

TIMKEN INDIA LIMITED
BOARD OF DIRECTORS

(As on January 30, 2004)

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

COMMITTEES OF THE BOARD

(As on January 30, 2004)

AUDIT COMMITTEE

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

INVESTORS' RELATION & GRIEVANCE COMMITTEE

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

REMUNERATION COMMITTEE

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

MANAGEMENT TEAM

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

Auditors

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

Registered Office

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

CONTENTS

	Page
Notice	2
Chairman's Statement	5
Directors' Report	6
Annexure to Directors' Report	8
Management Discussion and Analysis	10
Auditors' Report	11
Balance Sheet	14
Profit & Loss Account	15
Schedules 1 to 17	16
Balance Sheet Abstract	31
Cash Flow Statement	32
Corporate Governance Report	33
Auditors' Certificate	38
Five years at a Glance	39
Graphs	40

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

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

NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of Timken India Limited will be held at Shavak Nanavati Technical Institute, N-Road, Bistupur, Jamshedpur - 831 001 on Saturday, April 24, 2004 at 12.00 Noon to transact the following business:

1. To receive and adopt the Profit and Loss Account for the year ended December 31, 2003 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 Mr. Jon T. Elsasser 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. Vinod Kumar Dasari as a Director of the Company

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

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

6. Appointment of Mr. Niroop Mahanty as a Director of the Company

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

“RESOLVED THAT Mr. Niroop Mahanty, 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.”

7. Remuneration payable to Dy. Managing Director

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

“RESOLVED THAT pursuant to Section 309, 310 and other applicable provisions if any of the Companies Act, 1956 (‘the Act’) and subject to such other approvals as may be necessary, the Company hereby accords its approval to the modification of the terms relating to remuneration payable to Mr. Shyamal Kumar Sinha as the Dy. Managing Director of the Company with effect from April 1, 2003 as per details contained in the abstract of terms and Memorandum of Interest dated August 11, 2003 circulated to all the members of the Company pursuant to Section 302 of the Act and also such further modification with effect from April 1, 2004 as per details given in the Explanatory Statement pursuant to Section 173 (2) and forming an integral part of this Notice .”

NOTES :

1. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote in his stead and the Proxy need not be a Member. Proxies, in order to be effective, must reach the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under items no. 5 to 7 is annexed hereto. Relevant details relating to reappointment/appointment of Directors pursuant to Clause 49 to the Listing Agreement are also annexed.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from April 8, 2004 to April 24, 2004, both days inclusive.

By Order of the Board

Registered Office :
Bara, P.O. Agrico
Jamshedpur – 831 009
January 30, 2004

Soumitra Hazra
*Finance Controller
& Company Secretary*

ANNEXURE TO THE NOTICE – EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 5**

Mr. Vinod Kumar Dasari, Director of the Company, was appointed by the Board of Directors of the Company ('the Board') in the casual vacancy created by the resignation of Mr. R L Leibensperger on January 17, 2001. As per the provisions of the Companies Act, 1956 Mr. Dasari holds office upto the forthcoming Annual General Meeting when Mr. Leibensperger 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 Mr. Dasari as a candidate for the office of Director.

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

Memorandum of Interest

Except Mr. Vinod Kumar Dasari, no other Director is concerned or interested in the resolution.

Item No. 6

Mr. Niroop Mahanty, Director of the Company, was appointed by the Board of Directors of the Company ('the Board') as an Additional Director in July 2003. As per the provisions of the Companies Act, 1956 Mr. Mahanty holds office as an Additional Director upto the forthcoming Annual General Meeting.

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

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

Memorandum of Interest

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

Item No. 7

Members may please recall that Mr. Shyamal Kumar Sinha ('Mr. Sinha') was appointed as the Dy. Managing Director of the Company with effect from the close of business on June 8, 2001 as per terms and conditions set out in the draft of an Agreement placed before the Annual General Meeting held on July 20, 2001 which were subsequently modified vide Resolution passed at the Annual General Meeting held on April 30, 2003. It may be noted that the Board of Directors, subject to the requisite approval of the Members of the Company and such other approvals as may be necessary, had approved modification of the terms relating to remuneration payable to Mr. Sinha as the Dy. Managing Director of the Company as per following details :-

a) With effect from April 1, 2003

As per the Abstract of Terms and Memorandum of Interest dated August 11, 2003 circulated to all the Members of the Company pursuant to the provisions of Section 302 of the Companies Act, 1956 and as appearing below:-

"1) Under the category 'Perquisites' the following new para (xi) was added:

'xi) Interest subsidy for any House Building Loan – as per Rules of the Company.'

2) The amount of "Salary including other allowances" was increased from Rs.65,000/- per month to Rs. 75,700/- per month with effect from April 1, 2003.

All the other terms and conditions governing his appointment as the Dy. Managing Director of the Company to remain unchanged."

b) With effect from April 1, 2004

The amount of "Salary including other allowances" to be increased from Rs. 75,700/- per month to Rs. 90,700/- per month with effect from April 1, 2004.

All the other terms and conditions governing his appointment as the Dy. Managing Director of the Company to remain unchanged."

TIMKEN INDIA LIMITED

The Board of Directors recommends the proposed resolution set out under item no. 7 of the Notice for approval of the Members.

Memorandum of Interest

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

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

Registered Office :
Bara, P.O. Agrico
Jamshedpur – 831 009
January 30, 2004

By Order of the Board

Soumitra Hazra
Finance Controller
& Company Secretary

DETAILS OF DIRECTORS SEEKING REAPPOINTMENT / APPOINTMENT AT THE FORTHCOMING SEVENTEENTH ANNUAL GENERAL MEETING			
Name of Director	Mr. Jon T. Elsasser	Mr. Vinod Kumar Dasari	Mr. Nirop Mahanty
Date of Birth	August 14, 1952	April 28, 1966	January 12, 1950
Date of Appointment	September 6, 1995	January 17, 2001	July 23, 2003
Expertise in specific functional areas	<ul style="list-style-type: none"> ● General Management ● Strategy 	<ul style="list-style-type: none"> ● Manufacturing ● General Management 	<ul style="list-style-type: none"> ● Human Resources ● General Management
Qualifications	<ul style="list-style-type: none"> ● BA – Economics – College of William & Mary ● MBA – Harvard University 	<ul style="list-style-type: none"> ● Bachelor of Science in Engineering Science, University of Louisville – Louisville, Kentucky ● Master of Management in Manufacturing, Northwestern University – Evanston, Illinois 	<ul style="list-style-type: none"> ● BA (Hons) – St. Stephens College, Delhi University ● MBA – University of Colorado, USA
List of public companies in which outside Directorship held as on December 31, 2003	<ul style="list-style-type: none"> ● Timken Polska Sp.Zo.o ● Timken Romania S.A. 	<ul style="list-style-type: none"> ● Nelson Engine Systems India Limited ● Cummins Auto Services Limited ● Cummins India Limited ● Cummins Diesel Sales & Services (I) Ltd. ● Tata Holset Ltd. 	<ul style="list-style-type: none"> ● Steel City Press Limited ● Kalinga Aquatics Limited
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2003	N.A.	<ul style="list-style-type: none"> ● Timken India Limited – Chairman – Audit Committee 	<ul style="list-style-type: none"> ● Timken India Limited – Chairman – Remuneration Committee ● Timken India Limited – Chairman – Investors Relation & Grievance Committee ● Timken India Limited – Member – Audit Committee

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am very pleased to announce that the performance improvement shown in 2002 has been further extended into 2003.

During 2003, India's economy grew stronger than forecast and in particular, the second half of the calendar year was characterized by high activity levels in the manufacturing sector.

Our internal efforts to improve efficiency and grow sales therefore have met a favorable external environment and resulted in:

- Over all Sales – up 19%
- Domestic Sales – up 9%
- Exports Sales – up 43%
- PBT – up 106%

In addition, we have achieved significant reductions in Inventory levels and Accounts Receivables which, combined with the improved profits, have generated a strong positive cash flow.

This has enabled us to repay the 26,00,000 Preference Shares, which had been issued in 1995 to overcome a period of particular financial difficulty. This action reduces TIL's Capital base from Rs. 89 crores to Rs. 63 crores. This will enhance earnings per share going forward.

I would like to congratulate the management team and all the Timken India associates for this significant improvement.

Let me now give a brief outlook on the coming year:

For 2004, we see a continued strong domestic market combined with further increased possibilities of exports into the international markets served by The Timken Company.

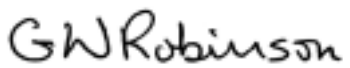
Nevertheless, there are significant challenges to be overcome:

- In 2003, despite a 17% increased output of the plant, we have not been able to reduce manufacturing costs. The positive impact of reduced fixed costs was negatively impacted by significant increases in raw material and labour costs. In 2004, we forecast further significant increase of raw material costs adding further pressure on our profit margin.
- Despite a strong domestic market in 2003, we have only grown sales by 9%. This was the result of a sales policy, which gave priority to profitability over that of sales growth.
- The plant has now reached a level of output, which cannot be increased without further investments. Also a part of the machinery originally installed in 1989 has reached the end of its useful life and needs to be replaced. We will have to make important investments in 2004 and beyond.

Having seen the strong performance improvement of Timken India Limited over the last 2 years, I have good faith in our dedicated team to continue that trend in 2004.

Thank you,

Yours sincerely,


Gordon William Robinson
Chairman

Jamshedpur
 January 31, 2004

DIRECTORS' REPORT**TO THE MEMBERS**

The Directors have pleasure in presenting the Seventeenth Annual Report on the business and operations of the Company together with the Financial Results for the year ended December 31, 2003.

FINANCIAL RESULTS

	Year ended December 31, 2003 (Rs/Lakhs)	Nine-months ended December 31, 2002 (Rs/Lakhs)
a) Gross Profit	4307.72	2706.68
b) Less: Depreciation	904.68	666.40
c) Earnings before Interest & Tax (EBIT)	3403.04	2040.28
d) Less: Interest (Net)	94.76	114.35
e) Profit before Tax (PBT)	3308.28	1925.93
f) Less: Taxes	994.59	683.40
g) Profit after Tax (PAT)	2313.69	1242.53
h) Add: Profit / (Loss) brought forward from previous year	1677.03	844.34
i) Add: Transfer from Investment Allowance Reserve	—	0.46
j) Profit available for appropriation	3990.72	2087.33
k) Less: Interim/Proposed Dividend on Preference Shares	315.10	410.30
l) Less: Transfer to Capital Redemption Reserve	2600.00	—
m) Balance carried forward	1075.62	1677.03

During the period under review, net sales (excluding other income) have grown from Rs. 150 Crores in nine-months ended December 31, 2002 to Rs. 217 Crores in 2003, i.e. an annualized increase of around 16% mainly due to increased sales in domestic OE segment and export market.

During 2003, exports through the Timken network worldwide registered an increase of 43% over 2002.

Profit before tax has also increased by 106% compared to last year on an annualized basis. Increase in sales volume, improved efficiency and reduced operating and administrative costs can be attributed to overall improvement of profitability.

Production during the period under review has increased by around 17% over last year without any major investments. This has been made possible by better capacity utilization of Plant through high performance drives in the organization.

Such positive financial position has enabled the Company to prepay its liability towards 26,00,000 9% Cumulative Redeemable Preference Shares of Rs. 100/- each aggregating to Rs. 26 Crores on December 29, 2003 as per terms of the issue of these Preference Shares.

A sum of Rs. 26 Crores has accordingly been appropriated to Capital Redemption Reserve.

DIVIDEND

The Company has paid an interim dividend on these Preference Shares for the period January 1, 2003 to December 29, 2003 @ Rs. 9/- per share amounting to Rs. 2.33 Crores at the time of prepayment of these Shares. Such payment of interim dividend is to be considered as Final Dividend on these Shares.

In view of meager surplus left after prepayment of Preference Capital and payment of interim dividend as aforesaid, the directors do not recommend payment of dividend on Equity Shares for 2003.

FINANCE

No fresh long-term loan was arranged during the year under review. The existing long-term borrowings have been repaid during the year. Efficient management of inventory and receivables have resulted in generation of adequate cash, helping the Company to restrict borrowing at a low level during the last quarter of 2003. This has enabled the Company to reduce interest charges by about 27%.

DIRECTORS

Dr. T Mukherjee who acted as a Director of the Company since 1993 has resigned as a Director of the Company with effect from May 2, 2003. The Board wishes to place on record its deep appreciation for the valuable contribution made by Dr. Mukherjee during his tenure as a Director of the Company and also as a member of the various Committees of the Board.

Mr. Niroop Mahanty, Vice President – HRM, The Tata Iron & Steel Co. Ltd, has been appointed by the Board as an Additional Director of the Company with effect from July 23, 2003. In terms of the relevant provisions of the Companies Act, 1956 ('the Act'), Mr. Mahanty holds office upto the date of the forthcoming Annual General Meeting. The Company has received a notice from a member in terms of Section 257 of the Act signifying his intention to propose the name of Mr. Mahanty for appointment as a Director of the Company at the next Annual General Meeting. This has been included in the Notice convening the next Annual General Meeting.

In terms of relevant provisions of the Act, Mr. Vinod Kumar Dasari who was appointed as a Director of the Company in the casual vacancy caused by the resignation of Mr. R L Leibensperger shall hold office upto the forthcoming Annual General Meeting at which Mr. Leibensperger would have retired by rotation in the normal course. The Company is in receipt of a Notice from a member of the Company in terms of Section 257 of the Act signifying his intention to propose the name of Mr. Dasari for appointment as a Director of the Company at the next Annual General Meeting. This has been included in the Notice convening the next Annual General Meeting.

Mr. Jon T. Elsasser, Director retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for reappointment.

AUDITORS

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

Pursuant to the directions received from the Central Government, Mr. Prakash Kumar Varma has been reappointed as the Cost Auditor to audit the Cost Accounts of the Company for the year ended December 31, 2003.

CORPORATE GOVERNANCE

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

INDUSTRIAL RELATIONS

The performance of the Company during the year ended December 31, 2003 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.

STOCK EXCHANGE REQUIREMENTS

The Equity Shares of the Company are listed on Mumbai, Calcutta and Magadh Stock Exchanges. The listing fees for the year 2003-2004 have been paid to the Stock Exchanges.

PARTICULARS OF EMPLOYEES

No employee of the Company was in receipt of remuneration in 2003 which is in excess of the limits referred to in Section 217(2A) of the Companies Act, 1956, and the Rules framed thereunder.

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

- (1) The applicable Accounting Standards have been followed, in the preparation of the accompanying Accounts;
- (2) The Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year ended December 31, 2003 and of the profit of the Company for the said period;
- (3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (4) The Directors have prepared the accompanying Accounts on a going concern basis.

For and on behalf of the Board of Directors

Jamshedpur
January 30, 2004

Gordon William Robinson
Chairman

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

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken	}	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		
(d) Total energy consumption and energy consumption per unit of production		As per details given below under Form A

B. TECHNOLOGY ABSORPTION

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(f) Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans	}	During the period under review, exports mainly to US registered an increase of 43% compared to 2002. Some of the Part Numbers hitherto manufactured at other Timken locations worldwide have now moved to Company's Plant in Jamshedpur. For 2004, no major change is being envisaged at present.
(g) Total foreign exchange used and earned (Rs./Lacs)		

	2003	Nine-months period ended December 31, 2002
i) Foreign Exchange Earnings	9328.85	3658.52
ii) Foreign Exchange Outgo	4466.91	2525.13

FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy

A. Power and fuel consumption

1. Electricity		2003	Nine-months period ended December 31, 2002
(a) Purchased Units (KWH)		1,86,07,390	1,36,69,637
Total amount (Rs.)		7,49,68,421	5,67,28,743
Rate Per Unit (Rs.) (all inclusive)		4.03	4.15
(b) Own generation			
(i) Through diesel generator	}	Not used for operations. Only for emergency lighting and water requirements	
Unit			
Unit per ltr. of diesel oil Cost / unit			
(ii) Through steam turbine / generator	}	There is no Steam Turbine / Generator	
Units			
Units per ltr. of fuel oil/gas Cost / unit			
2. Coal (specify quality and where used)	—	Not Used	
Quantity (tonnes)			
Total Cost			
Average rate			

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

B. Consumption per unit of production

	Standards (if any)	2003	Nine-months period ended December 31, 2002
Products (with details) unit			
Standard Bearings	Not set (Standard varies with product mix)		
Electricity		4.30	4.70
Furnace oil		Not Used	Not Used
Coal (specify quality)		Not Used	Not Used
Others (specify)		Nil	Nil

FORM B**Form for disclosure of particulars with respect to absorption****TECHNOLOGY ABSORPTION****(A) Research and Development (R&D)**

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

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

(B) Technology absorption, adaptation and innovation

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

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

Manufacture of Tapered Roller Bearings
1991-92 onwards.

It is being gradually absorbed.

Ongoing in the areas of Machining, heat treatment and finishing. To make further improvements in the manufacturing process, product quality and production output.

For and on behalf of the Board of Directors

Jamshedpur
January 30, 2004

Gordon William Robinson
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Development

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, railways, electrical applications, pumps, fans and agricultural machinery. These high volume segments are catered primarily by domestic manufacturers. Heavy duty industrial applications in rolling stock, rolling mills, heavy earth moving equipments 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 machinery from imports from other Timken units.

Segmentwise Performance

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

Opportunities and Threats – Risks

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

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

The two main risks are:

- Significant raises in raw material costs will impact production costs and, if bearing market prices cannot be raised, will drastically impact profit margins unless operating costs can be reduced at unprecedented magnitude and speed. TIL needs to remain profitable for

domestic sales and globally competitive for exports.

- The growth of the Indian economy together with the reduction of import duties makes India increasingly a target market for many international bearing manufacturers and therefore competitive pressures on the domestic market will continue to grow fast. In particular, imports from low labor cost countries will increase and lead to increased price pressure.

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

Internal Control Systems

The various internal control systems operating in the company are working satisfactorily. The 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

During the period under review, net sales grew from Rs. 150 Crores in 9 months ended December 31, 2002 to Rs. 217 Crores in 2003 mainly because of volume increases in both Standard and Railway Bearings. During 2003, exports have also increased by about 43% over 2002. The exports of the Company mainly constitute shipments to USA. Such volume gains coupled with improved utilization of existing capacity and reduction in operating and administrative costs have resulted in improvement of profits of the Company as reflected in the accompanying accounts.

During the period under review, production has increased by about 17% compared to production in 2002 due to better utilization of capacity. An aggregate of 47073 Railway Bearings were produced during 2003 compared to 41908 bearings of nine-months ended December 31, 2002. In Standard, the production during the period was at 1449937 nos. compared to 1261223 nos. bearings during the previous accounting period. Production of components however, has increased significantly to 8517086 nos. from 3985587 nos.

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 remained congenial through out the year. The company employed 563 Associates (including 155 Officers) as on December 31, 2003.

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

We have audited the attached Balance Sheet of Timken India Limited, as at 31st December 2003 and also the Profit and Loss Account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- ii) In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of those books;
- iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v) On the basis of written representations received from the directors, as on 31st December 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2003;
 - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. in the case of cash flow statement, of the cash flows for the year ended on that date.

22, Camac Street
Block 'C', 3rd Floor
Kolkata - 700 016
Date : February 2, 2004

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

a Partner
Membership no. 53956

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

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

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

Nature of dues	Amount (Rs.)	Forum where dispute is pending
Income Tax Demands		
	12,33,334	Deputy Commissioner of Income Tax, Circle – I, Kolkata
	2,43,315	Commissioner of Income Tax (Appeals) – I, Kolkata
Sales Tax Demands		
	1,81,450	Deputy Commissioner of Sales Tax (Appeals), Guwahati, Assam
	1,68,45,037	Joint Commissioner (Assessment), Jamshedpur
	1,74,382	Assistant Commissioner (Assessment) Khand II, Sec - 12, Noida

ANNEXURE TO THE AUDITORS' REPORT (Continued)

Nature of dues	Amount (Rs.)	Forum where dispute is pending
Sales Tax Demands		
	7,83,897	Tribunal Bench, Ghaziabad (UP)
	2,92,657	Assessing officer, Bikri Kar Bhawan, New Delhi
	1,43,171	Assistant Commissioner of Commercial Taxes, Jaipur
	67,331	Deputy Commissioner of Commercial Taxes, Hyderabad
	3,04,368	Commissioner of Sales Tax, Raipur, Chattisgarh
Excise Duty Demands		
	52,45,045	Assistant Commissioner, Division 2, Jamshedpur

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) As per books and records maintained by the Company and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has granted loans and advances on the basis of other securities in respect of which adequate documents and records are maintained. As informed and explained to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares and debentures.
- (xiii) In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies.
- (xiv) As informed and explained to us, the Company has not dealt/traded in securities or debentures during the year. In our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts relating to dealing/tradings in Shares and Other investments and timely entries have been made therein. The shares and other investments have been held by the Company, in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by its associates from bank or financial institutions. As informed to us, the Company has no subsidiary companies.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for purposes for which they were obtained. There are no term loans outstanding as at the end of the year.
- (xvii) We have been informed by the management that the funds raised on short-term basis have not been used for long-term investment and vice-versa.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based on information and explanations furnished by the management, which have been relied upon by us, there were no frauds on or by the Company noticed or reported during the year.

22, Camac Street
Block 'C', 3rd Floor
Kolkata - 700 016
Date : February 2, 2004

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

BALANCE SHEET AS AT 31ST DECEMBER, 2003

	Schedule	Rupees	As at 31.12.2003 Rupees	As at 31.12.2002 Rupees
SOURCES OF FUNDS				
a) SHAREHOLDERS' FUNDS				
(i) Share Capital	1	63,72,04,250		89,72,04,000
(ii) Reserves & Surplus	2	36,75,61,473		16,77,02,947
			100,47,65,723	106,49,06,947
b) LOAN FUNDS				
(i) Secured Loans	3	2,45,49,834		14,14,40,880
(ii) Unsecured Loans	4	78,47,330		6,33,74,277
			3,23,97,164	20,48,15,157
c) DEFERRED TAX LIABILITIES (NET) [refer note (n)(ii), schedule 17]				
			4,40,94,263	4,09,94,376
			108,12,57,150	131,07,16,480
APPLICATION OF FUNDS				
d) FIXED ASSETS :				
(i) Gross Block	5	151,14,79,197		145,37,31,461
(ii) Less : Depreciation		103,85,22,302		96,52,13,285
(iii) Net Block		47,29,56,895		48,85,18,176
(iv) Capital Work-In-progress		2,26,99,224		2,27,99,570
– including advances Rs.60,29,108 (31.12.2002 - Rs. 15,40,074)			49,56,56,119	51,13,17,746
e) INVESTMENTS				
	6		5,53,00,000	11,78,73,431
f) CURRENT ASSETS, LOANS AND ADVANCES				
(i) Inventories	7	32,45,08,934		41,54,43,410
(ii) Sundry Debtors	8	41,61,33,087		67,23,94,720
(iii) Cash and Bank Balances	9	9,27,25,665		6,47,71,625
(iv) Loans and Advances	10	9,39,64,966		10,80,12,000
			92,73,32,652	126,06,21,755
g) LESS : CURRENT LIABILITIES & PROVISIONS				
(i) Current Liabilities	11	35,78,15,422		50,43,22,113
(ii) Provisions	12	4,40,48,708		8,22,42,762
			40,18,64,130	58,65,64,875
h) NET CURRENT ASSETS				
			52,54,68,522	67,40,56,880
i) MISCELLANEOUS EXPENDITURE TO THE EXTENT NOT WRITTEN OFF				
	13		48,32,509	74,68,423
			108,12,57,150	131,07,16,480
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

Kolkata, 2 February, 2004

Soumitra Hazra

Finance Controller & Company Secretary

Jamshedpur, January 30, 2004

For and on behalf of the Board

G.W. Robinson

Chairman

Shyamal K Sinha

Dy. Managing Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2003

	Schedule	Rupees	Rupees	Nine months ended December 31, 2002 Rupees
INCOME				
a) Sale of Products (Gross)		240,93,44,710		167,80,69,637
Less : Trade Discounts		4,24,23,477		3,91,07,819
Less : Excise Duty Recovered		19,89,01,473		13,70,41,848
Sale of Products (Net)			216,80,19,760	150,19,19,970
b) Other Income	14		12,67,35,414	5,44,03,906
			229,47,55,174	155,63,23,876
EXPENDITURE				
c) Manufacturing and other expenses	15		186,39,83,278	128,56,55,449
d) Interest (net)	16		94,76,021	1,14,35,378
e) Depreciation			9,04,67,515	6,66,40,399
[refer note (o), schedule 17]			196,39,26,814	136,37,31,226
PROFIT BEFORE TAX			33,08,28,360	19,25,92,650
f) Provision for Taxation				
– Current		9,63,59,483		7,42,35,136
– Deferred		30,99,887		(58,95,537)
			9,94,59,370	6,83,39,599
PROFIT AFTER TAX			23,13,68,990	12,42,53,051
g) PROFIT / (LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR			16,77,02,947	8,44,34,033
TRANSFERRED FROM INVESTMENT ALLOWANCE RESERVE			—	46,000
PROFIT AVAILABLE FOR APPROPRIATION			39,90,71,937	20,87,33,084
h) APPROPRIATIONS :-				
– DIVIDEND ON PREFERENCE SHARES			3,15,10,464	4,10,30,137
– TRANSFERRED TO CAPITAL REDEMPTION RESERVE			26,00,00,000	—
PROFIT / LOSS CARRIED TO BALANCE SHEET			10,75,61,473	16,77,02,947
i) ACCOUNTING POLICIES AND NOTES	17			
j) EARNINGS PER SHARE				
– Basic			3.14	1.67
– Diluted			3.14	1.67
[refer note (y) of Schedule 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

Kolkata, 2 February, 2004

Soumitra Hazra
Finance Controller & Company Secretary

Jamshedpur, January 30, 2004

For and on behalf of the Board

G.W. Robinson
Chairman

Shyamal K Sinha
Dy. Managing Director

SCHEDULES 1 TO 17 FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST DECEMBER 2003**SCHEDULE 1 : SHARE CAPITAL**

	<u>Rupees</u>	<u>As at 31.12.2003 Rupees</u>	<u>As at 31.12.2002 Rupees</u>
Authorised :			
7,50,00,000 Equity Shares of Rs. 10 /- each	75,00,00,000		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
		63,75,00,000	89,75,00,000
Subscribed:			
[refer note (r), 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	1,44,250		1,44,500
		63,72,04,250	63,72,04,000
26,00,000 9% Cumulative Redeemable Preference Shares of Rs.100/- each.		—	26,00,00,000
(Redeemed by the company after giving one month's notice to the shareholder - The Timken Company, USA as per the terms of issue of such shares.)			
		63,72,04,250	89,72,04,000
SCHEDULE 2 : RESERVES AND SURPLUS			
a) Capital Redemption Reserve		26,00,00,000	—
b) Profit & Loss Account		10,75,61,473	16,77,02,947
		36,75,61,473	16,77,02,947
SCHEDULE 3 : SECURED LOANS			
a) Term Loans from Bank of Baroda		—	5,18,00,175
b) Cash Credit Accounts with Scheduled Banks			
i) State Bank of India	2,45,34,602		7,95,68,955
ii) Bank of Baroda	15,232		1,00,71,750
		2,45,49,834	8,96,40,705
		2,45,49,834	14,14,40,880

Note: 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 (s), Schedule 17]

	As at 31.12.2003 Rupees	As at 31.12.2002 Rupees
Short Term Loan from Scheduled Bank	78,47,330	6,33,74,277
	78,47,330	6,33,74,277

SCHEDULE 5 : FIXED ASSETS

ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	AS AT 31.12.2002	ADDITIONS	DEDUCTIONS	AS AT 31.12.2003	AS AT 31.12.2002	FOR THE YEAR	DEDUCTIONS	TOTAL UPTO 31.12.2003	AS AT 31.12.2003	AS AT 31.12.2002
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Buildings	13,27,03,250	28,19,231	—	13,55,22,481	3,26,15,995	46,80,134	—	3,72,96,129	9,82,26,352	10,00,87,255
Plant & Machinery (including office equipment, computers & tools)	129,43,13,834	7,16,31,480	1,63,89,812	134,95,55,502	92,12,05,249	8,03,02,590	1,61,18,575	98,53,89,264	36,41,66,238	37,31,08,585
Furniture & Fixtures	1,15,46,371	1,21,926	—	1,16,68,297	72,27,522	17,03,777	—	89,31,299	27,36,998	43,18,849
Vehicles	1,51,68,006	16,96,675	21,31,764	1,47,32,917	41,64,519	37,81,014	10,39,923	69,05,610	78,27,307	1,10,03,487
Total	145,37,31,461	7,62,69,312 *	1,85,21,576	151,14,79,197	96,52,13,285	9,04,67,515 #	1,71,58,498	103,85,22,302	47,29,56,895	48,85,18,176
Previous Year	142,96,60,581	4,53,26,523	2,12,55,643	145,37,31,461	91,32,90,341	6,66,40,399	1,47,17,455	96,52,13,285	48,85,18,176	51,63,70,240

Refer note (o) of Schedule 17

* Includes exchange differences of Rs. 8,836 (31-12-2002 : Rs. 2,04,082)

SCHEDULE 6 : INVESTMENTS

	Face Value Rs.	Holdings as at 01.01.2003 Nos.	Purchased/ Dividend Reinvested Nos.	Sale/ Conversion Nos.	Holdings as at 31.12.2003			Holdings as at 31.12.2002 Rs.
					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	3,00,000	3,00,000
Current Investments								
(At Lower of Cost or Market Value)								
Other Investments (Unquoted)								
Kotak Mahindra Liquid Scheme - Growth	10	45,36,808	—	45,36,808	—	—	—	5,15,30,979
Kotak Liquid Institutional Plan - Growth	10	—	36,69,420	16,20,441	20,48,979	2,50,00,000	—	—
Kotak Liquid Institutional Plan - DDR	10	—	20,49,844	20,49,844	—	—	—	—
HDFC Liquid Fund - Dividend	10	7,421	234	7,655	—	—	—	76,924
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
HDFC CMF - Savings Plan - DDR	10	—	75,35,505	75,35,505	—	—	—	—
Prudential ICICI FMP Growth	10	20,62,421	—	20,62,421	—	—	—	2,06,78,043
Prudential ICICI Liquid - Growth	10	—	6,66,502	6,66,502	—	—	—	—
Zurich India Liquidity Fund - Growth	10	17,13,614	—	17,13,614	—	—	—	2,00,70,535
Birla Cash Plus - Dividend	10	—	6,14,121	6,14,121	—	—	—	—
Birla Cash Plus - Growth	10	3,28,814	6,03,916	9,32,730	—	—	—	50,14,736
Alliance Cash Manager - Growth	10	—	32,98,122	23,05,661	9,92,461	1,50,00,000	—	—
JM High Liquidity Fund - Institutional- Growth	10	—	53,74,505	53,74,505	—	—	—	—
IL&FS Liquid Account - Growth	10	—	4,36,403	4,36,403	—	—	—	—
Sundaram Money Fund - Growth	10	—	7,74,498	7,74,498	—	—	—	—
Tata Liquid Fund - DDR	10	—	9,01,888	9,01,888	—	—	—	—
Tata Liquid Fund - FDR	10	—	9,01,405	9,01,405	—	—	—	—
Templeton India TMA - Growth	10	—	6,532	6,532	—	—	—	—
Templeton India TMA - DDR	10	—	19,914	19,914	—	—	—	—
Templeton Floating Fund - Long Term - Growth	10	—	13,63,865	—	13,63,865	1,50,00,000	—	—
							5,50,00,000	11,75,73,431
							5,53,00,000	11,78,73,431

Note : Aggregate amount of Unquoted Investments - Rs 5,53,00,000

TIMKEN INDIA LIMITED

SCHEDULE 7 : INVENTORIES

(At lower of Cost or Net Realisable Value)

	<u>Rupees</u>	<u>As at 31.12.2003 Rupees</u>	<u>As at 31.12.2002 Rupees</u>
a) Stores and Spares (including in transit)		4,73,11,735	4,57,18,715
b) Raw materials and Components (including in transit)		10,21,49,604	13,39,83,855
c) Work - in - progress		5,01,12,900	6,15,67,369
d) Finished stocks (including in transit)	11,21,20,122		15,48,05,010
Add : Excise Duty on finished stock not assessed to duty	<u>1,28,14,573</u>		<u>1,93,68,461</u>
		<u>12,49,34,695</u>	<u>17,41,73,471</u>
		<u>32,45,08,934</u>	<u>41,54,43,410</u>

SCHEDULE 8 : SUNDRY DEBTORS

[refer note (u), Schedule 17]

a) Over six months		3,94,30,288	3,76,11,071
b) Others		<u>39,28,12,331</u>	<u>65,24,05,119</u>
		43,22,42,619	69,00,16,190
Less : Provision for Bad and Doubtful debts		<u>1,61,09,532</u>	<u>1,76,21,470</u>
		<u>41,61,33,087</u>	<u>67,23,94,720</u>
Debts unsecured and considered good		40,94,16,150	66,58,75,492
Debts secured and considered good		67,16,937	65,19,228
Debts considered doubtful		<u>1,61,09,532</u>	<u>1,76,21,470</u>
		<u>43,22,42,619</u>	<u>69,00,16,190</u>

SCHEDULE 9 : CASH AND BANK BALANCES

a) Cash and Cheques in Hand (including Remittances in Transit)		7,55,30,666	4,17,59,900
b) With Scheduled Banks			
i) In Current Accounts		1,71,89,999	2,30,06,725
ii) Towards margin money		<u>5,000</u>	<u>5,000</u>
		<u>9,27,25,665</u>	<u>6,47,71,625</u>

SCHEDULE 10 : LOANS AND ADVANCES

[refer note (v), Schedule 17]

	As at 31.12.2003 Rupees	As at 31.12.2002 Rupees
a) Prepaid expenses	33,90,482	32,74,483
b) Advances recoverable in Cash or Kind or for value to be received	4,87,75,111	4,90,72,584
c) Balances with Customs and Excise	1,11,62,338	2,36,36,277
d) Deposits	3,40,57,205	3,24,81,851
[refer note (m) of Schedule 17]		
	9,73,85,136	10,84,65,195
Less : Provision for Doubtful Advances	34,20,170	4,53,195
	9,39,64,966	10,80,12,000
Loans and Advances, unsecured and considered good	9,33,80,518	10,80,12,000
Loans and Advances, secured and considered good	5,84,448	—
Loans and Advances, considered doubtful	34,20,170	4,53,195
	9,73,85,136	10,84,65,195

Note : Amount due by Directors and by Secretary Rs. Nil (31.12.2002 : Rs. 1,000). Maximum during the year Rs. 2,29,946. (Apr '02 - Dec '02 : Rs. 2,45,169).

SCHEDULE 11 : CURRENT LIABILITIES

	Rupees	As at 31.12.2003 Rupees	As at 31.12.2002 Rupees
a) Sundry Creditors :			
i) Small Scale Industrial undertakings [refer note (t), Schedule 17]	94,96,236		38,96,458
ii) Others	22,53,39,964		34,38,80,272
		23,48,36,200	34,77,76,730
b) Advance payments from Customers		10,71,812	41,28,815
c) Investor Education and Protection Fund shall be credited by the following amounts, namely			
i) Unpaid Matured Debentures	73,19,418		75,93,464
ii) Unpaid Interest on Debentures [refer note (z), Schedule 17]	75,35,639		86,82,813
		1,48,55,057	1,62,76,277
d) Other Liabilities		10,70,52,353	13,61,40,291
		35,78,15,422	50,43,22,113

Note: Sundry Creditors - others include Rs. Nil due to Directors (31-03-2002 Rs. Nil).

TIMKEN INDIA LIMITED

SCHEDULE 12 : PROVISIONS

	As at 31.12.2003 Rupees	As at 31.12.2002 Rupees
a) Proposed Preference Dividend	—	4,10,30,137
b) Provision for Leave Encashment & Other Employee Benefits	2,30,07,253	99,44,991
c) Provision for Taxes - net of advance Rs 21,44,88,982 (31.12.2002 Rs 10,77,83,320)	2,10,41,455	3,12,67,634
	4,40,48,708	8,22,42,762

SCHEDULE 13 : MISCELLANEOUS EXPENDITURE

(TO THE EXTENT NOT WRITTEN OFF)

[refer note (p), Schedule 17]

Technical Know-how Expenses paid	74,68,423	94,45,358
Less : Amortised for the year	26,35,914	19,76,935
	48,32,509	74,68,423

SCHEDULE 14 : OTHER INCOME

	Year ended December 31,2003 Rupees	Nine months ended December 31, 2002 Rupees
i) Agency Commission – including TDS Rs. 655 (Apr-Dec'02 Rs. 37,428)	1,84,33,475	1,21,58,014
ii) Income from Services – including TDS Rs. 2,87,316 (Apr-Dec'02 Rs. 2,37,221)	1,75,01,496	1,24,01,955
iii) Foreign Exchange Differences (net)	5,02,030	(7,94,692)
iv) Provisions no longer required	2,63,49,600	43,63,937
v) Export incentives under DEPB Scheme (net)	4,50,47,500	2,19,96,327
vi) Income from Investments - others	4,62,613	3,627
vii) Profit on Sale of Investments	1,14,03,540	1,48,569
viii) Miscellaneous Income	70,35,160	41,26,169
	12,67,35,414	5,44,03,906

SCHEDULE 15 : MANUFACTURING AND OTHER EXPENSES

	<u>Rupees</u>	<u>Year ended December 31,2003 Rupees</u>	<u>Nine months ended December 31, 2002 Rupees</u>
1) Purchase of Products for resale [refer note (c), Schedule 17]		24,08,71,515	20,92,78,507
2) Raw Materials and Components consumed [refer note (d), Schedule 17]		87,13,15,735	57,67,82,558
3) Payments to and Provision for employees			
a) Salaries,Wages and Bonus	16,67,81,950		11,36,61,121
b) Company's contribution to Provident and other Funds	1,56,67,376		88,23,712
c) Staff Welfare expenses	2,79,88,219		1,44,39,374
		21,04,37,545	13,69,24,207
4) Operation & Other Expenses			
a) Stores and spare parts consumed [refer note (e), Schedule 17]	12,78,70,986		9,91,08,564
b) Purchase of Power	7,49,68,421		5,67,28,743
c) Repairs to Buildings	1,11,91,812		38,45,665
d) Repairs to Machinery	1,81,05,978		1,04,19,144
e) Royalty	5,12,66,906		3,60,84,267
f) Rent	98,63,482		81,64,066
g) Rates and Taxes	28,38,038		17,92,670
h) Insurance	39,67,977		29,03,254
i) Commission & Discount	1,13,42,394		94,49,584
j) Travelling	2,18,18,367		1,80,83,407
k) Selling Expenses	89,32,568		84,43,631
l) Conversion Charges	1,08,48,843		1,77,67,334
m) Legal & Professional Fees	3,18,99,269		1,65,89,440
n) Other Expenses [refer note (q),Schedule 17]	6,77,78,959		5,06,29,204
		45,26,94,000	34,00,08,973
5) Carriage and Handling		2,86,29,885	1,83,02,146
6) Provision for doubtful debts & advances		63,46,082	29,60,450
7) Excise Duty Paid-(Net of recovery)		(4,50,841)	5,12,178
8) (Increase) / Decrease in stock of finished goods and semi-finished goods - excluding excise duty on plant stock			
Opening Stock	21,63,72,379		21,72,58,809
Less : Closing Stock	16,22,33,022		21,63,72,379
		5,41,39,357	8,86,430
		186,39,83,278	128,56,55,449

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

i) Term Loans		13,38,798	62,37,015
ii) Others		81,37,223	51,98,408
		94,76,021	1,14,35,423
Less :			
Interest Income		—	45
		94,76,021	1,14,35,378

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

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

(ii) Revenue Recognition

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

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

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

(iii) Fixed Assets

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

(iv) Depreciation

Depreciation is provided under straight line method as detailed below –

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

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

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

(v) Foreign Currency Transactions

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

Foreign currency assets and liabilities (other than those covered by forward contracts) as on the balance sheet date are revalued in the accounts on the basis of exchange rates prevailing at the close of the year and exchange difference arising there from, 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. For the purpose of valuation of inventories, cost is determined on weighted average basis.

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

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

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

- b) Retirement benefits in the form of Provident Fund and Superannuation / Pension Schemes are charged to the Profit & Loss Account of the year when the contribution to the respective funds are due.

(viii) Excise Duty

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

(ix) Deferred Revenue Expenditure

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

(x) Leases

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

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

(xi) Income Taxes

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

(xii) Investments

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

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

(xiii) Borrowing Costs

- a) Borrowing costs that are directly attributable to the acquisition / construction of a qualifying asset are capitalized as part of the cost of that asset.
- b) All other borrowing costs are recognized as expenditure during the period in which these are incurred.

(xiv) Contingent Liabilities

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

SCHEDULE 17 : (Contd.)

b) LICENCED AND INSTALLED CAPACITY AND PRODUCTION

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

	<u>Installed capacity</u>		<u>Production</u>	
i) AP Cartridge Tapered Roller Bearings, unit including components and accessories	1,05,000	Nos.	47,073	Nos.
	(1,05,000)	Nos.	(41,908)	Nos.
ii) Tapered Roller Bearings, unit including components	40,00,000	Nos.	14,49,937	Nos.
	(40,00,000)	Nos.	(12,61,223)	Nos.
iii) Components (manufactured for sale)	—		85,17,086	Nos.
	—		(39,85,587)	Nos.

- Licensed Capacity is not furnished as it is not applicable in terms of Government of India's Notification No.S.O.477(E) dated 25th July, 1991.
- Above installed capacity represents existing manufacturing facilities for respective products.
- 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)	17,81,519 Nos.	119,16,45,339	2,39,806 Nos.	7,57,43,057	3,55,973 Nos.	12,07,00,330	1,72,522 Nos.	9,07,81,510
	(14,28,202) Nos.	(92,42,30,917)	(3,55,973) Nos.	(12,07,00,330)	(3,98,804) Nos.	(13,87,25,227)	(86,572) Nos.	(5,46,23,028)
ii) Components (Including purchased for resale)	87,52,091 Nos.	89,37,06,471	2,83,703 Nos.	3,86,41,698	2,79,708 Nos.	3,78,00,701	2,40,193 Nos.	7,92,30,538
	(40,18,934) Nos.	(49,09,32,357)	(2,79,708) Nos.	(3,78,00,701)	(1,31,832) Nos.	(2,60,17,049)	(1,85,100) Nos.	(6,59,24,098)
iii) Grease	10,58,122 Kgs	8,09,92,737	90,841 Kgs	63,10,642	1,46,822 Kgs	99,20,787	10,02,178 Kgs	7,08,59,467
	(11,57,541) Kgs	(8,32,39,846)	(1,46,822) Kgs	(99,20,787)	(1,27,732) Kgs	(84,86,339)	(11,76,641) Kgs	(8,44,04,039)
iv) Oil Seals	51,201 Nos.	16,46,563	1,44,004 Nos.	29,04,892	1,95,714 Nos.	40,17,454	—	—
	(1,05,032) Nos.	(33,66,666)	(1,95,714) Nos.	(40,17,454)	(86,955) Nos.	(19,46,499)	(2,24,415) Nos.	(43,27,342)
v) Dental Handpiece	35 Nos.	28,650	4,238 Nos.	13,34,406	4,273 Nos.	17,34,199	—	—
Cartridge (including Components)	(2,330) Nos.	(1,50,184)	(4,273) Nos.	(17,34,199)	(6,603) Nos.	(18,42,181)	—	—
		<u>216,80,19,760</u>		<u>12,49,34,695</u>		<u>17,41,73,471</u>		<u>24,08,71,515</u>
		<u>(150,19,19,970)</u>		<u>(17,41,73,471)</u>		<u>(17,70,17,295)</u>		<u>(20,92,78,507)</u>

* Excludes free samples to customers.

Purchases are for resale.

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

Note : Figures in brackets are for the previous year.

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

Details of Raw Materials/Components	Year ended 31st December 2003		Nine months period ended 31st December 2002	
	Quantity	Rupees	Quantity	Rupees
Cup	22,57,630 Nos.	25,43,51,327	17,36,870 Nos.	20,11,01,425
Cone	28,79,507 Nos.	22,84,50,258	20,04,072 Nos.	12,92,18,189
Rollers	1,96,17,855 Nos.	10,76,11,180	76,80,826 Nos.	5,42,10,755
Roller Wire	13,60,940 Kgs.	7,84,12,319	9,66,202 Kgs.	5,42,64,256
Components & Accessories		20,24,90,651		13,79,87,933
		<u>87,13,15,735</u>		<u>57,67,82,558</u>

e) CONSUMPTION OF IMPORTED AND INDIGENOUS MATERIALS

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

	Year ended 31st December 2003		Nine months period ended 31st December 2002	
	%	Rupees	%	Rupees
i) Raw Materials and components				
Imported	27.93	24,33,41,104	25.14	14,50,21,080
Indigenous	72.07	62,79,74,631	74.86	43,17,61,478
	<u>100.00</u>	<u>87,13,15,735</u>	<u>100.00</u>	<u>57,67,82,558</u>
ii) Stores and spare parts				
Imported	12.61	1,61,29,525	17.17	1,70,17,565
Indigenous	87.39	11,17,41,461	82.83	8,20,90,999
	<u>100.00</u>	<u>12,78,70,986</u>	<u>100.00</u>	<u>9,91,08,564</u>

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

	Year ended 31st December 2003 Rupees	Nine months period ended 31st December 2002 Rupees
i) Raw Materials, components, stores and spare parts	18,55,71,254	17,41,75,430
ii) Finished Products for re-sale	10,37,41,040	6,01,52,646
iii) Capital Goods	1,15,60,943	1,24,75,783

SCHEDULE 17 : (Contd.)

	Year ended December 31, 2003 Rupees	Nine months period ended December 31, 2002 Rupees
g) EXPENDITURE IN FOREIGN CURRENCY (on cash basis)		
i) Foreign Travel	38,56,108	29,19,718
ii) Bank Charges	9,02,637	4,46,023
iii) Royalty (net of withholding tax)	3,81,22,334	1,48,60,207
iv) Others	6,08,95,723	60,07,130
h) DIVIDEND REMITTANCE IN FOREIGN CURRENCY (Preference Shares)	6,43,01,918	3,97,80,000
<small>(The Timken Company, USA held 26,00,000 9% Cumulative Redeemable Preference Shares of Rs 100 each at the time of redemption of such shares on December 29,2003. The Company remitted dividend for the nine months ended December 31,2002 and also dividend for the period January 1,2003 to December 29,2003 on such shares during 2003).</small>		
i) EARNINGS IN FOREIGN EXCHANGE (on realisation basis)		
i) F.O.B. value of exports	91,23,11,050	35,40,42,797
ii) Agency commission	2,05,73,629	1,18,09,470
j) CONTINGENT LIABILITIES NOT PROVIDED FOR		
– Income tax demands	14,76,649	14,75,105
– Other claims	7,55,835	8,59,326
– Excise duty and Sales Tax matters	2,76,52,692	5,72,84,195
k) ESTIMATED AMOUNT OF CONTRACTS REMAINING TO BE EXECUTED ON CAPITAL ACCOUNT AND NOT PROVIDED FOR (net of advances paid)	1,46,51,610	1,72,34,996
l) MANAGERIAL REMUNERATION		
i) Salary	11,72,955	7,08,965
ii) Contribution to Provident & Other Funds	2,10,765	1,14,273
iii) Estimated Value of Perquisites	98,821	71,342
Total	<u>14,82,541</u>	<u>8,94,580</u>

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

m) Deposits include Rs 2,86,87,416 (As on 31.12.2002 : Rs. 2,60,92,368) with Customs Authorities, pending final assessment against which a liability of Rs. 1,99,51,976 (As on 31.12.2002 : Rs. 1,73,48,655), considered adequate, is held in the accounts.

n) i) Provision for current income tax for the twelve months period ended 31st December 2003, has been computed applying the effective rate on the profit for such twelve months. 'Effective Rate' for the purpose has been arrived at considering the integral method of computation for the fiscal years 2002-03 and 2003-04 and applied on the actual profits for the first quarter 2003 and subsequent nine months of 2003, respectively.

SCHEDULE 17 : (Contd.)

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

	As on 31-12-2003	As on 31-12-2002
	Rupees	Rupees
– Items under Section 43B of IT Act	76,70,827	57,98,020
– Provision for Bad Debts	83,85,820	83,02,810
– Royalty	—	56,50,813
– Preliminary Expenses u/s 35D of IT Act	—	1,48,277
– Capital Loss	7,03,028	—
– Technical Know-how Fees	(17,33,662)	(27,44,645)
– Depreciation	(5,91,20,276)	(5,81,49,651)
Net Deferred Tax Assets/(Liabilities)	(4,40,94,263)	(4,09,94,376)

- o) During the year, the Company pursuant to technical estimation of the useful life of building, computer, office equipment, furniture & fixtures and vehicles, has revised its estimates of residual life of such assets (previously estimated as per minimum rates of depreciation provided in Schedule XIV to the Companies Act, 1956). Consequent to such change in estimate of useful life, the incremental depreciation charged during the year, amounts to Rs. 1,37,70,081.
- p) As per Accounting Policy of deferred revenue expenditure, the Technical Know-how fees payable to the collaborator for providing technical assistance is deferred and amortised over a period of 72 equal monthly installments.

	Year ended	Nine months period ended
	December 31, 2003	December 31, 2002
	Rupees	Rupees
q) OTHER EXPENSES		
Item 4 (n) of Schedule 15 includes :		
i) Auditors' Remuneration *		
– For services as Auditors	8,10,000	7,87,500
– For Limited Review	6,48,000	3,67,500
– For Tax Audit	1,02,375	2,75,625
– For US GAAP Certification	3,24,000	2,36,250
– For Other Services	2,16,000	3,72,750
– For traveling and out-of-pocket expenses	1,07,802	54,000
* Inclusive of service tax, where applicable		
ii) Directors' fees	48,000	42,000
iii) Loss on disposal / discarding of assets	9,29,500	10,99,819
iv) Provision for wealth tax	1,20,000	45,000
r) i) No Equity shares have been allotted during the year 2003 out of 15,150 shares of Rs. 10/- each kept in abeyance as at 31st March, 1998.		
ii) Out of the total shares issued, 5,09,99,988 fully paid-up Equity shares of Rs. 10/- each are held by The Timken Company, USA as at 31st December, 2003.		
iii) Calls in arrears in respect of the Shares Rs. 1,44,250 have been computed on the basis of information certified by the Registrar of the Company.		

SCHEDULE 17 : (Contd.)

s) Unsecured loans represent short-term loan repayable within one year amounting to Rs. 78,47,330 (As on 31.12.2003: Rs. 6,33,74,277)

t) Name of small scale industrial undertakings to whom the Company owes any sum which is outstanding for more than 30 days as at 31st December, 2003 :-

Bihar Packing, Bhuller Engg. Works Crown Packaging, Diamond Enterprises, Devendra Packaging, Eastern Machinery Works, Industrial Enterprises, JMT Auto Limited, Kashmir Timber Traders, Omni Auto Ltd, Perfect Turners, Pawan Enterprises, Ritu Engg. Works, Santi Plastic Enterprises, Shivalik Industries, Sumit Techmart, Shyam Enterprises, Vishal Chemicals.

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

	As on 31.12.2003 Rupees	As on 31.12.2002 Rupees
Timken Europe	1,30,73,274	—
Timken Europa GmbH	—	6,87,196
British Timken Limited	38,89,570	97,80,119
Australian Timken Proprietary Limited	31,33,604	83,91,258
Timken Do Brasil Com.E.Ind.Ltda.	1,56,49,379	1,63,30,208
Timken Singapore PTE. Limited	21,57,179	43,41,750
Timken Italia S.R.L.	23,69,736	2,55,318
Yantai Timken Company Limited	35,53,947	1,04,480
Timken South Africa (PTY) Limited	16,68,325	87,20,543
Timken Romania S.A.	—	7,532

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

	As on 31-12-2003 Rupees	Maximum Amount due during Jan03-Dec03 Rupees	As on 31-12-2002 Rupees
Yantai Timken Company Limited	70,388	1,02,528	15,112
Timken Singapore PTE. Limited	46,945	2,33,130	2,33,130
Timken Engg. and Research	—	27,926	29,960
Timken France	—	1,36,001	1,36,001
Timken South Africa	86,460	3,94,521	—
Timken Rail Service, Russia	—	3,02,822	3,02,822

w) Segment Information

Business Segment:

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

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

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

Secondary Segment - Geographical	Year ended 31-12-2003 Rupees	Nine months ended 31-12-2002 Rupees
Sales Revenue by Geographical Market		
India	149,56,39,652	108,66,68,634
Outside India	79,91,15,522	47,72,47,442
Total	<u>229,47,55,174</u>	<u>156,39,16,076</u>
Carrying Amount of Segment Assets		
India	140,92,49,587	165,01,08,745
Outside India	7,50,15,375	24,71,72,610
Total	<u>148,42,64,962</u>	<u>189,72,81,355</u>
Purchase of Fixed and Intangible Assets		
India	7,61,68,966	6,48,05,181
Outside India	—	—
Total	<u>7,61,68,966</u>	<u>6,48,05,181</u>

x) Related Party Disclosure:

During the year, the company entered into transactions with related parties. Those transactions along with related balances as at 31st December 2003 and for the year then ended are presented in the following table.

(in Rupees)

	Holding Company		Fellow Subsidiaries		Key Management Personnel	Total	
	Transaction Value	Balance Outstanding as on 31-12-2003	Transaction Value	Balance Outstanding as on 31-12-2003		Transaction Value	Balance Outstanding as on 31-12-2003
Purchases of goods	13,43,53,370 (10,98,74,752)	3,20,83,060 (6,30,39,915)	2,92,87,378 (1,42,93,235)	1,27,70,207 (78,63,725)		16,36,40,748 (12,41,67,987)	4,48,53,266 (7,09,03,640)
Sale of goods	62,44,86,514 (25,38,68,352)	3,80,27,820 (13,61,88,361)	16,01,48,843 (19,46,25,345)	3,24,21,740 (8,29,00,054)		78,46,35,357 (44,84,93,697)	7,04,49,560 (21,90,88,415)
Purchases of Fixed Assets	25,57,429 (12,90,807)	2,31,126 —	24,13,925 (1,04,16,901)	— (65,00,340)		49,71,354 (1,17,07,708)	2,31,126 (65,00,340)
Sale of Fixed Assets	— —	— —	— (34,05,449)	— —		— (34,05,449)	— —
Expense Receivable	30,57,607 (85,51,831)	3,62,555 (1,08,66,758)	11,45,619 (4,43,994)	2,03,793 (4,14,203)		42,03,226 (89,95,825)	5,66,348 (1,12,80,961)
Expense Payable	2,64,14,954 (1,32,00,577)	71,74,363 (3,53,86,051)	1,99,71,226 (65,69,081)	28,16,807 (77,38,997)		4,63,86,179 (1,97,69,658)	99,91,170 (4,31,25,048)
Agency Commission (Expense)	(1,89,482) (12,72,315)	— (12,72,315)	9,04,464 (3,26,988)	5,04,201 (3,26,988)		7,14,982 (15,99,303)	5,04,201 (15,99,303)
Agency Commission (Income)	1,78,09,402 (1,13,23,853)	1,68,276 (15,89,832)	3,87,599 (15,68,003)	— (23,21,253)		1,81,97,001 (1,28,91,856)	1,68,276 (39,11,085)
Freight Recovery	1,23,03,205 (4,46,25,730)	— —	9,39,584 (1,68,87,770)	— —		1,32,42,789 (6,15,13,500)	— —
Royalty	5,12,66,906 (3,60,84,267)	4,03,66,836 (3,60,67,778)	— —	— —		5,12,66,906 (3,60,84,267)	4,03,66,836 (3,60,67,778)
Technical Assistance Expenses	14,10,241 (6,25,666)	14,10,241 (6,25,666)	— —	— —		14,10,241 (6,25,666)	14,10,241 (6,25,666)
Remuneration *	— —	— —	— —	— —	14,82,541 (8,94,580)	14,82,541 (8,94,580)	— —

SCHEDULE 17 : (Contd.)

1. Holding Company The Timken Company, USA
2. Fellow subsidiaries Timken Europa-GMBH, Timken Rail Services, Australian Timken Proprietary Limited, Timken South Africa Limited, Yantai Timken Company Limited, Timken Romania, Timken Engg. & Research, Timken Italia-S.R.L, Timken Singapore PTE Limited, Timken Do Brasil COM. E. IND. LTDA, Timken Polska, Handpiece Headquarters & Timken Canada
3. Key Management Personnel Mr. Shyamal K Sinha, Deputy Managing Director

* For payments being Managerial Remuneration to Key Management Personnel Mr. Shyamal K Sinha - refer note (I) of schedule 17.

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

	Year ended December 31, 2003 Rupees	Nine months ended December 31, 2002 Rupees
Profit After Tax	23,13,68,990	12,42,53,051
Less: Preference Dividend for the period	3,15,10,464	1,76,30,137
Earning available to Equity Shareholders	19,98,58,526	10,66,22,914
Weighted Average No. of Equity Shares @ Rs. 10/- each	6,37,34,850	6,37,34,850
Earning per share	3.14	1.67

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

aa) The Current accounting period is for twelve months from 1st January 2003 to 31st December 2003 whereas the previous accounting period comprised nine-months only. Accordingly the current period's figures are not comparable with those of the previous accounting period.

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

Signature to Schedules 1 to 17

For and on behalf of the Board

As per our report of even date attached

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

Kolkata, 2 February, 2004

Soumitra Hazra
Finance Controller & Company Secretary

Jamshedpur, January 30, 2004

G.W. Robinson
Chairman
Shyamal K Sinha
Dy. Managing Director

ABSTRACT OF THE BALANCE SHEET AS AT 31.12.2003 AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI (AMENDED) TO THE COMPANIES ACT, 1956

I. Registration Details		Registration No.		0 7 6 0 1		State Code		0 3	
Balance Sheet Date		3 1		1 2		2 0 0 3			
		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 0 8 1 2 5 7					1 0 8 1 2 5 7				
Sources of Funds									
Paid-Up Capital					Reserves & Surplus				
6 3 7 2 0 4					3 6 7 5 6 2				
Secured Loans					Unsecured Loans				
2 4 5 5 0					7 8 4 7				
Deferred Tax Liabilities (Net)									
4 4 0 9 4									
Application of Funds									
Net Fixed Assets					Investment				
4 9 5 6 5 6					5 5 3 0 0				
Net Current Assets					Misc. Expenditure				
5 2 5 4 6 9					4 8 3 2				
Accumulated Losses									
N I L									
IV. Performance of Company (Amount in Rs. Thousands)									
Turnover					Total Expenditure				
2 2 9 4 7 5 5					1 9 6 3 9 2 7				
+ - Profit/loss Before Tax					+ - Profit/loss After Tax				
+ 3 3 0 8 2 8					+ 2 3 1 3 6 9				
+ - Earning per Share in Rs.					Dividend rate %				
+ 3 . 1 4					* N I L				

* Dividend on 26,00,000 9% Cumulative Redeemable Preference Shares of Rs. 100 each @ 9% has been remitted for the periods 1st April, 2002 to 31st December, 2002 and also from 1st January, 2003 to 29th December, 2003.

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

Item Code No. (ITC Code)	8 4 8 2 2 0 0 1	&	8 4 8 2 2 0 0 2
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. (ITC Code)	8 4 8 2 2 0 0 3		
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. (ITC Code)	8 4 8 2 8 0 0 0		
Product Description	O T H E R I N C L U D I N G C O M B I N E D B A L L / R O L L E R B E A R I N G S		

On behalf of the Board of Directors

Jamshedpur,
January 30, 2004

Soumitra Hazra
Finance Controller & Company Secretary

Shyamal K Sinha
Dy. Managing Director

G.W.Robinson
Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2003

	Year ended 31.12.2003 Rupees	Nine Months ended 31.12.2002 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit/(Loss) before Tax and Extraordinary items	33,08,28,360	19,25,92,650
Adjustments for :		
Depreciation	9,04,67,516	6,66,40,399
Interest income	—	(45)
Interest expense	94,76,021	1,14,35,423
Income from Mutual Fund (Net)	(1,18,66,153)	(1,52,196)
(Profit)/Loss on sale of assets	9,29,500	10,99,819
Miscellaneous expenditure amortised	26,35,914	19,76,935
Miscellaneous expenditure paid	—	—
Provision for Wealth Tax	1,20,000	45,000
	<u>9,17,62,798</u>	<u>8,10,45,335</u>
Operating Profit before Working Capital Changes	42,25,91,158	27,36,37,985
Adjustments for :		
Trade and Other Receivables	26,89,72,584	(29,55,69,315)
Inventories	9,09,34,476	(5,27,60,107)
Trade Payables and Other Liabilities	(13,24,42,975)	17,07,15,091
	<u>22,74,64,085</u>	<u>(17,76,14,331)</u>
Cash Generated from Operations	65,00,55,243	9,60,23,654
Direct Tax paid	(10,63,71,032)	(3,83,83,264)
	<u>(10,63,71,032)</u>	<u>(3,83,83,264)</u>
Net Cash from Operating Activities	54,36,84,211	<u>5,76,40,390</u>
B. Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(7,61,78,847)	(6,48,05,181)
Sale of Fixed Assets	4,43,450	54,38,366
Investment	6,25,73,431	(1,35,744)
Income from Mutual Fund (Net)	1,18,66,153	1,52,196
Interest received	—	45
Inter-corporate deposits	—	—
Net Cash from Investing Activities	(12,95,813)	<u>(5,93,50,318)</u>
C. Cash Flow from Financing Activities :		
Preference Dividend paid	(7,25,40,601)	(4,68,00,000)
Interest paid	(94,76,021)	(1,17,83,084)
Proceeds / (Redemption) of Share Capital	(25,99,99,750)	—
Proceeds from Term/Short Term Borrowings	—	13,38,53,615
Repayment of Term Borrowings	(5,18,00,175)	(3,17,64,025)
Repayment of Short Term Borrowings	(5,55,26,947)	—
Cash Credit (Net)	(6,50,90,864)	(4,93,27,345)
Net Cash from Financing Activities	(51,44,34,358)	<u>(58,20,839)</u>
Net increase/(decrease) in Cash and Cash equivalents	2,79,54,040	(75,30,767)
Cash and Cash equivalents as at 1st Jan / 1st April (Opening Balance)	6,47,71,625	7,23,02,392
Cash and Cash equivalents as at 31st December/March (Closing Balance)	9,27,25,665	<u>6,47,71,625</u>

Notes : (1) Figures in brackets represent outflows.

(2) Cash and Cash equivalent as on 31st December 2003 includes Rs 1,48,55,057 (Nine Months ended Dec'02 Rs 1,62,76,277) being amount towards unclaimed Debenture Interest that are not available for use by the enterprise.

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

As per our Report of even date attached

For S.R.BATLIBOI & Co.

Chartered Accountants

Per Rahul Roy

a Partner

Soumitra Hazra

Finance Controller & Company Secretary

Shyamal K Sinha

Dy. Managing Director

G.W.Robinson

Chairman

Kolkata, 2 February, 2004

Jamshedpur, January 30, 2004

Corporate Governance Report

Company's philosophy on code of governance

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

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

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

Board of Directors

Composition:

The Company has a Non-Executive Chairman and the number of Independent Directors is not less 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 of more than 10 Committees and no Director is the Chairman of more than 5 Committees across all the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by all the Directors.

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

Name	Category	No. of Board Meetings attended during the year ended December 31, 2003	Whether attended AGM held on April 30, 2003	No. of Directorships in other companies	No. of Committee positions held in other companies**	
					Chairman	Only Member
Mr. Gordon W. Robinson	Promoter Director, Non-Executive, Not Independent	4	Yes	5	—	—
Mr. Shyamal K. Sinha	Executive, Not Independent	4	Yes	—	—	—
Dr. T. Mukherjee*	Non-Executive, Independent	2	Yes	10**	3	7
Mr. Jon T. Elsasser	Promoter Director, Non-Executive, Not Independent	—	No	2	—	—
Mr. Scott A Scherff	Promoter Director, Non-Executive, Not Independent	—	No	9	—	—
Mr. Vinod K. Dasari	Non-Executive, Independent	4	Yes	5	—	—
Mr. Michael J Hill	Promoter Director, Non-Executive, Not Independent	1	No	1	—	—
Mr. Niroop Mahanty	Non-Executive, Independent	2	No	2	—	—
Mr. Jai S. Pathak Alternate Director to Mr. Scott A Scherff	Non-Executive, Independent	—	No	3	1	3
Mr. P S Dasgupta Alternate Director to Mr. Jon T. Elsasser	Non-Executive, Independent	2	No	19**	1	8

* Resigned effective May 2, 2003

** including directorships in Private Limited companies

Four Board Meetings were held during the year ended December 31, 2003 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

- 1) February 3, 2003
- 2) April 30, 2003
- 3) July 28, 2003
- 4) October 27, 2003

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

Audit Committee

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

The Company has complied with all the requirements of clause 49 (II)(A) of the Listing Agreement relating to composition of the Audit Committee. Mr. Vinod Kumar Dasari, an independent, non-executive Director acted as the Chairman of the Audit Committee during the year. Mr. Dasari, as the Chairman of the Audit Committee, was present at the Sixteenth Annual General Meeting of the Company held on April 30, 2003.

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. Vinod K. Dasari, Chairman	Non-Executive, Independent	3
Dr. T. Mukherjee, Member*	Non-Executive, Independent	1
Mr Niroop Mahanty, Member	Non-Executive, Independent	2
Mr. Jai S. Pathak, Member	Non-Executive, Independent	—

* Resigned effective May 2, 2003

Audit Committee Meetings are attended by Divisional Manager - Finance, Manager – Internal Audit and Dy. Managing Director as invitees. A representative of the statutory auditors also attends these meetings normally. Finance Controller & Company Secretary acts as the Secretary of the Audit Committee.

Three Audit Committee Meetings were held during the year 2003. The dates on which the said meetings were held are as follows:

- 1) February 3, 2003
- 2) July 28, 2003
- 3) October 27, 2003.

Necessary quorum was present at all these meetings.

Remuneration Committee

A Remuneration Committee of the Board has been constituted by the Company. The broad terms of reference of the Remuneration Committee includes determination on behalf of the Board of Directors of the Company and on behalf of the shareholders, the Company's policy on specific remuneration packages for Executive Directors of the Company. The Company has one Executive Director under the designation 'Dy. Managing Director'.

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

The composition of the Remuneration Committee is as follows :

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

* Resigned effective May 2, 2003

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 Remuneration Committee, Board of Directors of the Company and the shareholders and complying with the requisite formalities as prescribed under the Companies Act, 1956. Performance Incentive (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 of Directors for the year 2003

Non-Executive Directors

Name of the Director	Sitting Fees (Rs.)
Mr. Gordon W. Robinson	Nil
Dr. T. Mukherjee*	9,000
Mr. Jon T. Elsasser	Nil
Mr. Scott A. Scherff	Nil
Mr. Vinod K. Dasari	21,000
Mr. M J Hill	Nil
Mr. Niroop Mahanty	12,000
Mr. Jai S. Pathak	Nil
Mr. P. S. Dasgupta	6000

* Resigned effective May 2, 2003

Executive Directors

Name of the Director	Salary & Allowances	Perquisites	Performance Incentive	Stock Options
Mr. Shyamal K. Sinha	Rs. 13,06,426/-	Rs. 98,821/-	Rs. 77,294/-	Nil

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

The Investors Relation and Grievance Committee is entrusted by the Board 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 is given below:

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

* Resigned effective May 2, 2003

Dr. T. Mukherjee, an Independent, Non-Executive Director acted as the Chairman of the Investors Relation and Grievance Committee till his resignation with effect from May 2, 2003. Mr. Niroop Mahanty was appointed as the Chairman subsequently.

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

No formal meeting of the Investors Relation and Grievance Committee was held in the year ended December 31, 2003. Approval of the members of Investors Relation and Grievance Committee are however, obtained through Circular Resolutions for effecting registration of transfer of shares, issue of duplicate / new certificates and other issues involving

investor services. During the above period, an aggregate of 49 resolutions have been approved by the said Committee.

In addition, a status report on Investor Services is also circulated to the members of the Investors Relation and Grievance Committee every month.

The status of investors' queries handled by the Company and also by the Registrars during the year ended on December 31, 2003 are given below:

Particulars	Total Received	Total Replied	Total Pending as on 31.12.03
Change of Address / POA	955	955	—
Non-receipt of Certificates	729	729	—
Non-receipt of interest / redemption	456	456	—
Others	448	448	—
Revalidation	139	139	—
Duplicate /New Certificates	83	83	—
Bills	51	51	—
Endorsement	48	48	—
Transmission	45	45	—
Dematerialisation	45	45	—
TOTAL	2999	2999	—
Stock Exchanges			
Mumbai Stock Exchange	17	17	—
Calcutta Stock Exchange	7	7	—
Magadh Stock Exchange	3	3	—
Regulatory Bodies			
SEBI	1	1	—
Registrar of Companies, Bihar & Jharkhand	0	0	—
Dept. of Company Affairs	0	0	—

As on December 31, 2003, 215 requests for registration of transfer of Equity Shares of the Company remained outstanding in the books of the Company being requests received subsequent to December 21, 2003.

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
2000-2001	Tata Steel Management Development Centre, XLRI Campus, C.H. Area (E), Jamshedpur – 831 001	AGM	July 20, 2001	Friday	4.00 pm	1
2001-2002	As above	AGM	July 19, 2002	Friday	12.00 Noon	Nil
2002 (9 months ended December 31, 2002)	As above	AGM	April 30, 2003	Wednesday	12.00 Noon	1

TIMKEN INDIA LIMITED

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

Disclosures

There was no materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company at large during the year 2003.

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

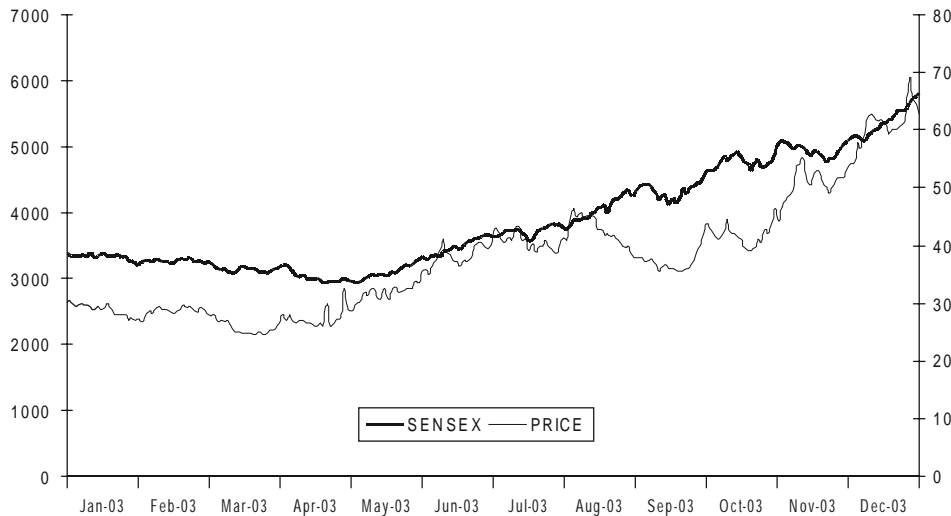
Management, Discussion and Analysis is a part of the Annual Report.

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 and are also displayed on the Company's website. Regarding postal ballot, the Company is governed by the provisions of the Companies Act, 1956 and rules framed thereunder relating to passing of resolutions by postal ballots.

General Shareholders Information

1. AGM	Saturday, April 24, 2004 at 12.00 Noon at Shavak Nanavati Technical Institute, N-Road, Bistupur, Jamshedpur - 831 001
2. Financial Calendar	The Accounting Year covers the period January 1 to December 31, 2004. Financial reporting for: a) 1st Quarter ending March 31, 2004 – end April, 2004 b) Half year ending June 30, 2004 – end July, 2004 c) 3rd Quarter ending September 30, 2004 – end October, 2004 d) Year ending December 31, 2004 – end January / February 2005 Note : the above calendar is indicative in nature.
3. Date of Book Closure	April 8, 2004 to April 24, 2004 (both days inclusive).
4. Dividend Payment Date	—
5. Listing on Stock Exchanges	Equity Shares of the Company are listed on the following Stock Exchanges: The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 The Calcutta Stock Exchange Association Ltd. 7, Lyons Range Kolkata – 700 001 Magadh Stock Exchange Association 9th Floor, Ashiana Plaza Budh Marg Patna – 800 001 The Company has paid annual Listing Fees to all these three Stock Exchanges for the year 2003-2004.
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 year ended December 31, 2003:		
	Month	High (Rs.)	Low (Rs.)
	January 2003	30.50	25.10
	February 2003	29.65	27.80
	March 2003	28.85	24.50
	April 2003	30.00	25.00
	May 2003	32.90	27.80
	June 2003	41.00	32.30
	July 2003	42.20	39.00
	August 2003	46.55	38.44
	September 2003	39.80	35.50
	October 2003	46.50	32.90
	November 2003	55.25	44.25
	December 2003	68.95	53.50
8. Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc.	Performance of the Company's Share Prices in comparison of the BSE Sensex is given below:		



9. Registrar & Transfer Agents	Ami Computers (I) Ltd. 60A & 60B, Chowringhee Road Kolkata – 700 020
10. Share Transfer System	<p>Requests for registration of transfer of Shares held in physical form may be lodged with Ami Computers (I) Ltd. at Kolkata or may also be sent to Finance Controller & 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>

TIMKEN INDIA LIMITED

11. Distribution of Share holding	The distribution of shareholding as on December 31, 2003 is given below :			
	Range (Rs.)	Accounts	Shares (Rs.)	%
	1 – 5000	77012	95642310	15.01
	5001 – 10000	1027	8179910	1.28
	10001 – 20000	434	6425160	1.01
	20001 – 30000	122	3032550	0.48
	30001 – 40000	52	1820160	0.29
	40001 – 50000	35	1621200	0.25
	50001 – 100000	49	3414250	0.54
100001 and above	32	517212960	81.14	
	78763	637348500	100.00	
12. Dematerialisation of Shares and liquidity	The Company has arrangements with National Securities Depositories Ltd. (NSDL) as well as the Central Depository Services (India) Ltd. (CDSL) for Demat facility. At present around 50% 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 :			
	The Finance Controller & Company Secretary Timken India Limited Bara, P.O. Agrico Jamshedpur – 831 009 Tel. No. 0657 – 2210293 Fax No. 0657 – 2210117	Ami Computers (I) Ltd. 60A & 60B, Chowringhee Road Kolkata – 700 020 Tel. No. 033-22800900/812 22800901 Fax No. 033-22800901 E-mail : amicomputer@vsnl.net		

AUDITOR'S CERTIFICATE

TO
THE MEMBERS OF TIMKEN INDIA LIMITED

We have examined the compliance of conditions of corporate governance by Timken India Limited, for the year ended on 31st December 2003 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

We state that no investor grievance 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.

S. R. BATLIBOI & CO.
CHARTERED ACCOUNTANTS

Per RAHUL ROY
a Partner
Membership no. 53956

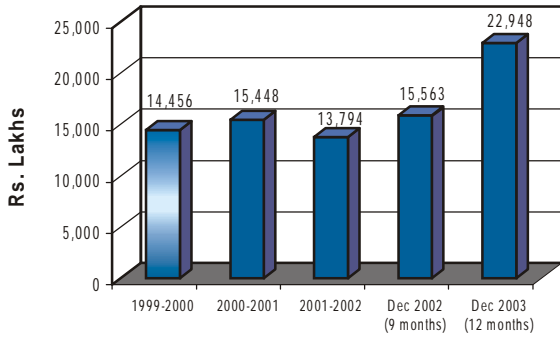
Date : February 2, 2004

FIVE YEARS AT A GLANCE

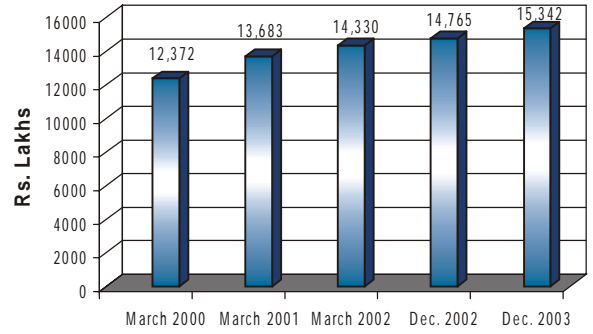
	Year Ended	9 months ended	Year Ended		
	31.12.2003	31.12.2002	31.03.2002	31.03.2001	31.03.2000
Production					
(i) Standard Brgs (Equiv. Nos.)	2,938,182	1,917,371	1,958,130	1,998,153	2,078,514
(ii) AP Cartridge Brgs (Sets)	47,073	41,908	26,419	53,553	47,324
Rs/Lakhs					
Profit & Loss Account					
(i) Gross Sales	24,937	16,934	15,655	17,114	16,288
(ii) Net Sales					
(a) Domestic	15,141	10,791	11,665	11,836	12,275
(b) Export	7,807	4,772	2,129	3,612	2,181
Total (a+b)	22,948	15,563	13,794	15,448	14,456
(iii) EBIT	3,403	2,040	157	2,381	2,068
(iv) Profit Before Tax	3,308	1,926	93	2,153	1,763
(v) Profit After Tax	2,314	1,243	81	2,001	1,520
Balance Sheet					
(i) Gross Block	15,342	14,765	14,330	13,683	12,372
(ii) Net Block	4,957	5,113	5,197	5,965	5,842
(iii) Net Current Asset	5,255	6,741	5,526	6,956	5,784
(iv) Capital Employed	10,813	13,107	11,810	13,042	11,773
(v) Beginning Invested Capital (BIC)	12,385	10,992	12,357	11,007	12,377
(vi) Total Debt	324	2,048	1,524	2,217	2,691
(vii) Equity	9,999	10,574	9,722	10,704	8,935
Other Comparative Data					
(i) PAT to Net Sales (%)	10	8	1	13	11
(ii) EBIT / BIC (%)	27	19	1	22	17
(iii) Return on Net Worth (%)	23	12	1	19	17
(iv) E.P.S. (Rs)	3.14	1.67	(0.24)	2.73	1.98
(v) Total Debt to Equity (%)	3	19	16	21	30
(vi) Total Debt to Total Capital (%)	3	16	13	17	23
(vii) Fixed Asset Turnover (times)	4.63	3.04	2.65	2.59	2.47
(viii) Working Capital Turnover (times)	4.37	2.31	2.50	2.22	2.50
(ix) Current Ratio (times)	2.31	2.15	2.42	3.34	2.41
(x) Interest Cover (times)	35.91	17.84	0.89	7.12	4.89
(xi) Net Sales/Employee (Rs/Lakhs)	41	26	23	26	26

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

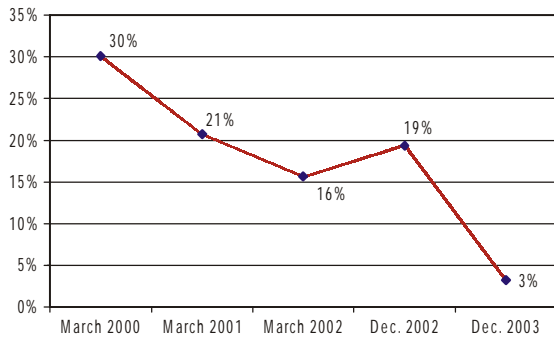
NET SALES



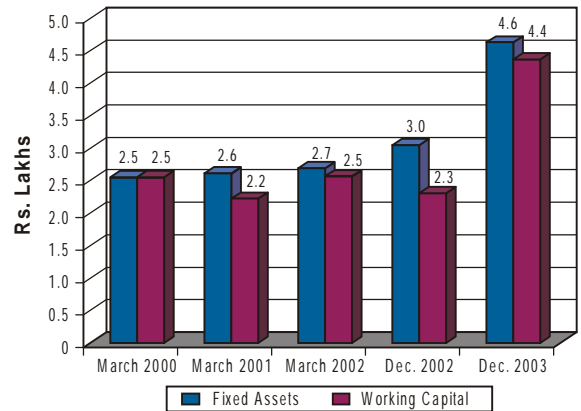
GROSS BLOCK



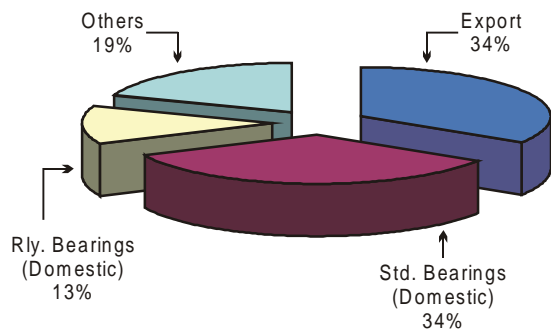
TOTAL DEBT : EQUITY



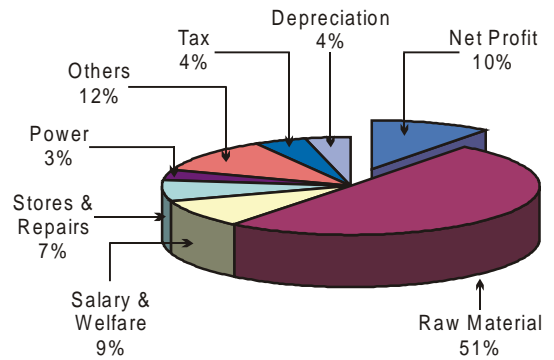
ASSET TURNOVER



HOW THE MONEY WAS EARNED



HOW THE MONEY WAS DISTRIBUTED



TIMKEN INDIA LIMITED

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

ATTENDANCE SLIP

Name
Folio No.
No. of Shares held

I hereby record my presence at the Seventeenth Annual General Meeting of the Company at Shavak Nanavati Technical Institute, N-Road, Bistupur, Jamshedpur - 831 001 on Saturday, April 24, 2004 at 12.00 Noon.

SIGNATURE OF THE MEMBER/PROXY

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

TIMKEN INDIA LIMITED

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

PROXY

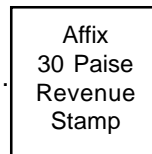
I/We,
of in the District of
a Member/Members of the above named Company, hereby appoint
of in the District of or failing him/her
..... of in the District of
..... as my/our Proxy to attend and vote for me/us and on
my/our behalf at the Seventeenth Annual General Meeting of the Company, to be held on Saturday, April 24, 2004 and
at any adjournment thereof.

Signed this day of 2004.

Reference Folio :

No. of Shares :

Signature



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

BOOK POST



If undelivered, please return to :

AMI Computers (I) Limited

60A&60B, Chowringhee Road,
Kolkata - 700 020

TIMKEN

**SEVENTEENTH
ANNUAL
REPORT
2003**

TIMKEN INDIA LIMITED