

# **TIMKEN**

**TWENTIETH  
ANNUAL  
REPORT  
2006**

**TIMKEN INDIA LIMITED**

# TIMKEN INDIA LIMITED

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***Members are requested to please note that with effect from March 15, 2007, C B Management Services (P) Limited has been appointed as the Registrars & Share Transfer Agents of the Company. Any query relating to your shareholding may also be forwarded to : C B Management Services (P) Ltd, P-22, Bondel Road, Kolkata - 700 019.***

## TIMKEN INDIA LIMITED

### BOARD OF DIRECTORS

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

### COMMITTEES OF THE BOARD

#### AUDIT COMMITTEE

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

#### REMUNERATION COMMITTEE

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

#### INVESTORS GRIEVANCE COMMITTEE

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

#### Auditors

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

#### Registered Office

Bara, P. O. Agrico  
Jamshedpur – 831 009  
Ph. No. (0657) 2152 500  
Fax No. (0657) 2210 117

## NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of Timken India Limited will be held at Center for Excellence, Circuit House Area, Jamshedpur – 831 001 on Friday, April 27, 2007 at 3.00 pm to transact the following business:

1. To receive and adopt the Profit and Loss Account for the year ended December 31, 2006 and the Balance Sheet as on that date and the reports of the Directors and the Auditors.
2. To elect a Director in place of Mr. Michael J Hill who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors of the Company and to fix their remuneration.

### NOTES :

1. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member. Proxies, in order to be effective, must reach the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.
2. The Register of Members and the share transfer books of the Company would remain closed from April 13, 2007 to April 27, 2007, both days inclusive.

By Order of the Board

Registered Office :  
Bara, P.O. Agrico  
Jamshedpur – 831 009  
February 9, 2007

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

APPLICABLE DETAILS OF DIRECTOR IN TERMS OF CLAUSE 49 OF THE LISTING AGREEMENT	
Name of Director	Mr. Michael J. Hill
Date of Birth	October 9, 1950
Date of Appointment	April 23, 2005
Expertise in specific functional areas	<ul style="list-style-type: none"> <li>● Global Manufacturing</li> <li>● Supply Chain Management</li> </ul>
Qualifications	<ul style="list-style-type: none"> <li>● BSCE</li> <li>● MSCE</li> <li>● Licensed Profession Engineer</li> </ul>
List of public companies in which outside Directorship held as on December 31, 2006	<ul style="list-style-type: none"> <li>● Stark State College of Technology</li> <li>● Timken Wuxi Power Transmission Company Limited</li> </ul>
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2006	—
Shareholding in the Company	—

## STATEMENT FROM CHAIRMAN & MANAGING DIRECTOR

Dear Shareholders,

The year 2006 has been a fairly mixed year for Timken India.

During the year we introduced a whole new range of products for the Industrial and Automotive markets, and have made breakthroughs in several tough, but very promising market segments.

The India market remains strong, however inflationary conditions continue to put pressure on our margins. Faced with strong resistance from our customers to increasing prices, we have used this as an opportunity to leverage our strengths in using Lean6Sigma methods to improve efficiencies within our manufacturing & supply chain processes.

With India increasingly integrating into the global economy, your company saw a decline in exports, due to a slow down in the US auto market in the second half of the year. However, with our flexible manufacturing systems, we were able to balance the drop in exports through an increase in sales in the Indian market. We have seen demand for our products increase and we have made serious efforts to meet our customer's needs – both on the Manufacturing and the Sales & Marketing front.

During the year, we have had a strategic review of our operations and product portfolio and your company's management has looked at various growth opportunities with Timken's expanded product range.

In line with our stated aim to grow aggressively in India, we continue to pursue both organic & inorganic avenues.

I am happy to report that your company is in good financial health and is poised to take on greater investments in the Jamshedpur manufacturing facility, expand its sales network in the country and also look at increasing shareholder value.

I am confident that the continuing boom in the infrastructure sector across many economies in Asia creates an increasing demand for your company's products & services – we see that happening in India too and your company is poised to take advantage of this enormous opportunity.

With several Asian economies, led by India & China, powering global growth in many sectors, The Timken Company has also started focusing strongly on increasing its manufacturing and sales footprint across the region. For the first time in the history of the Timken Company, we now have 3 manufacturing facilities under construction in the region – two in China and one in India.

The Timken Company has chosen to invest in a new manufacturing facility in Chennai. This is not only important

from a global perspective, but will provide your company with significant opportunities to supply components to the new company.

We continue to leverage the engineering & design skills of Timken Engineering and Research – India, our global engineering centre in Bangalore, to forge stronger relationships with our customers, by offering them support that goes beyond products.

The success of our "MillTech" operations - our on-site maintenance service for steel mills – is very heartening and we continue to increase our services business as this business model stabilises and grows.

In order to keep pace with the growth of the Indian economy and also to offer globally benchmarked products and services to our customers, we continue to become more customer focused, introducing newer products and services and strive to differentiate ourselves from the competition.

To improve the efficiency of our distribution network, we have been working to improve your company's systems and integrate with the new supply chain mechanism that is being planned for the major global markets of the Timken Company.

We continue in our efforts to help our customers improve their products and performance by applying our knowledge of friction management and power transmission to deliver unparalleled value and innovation to them.

Our standing as a global & reliable provider of Friction Management Solutions and our expanded product range will help us meet and exceed our customers' demands.

With the Indian economy continuing to grow at an extremely fast pace, the year 2007 will see your company strategically positioned to take advantage of the opportunities.

Your company's management is confident that with the support of all our Associates, Channel Partners and Suppliers, and your patronage, we will be able to build on our successes and improve your company's profitability and provide enhanced value to our customers and shareholders.

Thanking you,

Yours sincerely,



**Gordon William Robinson**  
Chairman & Managing Director

Place : Bangalore  
Date : March 26, 2007

## DIRECTORS' REPORT

### TO THE MEMBERS

The Directors have pleasure in presenting the Twentieth Annual Report on the business and operations of the Company together with the Financial Results for the year ended December 31, 2006.

### FINANCIAL RESULTS

	Year ended December 31, 2006 (Rs/Lakhs)	Year ended December 31, 2005 (Rs/Lakhs)
a) Net Sales/Income	33874	30901
b) Total Expenditure	26889	24644
c) Gross Profit	6985	6257
d) <b>Less:</b> Depreciation	1003	876
e) Earnings before Interest, Tax & Prior period item	5982	5381
f) <b>Less:</b> Interest (Net)	107	95
g) <b>Add:</b> Income relating to prior period	—	9
h) Profit before Tax (PBT)	5875	5295
i) <b>Less:</b> Taxes	2062	1807
j) Profit after Tax (PAT)	3813	3488
k) <b>Add:</b> Profit brought forward from previous year	7863	4375
l) Profit available for appropriation	11676	7863
m) Balance carried forward	11676	7863

Overall Net Sales registered a 10% increase to Rs. 339 Crores compared to Rs. 309 Crores of 2005. Of this, domestic sales increased by 23% while export sales was marginally lower compared to last year. Slow down in the US auto market is mainly attributable to this marginally lower export sale.

Net Profit Before Tax at Rs. 59 Crores was 11% higher in comparison to 2005. Increase in Depreciation at Rs. 10 Crores compared to Rs. 9 Crores last year was primarily due to full year impact of capitalization of Cell No. 1 of DE Line. Interest Cost showed an increase of 12% compared to last year, despite a lower level of direct borrowings by the Company, primarily because of increased volume of business through Bank route.

The plant at Jamshedpur performed well during the year. There had been a 12% increase in the number of equivalent bearings produced from 5564100 nos. in 2005 to 6244536 bearings produced in 2006.

### DIVIDEND

Your Directors are not recommending payment of any dividend on equity shares for 2006.

### PROJECTS

In 2006, the Company undertook an expansion project of installing a large size cup line. This new line was installed and commercial production started on May 15, 2006. The actual investment for this project was around Rs. 4.50 Crores.

The progress for the other project to manufacture DE cones had been satisfactory. Second phase of this project to enhance capacity was installed and commissioned with effect from November 30, 2006. One more similar Cell would be installed by the end of 2007. The Company so far spent around Rs. 2.45 Crores for second phase.

### FINANCE

Good management of working capital comprising Inventory and Receivables helped the Company in generating enough cash flow. Pending investment of such funds in growth, it was temporarily parked in short-term investments in various high-secured mutual funds. Such measures, though temporary, resulted in a significant addition to the bottom-line. The average number of days outstanding for Receivables showed a marginal improvement at the end of this year – compared to as on December 31, 2005. The level of external borrowings continued to remain low during this year also. No fresh long-term loan was taken by the Company. ICRA retained the A1+ rating to a Commercial Paper programme of the Company. This rating indicates highest safety.

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

Applications for delisting of the Company's Equity Shares from Calcutta and Magadh Stock Exchanges are pending at the respective Stock Exchanges. The Equity Shares of the Company have been listed on National Stock Exchange, Mumbai effective February 6, 2007.

The listing of the Company's Equity Shares on Bombay Stock Exchange Limited however, continues.

The listing fees for the year 2006-07 have been paid to the Stock Exchanges.

### DIRECTORS

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

### AUDITORS

Messrs. S R Batliboi and Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the Twentieth 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, 2006.

### CORPORATE GOVERNANCE

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

### INDUSTRIAL RELATIONS

The relation between the Associates of the Company and the Management had always been good and remained so in 2006. The performance of the Company could not have been possible without the collective support and excellent performance of the Associates both in terms of operational parameters and also at the market place. The Directors express their appreciation for the wholehearted support received from all sections of the Associates of the Company.

### SOCIAL RESPONSIBILITY

The Company has been actively participating in the promotion of social welfare activities of the community in the industrial town of Jamshedpur.

### **PARTICULARS OF EMPLOYEES**

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

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

All the new machineries installed during the year are energy efficient. Significant cost saving on cutting fluids and consumption of electricity has been achieved by machine modifications, energy audit and efficient coolant management. Regarding absorption of foreign technology, the process is ongoing in the areas of machining, heat treatment, finishing and tooling. The Company has now achieved full indigenisation of all components for Standard Bearings and substantial indigenisation for AP Bearings. It is the intention of the Company to proceed with the process of indigenisation further.

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

### **DIRECTORS' RESPONSIBILITY STATEMENT**

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

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

For and on behalf of the Board of Directors

Kolkata  
February 9, 2007

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

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### **Declaration in terms of Clause 49 - Code of Conduct**

This is to confirm that the Company has adopted 'Business Ethics Policy – Code of Conduct' for its employees including Chairman & Managing Director, Dy. Managing Director and other members of the Board of Directors. This code is posted on Company's website.

I confirm that the Company has received from the Senior Management Team of the Company and from the members of the Board of Directors a declaration of compliance with the code for 2006.

For the purpose of this declaration, Senior Management Team means members of Management one level below the Executive Directors as on 31 December 2006.

Date : February 9, 2007  
Place : Kolkata

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

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

**A. CONSERVATION OF ENERGY**

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

The Overall Plant power factor continued to improve in 2006 to 0.94. This has resulted in an approx saving of Rs. 8 lacs on Maximum Demand and a recurring saving of Rs. 10 lacs is expected to the Company. The Company plans to improve the power factor to 0.98 resulting in savings. Also there is plan to put Energy efficient Chilling unit and variable frequency drives in utility equipment to reduce the power consumption. One more Gas fired furnace was made operational, resulting in improved productivity by 50% at reduced energy cost.

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

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

As per details given below under Form A

**B. TECHNOLOGY ABSORPTION**

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

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

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

During the period under review, exports were marginally lower compared to that of 2005 at Rs. 126 Crores. Slow down in US auto market is primarily responsible for this marginal decrease in exports. Some of the Part Numbers hitherto manufactured at other Timken locations worldwide have now moved to Company's Plant in Jamshedpur. The current indications about the export trend do not envisage a marked improvement in 2007.

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

	<b>2006</b>	2005
i) Foreign Exchange Earnings	<b>13009</b>	14925
ii) Foreign Exchange Outgo	<b>7278</b>	4237

**FORM A**

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

**A. Power and fuel consumption**

1. Electricity

	<b>2006</b>	2005
(a) Purchased Units (KWH)	<b>1,86,66,090</b>	1,86,94,870
Total amount (Rs.)	<b>6,44,15,788</b>	6,90,16,132
Rate Per Unit (Rs.) (all inclusive)	<b>3.45</b>	3.69

(b) Own generation

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

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

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

There is no Steam Turbine / Generator.

2. Coal (specify quality and where used)

- Quantity (tonnes)
- Total Cost
- Average rate

Not Used



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

**B. Consumption per unit of production**

	Standards (if any)	2006	2005
Products (with details) unit			
Standard Bearings	Not set (Standard varies with product mix)		
Electricity		<b>2.99</b>	3.36
Furnace oil		<b>Not Used</b>	Not Used
Coal (specify quality)		<b>Not Used</b>	Not Used
Others (specify)		<b>Nil</b>	Nil

**FORM B**

**Form for Disclosure of Particulars with respect to Absorption**

**TECHNOLOGY ABSORPTION**

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

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

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

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

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

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

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

For and on behalf of the Board of Directors

Kolkata  
February 9, 2007

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Development

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

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

### Opportunities and Threats

As mentioned above, the growth of bearing industry is linked to the growth of the major bearing applications industry, i.e. the Automobiles/ Engineering/ Railways. Demand growth in bearings will largely depend on growth of the original equipment manufacturers (OEM) in the automobile industry, engineering segment and opportunities in the international markets. The demand for TIL's growth will heavily depend on the growth in served industrial and automotive business both in domestic and international markets.

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

Bearings as used in the engineering industry are large in size and are mostly catered through imports. The growth in demand for large industrial bearings will depend on the growth of Industrial and infrastructural activities. Liberalization of industrial policy, WTO driven reductions in duty structure, growth in demand in export markets, entry of multinationals and increasing demand for industrial products have resulted in an increase in demand for large bearings.

With the acquisition of Torrington, the product offering by Timken has significantly expanded. In addition to the offerings bearings of other types, seals, related parts, grease, lubricators, and Industrial bearing repair services, TIL has got access to the Torrington and Fafnir brand of products comprising needle, spherical, cylindrical bearings, machine tools, engine bearings and steering products and assemblies to name a few. TIL has launched a complete line of spherical roller bearings and accessories, Wide inner rings and an entire range of industrial

lubricants. This year also saw the launch of ball bearings and premium automotive grease for the aftermarket. These offerings are expected to improve down time and improve service life of bearings significantly. In addition, TIL has expanded the number of Timken Service Point launched last year.

Another major initiative was the launch of the needle bearings for the Indian automotive market. Timken added a number of OEM customers for this product line this year.

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

### Segmentwise Performance

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

The geographical segments however, have been determined on the basis of location of major customers of the Company. During 2006, 63% of the Company's turnover was to customers located in India and the remaining 37% was to countries outside India. The shipments for exports were mainly to USA.

### Outlook – Risks and Concern

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

- The Timken Company's global reach and its strength in R&D makes TIL the supplier of choice of the many international companies operating in India (as compared to local domestic competitors). Second largest Tech Centre of The Timken Company is located in Bangalore to support design and application engineering.
- 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 gradual shift in the market for more services and the strength that Timken holds on its service business provides tremendous opportunity to grow.
- Demand for superior technology and the need for upgraded models in the automotive industry positions Timken as the preferred supplier of choice.

The main risks are:

- Significant raises in raw material costs will impact production costs and if bearing market prices cannot be raised, will drastically impact profit margins unless operating costs can be reduced at unprecedented magnitude and speed. TIL needs to remain profitable for domestic sales and globally competitive for exports.
- Quality of inputs with on time delivery remained a significant concern to the Company's success in future. To uphold TIMKEN Brand equity, TIL needs to ensure that the inputs being used to manufacture its products at the Jamshedpur Plant conform to the exact specification of global standard.
- With growing Indian economy coupled with the reduction in import duties makes India increasingly a target market for many international bearing manufacturers and therefore competitive pressures on the domestic market will continue to grow faster. Imports from South East Asia due to reduced tariff barriers could lead to price pressure in domestic market.

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

### **Internal Control Systems**

The various internal control systems operating in the company are working satisfactorily. The adequacy and effectiveness of these systems is continuously monitored by the Internal Audit

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

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

During 2006, net sales grew by 10%, from Rs.309 Crores in 2005 to Rs. 339 Crores. In 2006, domestic sales have increased by about 23% over 2005. The exports of the Company were marginally lower at Rs. 126 Crores mainly due to slow down in US auto market. The growth in profitability however, had been marginally higher in 2006 at 11% compared to last year.

During the period under review, production in terms of equivalent bearings has increased by about 12% compared to last year due to better utilization of capacity. During the year, the Company rolled out the policy on 'Obsolete and Slow Moving Inventory' (OSMI) in order to identify and put in place a plan of disposal of such inventory. Company's endeavours to keep unit cost under control continued in 2006.

### **HR Front**

During the year under review, the company did not witness any kind of adverse development on the HR/IR front. The relationship between the Associates of the company and the Management remained congenial all through out the year. The company employed 586 Associates (including 189 Officers) as on December 31, 2006.

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

We have audited the attached Balance Sheet of Timken India Limited, as at 31st December 2006 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- ii) In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of those books;
- iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v) On the basis of written representations received from the directors, as on 31st December 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2006 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, 2006;
  - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - c. in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Kolkata  
Date : 9th February, 2007

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

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

- (i) The Company maintains proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on verification. There was no substantial disposal of fixed assets during the year.
- (ii) The management has conducted physical verification of inventory at reasonable intervals. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company maintains proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of Clause 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (b) As informed to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of Clause 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered. The company 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 such transactions relate to proprietary items manufactured by the Timken Group and Raw Materials in connection thereto, and/or specialized services rendered, comparative rates are not always available; however, consideration of the selling price of such goods, in the market, and relevant transfer pricing guidelines, prima facie indicate that the transactions are at reasonable prices. For services received, there are no comparatives since as per management's explanations, such services are highly specialized in nature.
- (vi) The Company has not accepted any deposit from public within the meaning of sections 58A and 58AA of the Companies Act, 1956.
- (vii) The Company has an internal audit system, which in our opinion, is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities. As informed to us, the provisions of ESI Act are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty, Cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. As informed to us, the provisions of ESI Act are not applicable to the Company.
- (c) There are no dues outstanding of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess on account of any dispute, other than the following :

Name of Statute	Nature of dues	Amount (Rs.)	Period to which it relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax Demands	8,86,71,913	1991-92, 1998-99, 2000-01, 2001-02, 2003-04, 2004-05	Commissioner of Income Tax (Appeals), Jamshedpur
Jharkhand Finance (Amendment) Act, 2001	Local Sales Tax Demands	1,50,56,628	1999-2000 to 2000-02	Joint Commissioner (Appeals), Jamshedpur
Jharkhand Finance (Amendment) Act, 2001	Central Sales Tax Demands	8,33,44,160	1995-96 to 1996-97 and 1999-2000 to 2001-02	Joint Commissioner (Appeals), Jamshedpur
UP Trade Tax Act, 1948	Local Sales Tax Demands	9,42,171	1994-95 to 1996-97, 2004-05	Allahabad High Court, Tribunal Bench, Ghaziabad (UP)
UP Trade Tax Act, 1948	Central Sales Tax Demands	48,552	2003-04	Deputy Commissioner Appeal, Noida (UP)

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

Name of Statute	Nature of dues	Amount (Rs.)	Period to which it relates	Forum where dispute is pending
Delhi Sales Tax Act, 1975	Central Sales Tax Demands	37,000	2004-05	Assessing Officer, Bikri Kar Bhawan, New Delhi
Haryana VAT Act, 2003	Central Sales Tax Demand	1,92,000	2003-04	Excise & Taxation Officer, Faridabad
Kerala General Sales Tax Act, 1963	Central Sales Tax Demands	9,82,206	2001-02	Deputy Commissioner Appeals, Ernakulam
Madhya Pradesh Commercial Tax Act, 1994	Local Sales Tax Demands	3,04,368	1998-99	Commissioner of Sales Tax, Raipur, Chattisgarh
West Bengal Sales Tax Act, 1994	Central Sales Tax Demands	45,53,812	2002-03 to 2003-04	Commissioner of Commercial Taxes (Appeals), Kolkata
Central Excise Act, 1944	Excise Duty Demands	1,15,49,538	1998-99 to 2001-02, 2005-06	Assistant Commissioner, Central Excise, Division 2, Jamshedpur CESTAT

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

Place : Kolkata  
Date : 9th February, 2007

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



**BALANCE SHEET AS AT 31ST DECEMBER, 2006**

	Schedule	Rupees	As at 31.12.2006 Rupees	As at 31.12.2005 Rupees
<b>SOURCES OF FUNDS</b>				
<b>a) SHAREHOLDERS' FUNDS</b>				
(i) Share Capital	1	63,72,07,500		63,72,06,750
(ii) Reserves & Surplus	2	<u>142,75,61,455</u>		<u>104,63,06,283</u>
			<b>206,47,68,955</b>	<b>168,35,13,033</b>
<b>b) LOAN FUNDS</b>				
(i) Secured Loans	3	44,06,308		1,86,27,982
(ii) Unsecured Loans	4	<u>1,14,28,627</u>		<u>1,49,47,494</u>
			<b>1,58,34,935</b>	<b>3,35,75,476</b>
<b>c) DEFERRED TAX LIABILITIES (NET)</b>				
[refer note (m), Schedule 18]			<b>1,02,97,268</b>	<b>2,26,90,588</b>
			<b><u>209,09,01,158</u></b>	<b><u>173,97,79,097</u></b>
<b>APPLICATION OF FUNDS</b>				
<b>d) FIXED ASSETS :</b>				
(i) Gross Block	5	175,06,54,656		160,33,20,030
(ii) Less : Accumulated Depreciation		<u>120,56,03,734</u>		<u>111,87,23,079</u>
(iii) Net Block		54,50,50,922		48,45,96,951
(iv) Capital Work-In-Progress		<u>4,87,26,549</u>		<u>7,80,35,210</u>
– including advances Rs. 1,92,65,409 (Rs. 3,03,98,321)			<b>59,37,77,471</b>	<b>56,26,32,161</b>
<b>e) INVESTMENTS</b>				
	6		<b>61,69,86,005</b>	<b>54,45,72,969</b>
<b>f) CURRENT ASSETS, LOANS AND ADVANCES</b>				
(i) Inventories	7	50,74,07,979		44,15,55,544
(ii) Sundry Debtors	8	59,41,16,678		52,38,79,026
(iii) Cash and Bank Balances	9	8,55,94,384		11,73,61,873
(iv) Loans and Advances	10	<u>11,31,68,164</u>		<u>12,59,00,156</u>
			<b>130,02,87,205</b>	<b>120,86,96,599</b>
<b>g) LESS : CURRENT LIABILITIES &amp; PROVISIONS</b>				
(i) Current Liabilities	11	37,90,63,523		51,80,25,573
(ii) Provisions	12	<u>4,10,86,000</u>		<u>5,80,97,059</u>
			<b>42,01,49,523</b>	<b>57,61,22,632</b>
<b>h) NET CURRENT ASSETS</b>				
			<b>88,01,37,682</b>	<b>63,25,73,967</b>
			<b><u>209,09,01,158</u></b>	<b><u>173,97,79,097</u></b>
<b>i) SIGNIFICANT ACCOUNTING POLICIES AND NOTES</b>				
Schedules 1 to 18 form an integral part of these accounts.	18			

As per our report of even date attached

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

Chartered Accountants

**Per Rahul Roy**

a Partner

Membership No. 53956  
Kolkata, February 9, 2007**Soumitra Hazra**  
Company Secretary & Chief-Compliance

For and on behalf of the Board

**G. W. Robinson**  
Chairman & Managing Director**P. S. Dasgupta**  
Director

Kolkata, February 9, 2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2006**

	Schedule	Rupees	Year ended December 31, 2006 Rupees	Year ended December 31, 2005 Rupees
<b>INCOME</b>				
a) Sale of Products (Gross)		355,64,84,554		318,74,07,500
Less : Trade Discounts		6,03,15,586		3,41,21,934
Less : Excise Duty Recovered		30,73,57,888		23,45,15,619
Sale of Products (Net)			318,88,11,080	291,87,69,947
b) Income from Services	13		11,97,81,729	9,90,59,329
c) Other Income	14		7,87,69,158	7,22,65,579
			<b>338,73,61,967</b>	<b>309,00,94,855</b>
<b>EXPENDITURE</b>				
d) (Increase)/Decrease in Stock of Finished and Semi Finished Goods	15		(5,23,84,582)	(3,48,95,315)
e) Excise Duty & Cess on Stock (refer note (q) of Schedule 18)			29,92,398	(10,51,360)
f) Manufacturing and other expenses	16		273,82,73,869	250,03,86,890
g) Interest (net)	17		1,06,66,283	95,13,301
h) Depreciation	5		10,02,99,647	8,75,53,000
			<b>279,98,47,615</b>	<b>256,15,06,516</b>
<b>PROFIT BEFORE TAX &amp; PRIOR PERIOD ITEMS</b>			<b>58,75,14,352</b>	<b>52,85,88,339</b>
i) Income Relating to Prior Period			—	9,52,045
<b>PROFIT BEFORE TAX</b>			<b>58,75,14,352</b>	<b>52,95,40,384</b>
j) Provision for Taxation				
– Current [including prior period Rs. 1,31,10,971 (Rs. 13,17,736)]		21,23,17,500		18,81,30,295
– Deferred		(1,23,93,320)		(1,47,65,462)
– Fringe Benefit Tax		63,35,000		73,65,000
			<b>20,62,59,180</b>	<b>18,07,29,833</b>
<b>PROFIT AFTER TAX</b>			<b>38,12,55,172</b>	<b>34,88,10,551</b>
k) PROFIT BROUGHT FORWARD FROM PREVIOUS YEAR			78,63,06,283	43,74,95,732
<b>PROFIT CARRIED TO BALANCE SHEET</b>			<b>116,75,61,455</b>	<b>78,63,06,283</b>
l) <b>EARNINGS PER SHARE - Basic &amp; Diluted</b> [refer note (w) of Schedule 18]			<b>5.98</b>	<b>5.47</b>
m) <b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES</b> 18				

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

As per our report of even date attached

**For S.R.BATLIBOI & CO.**  
Chartered Accountants  
**Per Rahul Roy**  
a Partner  
Membership No. 53956  
Kolkata, February 9, 2007

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

For and on behalf of the Board  
**G. W. Robinson**  
Chairman & Managing Director  
**P. S. Dasgupta**  
Director

Kolkata, February 9, 2007



## SCHEDULES 1 TO 18 FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST DECEMBER 2006

## SCHEDULE 1 : SHARE CAPITAL

	<u>Rupees</u>	<u>As at 31.12.2006 Rupees</u>	<u>As at 31.12.2005 Rupees</u>
<b>Authorised :</b>			
7,50,00,000 Equity Shares of Rs. 10 /- each	<b>75,00,00,000</b>		75,00,00,000
26,00,000 9% Cumulative Redeemable Preference Shares of Rs.100/- each.	<b>26,00,00,000</b>		26,00,00,000
		<b>101,00,00,000</b>	101,00,00,000
<b>Issued :</b>			
6,37,50,000 Equity Shares of Rs. 10 /- each		<b>63,75,00,000</b>	63,75,00,000
<b>Subscribed:</b>			
(refer note (p), Schedule 18)			
6,37,34,850 Equity Shares of Rs. 10 /- each fully paid-up	<b>63,73,48,500</b>		63,73,48,500
Less: Calls in Arrears - others	<b>1,41,000</b>		1,41,750
		<b>63,72,07,500</b>	63,72,06,750
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>			
a) Capital Redemption Reserve – as per last Accounts		<b>26,00,00,000</b>	26,00,00,000
b) Profit & Loss Account		<b>116,75,61,455</b>	78,63,06,283
		<b>142,75,61,455</b>	104,63,06,283
<b>SCHEDULE 3 : SECURED LOANS</b>			
Loan from State Bank of India (Secured by hypothecation of entire inventories & receivables)		<b>44,06,308</b>	1,86,27,982
		<b>44,06,308</b>	1,86,27,982
<b>SCHEDULE 4 : UNSECURED LOANS</b>			
Short Term Loans from Scheduled Bank (fully repayable within one year)		<b>1,14,28,627</b>	1,49,47,494
		<b>1,14,28,627</b>	1,49,47,494

**SCHEDULE 5 : FIXED ASSETS**

ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	Opening Balance as at 01.01.2006	ADDITIONS	DEDUCTIONS	AS AT 31.12.2006	Opening Balance as at 01.01.2006	FOR THE YEAR	DEDUCTIONS	TOTAL UPTO 31.12.2006	AS AT 31.12.2006	AS AT 31.12.2005
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Buildings	14,35,14,424	1,11,24,218	—	15,46,38,642	4,54,32,613	49,63,621	—	5,03,96,234	10,42,42,408	9,80,81,811
Plant & Machinery (including office equipment, computers & tools)	142,94,45,758	15,15,90,798*	1,76,46,286	156,33,90,270	105,51,10,117	9,16,35,139	1,25,81,840	113,41,63,416	42,92,26,854	37,43,35,641
Furniture & Fixtures	1,33,74,692	24,11,150	2,84,600	1,55,01,242	92,26,306	8,68,963	1,88,860	99,06,409	55,94,833	41,48,386
Vehicles	1,69,85,156	11,13,101	9,73,755	1,71,24,502	89,54,043	28,31,924	6,48,292	111,37,675	59,86,827	80,31,113
<b>Total</b>	<b>160,33,20,030</b>	<b>16,62,39,267</b>	<b>1,89,04,641</b>	<b>175,06,54,656</b>	<b>111,87,23,079</b>	<b>10,02,99,647</b>	<b>1,34,18,992</b>	<b>120,56,03,734</b>	<b>54,50,50,922</b>	<b>48,45,96,951</b>
Previous Year	154,47,04,467	14,68,83,817	8,82,68,254	160,33,20,030	111,72,54,411	8,75,53,000	8,60,84,332	111,87,23,079	48,45,96,951	

\* Includes foreign exchange differences capitalised Rs. 8,98,774 (Rs. 4,04,220)

**SCHEDULE 6 : INVESTMENTS**

	Face Value	Opening Balance as at 01.01.2006	Purchased/ Dividend Reinvested	Sale/ Conversion	Holdings as at 31.12.2006			Holdings as at 31.12.2005	
					Nos.	Nos.			Rs.
						Nos.	Nos.		
<b>Long Term Investments (At Cost)</b>									
<b>Trade (Unquoted) Equity Shares fully paid</b>									
Nicco Jubilee Park Limited	10	30,000			30,000	3,00,000	3,00,000	3,00,000	
<b>Current Investments</b>									
(At Lower of Cost and Market Value)									
<b>Other Investments (Unquoted)</b>									
ABN Amro FTP Series 2 Thirteen Month Plan – Growth	10	—	30,00,000	—	30,00,000	3,00,00,000	—	—	
Birla FTP – Series H – Growth	10	—	20,00,000	—	20,00,000	2,00,00,000	—	—	
Grindlays Fixed Maturity – 22nd Plan – Growth	10	—	35,00,811	—	35,00,811	3,50,08,110	—	—	
Templeton Floating Fund – Long Term – Growth	10	13,63,865	—	13,63,865	—	—	—	1,50,00,000	
HDFC FMP 13M March 2006 (1) – Institutional Plan – Growth	10	—	20,00,000	—	20,00,000	2,00,00,000	—	—	
HSBC Fixed Term Series – 4 – Growth	10	—	30,00,000	—	30,00,000	3,00,00,000	—	—	
Kotak FMP Series 21 – Growth	10	—	20,00,000	—	20,00,000	2,00,00,000	—	—	
Kotaj FMP Series 13 – Growth	10	—	20,00,000	—	20,00,000	2,00,00,000	—	—	
Franklin Templeton Fixed Tenure Fund Series V 13 Months Plan - Growth	10	—	50,00,000	—	50,00,000	5,00,00,000	—	—	
Tata Fixed Horizon Fund Series 3 – Scheme F (18 Months) - Growth	10	—	40,00,000	—	40,00,000	4,00,00,000	—	—	
Tata Fixed Horizon Fund Series 3 – Scheme D (13 Months) - Growth	10	—	30,00,000	—	30,00,000	3,00,00,000	—	—	
Tata Fixed Horizon Series 1 – Plan A (371 days) – Growth	10	30,23,070	—	30,23,070	—	—	—	3,02,30,695	
Principal Deposit Fund (FMP-6) 371 Days Plan – Growth	10	10,14,285	—	10,14,285	—	—	—	1,01,42,847	
Prudential ICICI FMP – Yearly Growth – Series XXIV	10	24,04,579	—	24,04,579	—	—	—	2,53,16,849	
Reliance Fixed Maturity Fund – Annual Plan – Series 1 - Growth	10	45,00,000	—	45,00,000	—	—	—	4,50,00,000	
Kotak FMP Series 1 - Growth	10	40,19,945	—	40,19,945	—	—	—	4,01,99,451	
Grindlays Fixed Maturity – 4th Plan B – Growth	10	55,56,786	—	55,56,786	—	—	—	5,55,67,856	
HSBC Fixed Term Series 1 – Growth	10	20,01,203	—	20,01,203	—	2,00,12,028	—	1,99,42,186	
HDFC Cash Management Fund – Savings Plan – DDR	10	18,99,577	1,56,88,065	1,75,87,642	—	—	—	2,02,04,664	
HDFC FMP 3M June 2006 (1) – Institutional Plan – Dividend	10	—	20,16,424	20,16,424	—	—	—	—	
HDFC FMP 3M August 2006 (1) – Institutional Plan – Dividend	10	—	39,99,600	39,99,600	—	—	—	—	
HDFC FMP 90 D November 2006 – Wholesale Plan – Dividend	10	—	40,00,000	40,00,000	—	4,00,00,000	—	—	
Birla FTP – Quarterly – Series 1 – Dividend	10	—	20,00,000	20,00,000	—	—	—	—	
HSBC Cash Fund – Institutional Plus – DDR	10	—	50,12,847	50,12,847	—	—	—	—	
HSBC Cash Fund – Institutional – DDR	10	—	28,73,903	28,73,903	—	—	—	—	
HSBC Fixed Term Series – 7 – Dividend	10	—	30,45,512	30,45,512	—	—	—	—	
Principal Floating Rate Fund SMP – Insti. – DDR	10	20,20,644	10,933	20,31,577	—	—	—	2,02,07,852	
Kotak Liquid (Institutional) – DDR	10	—	32,82,193	32,82,193	—	—	—	—	
Kotak Liquid (Institutional Premium) – DDR	10	—	82,67,031	82,67,031	—	—	—	—	
Kotak FMP Series XII – Dividend	10	50,03,749	—	50,03,749	—	—	—	5,00,37,490	
Kotak FMP Series XVI – Dividend	10	—	20,00,509	20,00,509	—	—	—	—	
Kotak FMP Series XVIII – Dividend	10	—	50,03,749	50,03,749	—	—	—	—	
Kotak FMP 3M Series 6 – Dividend	10	—	50,24,731	—	50,24,731	5,02,47,307	—	—	
Magnum Institutional Income – Savings – DDR	10	65,79,854	76,147	66,56,001	—	—	—	6,60,12,382	
SBI Debt Fund Series – 90 Days (November 06) – Dividend	10	—	30,00,000	—	30,00,000	3,00,00,000	—	—	
SBI Debt Fund Series – 90 Days (July 06) – Dividend	10	—	30,00,000	30,00,000	—	—	—	—	
Sundaram BNP Paribas Fixed Term Plan VI June 06 (100 Days) – Dividend	10	—	27,50,000	27,50,000	—	—	—	—	
Prudential ICICI Floating Rate Plan C – DDR	10	—	1,52,58,517	1,52,58,517	—	—	—	—	
Prudential ICICI Liquid Plan Institutional Plus - DDR	10	—	25,43,242	—	25,43,242	3,01,41,227	—	—	
Tata Floating Rate Short Term Inst. Plan – DDR	10	30,08,281	66,35,970	70,39,928	26,04,323	2,60,69,845	—	3,01,13,791	
Standard Chartered Liquidity Manager – Plus – DDR	1000	—	50,920	50,920	—	—	—	—	
Grindlays Cash Fund – Inst. Plan B – DDR	10	—	33,08,395	33,08,395	—	—	—	—	
DSP Merrill Lynch Liquidity Fund – Regular – DDR	10	20,11,807	1,86,51,585	2,06,63,392	—	—	—	2,01,38,187	
DSP Merrill Lynch Floating Rate Fund – Regular – DDR	10	—	10,24,993	10,24,993	—	—	—	1,02,52,823	
DSP Merrill Lynch Fixed Term Plan Series TD – Dividend	1000	—	46,115	46,115	—	—	—	—	
UTI Liquid Cash Plan Institutional – DDR	1000	—	1,43,335	1,03,895	39,441	4,02,07,488	—	—	
UTI Floating Rate Fund – Short Term Plan – Dividend	10	50,54,048	21,366	50,75,414	—	—	—	5,09,05,896	
Reliance Fixed Horizon Fund I – Quarterly Plan – Series II – Dividend	10	—	35,00,000	—	35,00,000	3,50,00,000	—	—	
Reliance Fixed Horizon Fund I – Quarterly Plan B – Series III – Dividend	10	—	50,00,000	—	50,00,000	5,00,00,000	—	—	
Reliance Fixed Maturity Fund – Quarterly Plan II – Series II – Dividend	10	35,00,000	—	35,00,000	—	—	—	3,50,00,000	
Reliance Fixed Maturity Fund – Quarterly Plan III – Series II – Dividend	10	—	35,00,000	35,00,000	—	—	—	—	
Reliance Fixed Horizon Fund – Quarterly Plan B – Series II – Dividend	10	—	35,00,000	35,00,000	—	—	—	—	
Reliance Fixed Horizon Fund – Quarterly Plan B – Series IV – Dividend	10	—	35,00,000	35,00,000	—	—	—	—	
							61,66,86,005	54,42,72,969	
							61,69,86,005	54,45,72,969	

Note : Aggregate amount of Unquoted Investments - Rs 61,69,86,005

TIMKEN INDIA LIMITED

	<b>As at 31.12.2006 Rupees</b>	<b>As at 31.12.2005 Rupees</b>
<b>SCHEDULE 7 : INVENTORIES</b>		
<i>(At lower of Cost and Net Realisable Value)</i>		
a) Stores and Spares *	<b>6,82,03,018</b>	6,80,42,289
b) Raw materials and Components *	<b>14,06,32,262</b>	12,73,25,138
c) Work - in - progress	<b>5,70,67,456</b>	5,75,39,926
d) Finished stock *	<b>24,15,05,243</b>	18,86,48,191
	<b>50,74,07,979</b>	44,15,55,544
*Including in transit		
<b>SCHEDULE 8 : SUNDRY DEBTORS</b>		
[refer note (s), Schedule 18]		
a) Debts outstanding for a period over six months	<b>2,64,43,462</b>	3,07,70,333
b) Other Debts	<b>57,81,81,956</b>	50,36,77,820
	<b>60,46,25,418</b>	53,44,48,153
Less : Provision for Bad and Doubtful debts	<b>1,05,08,740</b>	1,05,69,127
	<b>59,41,16,678</b>	52,38,79,026
<b>Classification of Debts :-</b>		
Secured and considered good	<b>64,84,838</b>	50,80,266
Unsecured – considered good	<b>58,76,31,840</b>	51,87,98,760
– considered doubtful	<b>1,05,08,740</b>	1,05,69,127
	<b>60,46,25,418</b>	53,44,48,153
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>		
a) Cash and Cheques in Hand (including Remittances in Transit)	<b>7,49,82,423</b>	10,12,71,497
b) Balance with Scheduled Banks		
i) In Current Accounts	<b>1,06,06,961</b>	1,60,85,376
ii) Towards margin money	<b>5,000</b>	5,000
	<b>8,55,94,384</b>	11,73,61,873

	<b>As at 31.12.2006 Rupees</b>	<b>As at 31.12.2005 Rupees</b>
<b>SCHEDULE 10 : LOANS AND ADVANCES</b>		
[refer note (t), Schedule 18]		
a) Prepaid expenses	<b>29,79,798</b>	26,57,660
b) Advance Payment of Tax - net of Provision	<b>24,68,524</b>	34,24,366
c) Advances recoverable in Cash or in Kind or for value to be received	<b>3,67,66,271</b>	1,18,26,160
d) Export Incentive Receivable	<b>1,94,83,563</b>	3,51,63,167
e) Balances with Customs and Excise	<b>2,16,71,020</b>	4,73,45,862
f) Deposits [ refer note (l), Schedule 18 ]	<b>3,01,41,488</b>	2,63,48,098
	<b>11,35,10,664</b>	12,67,65,313
Less : Provision for Doubtful Advances & Deposits	<b>3,42,500</b>	8,65,157
	<b>11,31,68,164</b>	12,59,00,156
<b>Classification of Loans &amp; Advances :-</b>		
Secured and considered good	<b>67,00,652</b>	1,26,88,650
Unsecured – considered good	<b>10,64,67,512</b>	11,32,11,506
– considered doubtful	<b>3,42,500</b>	8,65,157
	<b>11,35,10,664</b>	12,67,65,313

Notes : 1) Amount due from a Director Nil (Rs. Nil). Maximum amount due during the year Rs. 3,05,786 (Rs. 1,11,900).  
2) Amount due from an Officer Rs. 2,414 (Rs. 11,000). Maximum amount due during the year Rs. 2,41,590 (Rs. 75,000).

**SCHEDULE 11 : CURRENT LIABILITIES**

	<b>Rupees</b>	<b>As at 31.12.2006 Rupees</b>	<b>As at 31.12.2005 Rupees</b>
a) Sundry Creditors :			
i) Small Scale Industrial undertakings [refer note (r), Schedule 18]	<b>52,27,626</b>		62,39,633
ii) Others	<b>27,73,33,425</b>		43,00,84,567
		<b>28,25,61,051</b>	43,63,24,200
b) Advance payments from Customers		<b>8,66,168</b>	25,40,019
c) Deposit from Customers		<b>1,23,87,134</b>	1,16,27,302
d) Investor Education and Protection Fund shall be credited by the following amounts, namely			
i) Unpaid Matured Debentures	—		69,18,209
ii) Unpaid Interest on Debentures [refer note (y), Schedule 18]	—		48,55,326
		—	1,17,73,535
e) Other Liabilities		<b>8,32,49,170</b>	5,57,60,517
		<b>37,90,63,523</b>	51,80,25,573

TIMKEN INDIA LIMITED

	<b>As at 31.12.2006 Rupees</b>	<b>As at 31.12.2005 Rupees</b>
<b>SCHEDULE 12 : PROVISIONS</b>		
a) Provision for Leave Encashment & Other Employee Benefits	<b>4,10,86,000</b>	3,76,69,000
b) Provision for supplies not in conformity with specification (refer note (x), Schedule 18)	—	2,04,28,059
	<b><u>4,10,86,000</u></b>	<b><u>5,80,97,059</u></b>

	<b>Year ended December 31,2006 Rupees</b>	<b>Year ended December 31, 2005 Rupees</b>
<b>SCHEDULE 13 : INCOME FROM SERVICES</b>		
i) Agency Commission	<b>6,40,38,686</b>	4,97,77,460
ii) Other Services – including TDS Rs. 23,044 (Rs. 35,921)	<b>5,57,43,043</b>	4,92,81,869
	<b><u>11,97,81,729</u></b>	<b><u>9,90,59,329</u></b>

<b>SCHEDULE 14 : OTHER INCOME</b>		
i) Foreign Exchange Gain (net)	—	72,68,461
ii) Liabilities no longer required written back [including provisions Rs. 1,28,65,619 (Rs. 57,37,034)]	<b>1,88,98,711</b>	1,09,93,424
iii) Export incentives under DEPB Scheme (net)	<b>1,81,11,203</b>	2,90,26,348
iv) Dividend from current Investments - Non Trade	<b>1,89,31,563</b>	1,49,85,094
v) Profit on Sale of Investments	<b>1,57,82,260</b>	53,24,951
vi) Miscellaneous Income	<b>70,45,421</b>	46,67,301
	<b><u>7,87,69,158</u></b>	<b><u>7,22,65,579</u></b>

**SCHEDULE 15 : (INCREASE)/DECREASE IN STOCK OF  
FINISHED AND SEMI FINISHED GOODS**

Opening Stock		
Work in Progress	<b>5,75,39,926</b>	5,10,04,643
Finished Goods	<b>18,86,48,191</b>	16,02,88,159
	<b><u>24,61,88,117</u></b>	<b><u>21,12,92,802</u></b>
Less : Closing Stock		
Work in Progress	<b>5,70,67,456</b>	5,75,39,926
Finished Goods	<b>24,15,05,243</b>	18,86,48,191
	<b><u>29,85,72,699</u></b>	<b><u>24,61,88,117</u></b>
	<b><u>(5,23,84,582)</u></b>	<b><u>(3,48,95,315)</u></b>

	<u>Rupees</u>	<u>Year ended December 31, 2006 Rupees</u>	<u>Year ended December 31, 2005 Rupees</u>
<b>SCHEDULE 16 : MANUFACTURING AND OTHER EXPENSES</b>			
1) Purchase of Products for resale [refer note (c), Schedule 18]		<b>34,11,05,068</b>	28,79,68,589
2) Raw Materials and Components consumed [refer note (d), Schedule 18]		<b>136,08,93,757</b>	128,19,41,221
3) Payments to and Provision for employees			
a) Salaries, Wages and Bonus	<b>25,71,68,757</b>		22,07,03,719
b) Company's contribution to Provident and other Funds	<b>2,64,17,433</b>		1,88,15,982
c) Staff Welfare expenses	<b>2,07,62,351</b>		2,32,07,770
		<b>30,43,48,541</b>	26,27,27,471
4) Operation & Other Expenses			
a) Stores and spare parts consumed [refer note (e)(ii), Schedule 18]	<b>19,96,59,457</b>		18,90,96,819
b) Power	<b>6,44,15,788</b>		6,90,16,132
c) Repairs to Buildings	<b>1,55,98,692</b>		1,28,71,787
d) Repairs to Machineries	<b>2,20,92,595</b>		2,72,81,819
e) Royalty	<b>8,23,13,757</b>		7,91,44,045
f) Rent	<b>61,06,558</b>		41,07,580
g) Rates and Taxes	<b>50,69,482</b>		22,79,993
h) Insurance	<b>36,64,291</b>		40,90,266
i) Commission & Discount	<b>1,59,07,986</b>		1,26,02,456
j) Travelling	<b>5,93,26,305</b>		4,41,92,296
k) Conversion Charges [refer note(x), Schedule 18]	<b>3,01,24,967</b>		3,73,57,900
l) Legal & Professional Fees	<b>5,28,87,846</b>		2,60,68,886
m) Other Expenses [refer note (o), Schedule 18]	<b>11,48,38,175</b>		10,21,26,647
		<b>67,20,05,899</b>	61,02,36,626
5) Foreign Exchange Loss (Net)		<b>8,83,410</b>	—
6) Carriage and Handling		<b>4,17,70,671</b>	4,18,96,931
7) Provision for doubtful debts, deposits & advances		<b>75,16,272</b>	72,59,128
8) Irrecoverable Debts, Deposits & Advances written off Less : Adjusted against opening Provision	<b>27,67,417</b> <b>24,52,336</b>		90,58,335 47,42,949
		<b>3,15,081</b>	43,15,386
9) Excise Duty (Net of recovery) [refer note (z), Schedule 18]		<b>94,35,170</b>	40,41,538
		<b>273,82,73,869</b>	250,03,86,890
<b>SCHEDULE 17 : INTEREST - NET</b>			
Interest Expense			
Others		<b>1,10,14,600</b>	95,16,871
Less :			
Interest Income		<b>3,48,317</b>	3,570
		<b>1,06,66,283</b>	95,13,301

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

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

**(ii) Revenue Recognition**

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

Revenue from sale of goods including manufactured products is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with delivery to the customers.

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

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

**(iii) Fixed Assets**

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

**(iv) Depreciation**

Depreciation is provided under straight line method as detailed below –

- a) For building, vehicles, furniture & fixture, office equipments, certain amortised tools not consumable in nature & computers – on the basis of useful life of such assets estimated by the management, 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 in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

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

In the case of transactions covered by forward contracts, the difference between the contract rate and the exchange rate prevailing on the date of transaction is charged to Profit & Loss Account, proportionately over the contract period. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expenses for the year.

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

**(vi) Inventories**

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

**(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 accrued.

**SCHEDULE 18 : (Contd.)****(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 factory as on the balance sheet date.

**(ix) Leases**

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

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

**(x) Income Taxes**

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets (including unrecognised deferred tax assets of earlier years) are recognised only to the extent that there is reasonable certainty/virtual certainty supported by convincing evidence, as applicable, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**(xi) 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.

**(xii) 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.

**(xiii) Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**(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.

**(xv) Impairment**

- a) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.
- b) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.
- c) A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

**(xvi) Earning Per Share**

Earning per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.



**SCHEDULE 18 : (Contd.)****b) LICENCED AND INSTALLED CAPACITY AND PRODUCTION**

	<u>Installed capacity</u>		<u>Production</u>	
i) Standard Roller Bearings, including components	40,00,000	Nos.	17,62,163	Nos.
	(40,00,000)	Nos.	(16,04,074)	Nos.
ii) Special Roller Bearings, including components	3,70,000	Nos.	2,06,184	Nos.
	(2,60,000)	Nos.	(72,011)	Nos.
iii) Components (manufactured for sale)	—		70,46,696	Nos.
	—		(1,03,42,479)	Nos.

1) Licenced Capacity is not furnished as it is not applicable in terms of Government of India's Notification No.S.O.477(E) dated 25th July, 1991.

2) Above installed capacity represents existing manufacturing facilities for respective products and are certified by the Management.

**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 / Ball Bearings (Including purchased for resale)	23,52,965 (20,14,603)	Nos. Nos.	165,43,22,859 (138,12,89,018)	6,51,640 (3,27,032)	Nos. Nos.	14,90,78,713 (10,30,86,385)	3,27,032 (2,54,348)	Nos. Nos.	10,30,86,385 (9,52,92,127)	9,22,143 (4,30,782)	Nos. Nos.	15,95,48,462 (10,56,74,299)
ii) Components (Including purchased for resale)	81,27,593 (1,01,25,097)	Nos. Nos.	145,71,91,046 (147,46,67,511)	7,11,750 (7,56,016)	Nos. Nos.	7,33,70,059 (7,85,36,205)	7,56,016 (9,23,736)	Nos. Nos.	7,85,36,205 (5,71,95,717)	4,35,602 (5,52,375)	Nos. Nos.	9,98,36,545 (12,55,18,586)
iii) Bearing accessories & Maintenance Products (including Purchased for resale)		@	7,72,97,175 (6,28,13,418)			1,90,56,471 (70,25,601)			70,25,601 (78,00,315)			8,17,20,061 (5,67,75,704)
			<u>318,88,11,080</u>			<u>24,15,05,243</u>			<u>18,86,48,191</u>			<u>34,11,05,068</u>
			<u>(291,87,69,947)</u>			<u>(18,86,48,191)</u>			<u>(16,02,88,159)</u>			<u>(28,79,68,589)</u>

**Notes :**

\* Excludes free samples to customers.

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

# Purchases are for resale and inclusive of stock in transit.

@ Quantitative information not furnished due to nature and volume of such items.

**SCHEDULE 18 : (Contd.)**

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

Details of Raw Materials/Components	Year ended December 31, 2006		Year ended December 31, 2005	
	Quantity	Rupees	Quantity	Rupees
Raw Materials - Steel	14,53,707 Kgs.	9,48,51,134	17,47,074 Kgs.	9,62,36,341
Rings	65,85,022 Nos.	86,60,25,513	66,51,840 Nos.	82,36,57,221
Components & Accessories		40,00,17,110		36,20,47,659
		<u>136,08,93,757</u>		<u>128,19,41,221</u>

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

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

	Year ended December 31, 2006		Year ended December 31, 2005	
	%	Rupees	%	Rupees
<b>i) Raw Materials and components</b>				
Imported	16.20	22,04,51,931	14.56	18,65,94,846
Indigenous	83.80	114,04,41,826	85.44	109,53,46,375
	<u>100.00</u>	<u>136,08,93,757</u>	<u>100.00</u>	<u>128,19,41,221</u>
<b>ii) Stores and spare parts</b>				
Imported	19.79	3,95,14,700	15.87	3,00,03,202
Indigenous	80.21	16,01,44,757	84.13	15,90,93,617
	<u>100.00</u>	<u>19,96,59,457</u>	<u>100.00</u>	<u>18,90,96,819</u>

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

	Year ended December 31, 2006 Rupees	Year ended December 31, 2005 Rupees
i) Raw Materials, components, stores and spare parts	28,07,77,884	23,13,82,369
ii) Finished Products for re-sale	17,10,35,192	16,56,36,610
iii) Capital Goods	3,21,43,919	5,72,61,635

## SCHEDULE 18 : (Contd.)

	Year ended December 31, 2006 Rupees	Year ended December 31, 2005 Rupees
<b>g) EXPENDITURE IN FOREIGN CURRENCY (on cash basis)</b>		
i) Foreign Travel	91,29,961	80,02,397
ii) Bank Charges	1,02,551	2,07,598
iii) Royalty (net of withholding tax)	6,37,14,006	6,15,41,472
iv) Others	5,38,73,919	3,95,38,310
<b>h) EARNINGS IN FOREIGN EXCHANGE (on realisation basis)</b>		
i) F.O.B. value of exports	124,40,66,622	144,75,30,013
ii) Agency commission	5,68,45,239	4,50,58,731
	<b>As at 31.12.2006 Rs. Lakhs</b>	<b>As at 31.12.2005 Rs. Lakhs</b>
<b>i) CONTINGENT LIABILITIES NOT PROVIDED FOR</b>		
<b>A. Demands raised by Sales Tax/Income Tax/Excise authorities</b>		
i) Demand of sales tax for non-availability/non-consideration by Assessing Officer of various sales tax declaration forms.	915.71	877.41
ii) Demand of sales tax on account of non-deduction of various allowances and consequent enhancement of Gross turnover.	126.70	18.47
iii) Demand of sales tax on method of valuation of Goods.	12.20	9.05
iv) Demand of sales tax department, Jamshedpur towards additional electricity duty on account of basis of valuation.	16.74	16.74
v) Demand of additional Income tax due to non-consideration of TDS Certificates by the Assessing Officer.	14.77	14.77
vi) Demand of income tax due to disallowance of certain business expenses & incentives by the Assessing Officer.	819.33	—
vii) Demand of excise duty on Scrap generated at Job-workers' premises.	50.28	46.60
viii) Demand of excise duty on CVD credit for imported components of railway bearings.	52.45	52.45
ix) Demand of excise duty on scrap grinding sludge and short/excess of stock.	12.77	12.77
The Company has preferred appeals against all the above issues and the same are pending with the relevant appropriate authorities.		
<b>B. Custom duty on import of equipments under EPCG Scheme</b>	141.61	75.34
<b>C. Other Claims against the Company not acknowledged as debts</b>		
i) Demand of ESI Corporation for ESI contribution on employees at Kolkata office of the Company. The Company has contested on the applicability of ESI for such employees and the issue is pending before the Assistant Regional Director, ESI Corporation, Kolkata.	2.89	2.89
ii) Demands arising out of suits filed by Shareholders on account of short/non refund of Application Money for which shares have not been allotted and/or non-receipt of Share Certificates etc. Company's appeals against these issues are pending before relevant District Forum/State Commission/Civil Courts.	5.23	5.18
Based on discussions with the solicitors/favourable decisions in similar cases/legal opinions taken by the Company, the management believes that the Company has a good chance of success in above-mentioned cases and hence, no provision there against is considered necessary.		
	<b>As at 31.12.2006 Rupees</b>	<b>As at 31.12.2005 Rupees</b>
<b>j) ESTIMATED AMOUNT OF CONTRACTS REMAINING TO BE EXECUTED ON CAPITAL ACCOUNT AND NOT PROVIDED FOR (net of advances paid)</b>	1,06,65,950	4,00,34,577

**SCHEDULE 18 : (Contd.)**

	<b>Year ended December 31, 2006 Rupees</b>	<b>Year ended December 31, 2005 Rupees</b>
<b>k) MANAGERIAL REMUNERATION</b>		
i) Salary	<b>1,88,82,058</b>	1,04,44,195
ii) Contribution to Provident & Other Funds	<b>3,46,170</b>	3,14,672
iii) Estimated Value of Perquisites	<b>8,38,312</b>	6,73,068
<b>Total</b>	<b>2,00,66,540</b>	1,14,31,935

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

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

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

	<b>As at 31-12-2006 Rupees</b>	<b>As at 31-12-2005 Rupees</b>
– Disallowance u/s 43B and 40(a)(ia) of Income Tax Act, 1961	<b>2,23,79,539</b>	1,61,76,511
– Provision for Bad Debts	<b>36,52,527</b>	38,48,780
– Depreciation	<b>(3,63,29,334)</b>	(4,27,15,879)
<b>Net Deferred Tax Assets/(Liabilities)</b>	<b>(1,02,97,268)</b>	(2,26,90,588)

n) The Company has following un-hedged exposures in foreign currencies as at 31st December, 2006 :

<b>Sl. No.</b>	<b>Particulars</b>	<b>Foreign Currency</b>		<b>Rupees</b>
i)	Sundry Debtors, Loans & Advances	USD	26,58,151	11,75,43,441
		EURO	88	5,126
ii)	Current Liabilities & Provisions	USD	31,07,299	13,76,53,347
		EURO	24,312	14,15,665

	<b>Year ended December 31, 2006 Rupees</b>	<b>Year ended December 31, 2005 Rupees</b>
--	--	--

**o) OTHER EXPENSES**

Item 4 (m) of Schedule 16 includes :

i) Auditors' Remuneration *		
– For services as Auditors	<b>8,76,140</b>	8,25,000
– For Limited Review	<b>9,22,240</b>	8,80,000
– For Tax Audit	<b>3,66,800</b>	3,50,000
– For US GAAP Certification	<b>3,14,400</b>	3,00,000
– For Other Services	<b>1,31,200</b>	2,06,830
– For Corporate Governance	<b>1,04,800</b>	1,00,000
– For travelling and out-of-pocket expenses	<b>96,457</b>	1,22,741
* Exclusive of service tax		
ii) Directors' fees	<b>1,85,000</b>	48,000
iii) Loss on disposal / discarding of assets (net) [excluding insurance claims of Rs. 50,00,000 (Rs. Nil) included in miscellaneous income (ref Schedule 14(vi))]	<b>70,00,159</b>	6,86,022
iv) Provision for wealth tax	<b>82,630</b>	75,000
p) i) No Equity shares have been allotted during the year ended 31st December, 2006 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, 2006.		
iii) Calls in arrears of Rs. 1,41,000 have been computed on the basis of information certified by the Registrar & Share Transfer Agent of the Company.		

**SCHEDULE 18 : (Contd.)**

q) Excise Duty and Cess on Stock represents differential excise duty and cess paid / provided on opening and closing stock of finished goods.

r) 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, 2006 :-

Bhuller Engg. Works, Devendra Packaging, D N Sirkar, Eastern Machinery Works, Industrial Enterprises, Kashmir Timber Traders, Maa Andula Packaging, Mother Trading, Pawan Enterprises, Perfect Turners, Premier Packaging, Shivalik Industries, Shyam Enterprises, Sumit Techmart, Taj Engineering Industries, Viks Gears.

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

Supplier Name	As at 31-12-2006	
	Principal Amount Rupees	Interest Due Rupees
Shivalik Industries	8,484	624
Sumit Techmart	1,64,691	7,502
Taj Engineering Industries	13,920	868

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

	As at 31.12.2006 Rupees	As at 31.12.2005 Rupees
Timken Europa GmbH	6,16,589	81,171
Timken UK Limited	—	23,13,129
Australian Timken Proprietary Limited	64,56,743	1,44,04,600
Timken Do Brasil Com.E.Ind.Ltda.	35,17,475	2,70,49,242
Timken Singapore PTE Limited	30,33,704	54,39,876
Timken Italia S.R.L.	9,19,820	—
Timken South Africa (PTY) Limited	64,66,115	1,35,73,629
Timken Romania S.A.	33,159	33,159
Timken Engineering and Research India Pvt. Ltd.	1,24,742	1,24,742

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

	As at 31.12. 2006 Rupees	Maximum Amount due during 2006 Rupees	As at 31.12. 2005 Rupees
Timken Europa (France)	5,126	48,638	—
Timken Romania	2,25,594	2,25,594	—
Timken Company USA	12,89,356	—	—
Timken Engineering and Research India Pvt. Ltd.	11,262	2,84,649	—
Timken Singapore Ltd.	24,141	24,141	25,810
Timken South Africa	—	5,76,976	5,76,976
Timken Italia S.R.L.	—	75,448	—
Timken Wuxi (China)	90,576	90,576	—
Timken India Manufacturing Pvt. Ltd.	24,20,356	24,20,356	—

u) **Segment Information**

**Business Segment:**

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

**SCHEDULE 18 : (Contd.)**

**Geographical Segments:**

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

**Secondary Segment - Geographical**

	<b>Year ended December 31, 2006 Rupees</b>	<b>Year ended December 31, 2005 Rupees</b>
<b>Sales Revenue by Geographical Market</b>		
India	<b>212,99,09,626</b>	173,79,45,344
Outside India	<b>125,74,52,341</b>	135,21,49,511
Total	<b>338,73,61,967</b>	309,00,94,855
<b>Carrying Amount of Segment Assets</b>		
India	<b>239,67,99,187</b>	215,44,77,056
Outside India	<b>11,42,51,494</b>	16,14,28,718
Total	<b>251,10,50,681</b>	231,59,05,774
<b>Purchase of Fixed and Intangible Assets</b>		
India	<b>13,69,30,602</b>	16,73,01,018
Outside India	—	—
Total	<b>13,69,30,602</b>	16,73,01,018

**v) Related Party Disclosure:**

During the year, the company entered into transactions with related parties. Those transactions along with related balances at 31st December, 2006 and for the year then ended are presented in the following table.

SI No	Name of the Related Party	Relationship	Nature of transactions	Transaction Amount (Rs)	Outstanding as on 31/12/06 (Rs)
1	The Timken Company, USA	Holding Co. with 80% equity shares	Purchase of Goods	19,42,34,783 (15,86,86,467)	4,22,99,620 (10,49,69,094)
			Sale of Goods	90,86,40,768 (98,50,64,272)	7,41,14,251 (8,18,67,883)
			Purchases of Fixed Assets	2,30,72,993 (4,33,60,365)	12,43,595 (2,06,71,614)
			Expenses Receivable	1,23,83,983 (1,68,34,112)	12,94,482 (29,53,224)
			Expenses Payable	5,82,14,390 (2,50,43,829)	2,04,31,873 (1,20,45,724)
			Agency Commission (Expenses)	2,147 (—)	2,112 (—)
			Agency Commission (Income)	6,32,66,184 (4,80,19,574)	1,70,39,472 (1,05,19,206)
			Freight Recovery	5,848 (4,24,351)	— (—)
			Royalty	7,83,94,055 (7,53,75,282)	5,99,76,540 (6,64,73,037)
			Technical Assistance Expenses	—	(11,65,352)
2	Timken UK Limited	Fellow Subsidiary	Sale of Goods	1,46,82,799 (3,41,26,480)	— (23,13,129)
			Purchase of Goods	—	—
			Expenses Payable	—	(1,05,543)
			Freight Recovery	— (96,703)	— (—)
3	Timken Do Brasil COM.E.IND.LTDA	Fellow Subsidiary	Sale of Goods	5,95,35,567 (7,62,16,788)	35,17,475 (2,70,49,242)
			Purchase of Goods	—	—
			Expenses Payable	15,05,089 (—)	15,05,089 (—)
			Agency Commission (Expense)	1,89,064 (1,70,890)	4,67,646 (2,90,942)

TIMKEN INDIA LIMITED

**SCHEDULE 18 : (Contd.)**

Sl No	Name of the Related Party	Relationship	Nature of transactions	Transaction Amount (Rs)	Outstanding as on 31/12/06 (Rs)
4	Timken Korea LLC	Fellow Subsidiary	Agency Commission (Expense)	2,84,170 (6,22,131)	2,74,808 (6,22,131)
5	Timken South Africa Limited	Fellow Subsidiary	Sale of Goods	6,08,19,043 (6,60,20,190)	41,06,125 (1,35,73,629)
			Purchase of Goods	53,06,052 (1,90,398)	— (2,95,292)
			Expenses Receivable	3,91,921 (15,94,744)	— (5,76,976)
			Freight Recovery	1,29,960 (—)	— (—)
			Agency Commission (Income)	98,397 (9,07,923)	— (—)
6	Timken Bearing Services South Africa	Fellow Subsidiary	Sale of Goods	23,96,281 (—)	23,59,990 (—)
7	Timken Romania	Fellow Subsidiary	Purchase of Goods	1,09,38,071 (67,72,295)	18,55,844 (87,781)
			Expenses Payable	73,834 (68,635)	54,469 (84,472)
			Expenses Receivable	3,86,521 (—)	2,25,594 (—)
			Agency Commission (Income)	— (33,121)	33,159 (33,159)
8	Timken Singapore PTE. Limited	Fellow Subsidiary	Sale of Goods	4,42,70,592 (4,35,29,838)	30,33,704 (54,39,876)
			Purchase of Goods	4,00,47,992 (3,44,18,563)	11,01,994 (93,35,249)
			Expense Receivable	24,141 (52,823)	24,141 (25,810)
			Freight Recovery	5,178 (77,095)	— (—)
9	Yantai Timken Company Limited	Fellow Subsidiary	Sale of Goods	47,152 (26,71,727)	— (9,07,585)
			Purchase of Goods	3,07,29,592 (1,95,14,256)	26,95,722 (65,24,889)
			Expense Receivable	— (4,75,411)	— (90,576)
			Freight Recovery	— (58,820)	— (—)
10	Australian Timken Proprietary Limited	Fellow Subsidiary	Sale of Goods	9,24,88,346 (7,02,79,356)	64,56,743 (1,44,04,600)
			Purchase of Goods	— (—)	— (—)
11	Timken Polska	Fellow Subsidiary	Purchase of Goods	5,22,540 (15,37,424)	— (7,32,048)
			Purchases of Fixed Assets	29,409 (57,779)	— (57,779)
12	Timken (China) Investment Co. Ltd.	Fellow Subsidiary	Expenses Payable	22,48,383 (—)	22,50,400 (—)
13	Others	Fellow Subsidiaries	Purchase of Goods	3,83,818 (1,00,418)	1,16,051 (12,970)
			Sale of Goods	10,67,905 (50,34,854)	10,44,562 (1,24,742)
			Purchases of Fixed Assets	62,37,190 (—)	— (—)
			Expenses Receivable	30,52,046 (3,86,614)	25,22,194 (25,810)
			Expenses Payable	3,43,32,710 (1,02,57,489)	94,40,182 (42,66,365)
			Agency Commission (Income)	5,36,342 (7,85,113)	6,16,589 (81,171)
14	G. W. Robinson	Chairman & Managing Director Key Management Personnel	Remuneration*	1,60,22,100 (82,02,682)	86,23,530 (48,00,488)
15	Shyamal K Sinha	Deputy Managing Director - Key Management Personnel	Remuneration *	40,44,440 (32,29,253)	7,46,564 (6,22,122)

**SCHEDULE 18 : (Contd.)**

1. Others comprise – Timken Italia SRL, Timken Engineering & Research India Pvt. Ltd., Timken India Mfg. Pvt. Ltd., Timken Europa GmbH, Timken Wuxi, Timken RBS.
  2. Key Management Personnel – Mr. G W Robinson, Chairman & Managing Director and Mr. Shyamal K Sinha, Deputy Managing Director.
- \* For payments being Managerial Remuneration to Key Management Personnel - refer note (k) of Schedule 18.

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

	<b>Year ended December 31, 2006 Rupees</b>	<b>Year ended December 31, 2005 Rupees</b>
Profit After Tax	<b>38,12,55,172</b>	34,88,10,551
Earnings available to Equity Shareholders	<b>38,12,55,172</b>	34,88,10,551
Weighted Average No. of Equity Shares @ Rs. 10/- each	<b>6,37,34,850</b>	6,37,34,850
Earnings per share - Basic & Diluted	<b>5.98</b>	5.47

x) **Provisions**

	Balance as at 01.01.2006 Rs.	Additions during the year Rs.	Amounts used during the year Rs.	Unused amounts reversed during the year Rs.	Balance as at 31.12.2006 Rs.
Provision for Warranties	2,04,28,059 (2,18,61,201)	1,25,73,393 (3,02,35,574)	3,22,11,854 (2,69,94,312)	7,89,598 (46,74,404)	— (2,04,28,059)

The above provision of Rs. 1,25,73,393 (Rs. 3,02,35,574) for supplies not in conformity with specification is included in conversion charges (Refer 4(k) Schedule 16).

- y) Matured Debentures and interest thereon were separately funded in the respective bank accounts and remained unpaid in absence of claim. The said unclaimed amounts have since been transferred to the Investors Education and Protection Fund in terms of applicable provisions of law.
  - z) Excise duty expense (net of recovery) represents duty paid/provided for stocks written off, burnt stock, free samples etc.
- aa) Previous year's figures (including those in brackets) have been regrouped/rearranged, wherever necessary.

Signature to Schedules 1 to 18

For and on behalf of the Board

As per our report of even date attached

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

Chartered Accountants

**Per Rahul Roy**

a Partner

Membership No 53956

Kolkata, 9 February, 2007

**Soumitra Hazra**

*Company Secretary & Chief-Compliance*

Kolkata, 9 February, 2007

**G. W. Robinson**

*Chairman & Managing Director*

**P. S. Dasgupta**

*Director*



**ABSTRACT OF THE BALANCE SHEET AS AT 31.12.2006 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	6
---	---	---	---

  
 Date Month Year

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

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

 Rights Issue 

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

  
 Bonus Issue 

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

 Private Placement 

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

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

2	0	9	0	9	0	1
---	---	---	---	---	---	---

 Total Assets 

2	0	9	0	9	0	1
---	---	---	---	---	---	---

  
**Sources of Funds**  
 Paid-Up Capital 

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

 Reserves & Surplus 

1	4	2	7	5	6	1
---	---	---	---	---	---	---

  
 Secured Loans 

0	4	4	0	6
---	---	---	---	---

 Unsecured Loans 

1	1	4	2	9
---	---	---	---	---

  
 Deferred Tax Liabilities (Net) 

1	0	2	9	7
---	---	---	---	---

**Application of Funds**  
 Net Fixed Assets 

5	9	3	7	7	7
---	---	---	---	---	---

 Investment 

6	1	6	9	8	6
---	---	---	---	---	---

  
 Net Current Assets 

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

 Misc. Expenditure 

0
---

  
 Accumulated Losses 

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

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

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

 Total Expenditure 

2	7	9	9	8	4	8
---	---	---	---	---	---	---

  
 + - Profit/loss Before Tax 

+		5	8	7	5	1	4
---	--	---	---	---	---	---	---

 + - Profit/loss After Tax 

+		3	8	1	2	5	5
---	--	---	---	---	---	---	---

  
 + - Earning per Share in Rs. 

+		5	.	9	8
---	--	---	---	---	---

 Dividend rate % 

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

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

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

 & 

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

  
 (ITC Code)  
 Product Description 

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

  
 Item Code No. 

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

  
 (ITC Code)  
 Product Description 

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

  
 Item Code No. 

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

  
 (ITC Code)  
 Product Description 

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

On behalf of the Board of Directors

Kolkata,  
February 9, 2007

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

**P. S. Dasgupta**  
Director

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

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 2006**

	Year ended 31.12.2006 Rupees	Year ended 31.12.2005 Rupees
<b>A. Cash Flow from Operating Activities :</b>		
<b>Net Profit/(Loss) before Tax and Extraordinary items</b>	<b>58,75,14,352</b>	52,95,40,384
Adjustments for :		
Depreciation	10,02,99,646	8,75,53,000
Interest income	(3,48,317)	(3,570)
Interest expense	1,10,14,600	95,16,871
Income from Investments (Net)	(3,47,13,823)	(2,03,10,045)
(Profit)/Loss on sale of assets	70,00,159	6,86,023
Miscellaneous expenditure amortised	—	21,96,595
Provision for Wealth Tax	82,630	75,000
	<b>8,33,34,895</b>	7,97,13,874
<b>Operating Profit before Working Capital Changes</b>	<b>67,08,49,247</b>	60,92,54,258
Adjustments for :		
Trade and Other Receivables	(6,40,43,616)	(4,12,84,405)
Inventories	(6,58,52,434)	(5,38,96,639)
Trade Payables and Other Liabilities	(15,33,88,860)	10,51,64,878
	<b>(28,32,84,910)</b>	99,83,834
<b>Cash Generated from Operations</b>	<b>38,75,64,337</b>	61,92,38,092
Direct Tax paid	(21,77,79,287)	(20,19,82,176)
	<b>(21,77,79,287)</b>	(20,19,82,176)
<b>Net Cash from Operating Activities</b>	<b>16,97,85,050</b>	41,72,55,916
<b>B. Cash Flow from Investing Activities :</b>		
Purchase of Fixed Assets	(13,55,43,550)	(16,73,01,018)
Sale of Fixed Assets	96,300	14,97,899
Purchase of Investments	(83,21,04,917)	(46,91,81,385)
Sale of Investments	77,54,74,140	34,57,51,488
Dividend from Investments	1,89,31,563	1,49,85,094
Interest received	3,48,317	3,570
<b>Net Cash from Investing Activities</b>	<b>(17,27,98,147)</b>	(27,42,44,352)
<b>C. Cash Flow from Financing Activities :</b>		
Interest paid	(1,10,14,600)	(95,16,871)
Proceeds / (Redemption) of Share Capital	750	1,500
Proceeds from Term/Short Term Borrowings	(35,18,867)	(7,81,97,114)
Cash Credit (Net)	(1,42,21,675)	1,53,55,160
<b>Net Cash from Financing Activities</b>	<b>(2,87,54,392)</b>	(7,23,57,325)
<b>Net increase/(decrease) in Cash and Cash equivalents</b>	<b>(3,17,67,489)</b>	7,06,54,239
<b>Cash and Cash equivalents as at 1st January (Opening Balance)</b>	<b>11,73,61,873</b>	4,67,07,634
<b>Cash and Cash equivalents as at 31st December (Closing Balance)</b>	<b>8,55,94,384</b>	11,73,61,873

Notes : (1) Figures in brackets represent outflows.

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

As per our Report of even date attached

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

**Per Rahul Roy**  
a Partner  
Membership No 53956

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

**P. S. Dasgupta**  
Director

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

Kolkata, February 9, 2007

Kolkata, February 9, 2007

## Corporate Governance Report

### Company's philosophy on code of governance

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

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

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

### Board of Directors

#### Composition:

The Company has an Executive Chairman and the number of Independent Directors in 2006 was not less than 50% of the total number of Directors. The number of Non-Executive Directors was more than 50% of the total number of Directors, with the Chairman & Managing Director and the Dy. Managing Director being the only Executive Directors on the Board of Directors of the Company.

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

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

Name	Category	No. of Board Meetings attended during the year ended December 31, 2006	Whether attended AGM held on April 28, 2006	No. of Directorships in other companies	No. of Committee positions held in other companies	
					Chairman	Only Member
Mr. Gordon W. Robinson	Promoter Director, Executive, Not Independent	4	Yes	4	—	—
Mr. Shyamal K. Sinha	Executive, Not Independent	4	Yes	2	—	—
Mr. Michael J. Hill	Promoter Director, Non-Executive, Not Independent	1	No	NA	NA	NA
Mr. Niroop Mahanty	Non-Executive, Independent	4	Yes	2	—	—
Mr. Jai S. Pathak	Non-Executive, Independent	3	Yes	1	1	2
Mr. P S Dasgupta	Non-Executive, Independent	3	Yes	20**	—	7
Ms. Sunitha Narahari Alternate Director to Mr. Michael J. Hill	Non-Executive, Independent	3	Yes	5**	—	—

\*\* Including directorships in Private Limited companies

Four Board Meetings were held during the year ended December 31, 2006 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

- 1) January 28, 2006
- 2) April 28, 2006
- 3) July 18, 2006
- 4) October 23, 2006

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

**Audit Committee**

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

The Company has complied with all the requirements of Clause 49 (II)(A) of the Listing Agreement relating to composition of the Audit Committee. Mr. P S Dasgupta, an independent, non-executive Director acted as the Chairman of the Audit Committee in 2006. Mr. Dasgupta, as the Chairman of the Audit Committee was present at the Nineteenth Annual General Meeting of the Company held on April 28, 2006.

In 2006, the composition of the Audit Committee and the details of meetings attended by the members thereof were as follows:

Name of the Members	Category	No. of Meetings attended
Mr. P S Dasgupta, Chairman	Non-Executive, Independent	3
Mr. Niroop Mahanty, Member	Non-Executive, Independent	4
Mr. Jai S. Pathak, Member	Non-Executive, Independent	3
Mr. Shyamal K. Sinha, Member	Executive, Not Independent	4

Audit Committee Meetings were attended by Controller of Accounts, Manager – Internal Audit. Chairman & Managing Director and Ms. Sunitha Narahari were also present as invitees at the Audit Committee Meeting held on October 23, 2006. Representatives of the Statutory Auditors had also attended these meetings. As required under law, Company Secretary & Chief – Compliance acted as the Secretary of the Audit Committee.

Four Audit Committee Meetings were held during the year 2006. The dates on which the said meetings were held are as follows:

- 1) January 28, 2006
- 2) April 28, 2006
- 3) July 18, 2006
- 4) October 23, 2006

Necessary quorum was present at all these meetings.

**Remuneration Committee**

Broad terms of reference of the Remuneration Committee includes determination on behalf of the Board of Directors of the Company and on behalf of the shareholders, the Company’s policy on specific remuneration packages for Executive Directors of the Company. The Company has two Executive Directors under the respective designations ‘Chairman & Managing Director’ and ‘Dy. Managing Director’.

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

In 2006, the composition of the Remuneration Committee was as follows:

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

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

The Company paid remuneration by way of salary, perquisites and allowances (fixed components) and Performance Incentive (variable component) to the Chairman & Managing Director and Dy. Managing Director being the Executive Directors on the Board of Directors of the Company, after obtaining the requisite approvals from the Remuneration Committee, Board of Directors of the Company, the shareholders and in applicable cases from Central Government after complying with the requisite formalities as prescribed under the Companies Act, 1956. As per practices consistently followed by the Company, Performance Incentives (variable component) were based on the performance criteria laid down at the beginning of the year broadly taking into account the profit targets set for the year under review.

No meeting of the Remuneration Committee was held in 2006. Necessary approvals were however obtained by way of resolutions by circulation.

**Details of Remuneration of Directors for the year 2006**

*Non-Executive Directors*

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

*Executive Directors*

Name of the Director	Salary & Allowances	Perquisites	Performance Incentive	Stock Options
Mr. Gordon W Robinson	45,00,000	—	1,15,22,100	Nil
Mr. Shyamal K. Sinha	22,76,511	7,78,074	9,89,855	Nil

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

**Investors Grievance Committee**

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

In 2006, the composition of the Investors Grievance Committee is given below:

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

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

One meeting of the Investors Grievance Committee was held on July 24, 2006. Generally, approval of the members of Investors Grievance Committee are obtained through Circular Resolutions for effecting registration of transfer of shares, issue of duplicate / new certificates and other issues involving investor services. During the above period, an aggregate of 45 resolutions have been approved by the said Committee by way of circulation. In addition, status reports, inter alia, on

share price movement and investors' profile were circulated periodically to the members of the Investors Grievance Committee.

The status of investors' queries handled by the Company and also by the Registrars during the year ended on December 31, 2006 is given below:

Particulars	Total Received	Total Replied	Total Pending as on 31.12.06
Change of Address / POA	436	436	—
Others	396	396	—
Duplicate /New Certificates	373	373	—
Non-receipt of interest / redemption	305	305	—
Non-receipt of Certificates	164	164	—
Endorsement	157	157	—
Transmission	129	129	—
Dematerialisation	89	89	—
Revalidation	39	39	—
Transfers	10	10	—
<b>TOTAL</b>	<b>2098</b>	<b>2098</b>	<b>—</b>

As on December 31, 2006, 39 requests for registration of transfer of Equity Shares of the Company remained outstanding in the books of the Company, partly being requests received subsequent to December 21, 2006 and partly for sellers' confirmation.

**General Body Meetings**

Details on General Meetings:

Location, date and time of General Meetings held during the last three years:

Year	Location	AGM/ EGM	Date	Day	Time	No. of Special Resolutions
2003	Shavak Nanavati Technical Institute, N-Road, Bistupur, Jamshedpur – 831 001	AGM	April 24, 2004	Saturday	12.00 Noon	—
2004	Center for Excellence, Jubilee Road, Jamshedpur – 831 001	AGM	April 23, 2005	Saturday	12.30 p.m.	1
2005	Center for Excellence, Jubilee Road, Jamshedpur – 831 001	AGM	April 28, 2006	Friday	03.00 p.m.	—

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

**Disclosures**

There was no materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, the Directors or the Management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company at large during the year 2006.

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

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

The Company has not as such adopted a Whistle Blower Policy being a non-mandatory requirement in terms of Clause 49 of the Listing Agreement. However, the Associates of the Company have access to "The Timken Helpline", a toll free phone number that any Associate can call, if he has any concern or question, which he is not willing to discuss face to face with his Supervisor, Manager or a member of the Human Resource Team. This Helpline is available around the clock, every day. No call tracing or recording devices are ever used and if the Associate so wishes, he may remain completely anonymous. Besides, assistance of an Ombudsman is also available at Jamshedpur with whom the Associates of the Company can have direct interaction on any matter, which they feel is not right.

The Company has complied with all the mandatory requirements in terms of Clause 49 of the Listing Agreement.

**General Shareholders Information**

1. AGM	Friday, April 27, 2007 at 3.00 pm at Center for Excellence, Jubilee Road Jamshedpur - 831001.
2. Financial Calendar	The Accounting Year covers the period from January 1 to December 31, 2007. Financial reporting for: a) 1st Quarter ending March 31, 2007 – end April, 2007 b) Half year ending June 30, 2007 – end July, 2007 c) 3rd Quarter ending September 30, 2007 – end October, 2007 d) Year ending December 31, 2007 – end January / February 2008 Note : The above calendar is indicative in nature.
3. Date of Book Closure	April 13, 2007 to April 27, 2007 (both days inclusive).
4. Dividend Payment Date	—
5. Listing on Stock Exchanges	Equity Shares of the Company are presently listed on the following Stock Exchanges: Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001

Regarding compliance with non-mandatory requirements, the following is the status:

- 1) Chairman of the Board – Since the Company has an Executive Chairman, the provisions of this Clause is not applicable for the Company.
- 2) Remuneration Committee – The Company has a Remuneration Committee in place and it is functioning properly.
- 3) Shareholders’ Rights – Half-yearly declaration of financial performance are not currently sent to each of the household of Shareholders but are published in terms of Clause 41 of the Listing Agreement in certain newspapers and also to the Stock Exchanges. Besides, all the Quarterly / Half-year financial results are published on the Company’s website.
- 4) Audit Qualification – The Auditors’ Report on the Company’s financial statements does not contain any qualification.
- 5) Board Members – The Company has not adopted any mechanism for evaluating non-executive Board Members or for their training so far.
- 6) Whistle Blower Policy – Please read our comments as above.

**Means of Communication**

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

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

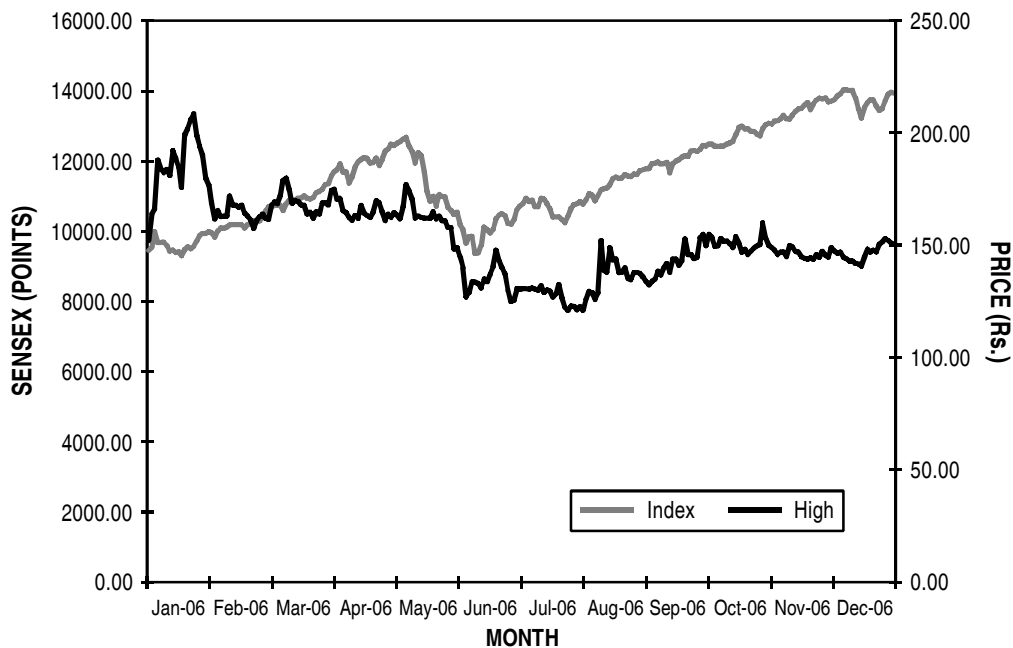
Half-yearly results of the Company were communicated through newspaper insertions and intimation to the Stock Exchanges and were also displayed on the Company’s website.

**Directors’ Shareholding**

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



	<p>National Stock Exchange of India Limited                  "Exchange Plaza"                  Bandara-Kurla Complex                  Bandara (East), Mumbai - 400 051</p> <p>The Calcutta Stock Exchange Association Ltd.                  7, Lyons Range                  Kolkata – 700 001</p> <p>Magadh Stock Exchange Association                  9th Floor, Ashiana Plaza                  Budh Marg                  Patna – 800 001</p> <p>Steps are being taken to get the Equity Shares delisted from the Calcutta and Magadh Stock Exchanges. The Company has paid annual Listing Fees to all these Stock Exchanges for the year 2006-2007.</p>																																							
6. Stock Code	522113 (Equity) (BSE), Timken (NSE)																																							
7. Market Price Data	<p>Monthly High/Low of Market Prices of the Company's Equity Shares, traded on the Bombay Stock Exchange Limited during the year ended December 31, 2006:</p> <table border="1"> <thead> <tr> <th>Month</th> <th>High (Rs.)</th> <th>Low (Rs.)</th> </tr> </thead> <tbody> <tr><td>January 2006</td><td>208.50</td><td>147.85</td></tr> <tr><td>February 2006</td><td>177.00</td><td>153.10</td></tr> <tr><td>March 2006</td><td>180.00</td><td>156.50</td></tr> <tr><td>April 2006</td><td>175.00</td><td>156.55</td></tr> <tr><td>May 2006</td><td>177.10</td><td>142.25</td></tr> <tr><td>June 2006</td><td>157.90</td><td>115.00</td></tr> <tr><td>July 2006</td><td>132.50</td><td>116.30</td></tr> <tr><td>August 2006</td><td>152.10</td><td>118.10</td></tr> <tr><td>September 2006</td><td>154.95</td><td>130.55</td></tr> <tr><td>October 2006</td><td>160.00</td><td>141.25</td></tr> <tr><td>November 2006</td><td>150.00</td><td>140.00</td></tr> <tr><td>December 2006</td><td>152.95</td><td>134.00</td></tr> </tbody> </table>	Month	High (Rs.)	Low (Rs.)	January 2006	208.50	147.85	February 2006	177.00	153.10	March 2006	180.00	156.50	April 2006	175.00	156.55	May 2006	177.10	142.25	June 2006	157.90	115.00	July 2006	132.50	116.30	August 2006	152.10	118.10	September 2006	154.95	130.55	October 2006	160.00	141.25	November 2006	150.00	140.00	December 2006	152.95	134.00
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8. Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc.	Performance of the Company's Share Prices in comparison of the BSE Sensex is given below:																																							



9. Registrar & Transfer Agents	C B Management Services (P) Limited P-22, Bondel Road Kolkata – 700 019			
10. Share Transfer System	<p>Requests for registration of transfer of Shares held in physical form may be lodged with C B Management Services (P) Limited at the above address at Kolkata or may also be sent to Company Secretary &amp; Chief-Compliance at the Registered Office of the Company at Jamshedpur.</p> <p>All valid requests for registration of transfer are normally processed within 10 - 12 days from the date of receipt of the documents, if the same are complete in all respect.</p> <p>A Committee of the Board under the title “Investors Grievance Committee” has been entrusted with the authority, <i>inter alia</i>, to approve registration of transfer of shares.</p>			
11. Distribution of Share holding	The distribution of shareholding as on December 31, 2006 is given below :			
	<b>Range (Rs.)</b>	<b>Accounts</b>	<b>Shares</b>	<b>%</b>
	1 – 5000	55428	6596412	10.35
	5001 – 10000	795	640536	1.00
	10001 – 20000	325	484724	0.76
20001 – 30000	104	265468	0.42	
30001 – 40000	42	150289	0.24	
40001 – 50000	38	179893	0.28	
50001 – 100000	41	302930	0.48	
100001 and above	33	55114598	86.47	
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 54.29% of the Company's Equity Share Capital is dematerialised. The Shares of the Company are listed as aforesaid and are regularly traded on Bombay Stock Exchange and National Stock Exchange.			
13. Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity	Nil			
14. Plant location	The Company's manufacturing facility is located at Bara, P.O. Agrico, Jamshedpur – 831 009.			
15. Address for correspondence	Any investor related queries may be addressed to the following addresses :			
	<p>Company Secretary &amp; Chief-Compliance Timken India Limited Bara, P.O. Agrico Jamshedpur – 831 009 Tel. No. 0657 – 2152500 Fax No. 0657 – 2210117</p>	<p>C B Management Services (P) Limited P-22, Bondel Road Kolkata – 700 019 Tel. No. 033-22806692-94/2486/2937 E-mail : cbmsl1@cal2.vsnl.net.in</p>		



**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 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

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

Place : Kolkata  
Date : 9th February, 2007

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

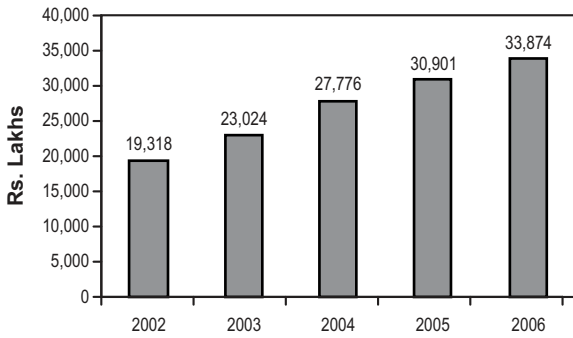
**Per RAHUL ROY**  
*a Partner*  
Membership no. 53956

**FIVE YEARS AT A GLANCE**

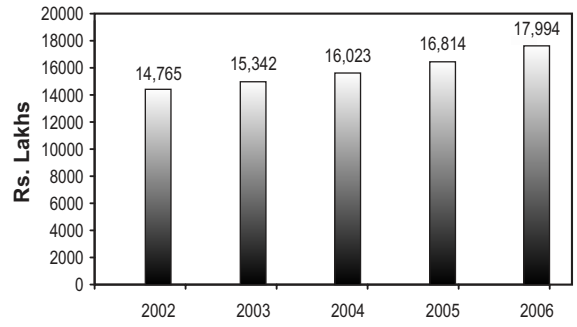
	Year Ended				
	2006	2005	2004	2003	2002
<b>Production</b>					
(i) Standard Roller Brgs (Equiv. Nos.)	<b>21,10,058</b>	18,66,621	19,01,588	16,79,028	14,57,012
(ii) Special Roller Bearings (Equiv. Nos.)	<b>14,19,012</b>	8,63,492	9,12,875	6,60,044	6,57,706
(iii) Components (Equiv. Nos.)	<b>27,15,466</b>	28,33,987	23,44,194	19,92,481	15,78,274
<b>Rs/Lakhs</b>					
<b>Profit &amp; Loss Account</b>					
(i) Gross Sales	<b>36,942</b>	33,246	29,998	25,012	21,104
(ii) Net Sales					
(a) Domestic	<b>21,936</b>	17,877	16,711	15,217	13,203
(b) Export	<b>11,938</b>	13,024	11,065	7,807	6,115
Total (a+b)	<b>33,874</b>	30,901	27,776	23,024	19,318
(iii) EBIT	<b>5,982</b>	5,391	5,179	3,403	1,734
(iv) Profit Before Tax	<b>5,875</b>	5,295	5,089	3,308	1,604
(v) Profit After Tax	<b>3,813</b>	3,488	3,299	2,314	1,073
<b>Balance Sheet</b>					
(i) Gross Block	<b>17,994</b>	16,814	16,023	15,342	14,765
(ii) Net Block	<b>5,938</b>	5,626	4,851	4,957	5,113
(iii) Net Current Asset	<b>8,801</b>	6,326	5,655	5,255	6,741
(iv) Capital Employed	<b>20,909</b>	17,398	14,686	10,813	13,107
(v) Beginning Invested Capital (BIC)	<b>16,224</b>	14,197	9,837	12,385	10,992
(vi) Total Debt	<b>158</b>	336	964	324	2,048
(vii) Equity	<b>20,648</b>	16,835	13,325	9,999	10,574
<b>Other Comparative Data</b>					
(i) PAT to Net Sales (%)	<b>11</b>	11	12	10	6
(ii) EBIT / BIC (%)	<b>37</b>	38	53	27	16
(iii) Return on Net Worth (%)	<b>18</b>	21	25	23	10
(iv) E.P.S. (Rs)	<b>5.98</b>	5.47	5.18	3.14	1.28
(v) Total Debt to Equity (%)	<b>1</b>	2	7	3	19
(vi) Total Debt to Total Capital (%)	<b>1</b>	2	7	3	16
(vii) Fixed Asset Turnover (times)	<b>5.70</b>	5.49	5.73	4.65	3.78
(viii) Working Capital Turnover (times)	<b>3.85</b>	4.88	4.91	4.38	2.87
(ix) Current Ratio (times)	<b>3.09</b>	2.10	2.16	2.31	2.15
(x) Interest Cover (times)	<b>56.08</b>	56.66	57.37	35.91	15.16
(xi) Net Sales/Employee (Rs/Lakhs)	<b>58</b>	55	50	41	33

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

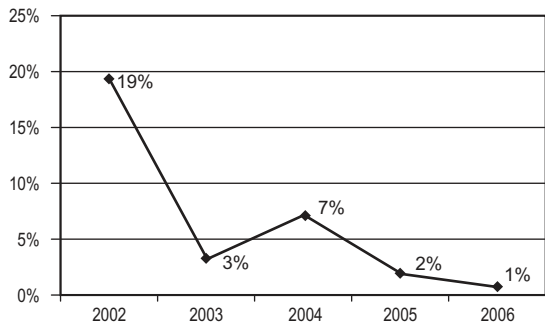
**NET SALES**



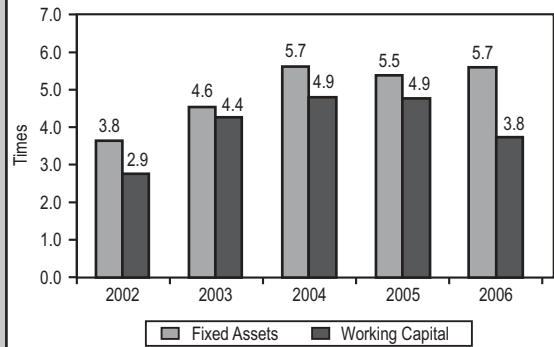
**GROSS BLOCK**



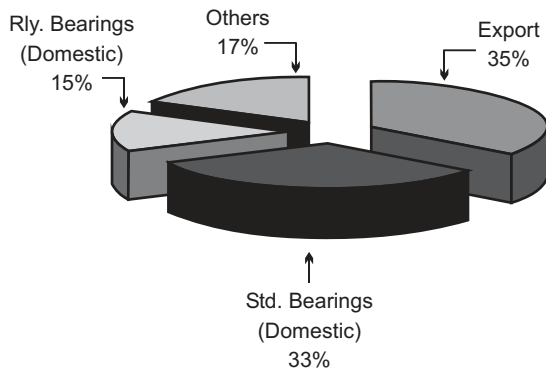
**TOTAL DEBT : EQUITY**



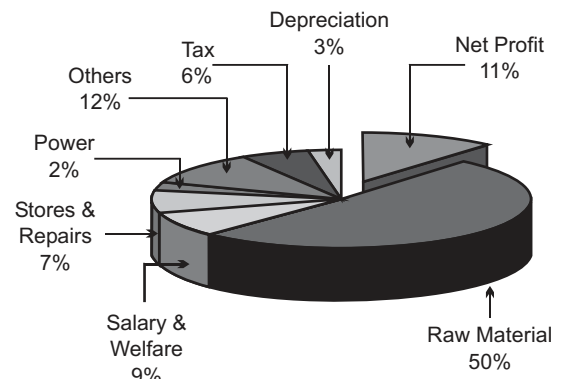
**ASSET TURNOVER**



**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 Twentieth Annual General Meeting of the Company at Center for Excellence, Jubilee Road, Jamshedpur - 831 001 on Friday, April 27, 2007 at 3.00 p.m.

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

**TIMKEN INDIA LIMITED**

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

**PROXY**

I/We, .....  
of ..... in the District of .....  
a Member/Members of the above named Company, hereby appoint .....  
of ..... in the District of ..... or failing him/her  
..... of ..... in the District of  
..... as my/our Proxy to attend and vote for me/us and on  
my/our behalf at the Twentieth Annual General Meeting of the Company, to be held on Friday, April 27, 2007 and at any adjournment thereof.

Signed this ..... day of ..... 2007.

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



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