 

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

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

1	4	6	8	5	7	4
---	---	---	---	---	---	---

 Total Assets 

1	4	6	8	5	7	4
---	---	---	---	---	---	---

  
 Sources of Funds  
 Paid-Up Capital 

6	3	7	2	0	5
---	---	---	---	---	---

 Reserves & Surplus 

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

  
 Secured Loans 

3	2	7	3
---	---	---	---

 Unsecured Loans 

9	3	1	4	4
---	---	---	---	---

  
 Deferred Tax Liabilities (Net) 

3	7	4	5	6
---	---	---	---	---

  
 Application of Funds  
 Net Fixed Assets 

4	8	5	0	6	8
---	---	---	---	---	---

 Investment 

4	1	5	8	1	8
---	---	---	---	---	---

  
 Net Current Assets 

5	6	5	4	9	2
---	---	---	---	---	---

 Misc. Expenditure 

2	1	9	6
---	---	---	---

  
 Accumulated Losses 

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

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

2	7	7	7	6	3	1
---	---	---	---	---	---	---

 Total Expenditure 

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

  
 + - Profit/loss Before Tax 

+	5	0	8	8	5	1
---	---	---	---	---	---	---

 + - Profit/loss After Tax 

+	3	2	9	9	3	4
---	---	---	---	---	---	---

  
 + - Earning per Share in Rs. 

+	5	.	1	8
---	---	---	---	---

 Dividend rate % 

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

V. Generic Names of Three Principal Products of the Company (as per monetary terms)  
 Item Code No. 

8	4	8	2	2	0	0	1
---	---	---	---	---	---	---	---

 & 

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

  
 (ITC Code)  
 Product Description 

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

  
 Item Code No. 

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

  
 (ITC Code)  
 Product Description 

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

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

On behalf of the Board of Directors

Jamshedpur,  
February 04, 2005

**Soumitra Hazra**  
Finance Controller & Company Secretary

**Shyamal K Sinha**  
Dy. Managing Director

**G.W.Robinson**  
Chairman

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2004**

	Year ended 31.12.2004 Rupees	Year ended 31.12.2003 Rupees
<b>A. Cash Flow from Operating Activities :</b>		
<b>Net Profit/(Loss) before Tax and Extraordinary items</b>	<b>50,88,50,982</b>	33,08,28,360
Adjustments for :		
Depreciation	8,27,94,943	9,04,67,516
Interest income	(585)	—
Interest expense	90,27,126	94,76,021
Income from Mutual Fund (Net)	(92,10,047)	(1,18,66,153)
(Profit)/Loss on sale of assets	(5,18,030)	9,29,500
Miscellaneous expenditure amortised	26,35,914	26,35,914
Provision for Wealth Tax	75,000	1,20,000
	<b>8,48,04,321</b>	9,17,62,798
<b>Operating Profit before Working Capital Changes</b>	<b>59,36,55,303</b>	42,25,91,158
Adjustments for :		
Trade and Other Receivables	(10,72,65,473)	26,89,72,584
Inventories	(6,31,49,971)	9,09,34,476
Trade Payables and Other Liabilities	10,24,28,192	(13,24,42,975)
	<b>(6,79,87,252)</b>	22,74,64,085
<b>Cash Generated from Operations</b>	<b>52,56,68,051</b>	65,00,55,243
Direct Tax paid	<b>(20,36,66,875)</b>	(10,63,71,032)
	<b>(20,36,66,875)</b>	(10,63,71,032)
<b>Net Cash from Operating Activities</b>	<b>32,20,01,176</b>	54,36,84,211
<b>B. Cash Flow from Investing Activities :</b>		
Purchase of Fixed Assets	(7,25,61,116)	(7,61,78,847)
Sale of Fixed Assets	8,55,257	4,43,450
Investment	(36,05,18,118)	6,25,73,431
Income from Mutual Fund (Net)	92,10,047	1,18,66,153
Interest received	585	—
<b>Net Cash from Investing Activities</b>	<b>(42,30,13,345)</b>	(12,95,813)
<b>C. Cash Flow from Financing Activities :</b>		
Preference Dividend paid	—	(7,25,40,601)
Interest paid	(90,27,126)	(94,76,021)
Proceeds / (Redemption) of Share Capital	1,000	(25,99,99,750)
Proceeds from Term/Short Term Borrowings	8,76,13,039	—
Repayment of Term Borrowings	—	(5,18,00,175)
Repayment of Short Term Borrowings	—	(5,55,26,947)
Cash Credit (Net)	(2,35,92,775)	(6,50,90,864)
<b>Net Cash from Financing Activities</b>	<b>5,49,94,138</b>	(51,44,34,358)
<b>Net increase/(decrease) in Cash and Cash equivalents</b>	<b>(4,60,18,031)</b>	2,79,54,040
<b>Cash and Cash equivalents as at 1st January (Opening Balance)</b>	<b>9,27,25,665</b>	6,47,71,625
<b>Cash and Cash equivalents as at 31st December (Closing Balance)</b>	<b>4,67,07,634</b>	9,27,25,665

Notes : (1) Figures in brackets represent outflows.

(2) Cash and Cash equivalent as on 31st December 2004 includes Rs 1,34,31,808 (31st December 2003 : Rs 1,48,55,057) being amount towards unclaimed Debenture Interest that are not available for use by the enterprise.

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

As per our Report of even date attached

**For S.R.BATLIBOI & Co.**

Chartered Accountants

**Per Rahul Roy**

a Partner

Membership No 53956

Kolkata, 04 February, 2005

**Soumitra Hazra**  
Finance Controller & Company Secretary

**Shyamal K Sinha**  
Dy. Managing Director

**G.W.Robinson**  
Chairman

Kolkata, February 04, 2005

## 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:

In 2004, the Company had a Non-Executive Chairman and the number of Independent Directors was not less than one-third of the total number of Directors. The number of Non-Executive Directors was more than 50% of the total number of Directors, with the Dy. 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 December 31, 2004	Whether attended AGM held on April 24, 2004	No. of Directorships in other companies	No. of Committee positions held in other companies	
					Chairman	Only Member
Mr. Gordon W. Robinson	Promoter Director, Non-Executive, Not Independent	4	Yes	5	—	—
Mr. Shyamal K. Sinha	Executive, Not Independent	3	Yes	—	—	—
Mr. Jon T. Elsasser	Promoter Director, Non-Executive, Not Independent	—	No	2	—	—
Mr. Scott A. Scherff	Promoter Director, Non-Executive, Not Independent	—	No	7	—	—
Mr. Vinod K. Dasari	Non-Executive, Independent	2	Yes	3	—	2
Mr. Michael J. Hill	Promoter Director, Non-Executive, Not Independent	1	No	2	—	—
Mr. Niroop Mahanty	Non-Executive, Independent	2	Yes	2	—	—
Mr. Jai S. Pathak Alternate Director to Mr. Scott A. Scherff	Non-Executive, Independent	2	No	2	1	4
Mr. P S Dasgupta Alternate Director to Mr. Jon T. Elsasser	Non-Executive, Independent	—	No	19**	1	8

\*\* including directorships in Private Limited Companies

Four Board Meetings were held during the year ended December 31, 2004 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

- 1) January 30, 2004
- 2) April 24, 2004
- 3) July 31, 2004
- 4) October 30, 2004

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

**Audit Committee**

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

The Company has complied with all the requirements of clause 49 (II)(A) of the Listing Agreement relating to composition of the Audit Committee. Mr. Vinod Kumar Dasari, an independent, non-executive Director acted as the Chairman of the Audit Committee during the year. Mr. Dasari, as the Chairman of the Audit Committee was present at the Seventeenth Annual General Meeting of the Company held on April 24, 2004.

In 2004, 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. Vinod K. Dasari, Chairman	Non-Executive, Independent	3
Mr. Niroop Mahanty, Member	Non-Executive, Independent	2
Mr. Jai S. Pathak, Member	Non-Executive, Independent	2

Audit Committee Meetings were attended by Divisional Manager - Finance, Manager - Internal Audit. Dy. Managing Director had also attended the Audit Committee Meeting held on January 20, 2004 as an invitee. Representatives of the statutory auditors had also attended these meetings. As required under law, Finance Controller & Company Secretary acted as the Secretary of the Audit Committee.

Three Audit Committee Meetings were held during the year 2004. The dates on which the said meetings were held are as follows:

- 1) January 20, 2004
- 2) July 31, 2004
- 3) December 17, 2004.

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 'Dy. Managing Director'.

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

In 2004, the composition of the Remuneration Committee was as follows:

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

As per Company's policy, the resident Non-Executive Directors of the Company were paid remuneration by way of Sitting Fees only. Accordingly, a sum of Rs. 3000/- was paid to each resident Non-Executive Director for attending a meeting of the Board or a Committee of the Board. Non-resident, Non-Executive Directors were not paid any Sitting Fees. The Dy. Managing Director was also not entitled to receive any Sitting Fees for attending meetings of the Board of Directors or Committees thereof.

The Company paid remuneration by way of salary, perquisites and allowances (fixed components) and Performance Incentive (variable component) to the Dy. Managing Director being the only 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 and the shareholders and complying with the requisite formalities as prescribed under the Companies Act, 1956. As per practices consistently followed by the Company, Performance Incentives (variable component) was 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.

**Details of Remuneration of Directors for the year 2004**

*Non-Executive Directors*

Name of the Director	Sitting Fees (Rs.)
Mr. Gordon W. Robinson	Nil
Mr. Jon T. Elsasser	Nil
Mr. Scott A. Scherff	Nil
Mr. Vinod K. Dasari	15,000
Mr. M J Hill	Nil
Mr. Niroop Mahanty	15,000
Mr. Jai S. Pathak	12,000
Mr. P. S. Dasgupta	Nil

**TIMKEN INDIA LIMITED**

*Executive Directors*

Name of the Director	Salary & Allowances	Perquisites	Performance Incentive	Stock Options
Mr. Shyamal K. Sinha	Rs. 15,97,489/-	Rs. 1,69,871/-	Rs. 2,00,000/-	Nil

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

**Investors' Relation and Grievance Committee**

The terms of reference of the Investors' Relation and 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 2004, the composition of the Investors' Relation and Grievance Committee is given below:

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

Mr. Soumitra Hazra, Finance Controller & Company Secretary acted as the Compliance Officer.

One meeting of the Investors' Relation and Grievance Committee was held on August 16, 2004 to discuss inter alia status of Investor Services, listing / delisting options of Company's Equity Shares on Stock Exchanges. Generally, approval of the members of Investors' Relation and 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 52 resolutions have been approved by the said Committee.

In addition, monthly status report on Investor Services were

**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
2001-2002	Tata Steel Management Development Centre, XLRI Campus, C.H. Area (E), Jamshedpur – 831 001	AGM	July 19, 2002	Friday	12.00 Noon	—
2002 (9 months ended December 31, 2002)	As above	AGM	April 30, 2003	Wednesday	12.00 Noon	1
2003	Shavak Nanavati Technical Institute, N-Road, Bistupur, Jamshedpur – 831 001	AGM	April 24, 2004	Saturday	12.00 Noon	—

also circulated to the members of the Investors' Relation and Grievance Committee.

The status of investors' queries handled by the Company and also by the Registrars during the year ended on December 31, 2004 is given below:

Particulars	Total Received	Total Replied	Total Pending as on 31.12.04
Change of Address / POA	576	576	—
Non-receipt of Certificates	581	581	—
Non-receipt of interest / redemption	478	478	—
Others	520	520	—
Revalidation	107	107	—
Duplicate /New Certificates	220	220	—
Endorsement	137	137	—
Transmission	101	101	—
Dematerialisation	121	121	—
Transfers	7	7	—
Compliances	5	5	—
<b>TOTAL</b>	<b>2853</b>	<b>2853</b>	<b>—</b>
<b>Stock Exchanges</b>			
Mumbai Stock Exchange	24	24	—
Calcutta Stock Exchange	2	2	—
Magadh Stock Exchange	0	0	—
<b>Regulatory Bodies</b>			
SEBI	7	7	—
Registrar of Companies, Bihar & Jharkhand	0	0	—
Dept. of Company Affairs	1	1	—

As on December 31, 2004, 125 requests for registration of transfer of Equity Shares of the Company remained outstanding in the books of the Company being requests received subsequent to December 21, 2004.

Note : Of the resolutions passed at the General Meetings as aforesaid, only one Special Resolution relating to change of Object Clause in the Memorandum of Association of the Company was required to be put through Postal Ballot in terms of the relevant provisions of the Companies Act, 1956.

#### Disclosures

There was no materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company at large during the year 2004.

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.

#### Means of Communication

Quarterly results were published in the leading English Dailies

(Business Standard / Times of India/The Economic Times) and Hindi newspapers (Uditvani / Chamakta Aina / Prabhat Khabar).

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

Management Discussion and Analysis is a part of the Annual Report.

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. The half-yearly results of the Company were communicated through newspaper insertions and intimation to the Stock Exchanges were duly made and were also displayed on the Company's website. Regarding postal ballot, the Company is governed by the provisions of the Companies Act, 1956 and rules framed thereunder relating to passing of resolutions by postal ballots.

#### Directors' Shareholding

Except Mr. P S Dasgupta, no other Non-Executive Director holds any Equity shares of the Company. Mr. P S Dasgupta holds 1 Equity share. Mr. Shyamal K. Sinha, the only Executive Director holds 150 Equity shares of the Company.

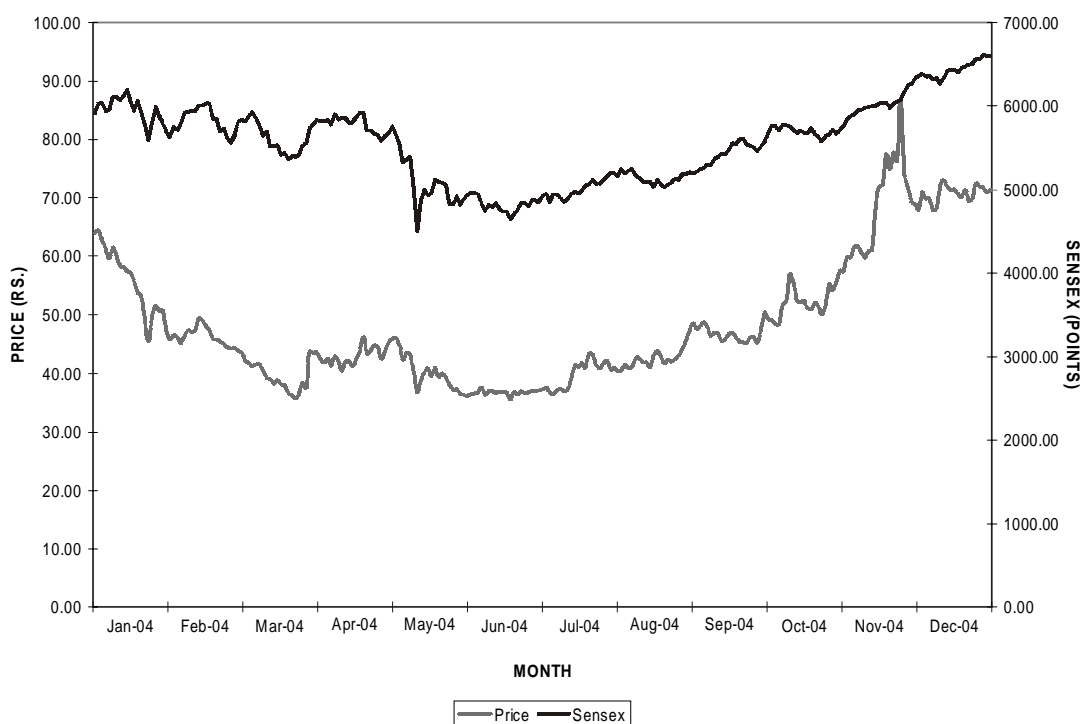
#### General Shareholders Information

1. AGM	Saturday, April 23, 2005 at 12.30 P.M. at Center for Excellence, Jubilee Road, Jamshedpur - 831001.
2. Financial Calendar	The Accounting year covers the period from January 1 to December 31, 2005. Financial reporting for: a) 1st Quarter ending March 31, 2005 – end April, 2005 b) Half year ending June 30, 2005 – end July, 2005 c) 3rd Quarter ending September 30, 2005 – end October, 2005 d) Year ending December 31, 2005 – end January / February 2006 Note : The above calendar is indicative in nature.
3. Date of Book Closure	April 8, 2005 to April 23, 2005 (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 Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001  The Calcutta Stock Exchange Association Ltd. 7, Lyons Range Kolkata – 700 001  Magadh Stock Exchange Association 9th Floor, Ashiana Plaza Budh Marg Patna – 800 001  Steps are being taken to get the Equity Shares listed on National Stock Exchange, Mumbai and for delisting from any one or all of the Calcutta and Magadh Stock Exchanges. The Company has paid annual Listing Fees to all these three Stock Exchanges for the year 2004-2005.
6. Stock Code	522113 (Equity) (Mumbai)



TIMKEN INDIA LIMITED

7. Market Price Data	Monthly High/Low of Market Prices of the Company's Equity Shares, traded on the Stock Exchange, Mumbai during the year ended December 31, 2004:		
	<b>Month</b>	<b>High (Rs.)</b>	<b>Low (Rs.)</b>
	January 2004	69.00	44.85
	February 2004	49.90	44.35
	March 2004	43.90	35.88
	April 2004	46.30	40.50
	May 2004	46.10	36.85
	June 2004	37.65	35.65
	July 2004	43.35	36.55
	August 2004	45.55	40.45
	September 2004	50.45	45.25
	October 2004	56.95	48.50
	November 2004	87.00	57.50
	December 2004	73.10	68.00
8. Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc.	Performance of the Company's Share Prices in comparison of the BSE Sensex is given below:		



9. Registrar & Transfer Agents	Ami Computers (I) Ltd. 60A & 60B, Chowringhee Road Kolkata – 700 020
--------------------------------	--

10. Share Transfer System	<p>Requests for registration of transfer of Shares held in physical form may be lodged with Ami Computers (I) Ltd. at Kolkata or may also be sent to Finance Controller &amp; Company Secretary at the Registered Office of the Company at Jamshedpur.</p> <p>All valid requests for registration of transfer are normally processed within 10 - 12 days from the date of receipt of the documents, if the same are complete in all respect.</p> <p>A Committee of the Board under the title "Investors' Relation and 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	The distribution of shareholding as on December 31, 2004 is given below :																																								
	<table border="1"> <thead> <tr> <th>Range (Rs.)</th> <th>Accounts</th> <th>Shares (Rs.)</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>1 – 5000</td> <td>70583</td> <td>88310430</td> <td>13.86</td> </tr> <tr> <td>5001 – 10000</td> <td>1102</td> <td>8931150</td> <td>1.40</td> </tr> <tr> <td>10001 – 20000</td> <td>473</td> <td>7107310</td> <td>1.12</td> </tr> <tr> <td>20001 – 30000</td> <td>145</td> <td>3672300</td> <td>0.58</td> </tr> <tr> <td>30001 – 40000</td> <td>67</td> <td>2384530</td> <td>0.37</td> </tr> <tr> <td>40001 – 50000</td> <td>52</td> <td>2451270</td> <td>0.38</td> </tr> <tr> <td>50001 – 100000</td> <td>52</td> <td>3725250</td> <td>0.58</td> </tr> <tr> <td>100001 and above</td> <td>46</td> <td>520766260</td> <td>81.71</td> </tr> <tr> <td colspan="2" style="text-align: right;"><b>72520</b></td> <td><b>637348500</b></td> <td><b>100.00</b></td> </tr> </tbody> </table>	Range (Rs.)	Accounts	Shares (Rs.)	%	1 – 5000	70583	88310430	13.86	5001 – 10000	1102	8931150	1.40	10001 – 20000	473	7107310	1.12	20001 – 30000	145	3672300	0.58	30001 – 40000	67	2384530	0.37	40001 – 50000	52	2451270	0.38	50001 – 100000	52	3725250	0.58	100001 and above	46	520766260	81.71	<b>72520</b>		<b>637348500</b>	<b>100.00</b>
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<b>72520</b>		<b>637348500</b>	<b>100.00</b>																																						
12. Dematerialisation of Shares and liquidity	The Company has arrangements with National Securities Depositories Ltd. (NSDL) as well as the Central Depository Services (India) Ltd. (CDSL) for Demat facility. At present around 52% of the Company's Equity Share Capital is dematerialised. The Shares of the Company are listed as aforesaid and are regularly traded on The Stock Exchange, Mumbai.																																								
13. Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity	Nil																																								
14. Plant location	The Company's manufacturing facility is located at Bara, P.O. Agrico, Jamshedpur – 831 009.																																								
15. Address for correspondence	Any investor related queries may be addressed to the following addresses :																																								
	Finance Controller & Company Secretary Timken India Limited Bara, P.O. Agrico Jamshedpur – 831 009 Tel. No. 0657 – 2210293 Fax No. 0657 – 2210117	Ami Computers (I) Ltd. 60A & 60B, Chowringhee Road Kolkata – 700 020 Tel. No. 033-22800900 22800812 Fax No. 033-22800900 E-mail : amicomputer@vsnl.net																																							

## **AUDITOR'S CERTIFICATE**

**TO**

**THE MEMBERS OF TIMKEN INDIA LIMITED**

We have examined the compliance of conditions of Corporate Governance by Timken India Limited, for the year ended on 31st December 2004 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

Place : Kolkata  
Date : 04 February, 2005

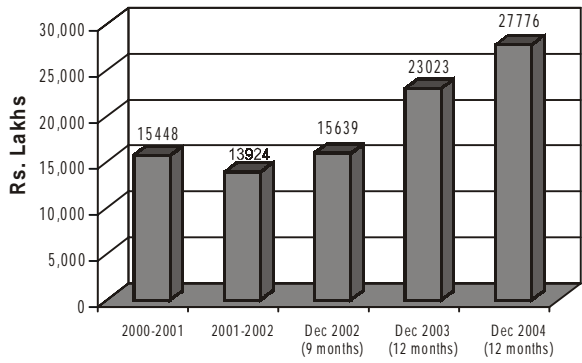
**S. R. BATLIBOI & CO.**  
**CHARTERED ACCOUNTANTS**  
**Per RAHUL ROY**  
*a Partner*  
Membership no. 53956

## FIVE YEARS AT A GLANCE

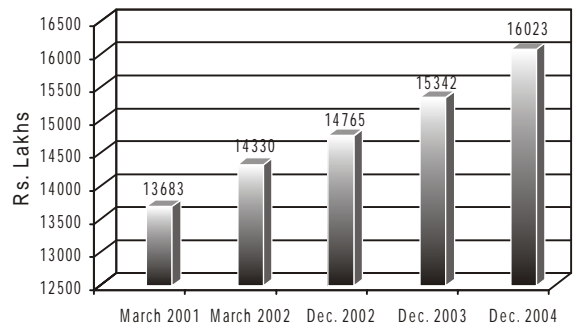
	Year Ended		9 months ended	Year Ended	
	31.12.2004	31.12.2003	31.12.2002	31.03.2002	31.03.2001
<b>Production</b>					
(i) Standard Brgs ( Equiv. Nos.)	<b>32,97,046</b>	29,38,182	19,17,371	19,58,130	19,98,153
(ii) AP Cartridge Brgs (Sets)	<b>65,374</b>	47,073	41,908	26,419	53,553
AP Equivalent	<b>18,61,611</b>	13,93,371	9,90,009	6,83,014	8,18,413
<b>Rs/Lakhs</b>					
<b>Profit &amp; Loss Account</b>					
(i) Gross Sales	<b>29,998</b>	25,012	17,010	15,785	17,114
(ii) Net Sales					
(a) Domestic	<b>16,711</b>	15,216	10,867	11,795	11,836
(b) Export	<b>11,065</b>	7,807	4,772	2,129	3,612
Total (a+b)	<b>27,776</b>	23,023	15,639	13,924	15,448
(iii) EBIT	<b>5,179</b>	3,403	2,040	157	2,381
(iv) Profit Before Tax	<b>5,089</b>	3,308	1,926	93	2,153
(v) Profit After Tax	<b>3,299</b>	2,314	1,243	81	2,001
<b>Balance Sheet</b>					
(i) Gross Block	<b>16,023</b>	15,342	14,765	14,330	13,683
(ii) Net Block	<b>4,851</b>	4,957	5,113	5,197	5,965
(iii) Net Current Asset	<b>5,655</b>	5,255	6,741	5,526	6,956
(iv) Capital Employed	<b>14,686</b>	10,813	13,107	11,810	13,042
(v) Beginning Invested Capital (BIC)	<b>9,837</b>	12,385	10,992	12,357	11,007
(vi) Total Debt	<b>964</b>	324	2,048	1,524	2,217
(vii) Equity	<b>13,325</b>	9,999	10,574	9,722	10,704
<b>Other Comparative Data</b>					
(i) PAT to Net Sales (%)	<b>12</b>	10	8	1	13
(ii) EBIT / BIC (%)	<b>53</b>	27	19	1	22
(iii) Return on Net Worth (%)	<b>25</b>	23	12	1	19
(iv) E.P.S. (Rs)	<b>5.18</b>	3.14	1.67	(0.24)	2.73
(v) Total Debt to Equity (%)	<b>7</b>	3	19	16	21
(vi) Total Debt to Total Capital (%)	<b>7</b>	3	16	13	17
(vii) Fixed Asset Turnover (times)	<b>5.73</b>	4.65	3.06	2.68	2.59
(viii) Working Capital Turnover (times)	<b>4.91</b>	4.38	2.32	2.52	2.22
(ix) Current Ratio (times)	<b>2.16</b>	2.31	2.15	2.42	3.34
(x) Interest Cover (times)	<b>57.37</b>	35.91	17.84	0.89	7.12
(xi) Net Sales/Employee (Rs/Lakhs)	<b>50</b>	41	27	23	26

- 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 repayable within one year.
- (vii) Interest Cover is profit before interest and taxation divided by interest expenses (gross).
- (viii) Figures have been regrouped/rearranged to make it comparable.

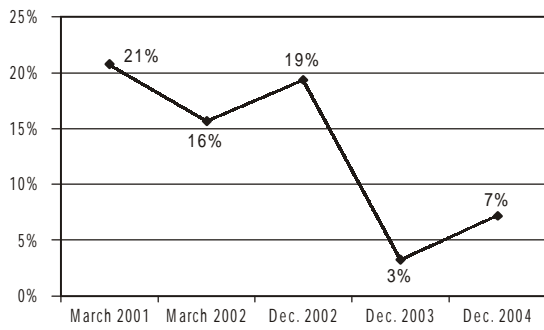
**NET SALES**



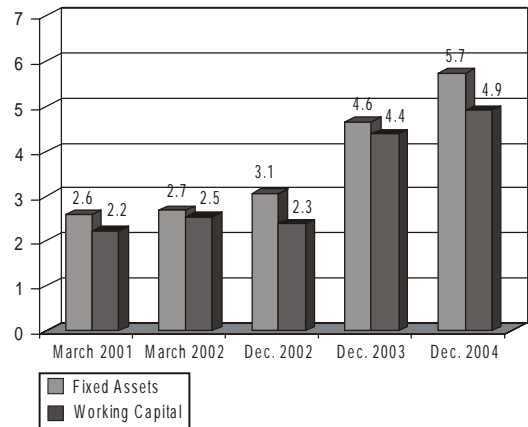
**GROSS BLOCK**



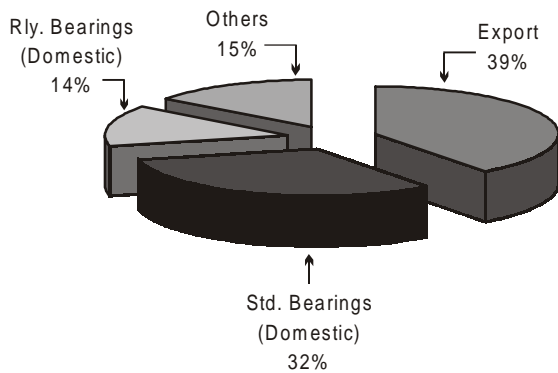
**TOTAL DEBT : EQUITY**



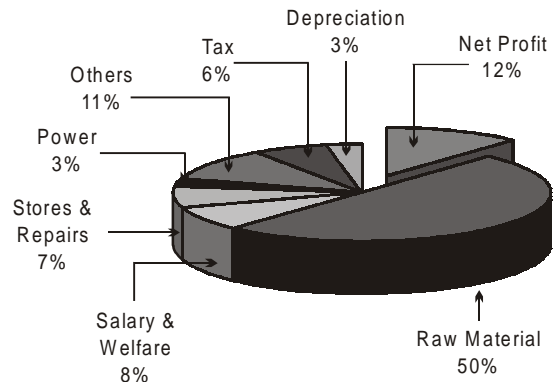
**ASSET TURNOVER**



**HOW THE MONEY WAS EARNED**



**HOW THE MONEY WAS DISTRIBUTED**



**TIMKEN INDIA LIMITED**

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

**ATTENDANCE SLIP**

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

I hereby record my presence at the Eighteenth Annual General Meeting of the Company at Center for Excellence, Jubilee Road, Jamshedpur - 831 001 on Saturday, April 23, 2005 at 12.30 p.m.

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

**TIMKEN INDIA LIMITED**

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

**PROXY**

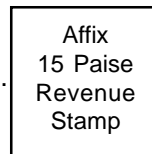
I/We, .....  
of ..... in the District of .....  
a Member/Members of the above named Company, hereby appoint .....  
of ..... in the District of ..... or failing him/her  
..... of ..... in the District of  
..... as my/our Proxy to attend and vote for me/us and on  
my/our behalf at the Eighteenth Annual General Meeting of the Company, to be held on Saturday, April 23, 2005 and at  
any adjournment thereof.

Signed this ..... day of ..... 2005.

Reference Folio : .....

No. of Shares : .....

Signature .....



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