

TIMKEN INDIA LIMITED
BOARD OF DIRECTORS

(As on 14th May, 2002)

MR G W ROBINSON	– Chairman
MR S K SINHA	– Dy. Managing Director
DR J J IRANI	
MR M SONDHI	
DR T MUKHERJEE	
MR J T ELSASSER	
MR S A SCHERFF	
MR V K DASARI	
MR J S PATHAK	– Alternate to Mr S A Scherff
MR P S DASGUPTA	– Alternate to Mr V K Dasari

COMMITTEES OF THE BOARD

(As on 14th May, 2002)

AUDIT COMMITTEE

MR M SONDHI	– Chairman
DR T MUKHERJEE	
MR J S PATHAK	

**INVESTORS' RELATION &
GRIEVANCE COMMITTEE**

DR T MUKHERJEE	– Chairman
MR S K SINHA	
MR J S PATHAK	

REMUNERATION COMMITTEE

DR T MUKHERJEE	– Chairman
MR P S DASGUPTA	
MR J S PATHAK	

MANAGEMENT TEAM

MR S K SINHA	– Dy. Managing Director
MR A K SINHA	– Director (HR & Purchase)
MR K STHANPATI	– Director (Technology)
MR A K DAS	– Director (Manufacturing)
MR J P SINHA	– Director (Sales & Marketing)
MR S HAZRA	– Company Secretary

Auditors

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

Registered Office

Bara, P. O. Agrico
Jamshedpur – 831 009
Ph. No. (0657) 210 293
Fax No. (0657) 210 117

NOTICE TO MEMBERS

Notice is hereby given that the Fifteenth Annual General Meeting of Timken India Limited will be held at Tata Steel Management Development Centre, Circuit House Area (East), XLRI Campus, Jamshedpur – 831 001 on Friday, July 19, 2002 at 12.00 Noon to transact the following business :

1. To receive and adopt the Profit and Loss Account for the year ended March 31, 2002 and the Balance Sheet as on that date and the Reports of the Directors and the Auditors.
2. To declare dividend on 9% Cumulative Redeemable Preference Shares.
3. To appoint a Director in place of Dr. T. Mukherjee who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. Appointment of Mr. Scott A. Scherff as a Director

To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :
 “RESOLVED THAT Mr. Scott A. Scherff, in whose respect notice has been received from a member under the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company.”

NOTES :

1. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member. Proxies, in order to be effective, must reach the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under Item no. 5 is annexed hereto. Relevant details relating to reappointment/appointment of Directors, pursuant to clause 49 of the Listing Agreements are also annexed.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from July 5, 2002 to July 19, 2002, both days inclusive.

Registered Office :
 Bara, P. O. Agrico
 Jamshedpur - 831 009
 May 14, 2002

By Order of the Board

Soumitra Hazra
Company Secretary

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

Item No. 5

Mr. Scott A. Scherff, Director of the Company, was appointed on the Board with effect from the close of business on October 25, 1999 in the casual vacancy caused by the resignation of Mr. J. F. Toot, Jr. as per the provisions of Section 262 of the Companies Act, 1956. Mr. Scherff holds office upto the forthcoming Annual General Meeting when Mr. J. F. Toot, Jr. would have retired by rotation in the normal course.

The Company has received a notice from a member under the provisions of Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Scott A. Scherff for the office of Director.

The proposal for the appointment of Mr. Scherff as Director on the Board, is therefore, placed before the members for approval as set out under Item No. 5 of the accompanying Notice. The Board recommends that the resolution under Item No. 5 as above be passed.

Memorandum of Interest

Except Mr. Scott A. Scherff, no other Director is concerned or interested in the resolution.

Registered Office :
 Bara, P.O. Agrico
 Jamshedpur - 831 009
 May 14, 2002

By Order of the Board

Soumitra Hazra
Company Secretary

DETAILS OF DIRECTORS SEEKING REAPPOINTMENT/APPOINTMENT AT THE FORTHCOMING FIFTEENTH ANNUAL GENERAL MEETING

Name of Director	Dr. T. Mukherjee	Mr. Scott A. Scherff
Date of Birth	October 13, 1942	March 13, 1954
Date of Appointment	June 10, 1993	October 25, 1999
Expertise in specific functional areas	Metallurgy	Attorney / Legal Services
Qualifications	B. E.(Met.), M. Met. (Sheffield), Ph.D. (Sheffield)	Bachelor's degree in Economics, Juris Doctorate degree in Law (Ohio State University), attended the Stanford Executive Program
List of public companies in which outside Directorship held as on March 31, 2002	Tata Metaliks Ltd. Tata Yodogawa Ltd. Jamshedpur Injection Powder Ltd. TM International Logistics Ltd. Tata Refractories Ltd. The Tata Iron & Steel Co. Ltd. Tata Advanced Materials Ltd. Tata Ryerson Ltd. Tata Chemicals Ltd.	Newcastle Stables, Ltd. SCOCAT, Ltd. TTC Asia Ltd. (a Timken Company subsidiary) EDC, Inc. (a Timken Company subsidiary) The Timken Service & Sales Company (a Timken Company subsidiary) Timken Communications Company (a Timken Company subsidiary) Timken Ltd. (Hongkong) (a Timken Company subsidiary) OH&R Special Steels Company (a Timken Company subsidiary) Timken Polska SP.z.o.o (a Timken Company subsidiary)
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on March 31, 2002	Tata Yodogawa Ltd. Remuneration Committee – Member Share Transfer Committee – Member Tata Metaliks Ltd. Remuneration Committee – Chairman Tata Refractories Ltd. Remuneration Committee – Member Timken India Limited Audit Committee – Member Investors' Relation & Grievance Committee – Chairman Jamshedpur Injection Powder Ltd. Share Allotment Committee – Member	NIL

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the introduction to our previous annual report, I had the pleasure to announce a significantly improved profit after tax (PAT). At the same time I had expressed concern about a slowdown in the domestic economy coupled with a global economic downturn.

Unfortunately in 2001-2002 both – the domestic and the global slowdown – have impacted Timken India's financial performance very negatively : The slowdown in the domestic economy resulted in further reduced sales prices, the international low demand has led to significantly reduced export demand for Timken India. The combination of reduced prices and reduced volumes has led to an overall very disappointing result : Compared to the previous year, net sales have come down by 12% and profits after tax were only 0.5% of net sales.

Nevertheless there have been several positive aspects in this past year :

- 1 We have been able to improve our market share in the domestic markets.
- 1 The Timken Company has shut down 2 plants (in the UK and in the USA) and a part of the products of those plants have been transferred permanently to Timken India. This will result in an important growth of the manufacturing volumes of our Jamshedpur Plant.
- 1 We have completed the ISO 14001 certification and renewed the important AAR certification (Association of American Railroads). This is a prerequisite to sell to the national rail companies of many markets like the USA, South Africa and several South American countries.

In March 2002, the company celebrated its 10th year of manufacturing. This anniversary will not

only be remembered as a moment of looking back on 10 years of history, but – more importantly – it represents the beginning of a new era for Timken India.

The following structural changes will ensure that we re-establish profitability and ensure the long term success of our company :

The Jamshedpur plant has become a part of Timken's global network of "focused factories". This means

- 1 Concentrate on few product lines.
- 1 Manufacture consolidated large volumes for the global demand of those products.
- 1 Use of state of the art processes that ensure global competitiveness.

In order to increase our presence in the local market we will rely on

- 1 Complementing our locally produced product lines with products sourced from other global Timken plants.
- 1 Introducing new products & services to our customers, much beyond our traditional offering of tapered roller bearings only.

Keep watching our future quarterly financial reports to see the impact of those measures.

Thank you,

Yours sincerely,



Gordon William Robinson
Chairman

June 12, 2002

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Fifteenth Annual Report on the business and operations of the Company together with the Financial Results for the year ended 31st March, 2002.

FINANCIAL RESULTS

	Current year (Rs. in Lacs)	Previous year (Rs. in Lacs)
a) Gross Profit	1382	3582
b) Less : Depreciation	1225	1201
c) Earnings before Interest & Tax (EBIT)	157	2381
d) Less : Interest (Net)	64	228
e) Profit before Tax (PBT)	93	2153
f) Less : Taxes	13	152
g) Profit after Tax (PAT)	80	2001
h) Add : Profit / (Loss) brought forward from previous year	1853	110
i) Less : Depletion of reserve due to deferred tax accounting	621	Nil
j) Profit available for appropriation	1312	2111
k) Less : Proposed Dividend on Preference Shares	468	258
l) Balance carried forward	844	1853

Over the year, the Indian economy is passing through a difficult phase due to unfavourable domestic and global developments. The economic survey for 2001-02 shows, *inter alia*, a 3.3% rate of growth in industry in an overall growth of 5.4%. The international economy is also passing through a slow down.

Against this backdrop, the performance of the Company during the year under review looks far from

encouraging. Though the Company has been able to achieve a 48% reduction on gross interest charges but lack of export orders, reduced demand in the domestic market in all the segments and change in segment mix amongst Original Equipment Manufacturers (OEM), Aftermarket and export segments together with falling prices have resulted in not only a drop in the annual turnover of the Company by about 10% but also a significant drop in profit. Despite efforts to cut costs on all fronts, profit margin fell considerably.

The growth of the bearing industry is linked to the growth of major bearing application industry, i.e. automobile/engineering/railways. Increased activities in these sectors are expected to result in a growth in demand for bearings. A turnaround in the international markets can also boost the demand for bearings manufactured by the Company.

Consequent to a manufacturing transformation process currently in progress in The Timken Company, USA, the performance of some of the Timken plants worldwide is being evaluated and the manufacturing capacities of the non-performing plants are being migrated to other performing plants. As a result, some of the Part Numbers hitherto manufactured at other Timken locations are migrated to the Company. This will enable the Company to not only utilize its capacity but also may result in enhancement of capacity in near future. With this new opportunity, larger responsibilities will also come – meeting customers' expectations in terms of cost, quality and delivery and the Company's expectation in terms of profitability.

During the year under review, the Company has achieved re-certification under QS9000 and Association of American Railroads(AAR). Re-certification with AAR will enable the Company to dispatch A P Bearings to USA without any further testing.

DIVIDENDS

The Directors recommend payment of dividend on the paid-up 26,00,000 9% Cumulative Redeemable

Preference Shares of Rs. 100/- each aggregating to Rs.26 Crores for the years 1999-2000 and 2000-01 @ Rs.9/- per Share amounting to Rs. 4.68 Crores, such dividend being subject to deduction of income-tax at source at the applicable rates.

Payment of no other dividend is recommended.

FINANCE

No fresh long term loan was arranged during the year under review. With periodical repayment of existing long term borrowings, the outstanding loan amounts have been coming down, enabling the Company, to achieve a reduction of interest charges. During the year, the Company could achieve about 75% reduction on interest charges in respect of working capital finance. Overall, a reduction of 48% on account of gross interest charges has been registered by the Company during the year under review.

CHANGE IN ACCOUNTING YEAR

In order to align with the practice followed by The Timken Company, USA it has been decided to change the Accounting Year of the Company from the Financial Year - April to March to the Calendar Year – January to December. Accordingly, the next accounting period will cover nine months ending December 31, 2002. Thereafter, the Company will follow the Calendar Year as the Accounting Year. This will enable the Company to do away with unproductive reconciliation between two sets of numbers.

DIRECTORS

Dr. T. Mukherjee retires by rotation and being eligible offers himself for reappointment.

The term of Mr. Scott A. Scherff who was earlier appointed by the Board in the casual vacancy caused by the resignation of Mr. Joseph F. Toot, Jr. will expire at the forthcoming Annual General Meeting. Notice has been received from a member under the provisions of Section 257 of the Companies Act, 1956 signifying his intention to propose the name of Mr. Scott A. Scherff for appointment as a Director of the Company and it has been included in the Notice to the members convening the Fifteenth Annual General Meeting.

AUDITORS

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

Pursuant to the directions received from the Central Government, Mr. Prakash Kumar Varma has been appointed as the Cost Auditor to audit the Cost Accounts of the Company for the year ended 31st March, 2002 with Central Government's approval.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreements with the Stock Exchanges, a 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 Company continued to maintain cordial relations with its Associates. The performance of the Company during the adverse situation prevailed last year could be made possible only with the positive response from all the Associates. The Directors express their appreciation for the very good co-operation 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.

During the year, the Company has achieved ISO 14001 Certification.

STOCK EXCHANGE REQUIREMENTS

The Equity Shares of the Company are listed on Mumbai, Calcutta and Magadh Stock Exchanges.

The listing fees for the year 2002-2003 have been paid to the Stock Exchanges.

PARTICULARS OF EMPLOYEES

A Statement pursuant to Section 217 (2A) of the Companies Act, 1956 and the Rules framed thereunder 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 has also been achieved by machine modifications and use of longer lasting coolant. 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 provisions 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 annual 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 financial year on March 31, 2002 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 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (4) the Directors had prepared the annual accounts on a going concern basis.

For and on behalf of the Board of Directors

Mumbai
May 14, 2002

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

CONSERVATION OF ENERGY

- | | | |
|--|---|--|
| a) Energy conservation measures taken | } | New equipments / machines added during the year are energy efficient like earlier installations. (Also please see Directors' Report) |
| b) Additional Investments / proposal, if any | | |
| c) Impact of the measures at (a) and (b) above | | |

(A) Power and Fuel Consumption

1. Electricity

	<u>2001-2002</u>	<u>2000-2001</u>
(a) Purchased Units (KWH)	1,68,09,845	1,80,64,093
Total amount (Rs.)	7,95,77,170	10,03,23,195
Rate per Unit (Rs.) (all inclusive)	4.73	5.55
(b) Own generation		
(i) Through Diesel generator	}	Not used for operations. Only for emergency lighting and water requirements
Units (KWH)		
Units per Ltr. of Diesel		
Oil-KWH/Ltr.		
Cost/Unit		
(ii) Through Steam Turbine / Generator	}	There is no Steam Turbine/Generator
Units		
Units per Ltr. of Fuel		
Oil/Gas		
Cost/Unit		
Coal (Specify quality and where used)	–	Not Used
Quantity		
Total Cost		
Average Cost		
Furnace Oil	–	Not Used
Quantity		
Total Cost		
Average Cost		
Others/Internal generation	–	Not Used
Quantity		
Total Cost		
Rate/Unit		

(B) Consumption per unit of production**Products**

Standard Bearings

Standard (if any)

Not set (Standard varies with product mix)

		<u>2001-2002</u>	<u>2000-2001</u>
Electricity (KWH / Equiv.Brg.)	:	6.39	6.41
Furnace Oil	:	Not Used	Not Used
Coal	:	Not Used	Not Used
Others	:	Nil	Nil

TECHNOLOGY ABSORPTION**(A) Research and Developments (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

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 five 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 for action

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

- | | | |
|--|---|--|
| a) Technology imported | : | Manufacture of Tapered Roller Bearings. |
| b) Year of import | : | 1991-92 onwards. |
| c) Has technology been fully absorbed ? | : | It is being gradually absorbed. |
| d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans for action | : | Ongoing in the areas of Machining, heat treatment and finishing. To make further improvements in the manufacturing process, product quality and production output. |

FOREIGN EXCHANGE EARNINGS AND OUTGO (RS./LAKHS) :

	<u>2001-2002</u>	<u>2000-2001</u>
i) Foreign Exchange Earnings	2509.69	3173.23
ii) Foreign Exchange Outgo	2506.44	2537.54

For and on behalf of the Board of Directors

Mumbai
May 14, 2002

Gordon William Robinson
Chairman

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2002**STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 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.	DeVirgilio C. J.	Managing Director	2,57,328*	B.A., M.B.A. Juris Doctorate	49	28	08.04.2000	Managing Director, Central Europe, The Timken Company, 27 Years
2.	Happach Mathew W.	Director (Sales & Marketing)	16,38,673*	B.E.,M.B.A.	38	15	01.05.99	District Manager, The Timken Co.,USA, 12 Years
3.	Sinha S. K.	Dy. Managing Director	12,07,166	B.Com. (Hons.), A.I.C.W.A.	51	30	01.09.95	D.M. (Accounts), Tisco (Bearings Division), 16 Years

* Earnings for 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 and Superannuation Fund but excludes contribution to Gratuity Fund on the basis of actuarial valuation.
- (2) The nature of employment in all cases is contractual.
- (3) None of the employees mentioned above is a relative of any Director of the Company.

For and on behalf of the Board of Directors

Mumbai
May 14, 2002

Gordon William Robinson
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

In India, the Bearing Industry came into being in 1950s and since then the industry has grown rapidly. The industry can be divided into two segments – the organized sector and the unorganized sector. The organized sector accounts for about 60% of the total turnover. The unorganized sector represents the small-scale segment and illegal imports and manufacturers of spurious bearings.

Bearing industry covers both ball bearings and roller bearings. Roller bearings can further be divided into tapered roller, 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 specializes in the manufacture of tapered roller bearings (TRBs).

The growth in bearing industry is directly related to the growth of industries having bearing applications, like automotive, electrical applications, pumps, fans and agricultural machineries. These high volume segments are catered primarily by domestic manufacturers. Heavy duty industrial applications in rolling stock, rolling mills, heavy earthmoving equipments and other heavy machinery are met from imports. Timken India Limited 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 machineries—from imports from other Timken units.

Production of TRBs constitutes about 30% of the total bearings produced in India and at present, Timken India enjoys around 21% by value of the market share in the TRB segment.

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, heavy engineering segment and opportunities in the international markets. Since Timken India 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, entry of multinationals and increasing demand for industrial products may result in an increase in demand for large bearings.

The presence of the unorganized sector in the bearing industry poses a real threat. Many players in this sector often resort to illegal imports (smuggling) and dealing in spurious product. They mainly cater to the replacement market which is price elastic. They are competitive compared to the manufacturers in the organized sector but offer poor quality and practices like evasion of Excise Duty and manufacture of spurious bearings. Though they have got a strict regional presence, their activities in the bearing industry cannot be ignored.

Segmentwise Performance

Reporting by Segments

As per the relative reporting requirements, the Management of the Company feels that the primary segment for the Company are as follows:

- u Bearings and Components
- u Services

The Bearings and Components Segment is a diverse

supplier of bearings, components and other allied products catering to the needs of the automobiles, industrial and rail-road enterprises. The Services Segment provides services in relation to sourcing, repairing and maintenance management of bearings and allied products. Currently, 97% of the revenue of the Company comes from the Bearings Segment while around 2% of the revenue accounts for activities in the Services Segment.

The Geographical Segments have been identified on the basis of location of the major customers of the Company and the secondary (geographical) segments are :

- u India
- u Outside India

For the year under review, around 86% of net sales was generated from domestic source whereas the remaining 14% came from sales outside India.

Outlook – Risks and Concern

The recessionary phase being witnessed in the Indian economy, especially industrial production and also in the international markets have affected the performance of the bearing industry during the year under review. The growth of the bearing industry in the domestic sector is primarily linked to the growth of the automobile, rail and infrastructural industry in India. The advantage of availability of the Timken technology together with the availability of Timken network worldwide for exports has not only helped the Company to survive similar recessionary phases in the past but also will help the Company to further consolidate its position in the domestic and international market in case of a turnaround.

Illegal imports continue to remain a threat for the bearing industry. Bearings are also imported by the Company for the purpose of resale in the Indian market. These bearings are not manufactured in India because of the specialized nature of the product. Incidence of high Customs Duty on these imports makes such imports less remunerative. Besides, a section of the bearing industry is facing the problem of free entry of certain types of bearings at an

abnormally low rate from countries like China, Russia and Eastern Europe.

Internal Control Systems

The various internal control systems operating in the Company are working satisfactorily. The strength of these systems is continuously being 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

The recessionary phase being witnessed by the Indian economy and also by the international markets has adversely impacted the financial performance of the Company during the year under review. While the income of the company has declined by around 10%, the gross profit has been adversely affected by over 60% mainly because of progressively falling price, change in segment mix and reduced demand. Incidence of marginally higher depreciation and a substantial reduction in interest charges could not however prevent the Company from posting 96% drop in profit after tax.

While the production of Standard Bearings during 2001-02 was maintained more or less at last year's level, a significant reduction in the Railway Bearing production was registered mainly due to a sizeable shrink in domestic demand.

HR Front

During the year under review, the Company did not witness any adverse development on the HR/IR front. The relationship between the Associates of the Company and the Management remains congenial all through out the year. The Company employed around 593 Associates (including 178 Officers) as on March 31, 2002.

AUDITORS' REPORT

TO THE MEMBERS OF TIMKEN INDIA LIMITED

We have audited the attached Balance Sheet of Timken India Limited, as at 31st March 2002 and also the Profit and Loss Account 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 auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account 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 March, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2002 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 March 2002 ; and
 - b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

Place : Mumbai
Dated : May 14, 2002

S. R. BATLIBOI & CO.
Chartered Accountants
Per RAHUL ROY
a Partner

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN OUR REPORT OF EVEN DATE

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the assets have been physically verified by the management once during the year which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
7. The company has not taken any loan secured or unsecured from companies, firms or other parties listed in the registers maintained under Section 301. In terms of Sub-Section 6, the provisions of Section 370 of the Companies Act, 1956 are not applicable to a company on or after 31st October 1998.
8. The company has not granted any loan, secured or unsecured, to companies, firms or other companies listed in the registers maintained under section 301 and to the companies under the same management.
9. In respect of loans and advances in the nature of loans given by the Company, parties have repaid the principal amounts as stipulated and have also been regular in the payment of interest.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to the sale of goods.
11. The Company undertakes transactions of purchase and sales of Goods and Materials, with associate and group companies, in pursuance of contracts/arrangements entered in the register maintained under section 301 of the Companies Act, 1956. As, such transactions relate to proprietary items manufactured by the Timken Group and Raw Materials in connection thereto, comparative rates are not available, however, selling prices of such goods, in the market, prima facie indicate that the transactions are at reasonable prices. Transactions for sale of services in pursuance of contracts/arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices for such services rendered to other parties.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
13. The company has not accepted any deposit from public within the meaning of section 58A of the Companies Act, 1956.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The company does not have any by-product.

ANNEXURE TO THE AUDITORS' REPORT *(Continued)*

15. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
16. 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.
17. According to the records of the Company Provident Fund dues have been regularly deposited during the year with the appropriate authorities. As informed to us, the ESI Act is not applicable to the Company.
18. According to the information and explanations given to us no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 31st March 2002 for a period of more than six months from the date they became payable.
19. The Company has a policy of authorising expenditure based on reasonable checks and balances. The policy is intended to ensure that expenses are authorised on the basis of contractual obligations or accepted business practices having regard to the Company's business needs and exigencies. In terms of these observations, we have not come across any expenses charged to Revenue Account, which in our opinion and judgement and to the best of our knowledge and belief, could be regarded as personal expenses.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

In respect to the service activities of the Company :

21. The company has a reasonable system of recording receipts, issues and consumption of material and stores and allocating materials consumed to the relative jobs, commensurate with its size and nature of its business.
22. The company has a reasonable system of allocating manhours utilised to the relative jobs, commensurate with its size and nature of its business.
23. The company is having a reasonable system of authorisation at proper levels, and an adequate system of internal control commensurate with the size of the company and the nature of its business, on issue of stores and labour to jobs.

In respect to the trading activities undertaken by the Company :

24. We are informed that there have been no damaged stocks.

Place : Mumbai
Dated : May 14, 2002

S. R. BATLIBOI & CO.
Chartered Accountants
Per RAHUL ROY
a Partner

BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedule	Rupees	Rupees	As at 31-03-2001 Rupees
SOURCES OF FUNDS				
a) SHAREHOLDERS' FUNDS				
(i) Share Capital	1	89,72,04,000		89,72,04,000
(ii) Reserves & Surplus	2	8,44,80,033		18,53,23,148
			98,16,84,033	108,25,27,148
b) LOAN FUNDS				
(i) Secured Loans	3	15,09,36,163		20,58,42,659
(ii) Unsecured Loans	4	14,64,411		1,58,08,440
			15,24,00,574	22,16,51,099
c) DEFERRED TAX LIABILITIES (NET) (refer note (o), schedule 17)			4,68,89,913	—
			118,09,74,520	130,41,78,247
APPLICATION OF FUNDS				
d) FIXED ASSETS :	5			
(i) Gross Block		138,84,46,569		134,70,28,078
(ii) Less : Depreciation		89,05,27,721		77,17,93,839
(iii) Net Block		49,79,18,848		57,52,34,239
(iv) Capital Work-in-progress — including advances Rs. 12,87,039 (31-03-2001 Rs. Nil)		33,20,910		2,12,85,074
			50,12,39,758	59,65,19,313
e) INVESTMENTS	6		11,77,37,687	—
f) CURRENT ASSETS, LOANS AND ADVANCES				
(i) Inventories	7	38,11,34,695		34,30,48,370
(ii) Sundry Debtors	8	39,45,76,506		38,03,15,899
(iii) Cash and Bank Balances	9	7,23,02,392		5,63,64,231
(iv) Loans and Advances	10	9,48,90,137		21,36,85,502
		94,29,03,730		99,34,14,002
g) LESS : CURRENT LIABILITIES & PROVISIONS				
(i) Current Liabilities	11	33,61,62,829		26,76,71,914
(ii) Provisions	12	5,41,89,184		3,01,64,427
		39,03,52,013		29,78,36,341
h) NET CURRENT ASSETS			55,25,51,717	69,55,77,661
i) MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF	13		94,45,358	1,20,81,273
			118,09,74,520	130,41,78,247
j) ACCOUNTING POLICIES AND NOTES	17			

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

As per our report of even date attached

For S. R. BATLIBOI & CO.

Chartered Accountants

Per Rahul Roy

a Partner

Mumbai, 14 May, 2002

Soumitra Hazra
Company Secretary

For and on behalf of the Board

G.W. Robinson

Chairman

Shyamal K Sinha

Dy. Managing Director

Mumbai, May 14, 2002

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	<u>Schedule</u>	<u>Rupees</u>	<u>Previous Year 2000-2001 Rupees</u>
<u>INCOME</u>			
a) Sale of Products and Other Income	14	153,08,06,782	171,13,67,032
<u>EXPENDITURE</u>			
b) Manufacturing and other expenses	15	139,26,71,264	135,31,81,673
c) Interest (net)	16	63,71,467	2,28,12,563
d) Depreciation		12,24,75,063	12,01,19,984
		152,15,17,794	149,61,14,220
PROFIT BEFORE TAX		92,88,988	21,52,52,812
e) Provision for Taxation			
– Current		1,64,42,190	
– Deferred		(1,52,09,700)	
		12,32,490	1,51,80,886
PROFIT AFTER TAX		80,56,498	20,00,71,926
f) PROFIT/(LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR		18,52,77,148	1,09,92,022
		19,33,33,646	21,10,63,948
DEPLETION OF RESERVE DUE TO DEFERRED TAX ACCOUNTING		(6,20,99,613)	—
PROFIT AVAILABLE FOR APPROPRIATION		13,12,34,033	21,10,63,948
g) APPROPRIATIONS :-			
– DIVIDEND ON PREFERENCE SHARES		4,68,00,000	2,34,00,000
– TAX ON PREFERENCE DIVIDEND		—	23,86,800
PROFIT / LOSS CARRIED TO BALANCE SHEET		8,44,34,033	18,52,77,148
h) ACCOUNTING POLICIES AND NOTES	17		
i) EARNINGS PER SHARE			
– Basic		(0.24)	2.73
– Diluted		(0.24)	2.73

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

For and on behalf of the Board

As per our report of even date attached

G.W. Robinson
Chairman

For S. R. BATLIBOI & CO.
Chartered Accountants
Per Rahul Roy
a Partner
Mumbai, 14 May, 2002

Soumitra Hazra
Company Secretary

Shyamal K Sinha
Dy. Managing Director

Mumbai, May 14, 2002

SCHEDULES 1 TO 17 FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST MARCH 2002**SCHEDULE 1 : SHARE CAPITAL**As at
31-03-2001
Rupees**Authorised :**

7,50,00,000 Equity Shares of Rs. 10/- each

Rupees**75,00,00,000**Rupees

75,00,00,000

26,00,000 9% Cumulative Redeemable Preference Shares
of Rs.100/- each**26,00,00,000**

26,00,00,000

101,00,00,000**101,00,00,000****Issued :**

6,37,50,000 Equity Shares of Rs. 10/- each

63,75,00,000

63,75,00,000

26,00,000 9% Cumulative Redeemable Preference Shares
of Rs.100/- each**26,00,00,000**

26,00,00,000

89,75,00,000**89,75,00,000****Subscribed:**

(refer note (t), Schedule 17)

6,37,34,850 Equity Shares of Rs. 10/- each fully paid-up

63,73,48,500

63,73,48,500

Less: Calls in Arrears-others

1,44,500

1,44,500

63,72,04,000

63,72,04,000

26,00,000 9% Cumulative Redeemable Preference Shares
of Rs.100/- each**26,00,00,000**

26,00,00,000

(Redeemable at the expiry of 10 years from 14th March, 1995,
the date of allotment, with an option to the Company to
redeem the same earlier after giving one month's notice)**89,72,04,000****89,72,04,000****SCHEDULE 2 : RESERVES AND SURPLUS****a) Profit & Loss Account****8,44,34,033**

18,52,77,148

b) Investment Allowance Reserve

Balance as per last account

46,000

46,000

8,44,80,033**18,53,23,148**

SCHEDULE 3 : SECURED LOANS

	Rupees	Rupees	As at 31-03-2001 Rupees
a) i) Term Loan from State Bank of India	93,75,000		2,81,25,000
ii) Interest accrued and due on the above	3,47,661		—
		97,22,661	2,81,25,000
b) Term Loans from Bank of Baroda		7,41,89,200	11,77,00,900
c) Cash Credit Accounts with Scheduled Banks			
i) State Bank of India	5,00,23,031		4,15,12,064
ii) Bank of Baroda	1,70,01,271		1,85,04,695
		6,70,24,302	6,00,16,759
		<u>15,09,36,163</u>	<u>20,58,42,659</u>

Notes :

- (a) (i) The Term Loans from Bank of Baroda and State Bank of India are secured by hypothecation of all fixed assets and movables, both present and future (save and except book debts).
- (ii) The charges on fixed assets and movables stated above rank pari passu inter se and are subject to prior charges created in favour of Company's Bankers under item (b) below.
- (b) Cash Credit from State Bank of India and Bank of Baroda are secured by joint hypothecation of stocks of raw materials, semi-finished and finished goods, consumable stores and spares and all book debts both present and future.

SCHEDULE 4 : UNSECURED LOANS

(refer note (u), Schedule 17)

	Rupees	As at 31-03-2001 Rupees
1. Sales Tax Loan	—	1,58,08,440
2. Short Term Loan from Scheduled Banks	14,64,411	—
	<u>14,64,411</u>	<u>1,58,08,440</u>

SCHEDULE 5 : FIXED ASSETS

ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	AS AT 31.03.2001	ADDITIONS	DEDUC- TIONS	AS AT 31.03.2002	AS AT 31.03.2001	FOR THE YEAR	DEDUCTIONS	TOTAL UPTO 31.03.2002	AS AT 31.03.2002	AS AT 31.03.2001
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Buildings	13,15,32,186	12,61,758	34,080	13,27,59,864	2,64,58,112	35,16,339	5,982	2,99,68,469	10,27,91,395	10,50,74,074
Plant & Machinery (including office equipment)	119,32,72,747	4,37,97,872	53,88,998	123,16,81,621	73,42,70,278	11,70,43,163	29,87,192	84,83,26,249	38,33,55,372	45,90,02,469
Furniture & Fixtures	1,19,18,067	8,54,424	1,47,780	1,26,24,711	72,97,014	8,54,733	44,136	81,07,611	45,17,100	46,21,053
Vehicles	1,03,05,078	22,34,906	11,59,611	1,13,80,373	37,68,435	10,60,828	7,03,871	41,25,392	72,54,981	65,36,643
Total	134,70,28,078	4,81,48,960*	67,30,469	138,84,46,569	77,17,93,839	12,24,75,063	37,41,181	89,05,27,721	49,79,18,848	57,52,34,239
Previous Year	122,33,17,401	12,55,53,197	18,42,520	134,70,28,078	65,29,99,447	12,01,19,984	13,25,592	77,17,93,839		

Notes : * Includes exchange differences of Rs. 1,10,041 (2000-2001 : Rs. 62,011) and interest capitalised Rs. Nil (2000-2001 : Rs. 42,11,305).

SCHEDULE 6 : INVESTMENTS

	Face Value	Holdings As at 01.04.2001	Purchased /Dividend Reinvested	Sale/ Conversion	Holdings As at 31.03.2002		Holdings As at 31.03.2001
	Rs.	Nos.	Nos.	Nos.	Nos.	Rs.	Rs.
Long Term Investments (At Cost)							
Trade (Unquoted) Equity Shares fully paid							
Nicco Jubilee Park Limited	10	—	30,000	—	30,000	3,00,000	—
Current Investments							
<i>(At Lower of Cost or Market Value)</i>							
Other Investments (Unquoted)							
Kotak Mahindra Liquid Scheme - Growth	10	—	50,77,110	14,07,063	36,70,046	4,15,30,979	—
Kotak Mahindra Liquid Scheme - Dividend	10	—	41,52,226	41,52,226	—	—	—
HDFC Liquid Fund - Dividend	10	—	20,27,125	20,19,797	7,328	73,297	—
HDFC FIP - Growth	10	—	10,00,000	—	10,00,000	1,00,00,000	—
HDFC Liquid Fund - Growth	10	—	9,05,471	—	9,05,471	1,02,02,214	—
Prudential ICICI Liquid Plan - Growth	10	—	7,55,302	7,55,302	—	—	—
Prudential ICICI Liquid Plan - Dividend	10	—	17,49,382	17,49,382	—	—	—
Prudential ICICI FMP - Growth	10	—	20,62,421	—	20,62,421	2,06,78,043	—
Zurich India Liquidity Fund - Dividend	10	—	19,95,083	19,95,083	—	—	—
Zurich India Liquidity Fund - Growth	10	—	17,13,614	—	17,13,614	2,00,70,535	—
Birla Cash Plus - Dividend	10	—	13,77,065	3,98,691	9,78,374	98,67,883	—
Birla Cash Plus - Growth	10	—	3,28,814	—	3,28,814	50,14,736	—
						<u>11,74,37,687</u>	
						<u>11,77,37,687</u>	

Note : Aggregate amount of Unquoted Investments – Rs. 11,77,37,687

SCHEDULE 7 : INVENTORIES*(At lower of Cost or Net Realisable Value)*

	Rupees	Rupees	As at 31-03-2001 Rupees
a) Stores and Spares (including in transit)		6,32,78,226	5,88,54,382
b) Raw materials and Components (including in transit)		8,33,52,773	5,48,90,167
c) Work-in-progress		5,74,86,401	5,53,53,640
d) Finished stocks (including in transit)	15,97,72,408		15,28,42,979
Add : Excise Duty on finished stock not assessed to duty	1,72,44,887		2,11,07,202
		17,70,17,295	17,39,50,181
		<u>38,11,34,695</u>	<u>34,30,48,370</u>

SCHEDULE 8 : SUNDRY DEBTORS*(refer note (w), Schedule 17)*

a) Over six months	3,85,82,830	3,95,56,206
b) Others	37,48,87,395	35,68,80,552
	<u>41,34,70,225</u>	<u>39,64,36,758</u>
Less : Provision for Bad and Doubtful debts	1,88,93,719	1,61,20,859
	<u>39,45,76,506</u>	<u>38,03,15,899</u>
Debts unsecured and considered good	38,91,90,091	37,68,38,451
Debts secured and considered good	53,86,415	34,77,448
Debts considered doubtful	1,88,93,719	1,61,20,859
	<u>41,34,70,225</u>	<u>39,64,36,758</u>

SCHEDULE 9 : CASH AND BANK BALANCES

a) Cash and Cheques in Hand (including Remittances in Transit)	4,43,43,978	3,79,17,403
b) With Scheduled Banks		
i) In Current Accounts	2,50,57,160	1,55,37,948
ii) Towards Share/Debenture application monies/refund account	28,96,254	29,03,880
iii) Towards margin money	5,000	5,000
	<u>7,23,02,392</u>	<u>5,63,64,231</u>

SCHEDULE 10 : LOANS AND ADVANCES

(refer note (x), Schedule 17)

	Rupees	As at 31-03-2001 Rupees
a) Prepaid expenses	35,87,984	32,46,280
b) Advance payment of Taxes - net of provision Rs. 6,47,70,818 (31.03.2001 Rs. 4,82,68,630)	1,54,91,076	26,38,322
c) Advances recoverable in cash or kind or for value to be received	3,00,85,961	2,47,06,645
d) Balances with Customs and Excise (refer note (n) of Schedule 17)	3,61,96,849	3,29,04,244
e) Deposits	96,44,069	1,02,53,509
f) Inter-corporate Deposit	—	14,00,00,000
	9,50,05,939	21,37,49,000
Less : Provision for Doubtful Advances	1,15,802	63,498
	9,48,90,137	21,36,85,502
Loans and Advances, unsecured and considered good	9,24,50,387	21,36,85,502
Loans and Advances, secured and considered good	24,39,750	—
Loans and Advances, considered doubtful	1,15,802	63,498
	9,50,05,939	21,37,49,000

Notes : Amount due by Directors and by Secretary Rs. 1,100 (31-03-2001 : Rs. 7,721). Maximum during the year Rs. 3,38,775 (2000-2001 : Rs. 10,39,502).

SCHEDULE 11 : CURRENT LIABILITIES

	Rupees	Rupees	As at 31-03-2001 Rupees
a) Sundry Creditors :			
i) Small Scale Industrial undertakings (refer note (v), Schedule 17)	36,97,666		7,69,654
ii) Others	28,83,27,371		22,60,00,775
		29,20,25,037	22,67,70,429
b) Advance payments from Customers		3,68,631	12,88,843
c) Other Liabilities		4,08,72,907	3,66,91,287
d) Interest accrued but not due on loans		—	14,521
e) Public/Right Issue Share / Debenture application monies-refund warrants posted but not encashed		28,96,254	29,06,834
		33,61,62,829	26,76,71,914

Note : Sundry Creditors - others include Rs. 18,915 due to Directors (31-03-2001 : Rs. Nil)

SCHEDULE 12 : PROVISIONS

	Rupees	As at 31-03-2001 Rupees
a) Proposed Preference Dividend	4,68,00,000	2,57,86,800
b) Provision for Leave Encashment	73,89,184	43,77,627
	<u>5,41,89,184</u>	<u>3,01,64,427</u>

SCHEDULE 13 : MISCELLANEOUS EXPENDITURE

(TO THE EXTENT NOT WRITTEN OFF)
(refer note (r), Schedule 17)

Technical Know-how Expenses paid	1,20,81,272	1,47,17,187
Less : Amortised for the year	26,35,914	26,35,914
	<u>94,45,358</u>	<u>1,20,81,273</u>

SCHEDULE 14 : SALE OF PRODUCTS AND OTHER INCOME

	Rupees	Rupees	Previous year 2000-2001 Rupees
a) Sale of Products	148,23,11,262		168,46,61,304
Less : Trade Discounts	3,46,90,225		4,24,68,705
(refer note (d), Schedule 17)		144,76,21,037	164,21,92,599
b) Other Income			
i) Agency Commission	1,34,56,726		1,46,55,825
ii) Income from Services - including TDS Rs. 3,84,929 (2000-2001: Rs. 18,087)	1,62,21,037		1,48,49,270
iii) Foreign Exchange Differences (net)	18,32,718		44,31,235
iv) Provisions no longer required	48,35,939		1,48,13,932
v) Export incentives under DEPB Scheme (net)	2,81,34,475		1,49,32,309
vi) Income from Investments - others	41,47,367		1,33,639
vii) Miscellaneous Income - including TDS Rs. 1,671 (2000-2001: Rs. Nil)	1,45,57,483		53,58,223
		8,31,85,745	6,91,74,433
		<u>153,08,06,782</u>	<u>171,13,67,032</u>

SCHEDULE 15 : MANUFACTURING AND OTHER EXPENSES	Rupees		Previous year 2000-2001 Rupees
1) Purchase of Products for resale (refer note (c), Schedule 17)		22,29,23,268	13,30,24,084
2) Raw Materials and Components consumed (refer note (e), Schedule 17)		45,40,19,369	50,00,40,105
3) Payments to and Provision for employees			
a) Salaries,Wages and Bonus	11,29,64,751		11,24,68,377
b) Company's contribution to Provident and other Funds	1,17,73,904		1,15,99,175
c) Staff Welfare expenses	1,84,68,399		1,58,31,389
		14,32,07,054	13,98,98,941
4) Operation & Other Expenses			
a) Stores and spare parts consumed (refer note (f), Schedule 17)	11,03,88,011		11,92,46,386
b) Purchase of Power	7,95,77,170		10,03,23,195
c) Repairs to Buildings	76,70,993		39,36,698
d) Repairs to Machinery	1,49,71,107		1,70,04,371
e) Royalty	3,18,62,313		3,72,19,291
f) Rent	98,55,483		92,95,575
g) Rates and Taxes	43,67,257		38,68,078
h) Insurance	37,58,732		55,83,161
i) Commission & Discount	1,10,17,710		88,07,249
j) Travelling	2,33,13,006		1,82,36,604
k) Postage & Telephone	1,60,84,132		1,04,56,477
l) Selling Expenses	2,20,88,182		85,77,973
m) Other Expenses (refer note (s), Schedule 17)	6,39,12,763		6,07,22,182
		39,88,66,859	40,32,77,240
5) Carriage and Handling		1,97,92,855	1,60,17,476
6) Provision for doubtful debts & advances		71,61,441	1,09,43,839
7) Excise Duty		15,57,62,608	17,03,50,602
8) (Increase) / Decrease in stock of finished goods and semi-finished goods-excluding excise duty on plant stock			
Opening Stock	20,81,96,619		18,78,26,005
Less : Closing Stock	21,72,58,809		20,81,96,619
		(90,62,190)	(2,03,70,614)
		139,26,71,264	135,31,81,673
SCHEDULE 16 : INTEREST - NET			
Interest Expense			
i) Term Loans		1,43,46,753	2,06,13,201
ii) Others		31,71,904	1,28,43,255
		1,75,18,657	3,34,56,456
Less			
i) Interest Capitalised		—	42,11,305
ii) Interest Income		1,11,47,190	64,32,588
— Tax deducted at source Rs. 19,64,114 (2000-2001 : Rs. 4,32,020)			
		63,71,467	2,28,12,563

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.

(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 upto the date the asset is ready for intended use.

(iv) Depreciation

Depreciation is provided under straight line method at the rates and in the manner provided in Schedule XIV to the Companies Act, 1956. 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.

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 close of the year and exchange difference arising therefrom, is adjusted to the cost of fixed assets or charged to Profit & Loss Account, as the case may be.

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 adjusted to the cost of fixed assets or charged to Profit & Loss Account, as the case may be, proportionately over the contract period.

(vi) Inventories

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

(vii) Retirement Benefits

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 due to the employees is charged to the Profit & Loss Account, on the basis of year end actuarial valuation.

(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.

SCHEDULE 17 : (Contd.)**(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 & 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 that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(xii) Segment Reporting Policies*Identification of segments :*

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products or services having different risks and returns. The analysis of geographical segments is based on the areas in which the customers of the Company are located.

Inter-segment Transfers :

Inter-segment sales and transfers, if any, are accounted for as if the sales or transfers were to third parties at current market prices.

Unallocated items :

General income and expense items, which are not allocable to any specific business segment, are classified as unallocated revenue and expenditure respectively.

(xiii) 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	1,05,000 Nos. (1,05,000) Nos.	26,419 Nos. (53,553) Nos.
ii) Tapered Roller Bearings, unit including components	40,00,000 Nos. (35,00,000) Nos.	16,95,952 Nos. (17,12,508) Nos.
iii) Components (manufactured for sale)	— —	27,08,590 Nos. (11,08,641) 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.

3) Considering the flexibility and interchangeability in production facilities among the lines, the overall capacity of the plant is 35,00,000 equivalent bearings.

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)	17,91,303 Nos. (16,96,413) Nos.	113,93,46,128 (130,46,64,985)	3,98,804 Nos. (4,10,546) Nos.	13,87,25,227 (16,59,21,631)	4,10,546 Nos. (3,39,405) Nos.	16,59,21,631 (14,51,21,820)	59,731 Nos. (21,573) Nos.	8,48,65,364 (5,63,61,116)
ii) Components (including purchased for resale)	28,75,083 Nos. (12,97,108) Nos.	24,11,69,357 (31,21,13,026)	1,31,832 Nos. (9,336) Nos.	2,60,17,049 (33,00,146)	9,336 Nos. (16,200) Nos.	33,00,146 (66,39,905)	2,17,500 Nos. (1,56,541) Nos.	6,90,21,533 (5,03,69,449)
iii) Grease	8,79,897 Kgs. (2,95,364) Kgs.	6,37,05,145 (2,10,37,628)	1,27,732 Kgs. (42,979) Kgs.	84,86,339 (24,20,314)	42,979 Kgs. (26,791) Kgs.	24,20,314 (19,07,828)	9,64,681 Kgs. (3,11,405) Kgs.	6,49,67,141 (2,17,31,249)
iv) Oil Seals	56,809 Nos. (89,982) Nos.	15,34,821 (25,36,091)	86,955 Nos. (43,930) Nos.	19,46,499 (10,50,934)	43,930 Nos. (11,160) Nos.	10,50,934 (2,57,938)	3,51,607 Nos. (1,22,760) Nos.	20,32,570 (29,82,174)
v) Dental Handpiece Cartridge (including Components)	10,564 Nos. (10,141) Nos.	18,65,586 (18,40,869)	6,603 Nos. (6,670) Nos.	18,42,181 (12,57,156)	6,670 Nos. (12,139) Nos.	12,57,156 (12,74,541)	10,302 Nos. (4,678) Nos.	20,36,660 (15,80,096)
		<u>144,76,21,037</u> <u>(164,21,92,599)</u>		<u>17,70,17,295</u> <u>(17,39,50,181)</u>		<u>17,39,50,181</u> <u>(15,52,02,032)</u>		<u>22,29,23,268</u> <u>(13,30,24,084)</u>

* Excludes free samples to customers.

Purchases are for resale.

Note : Figures in brackets are for the previous year.

d) Sale of Products is stated inclusive of excise duty and net of trade discount (refer Schedule 14).

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

Details of Raw Materials/Components	2001-2002		2000-2001	
	Quantity	Rupees	Quantity	Rupees
Cup	19,88,234 Nos.	14,91,71,034	19,38,120 Nos.	13,16,98,555
Cone	20,46,633 Nos.	11,22,15,409	22,82,179 Nos.	12,07,76,818
Rollers	32,36,824 Nos.	1,39,58,341	68,66,310 Nos.	2,43,51,682
Roller Wire	9,98,640 Kgs.	6,14,91,077	9,80,541 Kgs.	6,40,90,925
Other Raw Materials/Components		9,97,11,374		8,93,55,181
Accessories		1,74,72,134		6,97,66,944
		<u>45,40,19,369</u>		<u>50,00,40,105</u>

f) 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 :

	2001-2002		2000-2001	
	%	Rupees	%	Rupees
i) Raw Materials and components				
Imported	23.15	10,50,91,656	31.28	15,64,37,183
Indigenous	76.85	34,89,27,713	68.72	34,36,02,922
	<u>100.00</u>	<u>45,40,19,369</u>	<u>100.00</u>	<u>50,00,40,105</u>
ii) Stores and spare parts				
Imported	16.63	1,83,53,235	16.40	1,95,51,817
Indigenous	83.37	9,20,34,776	83.60	9,96,94,569
	<u>100.00</u>	<u>11,03,88,011</u>	<u>100.00</u>	<u>11,92,46,386</u>

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

	2001-2002 Rupees	2000-2001 Rupees
i) Raw Materials, components, stores and spare parts	9,00,06,279	11,78,41,086
ii) Finished Products for re-sale	9,34,71,861	6,29,33,773
iii) Capital Goods	70,20,431	1,72,09,445

SCHEDULE 17 : (Contd.)

	2001-2002 Rupees	2000-2001 Rupees
h) EXPENDITURE IN FOREIGN CURRENCY (on cash basis)		
i) Foreign Travel	44,94,011	17,45,925
ii) Bank Charges	3,43,928	2,73,740
iii) Royalty (net of withholding tax)	2,70,43,710	2,97,76,424
iv) Others	8,88,141	—
i) DIVIDEND REMITTANCE IN FOREIGN CURRENCY (Preference Shares)	1,22,44,932	3,56,44,931
<small>(26,00,000 9% Cumulative Redeemable Preference Shares held by The Timken Company, USA as at 31st March, 2002. Dividend remitted for the year 1998-1999)</small>		
j) EARNINGS IN FOREIGN EXCHANGE (on realisation basis)		
i) F.O.B. value of exports	23,80,79,484	30,45,58,732
ii) Agency commission	1,28,89,866	1,27,64,206
k) CONTINGENT LIABILITIES NOT PROVIDED FOR		
— Guarantees given to banks	1,98,43,805	1,04,80,543
— Income tax demands	14,75,105	1,02,40,568
— Other claims	7,31,443	7,38,820
— Excise duty and Sales Tax matters	5,80,51,410	3,07,33,069
— Arrears of cumulative preference dividends including additional income tax on dividend Rs. Nil (2000-2001 : Rs. 47,73,600)	2,34,00,000	5,15,73,600
l) ESTIMATED AMOUNT OF CONTRACTS REMAINING TO BE EXECUTED ON CAPITAL ACCOUNT AND NOT PROVIDED FOR (net of advances paid)	1,19,77,077	69,09,170
m) MANAGERIAL REMUNERATION		
i) The accounts for the year include managerial remuneration amounting to Rs. 9,94,524 (2000-2001 : Rs. 13,09,105) being remuneration paid to Deputy Managing Director Mr. S. K. Sinha Rs. 7,37,196 and former Managing Director Mr. C. J. DeVirgilio Rs. 2,57,328. The managerial remuneration is inclusive of estimated monetary value of perquisites Rs. 1,16,948 (2000-2001 : Rs. 2,01,507).		
ii) Managerial remuneration does not include Company's contribution to Provident Fund for the former Managing Director, as he was not entitled to the same in terms of his appointment. However, it includes Company's contribution to Provident Fund for the present Deputy Managing Director based on his entitlement. Further, it does not include gratuity and leave pay provided on the basis of actuarial valuation in the accounts which is to be included for this purpose at the time of actual payment.		
n) Deposits include Rs. 244.07 lacs (2000-2001 : Rs. 213.64 lacs) with Customs Authorities, pending final assessment against which a liability of Rs. 154.08 lacs (2000-2001 : Rs. 123.65 lacs), considered adequate, is held in the accounts.		

SCHEDULE 17 : (Contd.)

- o) Deferred Tax Accounting – During the year, the Company has, for the first time, adopted Accounting Standard 22 on “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India. Consequently, net deferred tax credit as at 31st March, 2001 of Rs. 621 lacs has been recorded by reducing the said amount from Profit & Loss Account as at 31st March, 2001. Further, the deferred tax credit for the year has been recognised in the Profit & Loss Account for the year. Details of Deferred Tax Assets/(Liabilities) as on 31.03.2002 are as follows :

— Items under Section 43B of IT Act	Rs. 41,96,028
— Provision for Bad Debts	Rs. 83,02,942
— Royalty	Rs. 33,30,060
— Preliminary Expenses u/s 35D of IT Act	Rs. 1,44,041
— Capital Loss	Rs. 6,99,599
— Technical Know-how Fees	Rs. (33,71,993)
— Depreciation	Rs. (6,01,90,590)
Net Deferred Tax Assets/(Liabilities)	Rs. (4,68,89,913)

- p) During the year, DEPB benefits have been accrued at the point of Export, in line with opinion issued by the Institute of Chartered Accountants of India, instead of being accrued at the point of entry being made in the passbook, as a result of which export incentives are higher by Rs. 92.23 lacs.
- q) Raw materials not conforming to Timken World standards has been quarantined and a consequential charge of Rs. 397.89 lacs arising thereby, has been booked in the Profit & Loss Account for the year.
- r) 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.

s) OTHER EXPENSES

Item 4 (m) of Schedule 14 includes :

i) Auditors' Remuneration *

- For services as Auditors
- For Company Law matters
- For Other Services
- For travelling and out-of-pocket expenses

* Inclusive of service tax, where applicable

ii) Directors' fees

iii) Loss on disposal/discarding of assets

iv) Provision for wealth tax

2001-2002 Rupees	2000-2001 Rupees
6,30,000	6,30,000
13,650	—
8,59,950	9,13,500
94,100	67,030
57,000	54,000
20,60,146	4,36,612
60,000	51,000

- t) i) No Equity Shares have been allotted during 2001-2002 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 and 26,00,000 9% Cumulative Redeemable Preference Shares of Rs. 100/- each are held by The Timken Company, USA as at 31st March, 2002.
- iii) Calls in arrears in respect of the Shares Rs. 1,44,500 have been computed on the basis of information certified by the Registrars of the Company.
- u) Unsecured loans include loan repayable within one year amounting to Rs. 14,64,411 (2000-2001 : Rs. 1,58,08,440).

SCHEDULE 17 : (Contd.)

v) Name of small scale industrial undertakings to whom the Company owes a sum exceeding Rs. 1,00,000 which is outstanding for more than 30 days as at 31st March, 2002 :-

i) Pawan Enterprises

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

	As on 31-03-2002 Rupees	As on 31-03-2001 Rupees
Timken Europa GmbH	11,91,635	38,04,651
British Timken Limited	9,64,044	—
Australian Timken Proprietary Limited	50,17,152	—
Timken Do Brasil Com.E.Ind.Ltda.	1,90,51,402	38,33,593
Timken Singapore PTE Ltd.	18,74,767	8,77,584
Timken Italia S.R.L.	2,18,185	5,24,404
Yantai Timken Company Limited	19,41,656	8,97,028
Timken South Africa (PTY) Limited	59,29,271	1,34,38,190
Timken Romania S. A.	1,46,409	—
Timken Engg. and Research	28,425	—

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

	As on 31-03-2002 Rupees	Maximum Amount due during 2001-2002 Rupees	As on 31-03-2001 Rupees
Yantai Timken Company Limited	4,92,762	14,88,599	—
Timken Singapore PTE Limited	70,748	70,748	—
Timken Engg. and Research	1,11,838	1,11,838	—

y) Provision for taxation made for the year includes Rs. 1.05 lacs being provision pertaining to earlier years.

SCHEDULE 17 : (Contd.)**z) Segment Information***Business segment :*

The business segments have been identified on the basis of the products and services of the Company. The Bearings & Components segment is a diverse supplier of Bearings, components and other allied products. It sells products to the Automobiles, Industrial and Rail-Road enterprises. The Services segment provides service in relation to Procurement and Repairs & Maintenance of the Bearings & Components.

Geographical segments :

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

Rupees

Primary Segment	Year ended March 31, 2002
1. Segment Revenue	
(A) Bearings & Components	148,90,12,180
(B) Services	3,00,16,355
Total segment Revenue	151,90,28,535
Less : Inter-segment revenue	—
Unallocated revenue	1,17,78,247
Net Sales/income from operations	153,08,06,782
2. Segment profit/(loss) before tax and interest	
(A) Bearings & Components	8,13,54,993
(B) Services	1,32,57,336
Total	9,46,12,329
Less :	
i) Interest (Net)	63,71,467
ii) Unallocated expenditure	7,89,51,874
Profit Before Tax	92,88,988
3. Capital Employed (Segment assets - Segment liabilities)	
(A) Bearings & Components	103,74,35,826
(B) Services	1,18,64,912

Secondary Segment - Geographical

Rupees

Secondary Segment - Geographical	Year ended March 31, 2002
1. Sales Revenue by Geographical Market	
(A) India	131,78,79,506
(B) Outside India	21,29,27,276
Total	153,08,06,782
2. Carrying Amount of Segment Assets	
(A) India	154,13,40,199
(B) Outside India	9,62,27,483
Total	163,75,67,682
3. Purchase of Fixed and Intangible Assets	
(A) India	2,88,97,757
(B) Outside India	—
Total	2,88,97,757

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

During the year, the Company entered into transactions with related parties. Those transactions along with related balances as at 31st March, 2002 and for the year then ended are presented in the following table.

Sl. No.	Name of the Related Party	Relationship	Nature of transactions	Transaction Amount (Rs.)*	Outstanding as on 31/03/02 (Rs.)*	Provision for Doubtful Debts as on 31/03/02	Amount written-off during the year	Amount written-back during the year
1.	The Timken Company, USA	Holding Co. with 80% Equity Shares	Sale of Goods	12,51,25,737	5,69,02,690	—	—	—
			Agency Commission (Income)	1,13,23,853	15,89,832	—	—	—
			Purchase of Goods	7,13,73,583	3,12,47,029	—	—	—
			Expenses Payable	1,64,01,051	2,51,00,003	—	—	—
			Expenses Receivable	72,22,088	35,75,415	—	—	—
			Royalty	3,03,45,060	1,74,66,893	—	—	—
			Technical Assistance Expenses	6,44,292	6,44,292	—	—	—
2.	Timken Europa GmbH	Fellow Subsidiary	Sale of Goods	11,64,324	—	—	—	—
			Agency Commission (Income)	1,01,366	11,91,635	—	—	—
			Purchase of Goods	2,85,177	3,36,529	—	—	—
3.	British Timken Limited	Fellow Subsidiary	Sale of Goods	25,37,699	9,52,821	—	—	—
			Agency Commission (Income)	11,193	11,222	—	—	—
			Purchase of Goods	21,84,120	13,06,568	—	—	—
			Expenses Payable	7,18,814	7,88,636	—	—	—
4.	Australian Timken Proprietary Limited	Fellow Subsidiary	Sale of Goods	95,19,888	50,04,891	—	—	—
			Agency Commission (Income)	33,562	12,261	—	—	—
			Purchase of goods	26,38,903	27,73,243	—	—	—
5.	Timken South Africa (PTY) Limited	Fellow Subsidiary	Sale of Goods	1,51,40,718	52,14,039	—	—	—
			Agency Commission (Income)	7,15,084	7,15,232	—	—	—
			Purchase of Goods	91,196	—	—	—	—
6.	Yantai Timken Company Limited	Fellow Subsidiary	Sale of Goods	1,51,90,124	19,41,656	—	—	—
			Expenses Receivable	22,12,434	4,92,762	—	—	—

SCHEDULE 17 : (Contd.)

Sl. No.	Name of the Related Party	Relationship	Nature of transactions	Transaction Amount (Rs.)*	Outstanding as on 31/03/02 (Rs.)*	Provision for Doubtful Debts as on 31/03/02	Amount written-off during the year	Amount written-back during the year
7.	Timken Romania S. A.	Fellow Subsidiary	Agency Commission (Income)	4,90,152	1,46,409	—	—	—
			Purchase of Goods	67,49,084	—	—	—	—
			Expenses Payable	2,31,787	2,32,601	—	—	—
8.	Timken Engg. & Research	Fellow Subsidiary	Sale of Goods	92,250	28,425	—	—	—
			Expenses Receivable	1,11,838	1,11,838	—	—	—
9.	Timken Italia S.R.L.	Fellow Subsidiary	Agency Commission (Income)	2,16,646	2,18,185	—	—	—
			Purchase of Goods	37,44,547	7,49,174	—	—	—
10.	Timken Singapore PTE Limited	Fellow Subsidiary	Sale of Goods	62,22,810	18,74,767	—	—	—
			Expenses Receivable	70,748	70,748	—	—	—
11.	Timken Do Brasil Com.E.Ind. LTDa	Fellow Subsidiary	Sale of Goods	3,43,72,306	1,90,51,402	—	—	—
12.	Timken Polska	Fellow Subsidiary	Purchase of Goods	52,57,560	—	—	—	—
13.	Handpiece Headquarters	Fellow Subsidiary	Purchase of Goods	13,67,865	3,36,525	—	—	—

For payments being Managerial Remuneration to Key Managerial Personnel Mr. Charles J. DeVirgilio and Mr. Shyamal K Sinha – refer note (m) Schedule 17

* On Accrual Basis

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

Signature to Schedules 1 to 17

For and on behalf of the Board

For S. R. Batliboi & Co.
Chartered Accountants

Per Rahul Roy
a Partner

Mumbai, 14 May, 2002

Soumitra Hazra
Company Secretary

G.W. Robinson
Chairman

Shyamal K Sinha
Dy. Managing Director

Mumbai, 14 May, 2002

**ABSTRACT OF THE BALANCE SHEET AS AT 31-03-2002 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 0 3 2 0 0 2
	Date Month Year
II. Capital Raised during the Year (Amount in Rs. Thousands)	
Public Issue	Rights Issue
N I L	N I L
Bonus Issue	Private Placement
N I L	N I L
III. Position of Mobilisation and Deployment of Fund (Amount in Rs. Thousands)	
Total Liabilities	Total Assets
1 1 8 0 9 7 5	1 1 8 0 9 7 5
Sources of Funds	Reserves and Surplus
Paid-Up Capital	8 4 4 8 0
8 9 7 2 0 4	
Secured Loans	Unsecured Loans
1 5 0 9 3 6	1 4 6 5
Deferred Tax Liabilities (Net)	
4 6 8 9 0	
Application of Funds	Investment
Net Fixed Assets	1 1 7 7 3 8
5 0 1 2 4 0	
Net Current Assets	Misc. Expenditure
5 5 2 5 5 2	9 4 4 5
Accumulated Losses	
N I L	
IV. Performance of Company (Amount in Rs. Thousands)	
Turnover	Total Expenditure
1 5 3 0 8 0 7	1 5 2 1 5 1 8
+ - Profit/Loss Before Tax	+ - Profit/Loss After Tax
+ 9 2 8 9	+ 8 0 5 6
+ - Earning per Share in Rs.	Dividend rate %
+ - 0 . 2 4	* N I L

*During the current year Arrears of Dividend on Preference Shares @ 9% was recommended for the period 1st April, 1999 to 31st March, 2001

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

Mumbai
May 14, 2002

Soumitra Hazra
Company Secretary

Shyamal K Sinha
Dy. Managing Director

G.W. Robinson
Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002

	Year ended 31.03.2002 Rs. '000	Year ended 31.03.2001 Rs. '000
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit/(Loss) before Tax and Extraordinary items	9,289	215,253
Adjustments for :		
Depreciation	122,475	120,120
Interest income	(10,194)	(6,566)
Interest expense	17,519	29,245
Income from Mutual Fund (Net)	(2,438)	(134)
(Profit)/Loss on sale of assets	2,060	437
Miscellaneous expenditure amortised	2,636	2,636
Miscellaneous expenditure paid	—	—
Provision for Wealth Tax	60	51
	<u>132,118</u>	<u>145,789</u>
Operating Profit before Working Capital Changes	141,407	361,042
Adjustments for :		
Trade and Other Receivables	(23,866)	51,598
Inventories	(38,086)	(26,368)
Trade Payables and Other Liabilities	71,517	(23,920)
	<u>9,565</u>	<u>1,310</u>
Cash Generated from Operations	150,972	362,352
Interest paid	(17,185)	(29,231)
Direct Tax paid	(28,402)	(15,583)
	<u>(45,587)</u>	<u>(44,814)</u>
Net Cash from Operating Activities	105,385	317,538
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(30,185)	(132,969)
Sale of Fixed Assets	929	80
Investment	(117,438)	(300)
Income from Mutual Fund (Net)	2,438	134
Interest received	10,194	6,566
Inter-corporate deposits	140,000	(70,000)
Net Cash from Investing Activities	5,938	(196,489)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Preference Dividend paid	(25,787)	(79,132)
Proceeds from issue of Share Capital	—	1
Proceeds from Term Borrowings	—	92,089
Repayment of Term Borrowings	(78,070)	(55,048)
Cash Credit (Net)	8,472	(84,461)
Net Cash from Financing Activities	(95,385)	(126,551)
Net increase/(decrease) in Cash and Cash equivalents	15,938	(5,502)
Cash and Cash equivalents as at 1st April (Opening Balance)	56,364	61,866
Cash and Cash equivalents as at 31st March (Closing Balance)	72,302	56,364

Note : (1) Figures in brackets represent outflows.

(2) Cash and Cash equivalent as on 31st March, 2002 includes Rs. 28,96,254 (2000-01: Rs. 29,03,880) being amount towards share application money refund account.

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

As per our certificate attached

For S. R. Batliboi & Co.

Chartered Accountants

Per Rahul Roy

a Partner

Soumitra Hazra
Company Secretary

Shyamal K Sinha
Dy. Managing Director

G.W. Robinson
Chairman

Mumbai, 14 May, 2002

Mumbai, 14th May, 2002

AUDITORS' CERTIFICATE

To,
The Board of Directors,
Timken India Limited
Bara, P. O. Agrico
Jamshedpur - 831009

We have examined the attached Cash Flow Statement of Timken India Limited for the year ended 31st March, 2002. The Statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreements with the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of 14 May, 2002 to the Members of the Company.

S. R. Batliboi & Co.
Chartered Accountants
Per RAHUL ROY
a Partner

Place : Mumbai

Dated : May 14, 2002

CORPORATE GOVERNANCE REPORT

Company's philosophy on Code of Governance

The recently modified 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, require 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 had put in place a number of systems to ensure transparency in decision making, empowerment at different levels, accountability and integrity. With the introduction of the code of corporate governance through an amendment of the Listing Agreement with the Stock Exchanges, the Company had to fine tune its corporate practices so as to bring them in line with the requirements of the said amendments of the Listing Agreement.

Board of Directors

Composition :

The Company has a Non-Executive Chairman and the number of Independent Directors is more than one-third of the total number of Directors. The number of Non-Executive Directors is 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 on more than 10 Committees and Chairman of more than five Committees (as specified in clause 49) across all the companies in which he is a Director except Mr. Mantosh Sondhi who was Chairman of six Committees and has since resigned as Chairman from one of the Committees. 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 2001-02	Whether attended AGM held on July 20,2001	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	1	-	-
Mr. Charles J. DeVirgilio*	Executive Not Independent	1	No	-	-	-
Mr. Shyamal K. Sinha*	Executive Not Independent	4	Yes	-	-	-
Dr. J. J. Irani	Non-Executive Independent	3	Yes	13	1	8
Mr. Mantosh Sondhi	Non-Executive Independent	3	Yes	8**	5***	4
Dr. T. Mukherjee	Non-Executive Independent	3	Yes	10**	1	4
Mr. Jon T. Elsasser	Promoter Director Non-Executive Not Independent	-	No	2	-	-
Mr. Scott A. Scherff	Promoter Director Non-Executive Not Independent	-	No	10**	-	-

Name	Category	No. of Board Meetings attended during 2001-02	Whether attended AGM held on July 20, 2001	No. of Directorships in other companies	No. of Committee positions held in other companies	
					Chairman	Only Member
Mr. Vinod K. Dasari	Promoter Director Non-Executive Not Independent	3	Yes	–	–	–
Mr. Jai S. Pathak – Alternate to Mr. Scott A. Scherff	Non-Executive Independent	2	No	3	1	2
Mr. P. S. Dasgupta – Alternate to Mr. Vinod K. Dasari	Non-Executive Independent	–	No	23**	1	7

* Mr. Charles J. DeVirgilio, former Managing Director resigned from the services of the Company with effect from close of business on June 8, 2001. Mr. Shyamal Kumar Sinha has been appointed as the Dy. Managing Director with effect from close of business on June 8, 2001

** including directorships in Private Limited companies

*** Mr Mantosh Sondhi has since resigned as Chairman of one of these Committees.

Four Board Meetings were held during the year 2001-02 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows :

- 1) June 8, 2001
- 2) July 20, 2001
- 3) October 15, 2001
- 4) January 17, 2002

Information as required under Annexure I to Clause 49 is being made available to the Board. The Company did not have any pecuniary relationship or transactions with Non-Executive Directors during the year.

Audit Committee

The Company had constituted an Audit Committee of the Board in the year 1991 primarily to comply with the terms and conditions of loan agreements with the financial institutions. The broad terms of reference of the Audit Committee were to review Internal Audit Reports and discuss the same with the internal / statutory auditors and to take into consideration their recommendations for strengthening the internal control systems. Even after repayment of the loan, the Audit Committee has been continuing to function under the chairmanship of Mr. Mantosh Sondhi with Dr. T. Mukherjee and Mr. Jai S. Pathak as the other two members. Keeping in mind the requirements of clause 49 of the Listing Agreement with the Stock Exchanges, the Board of Directors of the company, at its meeting held on January 17, 2001 decided that the existing Audit Committee of the Board be vested with all the powers as mentioned in para II(c) of Clause 49 of the Listing Agreement and the scope of work of the Audit Committee be enlarged so as to include all the work stated in para II(d) of clause 49 in order to bring that in line with the provisions of the aforesaid 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. The Chairman of the Audit Committee – Mr. Mantosh Sondhi was present at the Fourteenth Annual General Meeting of the Company held on July 20, 2001.

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

Name of the Members	Category	No. of Meetings attended
Mr. Mantosh Sondhi, Chairman	Non-Executive Independent	3
Dr. T. Mukherjee, Member	Non-Executive Independent	2
Mr. Jai S. Pathak, Member	Non-Executive Independent	1

Audit Committee Meetings were attended by Controller (Finance & Accounts), Manager – Internal Audit and Dy. Managing Director as invitee. A representative of the statutory auditors also attended these meetings. Company Secretary acts as the Secretary of the Audit Committee.

Three Audit Committee Meetings were held in 2001-02. The dates on which the said meetings were held were as follows :

- 1) June 7, 2001
- 2) October 15, 2001
- 3) March 28, 2002

Necessary quorum was present at all these meetings.

Remuneration Committee

A Remuneration Committee of the Board has been constituted by the Company in May, 2002. Being a non-mandatory requirement, the Remuneration Committee had not been set up earlier. The broad terms of reference of the Remuneration Committee is to determine 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. As has already been stated, the Company has one Executive Director under the designation 'Dy. Managing Director' whose terms of appointment have been determined by the Board at the time of his appointment in 2001.

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

The composition of the Remuneration Committee is as follows :

Name of the Members	Category
Dr. T. Mukherjee, Chairman	Non-Executive Independent
Mr. P. S. Dasgupta, Member	Non-Executive Independent
Mr. Jai S. Pathak, Member	Non-Executive Independent

The resident Non-Executive Directors of the Company are paid remuneration by way of Sitting Fees only. At present, a sum of Rs. 3000/- is 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 are not paid any Sitting Fees. The Dy. Managing Director is also not entitled to receive any Sitting Fees for attending meetings of the Board of Directors or Committees thereof.

The Company pays 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 Board of Directors of the Company and also from the shareholders and complying with the requisite formalities as prescribed under the Companies Act, 1956. Performance Incentives (variable component) is based on the performance criteria laid down at the beginning of the year which broadly takes into account the profit targets set for the year under review.

Details of Remuneration for 2001-02

Non-Executive Directors

Name of the Directors	Sitting Fees (Rs.)
Mr. Gordon W. Robinson	Nil
Dr. J. J. Irani	9,000
Mr. Mantosh Sondhi	18,000
Dr. T. Mukherjee	21,000
Mr. Jon T. Elsasser	Nil
Mr. Scott A. Scherff	Nil
Mr. Vinod K. Dasari	Nil
Mr. Jai S. Pathak – Alternate to Mr Scott A. Scherff	9,000
Mr. P. S. Dasgupta – Alternate to Mr Vinod K. Dasari	Nil

Executive Directors

Name of the Directors	Salary & Allowances	Perquisites	Performance Incentive	Stock Options
Mr. Charles J. DeVirgilio*	Rs. 2,25,000	Rs. 32,328	Nil	Nil
Mr. Shyamal K. Sinha*	Rs. 6,26,310	Rs.1,10,886	Nil	Nil

* Mr. Charles J. DeVirgilio, former Managing Director resigned from the services of the Company with effect from close of business on June 8, 2001. Mr. Shyamal Kumar Sinha has been appointed as the Dy. Managing Director with effect from close of business on June 8, 2001.

The terms of appointment of the Dy. Managing Director is governed by the provisions of the Companies Act, 1956 and such appointment is subject to termination by either party by giving three months notice unless termination at a shorter notice is mutually agreed by the 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

An Investors' Relation and Grievance Committee was constituted by the Board at its meeting held on January 17, 2001 to look 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.

The composition of the Investors' Relation and Grievance Committee and the details of the meeting attended by the members thereof are given below :

Name of the Members	Category	No. of Meetings attended
Dr. T. Mukherjee, Chairman	Non-Executive Independent	2
Mr. Charles J. DeVirgilio, Member	Executive Not Independent	1
Mr. Shyamal K. Sinha, Member	Executive Not Independent	2
Mr. Jai S. Pathak, Member	Non-Executive Independent	—

At the time of its constitution, the Committee comprised the following three members:

- | | | |
|------------------------------|---|----------|
| 1) Dr. T. Mukherjee | — | Chairman |
| 2) Mr. Charles J. DeVirgilio | — | Member |
| 3) Mr. Shyamal K. Sinha | — | Member |

Subsequent to the resignation of Mr. Charles J. DeVirgilio from the services of the Company and appointment of Mr. Shyamal K. Sinha as the Dy. Managing Director with effect from the close of business on June 8, 2001, the Investors' Relation and Grievance Committee has been reconstituted with the following three members :

- | | | |
|-------------------------|---|----------|
| 1) Dr. T. Mukherjee | — | Chairman |
| 2) Mr. Shyamal K. Sinha | — | Member |
| 3) Mr. Jai S. Pathak | — | Member |

Dr. T. Mukherjee, an Independent, Non-Executive Director is the Chairman of the Investors' Relation and Grievance Committee.

Mr. Soumitra Hazra, Company Secretary acts as the Compliance Officer.

The status of investors' queries handled by the Company and also by the Registrar during the year April 2001 to March 2002 are given below :

Particulars	Total Received	Total Replied	Total Pending as on 31.03.02
Non-receipt of interest / redemption	617	617	–
Change of Address / POA	612	612	–
Others	387	387	–
Non-receipt of Certificates	332	329	3
Revalidation	319	312	7
Duplicate /New Certificates	85	85	–
Transmission	64	64	–
Endorsement	38	38	–
Bills	31	31	–
Dematerialisation	26	26	–
Compliances	8	8	–
Total	2519	2509	10*
STOCK EXCHANGES			
Mumbai Stock Exchange	28	28	–
Calcutta Stock Exchange	10	10	–
Magadh Stock Exchange	1	1	–
National Stock Exchange	2	2	–
REGULATORY BODIES			
SEBI	2	2	–
Department of Company Affairs	6	6	–

* out of these, replies to 7 queries were sent on April 1, 2002. The remaining 3 cases have also been subsequently replied.

As on March 31, 2002, 41 requests for registration of transfer of Equity Shares of the Company remained outstanding in the books of the Company being requests received subsequent to March 21, 2002.

All these requests were considered during subsequent processing and registration of transfer of 32 requests were given effect to in the books of the Company as on April 1, 2002. The remaining requests were referred back to the investors being irregular in nature.

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
1998-99	Tata Steel Management Development Centre, XLRI Campus, C. H. Area (E), Jamshedpur – 831 001	EGM	May 31, 1999	Monday	12.00 Noon	3
1998-99	As above	AGM	July 26, 1999	Monday	11.00 am	–
1999-00	As above	AGM	July 21, 2000	Friday	12.00 Noon	1
2000-01	As above	AGM	July 20, 2001	Friday	4.00 pm	1

None of the resolutions passed at the above General Body Meetings were required to be put through Postal Ballot.

Disclosures

There was no materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company at large during the year 2001-02.

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

The quarterly results are published in the leading English Dailies (Business Standard / Times of India / Economic Times) and Hindi newspapers (Uditvani / Chamakta Aina / Prabhat Khabar).

The financial results are also displayed on the Company's website at 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 enjoys all the infrastructural support during his visits to the offices of the Company in performance of his duties. The half-yearly results of the Company are communicated through newspaper insertions and intimation to the Stock Exchanges. Regarding postal ballots, the Company is governed by the provisions of the Companies Act, 1956 and rules framed thereunder relating to passing of resolutions by postal ballots.

General Shareholders Information

1. Annual General Meeting	Friday, July 19, 2002 at 12.00 Noon at Tata Steel Management Development Centre, XLRI Campus, Circuit House Area (East), Jamshedpur – 831 001. As required under clause 49VI(A) of the Listing Agreement, particulars of Directors seeking appointment/reappointment are given in an annexure to the Notice of the Annual General Meeting to be held on July 19, 2002.																																							
2. Financial Calendar	Year ending March 31, 2002																																							
3. Date of Book Closure	July 5, 2002 to July 19, 2002 (both days inclusive)																																							
4. Dividend Payment Date	Payment of dividend on Preference Shares to be made after declaration thereof at the Fifteenth Annual General Meeting.																																							
5. Listing on Stock Exchanges	Equity Shares of the Company are listed on the following Stock Exchanges : <ol style="list-style-type: none"> 1 The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 1 The Calcutta Stock Exchange Association Limited 7, Lyons Range, Kolkata - 700 001 1 Magadh Stock Exchange Association 9th Floor, Ashiana Plaza, Budh Marg, Patna - 800 001 <p>The Company has paid annual Listing Fees to all these three Stock Exchanges for the year 2002-2003.</p>																																							
6. Stock Code	522113 (Equity) (Mumbai)																																							
7. Market Price Data	Monthly High/Low of Market Prices of the Company's Equity Shares, traded on the Stock Exchange, Mumbai during the last financial year are given below :																																							
	<table border="1"> <thead> <tr> <th>Month</th> <th>High (Rs.)</th> <th>Low (Rs.)</th> </tr> </thead> <tbody> <tr> <td>April 2001</td> <td>29.90</td> <td>26.00</td> </tr> <tr> <td>May 2001</td> <td>34.00</td> <td>24.55</td> </tr> <tr> <td>June 2001</td> <td>34.90</td> <td>27.00</td> </tr> <tr> <td>July 2001</td> <td>27.90</td> <td>25.05</td> </tr> <tr> <td>August 2001</td> <td>30.00</td> <td>24.00</td> </tr> <tr> <td>September 2001</td> <td>29.20</td> <td>23.10</td> </tr> <tr> <td>October 2001</td> <td>26.00</td> <td>24.25</td> </tr> <tr> <td>November 2001</td> <td>28.00</td> <td>23.95</td> </tr> <tr> <td>December 2001</td> <td>27.90</td> <td>24.00</td> </tr> <tr> <td>January 2002</td> <td>31.35</td> <td>23.65</td> </tr> <tr> <td>February 2002</td> <td>32.55</td> <td>22.60</td> </tr> <tr> <td>March 2002</td> <td>33.50</td> <td>27.00</td> </tr> </tbody> </table>	Month	High (Rs.)	Low (Rs.)	April 2001	29.90	26.00	May 2001	34.00	24.55	June 2001	34.90	27.00	July 2001	27.90	25.05	August 2001	30.00	24.00	September 2001	29.20	23.10	October 2001	26.00	24.25	November 2001	28.00	23.95	December 2001	27.90	24.00	January 2002	31.35	23.65	February 2002	32.55	22.60	March 2002	33.50	27.00
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8. Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc.	Performance of the Company's Share Prices in comparison of the BSE Sensex is given below :
---	--

9. Registrar & Transfer Agents	AXC Computers Pvt. Ltd. (formerly ABC Computers Pvt. Ltd.), National Council of Education Building, Jadavpur University Campus, Jadavpur, Kolkata-700 032																																																		
10. Share Transfer System	<p>Requests for registration of transfer of shares held in physical form may be lodged with AXC Computers Pvt. Ltd. at Kolkata or may also be sent to the 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 Shareholding	<p>The distribution of shareholding as on March 31, 2002 is given below :</p> <table border="1" data-bbox="600 1480 1444 1917"> <thead> <tr> <th>From</th> <th>To</th> <th>Accounts</th> <th>Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>500</td> <td>87032</td> <td>10711196</td> <td>16.80</td> </tr> <tr> <td>501</td> <td>1000</td> <td>916</td> <td>710150</td> <td>1.11</td> </tr> <tr> <td>1001</td> <td>2000</td> <td>304</td> <td>437642</td> <td>0.69</td> </tr> <tr> <td>2001</td> <td>3000</td> <td>80</td> <td>199304</td> <td>0.31</td> </tr> <tr> <td>3001</td> <td>4000</td> <td>34</td> <td>119496</td> <td>0.19</td> </tr> <tr> <td>4001</td> <td>5000</td> <td>20</td> <td>94738</td> <td>0.15</td> </tr> <tr> <td>5001</td> <td>10000</td> <td>23</td> <td>155932</td> <td>0.25</td> </tr> <tr> <td>10001</td> <td>Above</td> <td>13</td> <td>51306392</td> <td>80.50</td> </tr> <tr> <td></td> <td></td> <td>88422</td> <td>63734850</td> <td>100.00</td> </tr> </tbody> </table>	From	To	Accounts	Shares	%	0	500	87032	10711196	16.80	501	1000	916	710150	1.11	1001	2000	304	437642	0.69	2001	3000	80	199304	0.31	3001	4000	34	119496	0.19	4001	5000	20	94738	0.15	5001	10000	23	155932	0.25	10001	Above	13	51306392	80.50			88422	63734850	100.00
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12. Dematerialisation of Shares and liquidity	The Company has arrangements with National Securities Depository Ltd. (NSDL) as well the Central Depository Services (India) Ltd. (CDSL) for Demat facility. At present around 47% of the Company's Equity Share Capital is dematerialised. The Shares of the Company are listed on Mumbai, Calcutta and Magadh Stock Exchanges and are regularly traded.	
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 :	
	<p>The Company Secretary Timken India Limited Bara, P. O. Agrico Jamshedpur – 831 009 Tel. No. 0657-210293 Fax No. 0657-210117</p>	<p>AXC Computers Pvt. Ltd. (formerly ABC Computers Pvt. Ltd.) Unit : Timken India Limited National Council of Education Building, Jadavpur University Campus, Jadavpur , Kolkata – 700 032 Tel. No. : 033-4146292/4146363 Fax No. : 033-4137900</p>

AUDITORS' CERTIFICATE

To

The Members of Timken India Limited

We have examined the compliance of conditions of corporate governance by Timken India Limited, for the year ended on 31st March, 2002, 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, subject to the following :

1. Mr. Mantosh Sondhi, Chairman of the Audit Committee is the Chairman in 6 committees across all companies in which he is a Director.

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 : Mumbai
Dated : May 14, 2002

S. R. BATLIBOI & CO.
Chartered Accountants

Per Rahul Roy
a Partner

FIVE YEARS AT A GLANCE

Year ended 31st March

	2002	2001	2000	1999	1998
Production					
(i) Standard Brgs. Equiv. (Nos.)	1,958,130	1,998,153	2,078,514	1,916,322	2,156,128
(ii) AP Cartridge Brgs. (Sets)	26,419	53,553	47,324	40,247	27,157
Rs/Lakhs					
Profit & Loss Account					
(i) Gross Sales	15,308	17,114	16,288	14,281	14,433
(ii) Net Sales					
(a) Domestic	11,535	11,836	12,275	10,559	8,907
(b) Export	2,129	3,612	2,181	2,209	4,314
Total (a+b)	<u>13,664</u>	<u>15,448</u>	<u>14,456</u>	<u>12,768</u>	<u>13,221</u>
(iii) Gross Profit	1,381	3,582	3,192	2,218	2,795
(iv) EBIT	157	2,381	2,068	1,194	1,934
(v) Profit Before Tax	93	2,153	1,763	814	1,344
(vi) Profit After Tax	81	2,001	1,520	728	1,343
(vii) Surplus/(Accumulated Loss)	844	1,853	110	(1,269)	(1,997)
Balance Sheet					
(i) Gross Block	13,918	13,683	12,372	11,960	10,738
(ii) Net Block	5,012	5,965	5,842	6,526	6,320
(iii) Net Current Asset	4,460	5,208	3,639	3,023	4,003
(iv) Beginning Invested Capital (BIC)	11,273	10,214	10,249	11,370	9,698
(v) Total Debt	1,524	2,217	2,691	4,609	4,976
(vi) Equity	9,722	10,704	8,935	8,353	7,625
(vii) Total Capital	11,246	12,921	11,626	12,962	12,601
Other Comparative Data					
(i) G.P. to Net Sales (%)	10%	23%	22%	17%	21%
(ii) PAT to Net Sales (%)	1%	13%	11%	6%	10%
(iii) EBIT / BIC (%)	1%	23%	20%	11%	20%
(iv) Return on Net Worth (%)	1%	19%	17%	9%	18%
(v) E.P.S. (Rs.)	(0.24)	2.73	1.98	0.74	1.70
(vi) Capital Expenditure/Depreciation for the year (times)	0.25	1.11	0.41	1.21	1.84
(vii) Total Debt to Equity (%)	16%	21%	30%	55%	65%
(viii) Total Debt to Total Capital (%)	14%	17%	23%	36%	39%
(ix) Fixed Asset Turnover (times)	2.73	2.59	2.47	1.96	2.09
(x) Working Capital Turnover (times)	3.06	2.97	3.97	4.22	3.30
(xi) Current Ratio (times)	1.79	1.99	1.58	1.49	1.83
(xii) Interest Cover (times)	0.89	7.12	4.89	2.42	3.11
(xiii) Net Sales/Employee (Rs./Lakhs)	23	26	26	24	24

- 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) Net Current Asset is current assets minus current liabilities including current portion of long term loans repayable within one year.
- (vi) Working Capital Turnover is net sales divided by net current asset as at the end of the year.
- (vii) Current ratio is current assets divided by current liabilities including current portion of long term loans repayable within one year.
- (viii) Interest Cover is profit before interest and taxation divided by interest expenses (gross).

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 Fifteenth Annual General Meeting of the Company at Tata Steel Management Development Centre, XLRI Campus, Circuit House Area (East), Jamshedpur-831 001 on Friday, the 19th July, 2002 at 12.00 Noon.

SIGNATURE OF THE MEMBER/PROXY

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

TIMKEN INDIA LIMITED

Regd. Office : 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

..... of in the District of

..... as my/our Proxy to attend and vote for me/us and on my/our behalf at the Fifteenth Annual General Meeting of the Company, to be held on Friday, the 19th July, 2002 and at any adjournment thereof.

Signed this day of 2002.

Reference Folio :

No. of Shares : Signature

Affix
30 Paise
Revenue
Stamp

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.

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*Members are requested to please note that with effect from 2nd December, 1996, the Registered Office of the Company has been shifted from Tata Centre 43, Chowringhee Road, Calcutta-700 071 to **Bara, P.O. Agrico, Jamshedpur-831 009**. All correspondence meant for the Registered Office of the Company may therefore please be sent to the new address.*

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.

