

TIMKEN INDIA LIMITED

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TIMKEN INDIA LIMITED

BOARD OF DIRECTORS

(As on 10 February 2011)

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

COMMITTEES OF THE BOARD

(As on 10 February 2011)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

INVESTORS GRIEVANCE COMMITTEE

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

Auditors

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

Registered Office

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

NOTICE

Notice is hereby given that the Twenty-fourth Annual General Meeting of Timken India Limited will be held at Tangerine Conference Hall, Lemon Tree Hotel, Plot No. 54B/55A, Hosur Main Road, Electronic City, Phase I, Bangalore - 560 100 on Thursday, 21 April 2011 at 10.00 am to transact the following business:

1. To receive and adopt the Profit and Loss Account for the year ended 31 December 2010 and the Balance Sheet as on that date and the reports of the Directors and the Auditors.
2. To appoint a Director in place of Mr. Niroop Mahanty who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. P S Dasgupta who retires by rotation and being eligible offers himself for reappointment.
4. To reappoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. **Appointment of Mr. James R Menning as a Director of the Company**

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

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

NOTES :

1. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member. Proxies, in order to be effective, must reach the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business under item no. 5 is annexed hereto. Applicable details relating to Directors pursuant to Clause 49 of the Listing Agreement are also annexed.
3. The Register of Members and the share transfer books of the Company would remain closed from 11 April 2011 to 21 April 2011, both days inclusive.

Registered Office :
39-42, Electronic City
Phase II, Hosur Road
Bangalore - 560 100
10 February 2011

By Order of the Board

Soumitra Hazra
Company Secretary
& *Chief - Compliance*

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

Item No.5

Mr. James R Menning was appointed by the Board of Directors of the Company ('the Board') as an Additional Director effective 28 October 2010. As per the provisions of the Companies Act, 1956 Mr. Menning holds office upto to the date of forthcoming Annual General Meeting.

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

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

Memorandum of Interest

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

By Order of the Board

Registered Office :
39-42, Electronic City
Phase II, Hosur Road
Bangalore - 560 100
10 February 2011

Soumitra Hazra
*Company Secretary
& Chief - Compliance*

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

Name of Director	Mr. Niroop Mahanty	Mr. P S Dasgupta	Mr. James R Menning
Date of Birth	12 January 1950	30 June 1955	6 November 1959
Date of Appointment	24 April 2004	28 April 2006	28 October 2010
Expertise in specific functional areas	<ul style="list-style-type: none"> ■ Human Resources ■ General Management 	<ul style="list-style-type: none"> ■ Legal Profession ■ General Management 	<ul style="list-style-type: none"> ■ Computer Science, Information Technology ■ General Management
Qualifications	<ul style="list-style-type: none"> ■ BA (Hons.) – St. Stephans College, Delhi University ■ MBA – University of Colorado, USA 	<ul style="list-style-type: none"> ■ Bachelor of Law, Faculty of Law, Delhi University ■ BA, Econ (Hons.) ■ Post Graduate Diploma in Corporate Laws & Labour Laws - Indian Law Institute, Delhi 	<ul style="list-style-type: none"> ■ Bachelor Degree in Computer Science & Bus. Mgmt. from Wittenberg University ■ Masters of Business Administration from the University of Akron
List of public companies in which outside Directorship held as on 31 December 2010	<ul style="list-style-type: none"> ■ Steel City Press Limited ■ Kalinga Aquatics Limited 	<ul style="list-style-type: none"> ■ Cummins India Ltd. ■ Otis Elevator Co. India Ltd. ■ Maral Overseas Ltd. ■ Bhilwara Technical Textiles Ltd. ■ Tricone Projects India Limited ■ Asian Hotels (North) Limited 	Nil
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on 31 December 2010	<ul style="list-style-type: none"> ■ Timken India Limited - Chairman - Remuneration Committee ■ Timken India Limited - Chairman - Investors Grievance Committee ■ Timken India Limited - Member - Audit Committee 	<ul style="list-style-type: none"> ■ Timken India Limited - Chairman - Audit Committee ■ Bhilwara Technical Textiles Ltd. - Chairman - Shareholders / Investors Grievance Committee ■ Cummins India Limited - Member - Finance and Audit Committee ■ Cummins India Limited - Member - Shareholders / Investors Grievance Committee ■ Tricone Projects India Pvt. Ltd. - Member - Audit Committee ■ Otis Elevator Co. I. Ltd. - Member - Audit Committee ■ Otis Elevator Co. I. Ltd. - Member - Shareholders / Investors Grievance Committee ■ Timken India Limited - Member - Remuneration Committee ■ Maral Overseas Ltd. - Member - Audit Committee ■ Maral Overseas Ltd. - Member - Remuneration Committee 	Nil
Shareholding in the Company	—	1 Equity Share	—

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2010, Timken India Limited emerged resoundingly from the depths of the prior year's global economic recession. We witnessed steady recovery across industrial sectors throughout 2010, and revitalized exports to serve improving demand from our American and European markets. Domestic demand for commercial trucks, tractors and automotive aftermarket products surged, while we also saw the rejuvenation of process industries and the energy markets.

As of this writing, we feel a sense of cautious optimism about our business prospects and the industries we serve. The "Great Recession" is behind us, and we look forward to growth opportunities cognizant of issues that concern our customers around the world.

Timken India Limited had its share of successes in 2010: We generated record sales for your company. We strengthened relationships with existing key customers and acquired new accounts during the year. We welcomed 2011 with a strong order book prompting further investment in our production capacity and customer service capabilities. With an acute focus on working capital, we generated positive cash flow.

I commend all Timken India associates for the efforts they made throughout the year to serve our customers and increase market share. In turn, the resulting growth and cash generation paves the way for us to continue to develop our business.

The new Supply Chain Center at Chennai and our SAP-based enterprise resource enable significant supply chain operating improvements. This provides the flexibility to streamline processes and serve customers more efficiently, which ultimately creates value for shareholders.

From these improvements, we gain capacity to expand the products and services we offer to customers, via new products made at our plant in India, and by leveraging those developed by our parent, The Timken Company. Examples include a new line of spherical roller bearings; steel housed units; and elastomeric and steel couplings specially designed to maximize speed, precision and efficiency in demanding machine-tool applications.

We also are growing our service business with a focus on providing maintenance, repair and replacement activities for key components in customers' facilities, we will help keep their operations running optimally. We are seeing revenue generating opportunities from an expanded Industrial Bearings Services facility in Jamshedpur, our MILLTEC® services and our other capabilities, such as reliability and condition monitoring services.

We help to fulfill our responsibility to investors, associates, communities and the environment by continuing to grow the company in ways that build sustainable value. This is a reflection of our long-held Timken values. In the year past and for those to come, our commitment to global citizenship holds true, reflected in ongoing contributions to the communities where we live and work.

Throughout 2011, we remain keenly focused on serving our customers with excellence. We will ramp up several aspects of our business to answer the call of rising demand: We will invest further in the development of our associates, our processes and in our manufacturing and supply chain capabilities.

We will work to increase Timken's visibility and reach in the off-highway original equipment and aftermarket in 2011, as well as in our services business, extending our offering to customers.

To deliver the profitable growth opportunities we have targeted, we remain committed to conscious cash management, efficient execution and concerted progress toward the achievement of our vision and values. In pursuit of these aims, we intend to win the loyalty of our customers, expand the careers of our associates and create long-term value for our shareholders.

We deeply appreciate your investment and trust.

Yours sincerely,



James R. Menning
Chairman

Place: Chennai
Date: 10th February, 2011

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Twenty-fourth Annual Report on the business and operations of the Company together with the Financial Results for the year ended 31 December 2010.

FINANCIAL RESULTS

	(Rs./Millions)	
	Year ended 31 December	
	2010	2009
a) Total Income	4,820	3,305
b) Total Expenditure	3,969	2,749
c) Gross Profit	851	556
d) Less: Depreciation	113	103
e) Earnings before Interest, Tax & Prior period item	738	453
f) Less: Interest	9	4
g) Add: Income/(Expense) relating to prior period	(16)	
h) Profit before Tax (PBT)	713	449
i) Less: Taxes	203	124
j) Profit after Tax (PAT)	510	325
k) Add: Profit brought forward from previous year	2,398	2,073
l) Profit available for appropriation	2,908	2,398
m) Balance carried forward	2,908	2,398

During the year under review, overall net sales grew by 46% primarily due to a 82% increase in exports compared to 2009 and 34% growth in domestic sales to Rs. 3190 million compared Rs. 2371 million in 2009. The Company's Plant in Jamshedpur operated at capacity.

Accordingly, Profit before tax went up by 59% to Rs. 713 million primarily due to volume gain and profitability improvements through cost management.

Production at Jamshedpur Plant in terms of equivalent bearings registered an increase of 55% in 2010.

DIVIDENDS

Your Directors are not recommending payment of any dividend on equity shares for 2010.

EXPANSION PROJECT

The Company has decided to undertake an Expansion Project to expand its tapered roller bearing manufacturing capacity in India by approximately 2.4 million races of up to 8 inch tapered roller bearings per annum in view of the growing demand in construction, other off-highway vehicles, heavy trucks and other commercial transportation systems both in India and globally. Work relating to this project is scheduled to begin in

the first quarter of 2011 and commercial production is expected to start in the second quarter of 2011. This project will require an estimated investment of Rs. 360 million.

FINANCE

Working capital was managed well in 2010 resulting in generation of adequate cash flows. Pending investment of such funds in suitable growth opportunities in India, it was temporarily parked in debt based schemes offered by various Mutual Funds. Receivables continued to be managed well, as a result of which the number of days outstanding for domestic receivable at the end of 2010 had come down to 56 days compared to 63 days at the end of last year. Inventory management continued to remain under focus of the management team. At the end of the year the overall inventory rose to Rs. 1053 million mainly due to increased level of operations.

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

LISTING OF EQUITY SHARES ON STOCK EXCHANGES

Listing of the Company's Equity Shares on Bombay Stock Exchange Limited and National Stock Exchange of India Limited continued during 2010 and the listing fees for the year 2010-11 have been paid to the Stock Exchanges.

DIRECTORS

Mr. Roger W Lindsay resigned as a Director and as the Chairman of the Board with effect from the close of business on 27 October 2010. The Board placed on record its deep appreciation for the valuable contribution made by Mr. Lindsay as a Director and the Chairman of the Board.

Mr. James R Menning has been appointed as an Additional Director and the Chairman of the Board with effect from 28 October 2010. In terms of relevant provisions of the Companies Act, 1956 ('the Act'), Mr. Menning holds office up to the date of the forthcoming Annual General Meeting. The Company has received a notice from a member in terms of Section 257 of the Act signifying his intention to propose the name of Mr. Menning for appointment as Director of the Company at the next Annual General Meeting. This item has been included in the Notice convening the next Annual General Meeting of the Company.

Mr. Niroop Mahanty and Mr. P S Dasgupta, Directors of the Company, are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment at the said Annual General Meeting.

AUDITORS

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

Pursuant to the directions received from the Central Government, Mr. Prakash Kumar Varma has been reappointed as the Cost Auditor to audit the Cost Accounts of the Company for the year ended 31 December 2010.

CORPORATE GOVERNANCE

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

INDUSTRIAL RELATIONS

The performance of the Company during the year ended 31 December 2010 could be made possible only with the collective contribution and excellent performance of the Associates both in terms of operational parameters and also at the market place. The Directors express their appreciation for the wholehearted support received from all sections of the Associates of the Company.

SOCIAL RESPONSIBILITY

The Company and its associates have been actively participating in the promotion of social welfare activities of the communities where Timken facilities are located in India.

PARTICULARS OF EMPLOYEES

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE

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

ongoing in the areas of machining, heat treatment and finishing. The Company has now achieved full indigenisation of all components for Standard Bearings and substantial indigenisation for AP Bearings. It is the intention of the Company to proceed with the process of indigenisation further.

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (1) The applicable Accounting Standards have been followed, in the preparation of the accompanying Accounts;
- (2) The Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year ended 31 December 2010 and of the profit of the Company for the said period;
- (3) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (4) The Directors have prepared the accompanying Accounts on a going concern basis.

For and on behalf of the Board of Directors

Chennai
10 February 2011

James R. Menning
Chairman

Declaration in terms of Clause 49 – Code of Conduct

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

I confirm that the Company has received from the Senior Management Team of the Company and from the members of the Board of Directors a declaration of compliance with the code for 2010.

For the purpose of this declaration, Senior Management Team means members of Management one level below the Executive Directors as on 31 December 2010.

Chennai
10 February 2011

Ajay K. Das
Managing Director

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

A. Conservation of Energy

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

- (a) Plant power factor improved from 0.98 to 0.985 even at a peak level of production.
1) All high power consuming equipments / furnaces operation were closely monitored to reduce the overall power consumption.
2) All high power motors operation converted from star delta mode to star mode.
3) All mist controller motor were interlocked with grinding process so that it is not running while grinding operation is not on.
4) Variable drive installed for 160 KW plant air compressor system.
5) Air operated rejection system was modified & converted to cylinder operated system.
6) Selective stoppage of plant air conditioning based on ambient condition.
7) New equipments / machines added during the year are energy efficient.
(b) Electrical Power Consumption per equivalent bearing is reduced from 3.25 units in 2009 to 2.87 units in 2010.

- (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 grew by 82% to Rs. 1,439 million mainly to US in view of the gradual improvement of overall market conditions. The current indications about the export trend do not envisage a significant departure from the one noticed in 2010.

Jamshedpur being a focused Plant, some of the part numbers previously used to be manufactured at other Timken locations worldwide have been earmarked for production at the Company's Plant in Jamshedpur.

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

	2010	2009
i) Foreign Exchange Earnings	123	110
ii) Foreign Exchange Outgo	81	38

FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy

A. Power and fuel consumption

1. Electricity

	2010	2009
(a) Purchased Units (KWH)	20,432,870	16,239,250
Total amount (Rs.)	77,239,477	62,255,945
Rate Per Unit (Rs.) (all inclusive)	3.78	3.83

(b) Own generation

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

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

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

There is no Steam Turbine / Generator.

2. Coal (specify quality and where used)

Not Used

- Quantity (tonnes)
Total Cost
Average rate

- | | |
|---------------------------------------------------------------------------------------------|----------|
| 3. Furnace Oil
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)	2010	2009
Products (with details) unit			
Standard Bearings	Not applicable (Standard varies with product mix)		
Electricity		2.87	3.25
Furnace oil		Not Used	Not Used
Coal (specify quality)		Not Used	Not Used
Others (specify)		Nil	Nil

FORM B

Form for Disclosure of Particulars with respect to Absorption

TECHNOLOGY ABSORPTION

(A) Research and Development (R&D)

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

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

(B) Technology absorption, adaptation and innovation

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

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

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

For and on behalf of the Board of Directors

Chennai
10 February, 2011

James R. Menning
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Bearing Industry Structure and Development

The Indian economy emerged from the global downturn with a robust 8.5% growth in 2010. Most of the companies have used the downturn to make them lean and although it has been a somewhat painful process, the future looks more promising. While the Indian consumers maintained their spending even in the downturn, the capital investments were put on hold by many companies. This impacted the industrial segments. As the government increases its thrust on the infrastructure build, the economic growth will accelerate.

The current size of anti-friction bearings market inclusive of imports would be approximately Rs. 55 billion. With rapid industrialization, the Indian bearings industry has more than doubled over the last five years and has registered annual gains well above both the regional and global averages. With increased infrastructure and industrialization spends, this trend should continue into the next five years as well. India is among the fastest growth markets for bearings. Close to 40% of the total demand is met through imports with the balance being met by indigenous products.

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

Business Review

The Company manufactures Tapered Roller Bearings in its Jamshedpur Plant. These bearings cater to medium and heavy trucks, off highway markets in India, railways and Timken Company's global requirements. The Company meets the demand for other types of bearings viz., large size tapered roller bearings, spherical roller bearings, cylindrical roller bearings and specialty ball bearings by sourcing these from other Timken Company plants globally.

During the year under review, the Company achieved a net sales of Rs.4,629 million – an increase of 46% over 2009. Such an increase in net sales could be made possible due to an 82% increase in export sales accompanied by a 34% increase in domestic sales. The Company's Plant in Jamshedpur operated at capacity in 2010.

The Company's product portfolio has been diversifying with continued emphasis on value added products and services. In 2010, the Company launched a new line of spherical roller bearing, steel housed units and elastomeric and steel couplings designed specially to maximize speed, precision and efficiency in machine tool applications.

Leveraging the Timken Technology Centre at Bangalore, the Company is working on applications for heavy truck, rail and infrastructure industries.

Opportunities, Threats and Outlook

As Indian infrastructure develops and the industry modernises, there are opportunities opening up for the bearings industry. A rough estimate of Indian bearings market pegs at around Rs. 55 billion with growth rates percentage expected in teens for next few years creating significant opportunities for our Company.

Innovation has become the key word and experts are already working on new possibilities. It is felt that conventional systems have evolved to the point where further refinements can only result in modest performance and capacity gains. As a result, it is felt that the future will witness technologies which help in efficient ways to create, transfer and control power. These technologies can have endless societal impacts, from improved energy efficiency that saves businesses and consumers money to reduced emissions that help sustain our environment.

There is an increasing trend of designing and manufacturing of heavy industrial equipments in India which has resulted in customers asking for design and application engineering knowledge and assistance. In many applications, bearings can be the limiting factor in increasing the power density of the equipment and also one of the first components to get damaged. Hence working with customers, to help them make optimum design choices is becoming an important customer expectation now.

Customers are asking for more competitiveness and responsiveness from bearing industry, which would require companies to regionalize production bases closer to customers.

With development in infrastructure sector in India, the bearings industry is expected to witness a significant increase in demand, especially in large sized bearings. Further, consumers are getting more demanding and with product liability and safety issues getting more stringent, there will be a need for a qualitative improvement in the performance of the bearings. Meeting these two requirements in a competitive fashion is the key challenge for the bearings industry.

Bearing industry also faces the issues of increased cost of production due to the rise in price of inputs especially steel. On the other hand, cost-competitiveness due to higher import duties on raw materials (steel tubes, steel bars, grinding wheels, etc) also acts as a constraint.

Counterfeit products also pose a threat to the industry. Low quality duplicate bearings not only lead to crucial downtime for customers but also tarnish the quality and brand value of superior manufacturers. Efforts have to be taken by manufacturers to educate customers on the importance of using genuine high quality bearings. Counterfeiting also violates intellectual property, such as patents and trademarks.

Because counterfeits look like and are marketed like genuine, premium-brand products, it usually takes a trained expert to identify them. Premium manufacturers invest continuously to

develop their technology and improve the quality and value of their products. When counterfeiters copy the look of industrial bearings – and apply respected brand names that aren't theirs – they are infringing upon the rights of the manufacturer. The World Bearing Association (WBA) has launched an awareness campaign to inform about safety hazards arising from counterfeit bearings. Our initiative is aimed at sensitizing the public on the dangers associated with counterfeits.

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.

HR Front

During the year 2010, the Company did not witness any kind of adverse development on the HR/IR front. The relationship between the Associates of the Company and the Management remains congenial all throughout the year. The Company employed 587 Associates (including 299 Officers) as on 31 December 2010.

AUDITORS' REPORT

TO THE MEMBERS OF TIMKEN INDIA LIMITED

1. We have audited the attached Balance Sheet of Timken India Limited ('the Company') as at December 31, 2010 and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on December 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2010;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
FIRM REGISTRATION NO. 301003E
CHARTERED ACCOUNTANTS

SANJOY K. GUPTA
Partner
Membership No. 54968

Place: Kolkata
Date: 10th February, 2011

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

- (i) The Company maintains proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over a period of three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification of fixed assets. There was no substantial disposal of fixed assets during the year.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. The Company maintains proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (b), (c) and (d) of the Order are not applicable to the Company.
 (b) As informed to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (f) and (g) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.
- (v) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered. The company interalia, undertakes transactions of purchase and sale of goods, materials and components, and services with associate and group companies, in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956. As these transactions, exceeding value of Rupees five lakhs entered into during the financial year, relate to proprietary items manufactured by the Timken Group and raw materials and components in connection thereto, and / or specialized services rendered, comparative rates thereof are not always available; however as informed, considering the selling prices of such goods, in the market, and relevant transfer pricing guidelines, prima facie these transactions have been done at reasonable prices. For services received, there are no comparatives since as per the management's explanation such services are highly specialized in nature.
- (vi) The Company has not accepted any deposits from the public.
- (vii) The Company has an internal audit system, which in our opinion, is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules 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, Custom Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities. The provisions of Employees' State Insurance Act are not applicable to the Company.
 Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.
 b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

ANNEXURE TO THE AUDITORS' REPORT (Continued)

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

Name of Statute	Nature of Dues	Amount (Rs.)	Period to which the amount relates	Forum
Income Tax Act, 1961	Income Tax Demands	36,549,881	1998-99, 2002-03, 2004-05	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax Demands	47,316,424	2005-06, 2006-07, 2007-2008	Commissioner of Income Tax (Appeals), Jamshedpur
Jharkhand Finance (Amendment) Act, 2001	Local & Central Sales Tax Demands	218,975,760	1995-96 to 1996-97, 2004-05 to 2007-08	Jt. Commissioner (Appeals), Jamshedpur
UP Trade Tax Act, 1948	Local & Central Sales Tax Demands	915,171	1994-1995 to 1996-1997	Appeal filed in Allahabad H'Court
		128,985	2004-05, 2006-07 & 2007-08	Pending with Dy. Commissioner (Appeal)
Haryana VAT Act, 2003	Sales Tax Demands	208,016	2003-04 & 2006-07	Pending with Dy. Commissioner (Appeal)
Rajasthan Sales Tax Act	Sales Tax Demands	193,374	2007-08	Pending with Assessing Authority
Delhi Sales Tax Act	Sales Tax Demands	2,425,800	2007-08	Pending with Dy. Commissioner (Appeal)
Madhya Pradesh Commercial Tax Act, 1994	Sales Tax Demands	304,368	1995-1996	Commissioner of Sales Tax, Raipur, Chattisgarh
West Bengal Sales Tax Act	Sales Tax Demands	1,126,623	2006-07	Jt. Commissioner (Tribunal)
		6,435,023	2007-08	Jt. Commissioner (Appeal)
Orissa Sales Tax Act	Sales Tax Demands	171,563	2003-04 & 2004-05	Jt. Commissioner (Appeal)
Central Excise Act, 1944	Excise Duty Demands	5,245,045	1998-99 to 2001-02	Deputy Commissioner of Central Excise, Jamshedpur

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (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.

ANNEXURE TO THE AUDITORS' REPORT *(Continued)*

- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For S.R. BATLIBOI & CO.
FIRM REGISTRATION NO. 301003E
CHARTERED ACCOUNTANTS**

SANJOY K. GUPTA
Partner
Membership No. 54968

Place: Kolkata
Date: 10th February, 2011

BALANCE SHEET AS AT 31ST DECEMBER, 2010

	Schedule	Rupees	As at December 31, 2010 Rupees	As at December 31, 2009 Rupees
SOURCES OF FUNDS				
a) SHAREHOLDERS' FUNDS				
(i) Share Capital	1	637,209,000		637,207,500
(ii) Reserves & Surplus	2	<u>3,168,685,274</u>		<u>2,658,111,424</u>
			<u>3,805,894,274</u>	<u>3,295,318,924</u>
			<u>3,805,894,274</u>	<u>3,295,318,924</u>
APPLICATION OF FUNDS				
b) FIXED ASSETS :				
(i) Gross Block	3	2,090,398,262		2,005,022,173
(ii) Less : Accumulated Depreciation		<u>1,508,571,085</u>		<u>1,437,412,873</u>
(iii) Net Block		581,827,177		567,609,300
(iv) Capital Work-In-Progress		<u>24,960,030</u>		<u>108,553,780</u>
– including capital advances Rs. 226,240 (Rs. 1,562,556)			<u>606,787,207</u>	<u>676,163,080</u>
c) INVESTMENTS	4		<u>2,103,471,104</u>	<u>1,690,944,685</u>
d) DEFERRED TAX ASSETS (NET) (refer note (m), schedule 16)			<u>36,632,912</u>	<u>4,494,484</u>
e) CURRENT ASSETS, LOANS AND ADVANCES				
(i) Inventories	5	1,052,772,709		672,688,724
(ii) Sundry Debtors	6	822,724,725		507,256,148
(iii) Cash and Bank Balances	7	31,427,605		75,439,439
(iv) Loans and Advances	8	<u>234,696,294</u>		<u>262,125,634</u>
			<u>2,141,621,333</u>	<u>1,517,509,945</u>
f) LESS : CURRENT LIABILITIES & PROVISIONS				
(i) Current Liabilities	9	932,727,309		538,262,987
(ii) Provisions	10	<u>149,890,973</u>		<u>55,530,283</u>
			<u>1,082,618,282</u>	<u>593,793,270</u>
g) NET CURRENT ASSETS			<u>1,059,003,051</u>	<u>923,716,675</u>
			<u>3,805,894,274</u>	<u>3,295,318,924</u>
h) SIGNIFICANT ACCOUNTING POLICIES AND NOTES				

Schedules 1 to 16 form an integral part of these accounts.

As per our report of even date
For S. R. BATLIBOI & CO.
 Firm Registration No. 301003E
 Chartered Accountants
Per SANJOY K. GUPTA
 Partner
 Membership No. 54968
 Kolkata, 10 February, 2011

Ajay K. Das
 Managing Director

For and on behalf of the Board
James R. Menning
 Chairman

Soumitra Hazra
 Company Secretary & Chief-Compliance

Chennai, 10 February, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Schedule	Rupees	Year ended December 31, 2010 Rupees	Year ended December 31, 2009 Rupees
INCOME				
a) Turnover (Gross)				
Sale of Products (Gross)		4,843,874,153		3,236,375,531
Less : Trade Discounts		54,564,988		37,144,480
Less : Excise Duty Recovered		356,145,048		228,431,816
Sale of Products (Net)			4,433,164,117	2,970,799,235
b) Income from Services	11		196,199,823	189,587,606
c) Other Income	12		190,389,325	145,009,850
			4,819,753,265	3,305,396,691
EXPENDITURE				
d) (Increase)/Decrease in Stock of Finished Goods and Work in Progress	13		(271,532,276)	121,716,235
e) Excise Duty & Cess on Stocks (refer note (q) of Schedule 16)			50,182,920	(18,890,595)
f) Manufacturing and other expenses	14		4,190,230,441	2,645,646,211
g) Interest	15		8,906,048	4,200,481
h) Depreciation	3		112,454,730	103,401,628
			4,090,241,863	2,856,073,960
PROFIT BEFORE TAX & PRIOR PERIOD ITEMS			729,511,402	449,322,731
i) Expenses Relating to Prior Period (net) (refer note (aa) of Schedule 16)			(16,029,050)	(219,840)
PROFIT BEFORE TAX			713,482,352	449,102,891
j) Provision for Taxation				
– Current (including Rs. 1,666,347 (Rs. Nil) net of reversals and provisions pertaining to earlier years)		235,046,930		117,505,351
– Deferred		(32,138,428)		4,464,781
– Fringe Benefit Tax		—		1,786,651
			202,908,502	123,756,783
PROFIT AFTER TAX			510,573,850	325,346,108
k) PROFIT BROUGHT FORWARD FROM PREVIOUS YEAR			2,398,111,424	2,072,765,316
PROFIT CARRIED TO BALANCE SHEET			2,908,685,274	2,398,111,424
l) EARNINGS PER SHARE - Basic & Diluted			8.01	5.10
Nominal value of shares Rs. 10 (Previous year - Rs. 10) [refer note (y) of Schedule 16]				
m) SIGNIFICANT ACCOUNTING POLICIES AND NOTES	16			

Schedules 1 to 16 form an integral part of these accounts.

As per our report of even date
For S. R. BATLIBOI & CO.
 Firm Registration No. 301003E
 Chartered Accountants
Per SANJOY K. GUPTA
 Partner
 Membership No. 54968
 Kolkata, 10 February, 2011

Ajay K. Das
 Managing Director

For and on behalf of the Board
James R. Menning
 Chairman

Soumitra Hazra
 Company Secretary & Chief-Compliance

Chennai, 10 February, 2011

SCHEDULES 1 TO 16 FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST DECEMBER 2010**SCHEDULE 1 : SHARE CAPITAL**

	Rupees	As at December 31, 2010 Rupees	As at December 31, 2009 Rupees
Authorised :			
75,000,000 (75,000,000) Equity Shares of Rs. 10 /- each	750,000,000		750,000,000
2,600,000 (2,600,000) 9% Cumulative Redeemable Preference Shares of Rs.100/- each	260,000,000		260,000,000
		1,010,000,000	1,010,000,000
Issued :			
63,750,000 (63,750,000) Equity Shares of Rs. 10 /- each		637,500,000	637,500,000
Subscribed:			
(refer note (p), Schedule 16)			
63,734,850 (63,734,850) Equity Shares of Rs. 10 /- each fully paid-up	637,348,500		637,348,500
Less: Calls in Arrears - others than directors	139,500		141,000
		637,209,000	637,207,500
SCHEDULE 2 : RESERVES & SURPLUS			
a) Capital Redemption Reserve – as per last Account		260,000,000	260,000,000
b) Profit & Loss Account Balance		2,908,685,274	2,398,111,424
		3,168,685,274	2,658,111,424

SCHEDULE 3 : FIXED ASSETS

ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	Opening Balance as at 01.01.2010	ADDITIONS	DEDUCTIONS	AS AT 31.12.2010	Opening Balance as at 01.01.2010	FOR THE YEAR	DEDUCTIONS	TOTAL UPTO 31.12.2010	AS AT 31.12.2010	AS AT 31.12.2009
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Buildings	167,495,489	16,447,778	—	183,943,267	70,440,629	5,767,067	—	76,207,696	107,735,571	97,054,860
Plant & Machinery (Including Tools)	1,727,975,110	107,585,041	38,121,952	1,797,438,199	1,293,216,809	94,105,786	37,328,255	1,349,994,340	447,443,859	434,758,301
Office Equipment	22,758,653	2,584,096	199,986	25,142,763	18,365,802	2,071,406	173,086	20,264,122	4,878,641	4,392,851
Computers	46,533,329	463,064	—	46,996,393	29,740,004	6,304,498	—	36,044,502	10,951,891	16,793,325
Furniture & Fixtures	19,300,585	—	864,057	18,436,528	12,926,027	1,010,598	338,526	13,598,099	4,838,429	6,374,558
Vehicles	20,959,007	1,413,524	3,931,419	18,441,112	12,723,602	3,195,375	3,456,651	12,462,326	5,978,786	8,235,405
Total	2,005,022,173	128,493,503	43,117,414	2,090,398,262	1,437,412,873	112,454,730	41,296,518	1,508,571,085	581,827,177	567,609,300
Previous Year	1,881,485,993	145,074,917	21,538,737	2,005,022,173	1,347,809,544	103,401,628	13,798,299	1,437,412,873	567,609,300	

SCHEDULE 4 : INVESTMENTS

	Face Value Rs	Holdings As at 31.12.2010		Holdings as at 31.12.2009	
		Nos	Rs	Nos	Rs
Long Term Investments (At Cost)					
Trade (Unquoted) Equity Shares fully paid					
Nicco Jubilee Park Limited	10	30,000	300,000	30,000	300,000
Total (A)			300,000		300,000
Current Investments (Non Trade) (At Lower of Cost and Market Value)					
Other Investments					
Quoted					
Kotak FMP 13M Series 5 - Growth	10	—	—	13,025,494	130,254,940
SBI Debt Fund Series - 13 Months - 10 - Institutional - Growth	10	—	—	5,000,000	50,000,000
Birla Sun Life Fixed Term Plan - Instl. - Series - BK - Growth	10	—	—	6,390,101	63,901,011
Reliance Fixed Horizon Fund - XII - Series 3-Super Institutional Plan - Growth	10	—	—	5,989,269	59,892,691
Total (B)			—		304,048,642
Unquoted					
Birla Sun Life Savings Fund - Instl. - Daily Dividend - Reinvestment	10	33,648,467	336,713,478	25,402,053	254,193,259
DSP BlackRock Floating Rate Fund - Institutional Plan - Daily Dividend	1000	—	—	50,186	50,213,746
HDFC Cash Management Fund - Treasury Advance Plan - Wholesale - Daily Dividend Option - Reinvestment	10	36,651,513	367,669,655	21,571,480	216,394,297
HDFC Floating Rate Income Fund - STP - Wholesale option - Daily Reinvestment - Dividend Option Reinvestment	10	—	—	4,121,326	41,546,673
ICICI Prudential Flexible Income Plan Premium - Daily Dividend	100	—	—	1,514,916	160,179,664
ICICI Prudential Liquid Super Institutional Plan - Div - Daily	100	1,674,800	167,517,857	—	—
Kotak Floater Long Term - Daily Dividend	10	39,688,195	400,049,069	13,999,946	141,116,652
Reliance Medium Term Fund - Daily Dividend Plan	10	—	—	12,296,053	210,207,168
Reliance Monthly Interval Fund - Series II, Institutional Dividend Plan	1000	202,609	202,887,128	—	—
Reliance Money Manager Fund - Institutional Option - Daily Dividend Reinvestment	1000	166,607	166,835,219	—	—
SBI - SHF - Ultra Short Term Fund - Institutional Plan - Daily Dividend	10	14,708,753	147,175,784	—	—
Tata Floater Fund - Daily Dividend	10	31,320,789	314,322,914	22,412,114	224,919,014
UTI Treasury Advantage Fund - Institutional Plan - Daily Dividend Option Plan	1000	—	—	87,803	87,825,570
Total (C)			2,103,171,104		1,386,596,043
Total (A + B+ C)			2,103,471,104		1,690,944,685
Note -					
Aggregate Amount of Investments					
Quoted			—		304,048,642
Unquoted			2,103,471,104		1,386,896,043
Market Value of Quoted Investments			—		323,268,610

The following Investments were purchased and sold during the year :

	Face Value Rs	Purchased /	Purchased/	Sale/	Sale/
		Dividend Reinvested Nos	Dividend Reinvested Rs.	Conversion Nos	Conversion Rs.
Long Term Investments (At Cost)					
Trade (Unquoted) Equity Shares fully paid					
Nicco Jubilee Park Limited	10				
Total (A)					
Other Investments					
Quoted					
Kotak FMP 13M Series 5 - Growth	10	—	—	13,025,494	130,254,940
SBI Debt Fund Series - 13 Months - 10 - Institutional - Growth	10	—	—	5,000,000	50,000,000
Birla Sun Life Fixed Term Plan - Instl. - Series - BK - Growth	10	—	—	6,390,101	63,901,011
Reliance Fixed Horizon Fund - XII - Series 3-Super Institutional Plan - Growth	10	—	—	5,989,269	59,892,691
Unquoted					
Birla Sun Life Savings Fund - Instl. - Daily Dividend - Reinvestment	10	29,381,703	294,016,821	21,135,288	211,496,599
Birla Sun Life Ultra Short Term Fund - Institutional Daily Dividend	10	29,219,693	292,357,636	29,219,693	292,357,636
DSP BlackRock Floating Rate Fund - Institutional Plan - Daily Dividend	1000	1,206	1,206,173	51,392	51,419,919
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend Option Reinvestment	10	19,826,004	198,884,558	4,745,970	47,609,199
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale option - Dividend Reinvestment - Daily Option Reinvestment	10	23,490	236,801	4,144,816	41,783,474
ICICI Prudential Flexible Income Plan Premium - Daily Dividend	100	614,090	64,930,771	2,129,006	225,110,435
ICICI Prudential Liquid Super Institutional Plan - Div - Daily	100	2,280,154	228,066,965	605,354	60,549,108
Kotak Floater Long Term - Daily Dividend	10	29,218,167	294,513,274	3,529,917	35,580,858
Reliance Medium Term Fund - Daily Dividend Plan	10	8,838,393	151,105,217	21,134,446	361,312,384
Reliance Money Manager Fund - Institutional Option - Daily Dividend Reinvestment	1000	166,607	166,835,219	—	—
Reliance Monthly Interval Fund - Series II, Institutional Dividend Plan	1000	36,810,619	569,030,046	36,810,619	366,142,918
SBI - SHF - Ultra Short Term Fund - Institutional Plan - Daily Dividend	10	18,714,712	187,259,407	4,005,959	40,083,624
Tata Floater Fund - Daily Dividend	10	35,723,764	358,509,404	26,815,089	269,105,507
UTI Treasury Advantage Fund - Institutional Plan - Daily Dividend Option Plan	1000	36,662	36,626,676	124,426	124,452,245
UTI Liquid Cash Plan Institutional - Daily Income option - Re-Investment	1000	47,658	48,584,338	47,658	48,584,339
			2,892,163,306		2,479,636,887

TIMKEN INDIA LIMITED

SCHEDULE 4 : INVESTMENTS(Contd.)

The following Investments were purchased and sold during the previous year

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

	As at December 31, 2010 Rupees	As at December 31, 2009 Rupees
SCHEDULE 5 : INVENTORIES		
<i>(At lower of Cost and Net Realisable Value)</i>		
a) Stores and Spares *	78,471,805	64,940,141
b) Raw materials and Components *	269,717,426	174,697,381
c) Work - in - progress	171,886,196	174,225,154
d) Finished stock *	532,697,282	258,826,048
	1,052,772,709	672,688,724
*Including in transit.		
Stores & Spares	3,476,350	2,008,738
Raw Materials and Components	137,534,455	18,808,934
Finished Stock	66,048,687	59,089,175
SCHEDULE 6 : SUNDRY DEBTORS		
<i>(For disclosure of Dues from companies under the same management refer note (t), Schedule 16)</i>		
a) Debts outstanding for a period over six months		
Secured and considered good	259,868	169,099
Unsecured – considered good	3,477,083	8,020,517
– considered doubtful	15,257,906	12,743,503
	18,994,857	20,933,119
b) Other Debts		
Secured and considered good	7,037,451	4,490,694
Unsecured – considered good	811,950,323	494,575,846
– considered doubtful	210,175	5,249,527
	819,197,949	504,316,067
Less : Provision for Bad and Doubtful debts	15,468,081	17,993,038
	822,724,725	507,256,148
SCHEDULE 7 : CASH AND BANK BALANCES		
a) Cash in Hand		
Cash	90,422	65,239
b) Balance with Scheduled Banks		
In Current Accounts	31,337,183	75,374,200
	31,427,605	75,439,439

TIMKEN INDIA LIMITED

	As at December 31, 2010 Rupees	As at December 31, 2009 Rupees
SCHEDULE 8 : LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
a) Advances recoverable in Cash or in Kind or for value to be received		
– Considered Good	28,589,844	95,153,108
– Considered Doubtful	—	100,000
(For disclosure of Dues from companies under the same management refer note (u), Schedule 16)		
b) Advance Tax / Tax Deducted at source [net of Provision Rs. 1,646,672,920 (Rs. 1,411,370,992)]	63,119,472	47,898,820
c) Prepaid expenses	7,076,500	3,335,435
d) Export Incentive Receivable	53,108,150	21,633,882
e) Balances with Customs, Excise and other statutory authorities	72,439,437	81,496,603
f) Deposits		
– Considered Good	10,362,891	12,507,786
– Considered Doubtful	1,594,402	100,000
	<u>236,290,696</u>	<u>262,225,634</u>
Less : Provision for Doubtful Advances & Deposits	1,594,402	100,000
	<u><u>234,696,294</u></u>	<u><u>262,125,634</u></u>

Notes : 1) Amount due from a Director Rs. 479,376 (Rs. Nil). Maximum amount due during the year Rs. 1,006,777 (Rs. 47,425).

2) Amount due from an Officer Rs. 88,590 (Rs. 32,583). Maximum amount due during the year Rs. 377,753 (Rs. 32,583).

SCHEDULE 9 : CURRENT LIABILITIES

	Rupees	As at December 31, 2010 Rupees	As at December 31, 2009 Rupees
a) Sundry Creditors :			
i) Dues to Micro and Small Enterprises (refer note (s), Schedule 16)	2,357,446		397,296
ii) Dues to Other Creditors	<u>784,029,535</u>		<u>483,250,730</u>
		786,386,981	483,648,026
b) Advance from Customers / Contractors		4,723,736	1,861,246
c) Deposit from Customers		11,440,327	9,228,850
d) Other Liabilities (refer note (l), Schedule 16)		130,176,265	43,524,865
		<u><u>932,727,309</u></u>	<u><u>538,262,987</u></u>

	As at December 31, 2010 Rupees	As at December 31, 2009 Rupees
SCHEDULE 10 : PROVISIONS		
a) Employees' Compensated Absences (for changes in estimates & disclosures refer note (v), Schedule 16)	46,992,450	29,049,730
b) Employees' Death Benefit Scheme (for changes in estimates & disclosures refer note (v), Schedule 16)	6,368,880	10,152,520
c) Employees' Provident Fund (for changes in estimates & disclosures refer note (v), Schedule 16)	6,888,680	2,985,220
d) Employees' Gratuity (for changes in estimates & disclosures refer note (v), Schedule 16)	76,863,000	7,998,570
e) Provision for Indirect taxes (refer note (ab), Schedule 16)	12,777,963	5,344,243
	149,890,973	55,530,283
	Year ended December 31, 2010 Rupees	Year ended December 31, 2009 Rupees
SCHEDULE 11 : INCOME FROM SERVICES		
i) Agency Commission	58,447,709	52,195,046
ii) Other Services – including TDS Rs. 3,566,550 (Rs. 4,226,089)	137,752,114	137,392,560
	196,199,823	189,587,606
SCHEDULE 12 : OTHER INCOME		
i) Foreign Exchange Gain (net)	2,415,940	10,690,922
ii) Excess provisions no longer required written back	19,296,343	17,033,499
iii) Export incentives under DEPB Scheme	51,650,231	21,033,972
iv) Dividend from Current Investments - Non Trade	85,044,486	46,017,251
v) Profit on Sale of Current Investments - Non Trade	24,018,842	32,802,566
vi) Insurance Income	11,770	6,225,409
vii) Interest Income – on advances to vendors	1,424,657	2,207,860
viii) Miscellaneous Income	6,527,056	8,998,371
	190,389,325	145,009,850
SCHEDULE 13 : (INCREASE)/DECREASE IN STOCK OF FINISHED GOODS AND WORK IN PROGRESS		
Opening Stock		
Work in Progress	174,225,154	70,327,934
Finished Goods	258,826,048	484,439,503
	433,051,202	554,767,437
Less : Closing Stock		
Work in Progress	171,886,196	174,225,154
Finished Goods	532,697,282	258,826,048
	704,583,478	433,051,202
	(271,532,276)	121,716,235

TIMKEN INDIA LIMITED

	Rupees	Year ended December 31, 2010 Rupees	Year ended December 31, 2009 Rupees
SCHEDULE 14 : MANUFACTURING AND OTHER EXPENSES			
1) Purchase of Products for resale (refer note (c), Schedule 16)		262,767,395	81,886,836
2) Raw Materials and Components consumed [includes customs duty of Rs. 7,258,298 (Rs. 14,593,526) relating to previous years] (refer note (d), Schedule 16)		2,369,430,249	1,411,619,420
3) Payments to and Provision for employees			
a) Salaries, Wages and Bonus	364,363,637		279,557,576
b) Contribution to Provident & Other Funds	84,804,266		18,576,815
c) Staff Welfare expenses	28,520,609		20,632,425
		477,688,512	318,766,816
4) Operation & Other Expenses			
a) Stores and spares consumed (Including Consumables) (also refer note (e)(ii), Schedule 16)	262,641,620		192,660,488
b) Power	77,239,477		62,255,945
c) Repairs to Buildings	18,706,472		7,674,999
d) Repairs to Machineries	45,907,404		20,986,235
e) Royalty	100,314,006		69,048,342
f) Rent	20,091,845		21,916,384
g) Rates and Taxes	15,965,248		7,781,816
h) Insurance	6,020,761		6,127,687
i) Commission	78,118,170		50,233,757
j) Discount	12,632,986		3,739,756
k) Travelling	56,880,747		46,139,949
l) Conversion Charges (Including Payment to Contractors)	68,177,359		77,709,291
m) Legal & Professional Fees	37,914,501		34,542,397
n) Inter company Service Charges	78,481,104		28,226,329
o) Networking & ERP Expenses	38,690,392		33,365,417
p) Other Expenses (refer note (o), Schedule 16)	120,475,907		130,421,531
		1,038,257,999	792,830,323
5) Carriage and Handling		34,218,578	28,324,479
6) Provision for doubtful debts, deposits & advances		1,195,570	9,842,851
7) Irrecoverable Debtors	2,974,964		12,823,196
Less : Adjusted against opening Provision	1,939,193		10,239,157
		1,035,771	2,584,039
8) Excise Duty Expense (refer note (z), Schedule 16)		5,636,367	(208,553)
		4,190,230,441	2,645,646,211
SCHEDULE 15 : INTEREST			
Interest Expense			
Other than fixed loan		8,906,048	4,200,481
		8,906,048	4,200,481

SCHEDULE 16: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

a) SIGNIFICANT ACCOUNTING POLICIES

(i) Nature of Operations

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

(ii) Basis of Preparation

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

(iii) Use of estimates

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

(iv) Revenue Recognition

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

Sale of Goods

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with delivery to the customers. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arisen during the year.

Income from Services

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

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

Revenue for dividend income is recognized when the right to receive payment is established by the balance sheet date.

(v) Fixed Assets

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

(vi) Cash & Cash Equivalents

Cash and cash equivalents in the balance sheet comprise of cash at bank and in hand, cheques in hand and remittances in transit.

(vii) Depreciation

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

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

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

(viii) Foreign Currency Translations

Foreign currency transactions

(a) Initial Recognition

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

SCHEDULE 16 : (Contd.)**(b) Conversion**

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

(c) Exchange Differences

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

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

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

(ix) Inventories

Inventories are valued as follows:

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

(x) Retirement Benefits

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

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

b) Retirement benefits in the form of Provident Fund and Superannuation / Pension Schemes are charged to the Profit & Loss Account of the year when the contribution to the respective funds are accrued. Interest shortfall, if any, on Provident Fund are provided for based on year-end actuarial valuation on projected unit credit method.

c) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(xi) Excise Duty

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

(xii) Leases

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

(xiii) Income Taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 enacted in India. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

SCHEDULE 16 : (Contd.)

(xiv) Investments

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

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

(xv) Borrowing Costs

- a) Borrowing costs that are directly attributable to the acquisition / construction of a qualifying asset are capitalized as part of the cost of that asset till the time it is ready to put to use.
- b) All other borrowing costs are recognized as expenditure during the period in which these are incurred. Borrowing costs consist of interest and other cost that an entity incurs in connection with the borrowing of funds.

(xvi) Provisions

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

(xvii) Contingent Liabilities

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

(xviii) Impairment

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

(xix) Earnings Per Share

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

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

(xx) Segment Reporting Policies

Identification of segments:

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

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

Allocation of common costs:

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

Segment Policies:

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

SCHEDULE 16 : (Contd.)**b) LICENSED AND INSTALLED CAPACITY AND PRODUCTION**

Installed capacity				Production			
i)	Standard Roller Bearings including components	4,000,000 (4,000,000)	Nos. Nos.	i)	Standard Roller Bearings	2,644,605 (1,271,597)	Nos. Nos.
ii)	Special Roller Bearings including components	370,000 (370,000)	Nos. Nos.	ii)	Special Roller Bearings	105,424 (101,859)	Nos. Nos.
				iii)	Components (manufactured for sale)	6,467,199 (3,834,228)	Nos. Nos.

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

c) TURNOVER, CLOSING AND OPENING STOCK OF GOODS

	TURNOVER		CLOSING STOCK		OPENING STOCK		PURCHASE #					
	Quantity *	Rupees **	Quantity	Rupees	Quantity	Rupees	Quantity	Rupees				
i) Tapered Roller / Ball Bearings (Including purchased for resale)	2,618,840 (1,956,096)	Nos. Nos.	2,306,691,071 (1,761,152,075)	409,865 (247,202)	Nos. Nos.	295,149,782 (116,754,798)	247,202 (1,020,640)	Nos. Nos.	116,754,798 (179,697,648)	16,507 (93,758)	Nos. Nos.	46,389,512 (3,685,226)
ii) Components (Including purchased for resale)	6,512,246 (5,220,195)	Nos. Nos.	2,005,115,019 (1,098,978,813)	868,522 (822,247)	Nos. Nos.	225,578,652 (129,431,656)	822,247 (2,282,208)	Nos. Nos.	129,431,656 (286,537,189)	57,109 (92,392)	Nos. Nos.	173,510,803 (22,874,230)
iii) Bearing accessories & Maintenance Products (Including Purchased for resale)	@		121,358,027 (110,668,347)			11,968,848 (12,639,594)			12,639,594 (18,204,666)			42,867,080 (55,327,380)
			4,433,164,117 (2,970,799,235)			532,697,282 (258,826,048)			258,826,048 (484,439,503)			262,767,395 (81,886,836)

Notes:

- * Excludes free samples to customers.
- ** Sale of Products is stated net of excise duty and trade discount.
- # Purchases are for resale and inclusive of stock in transit.
- @ Quantitative information not furnished due to nature and large volume of such items with small values. None of the individual items included therein are 10% or more of the total value.

Note: In view of the fact that the company also manufactures and purchases number of similar components that are used in the manufacture of the final products, and the fact that individual identification of which is not possible, raw materials and components include both the class of materials.

SCHEDULE 16 : (Contd.)

d) CONSUMPTION OF RAW MATERIALS AND COMPONENTS

Details of Raw Materials/Components*	Year ended December 31, 2010		Year ended December 31, 2009	
	Quantity	Rupees	Quantity	Rupees
Raw Materials - Steel	1,726,522 Kgs.	146,115,130	847,473 Kgs.	60,970,026
Rings	6,589,713 Nos	970,734,447	4,347,128 Nos.	768,065,564
Components & Accessories	@	1,252,580,672	@	582,583,830
		<u>2,369,430,249</u>		<u>1,411,619,420</u>

@ Quantitative information not furnished due to nature and large volume of such items with small values. None of the individual items included therein are 10% or more of the total value.

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

e) CONSUMPTION OF IMPORTED AND INDIGENOUS MATERIALS

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

	Year ended December 31, 2010		Year ended December 31, 2009	
	%	Rupees	%	Rupees
i) Raw Materials and components				
Imported	38.23	905,931,309	29.90	422,016,295
Indigenous	61.77	1,463,498,940	70.10	989,603,125
	<u>100.00</u>	<u>2,369,430,249</u>	<u>100.00</u>	<u>1,411,619,420</u>
ii) Stores and spare parts				
Imported	5.83	15,318,962	5.86	11,291,043
Indigenous	94.17	247,322,658	94.14	181,369,445
	<u>100.00</u>	<u>262,641,620</u>	<u>100.00</u>	<u>192,660,488</u>

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

	Year ended December 31, 2010 Rupees	Year ended December 31, 2009 Rupees
i) Raw Materials and components	700,323,429	218,427,280
ii) Stores and spare parts	32,867,961	47,949,643
iii) Finished Products for re-sale	155,031,335	6,800,812
iv) Capital Goods	15,433,995	13,885,965

SCHEDULE 16 : (Contd.)

	Year ended December 31, 2010 Rupees	Year ended December 31, 2009 Rupees
g) EXPENDITURE IN FOREIGN CURRENCY (on cash basis)		
i) Foreign Travel	4,449,945	2,970,965
ii) Bank Charges	200,005	192,928
iii) Royalty (net of withholding tax)	95,231,591	43,729,843
iv) Agency commission	2,664,439	2,067,793
v) Others*	33,278,602	74,712,764
* Others include Intercompany service billings & reimbursement of expenses.		
h) EARNINGS IN FOREIGN EXCHANGE (on cash basis)		
i) F.O.B. value of exports	1,165,769,927	1,049,763,210
ii) Agency commission	65,715,771	49,766,533
	As at December 31, 2010 Rupees	As at December 31, 2009 Rupees
i) CONTINGENT LIABILITIES NOT PROVIDED FOR		
A. Demands raised by Sales Tax/Income Tax/Excise authorities		
i) Demand of sales tax for non-availability/non-consideration by Assessing Officer of various sales tax declaration forms.	225,219,371	224,268,896
ii) Demand of sales tax on account of non-deduction of various allowances and consequent enhancement of Gross turnover.	2,017,843	5,856,165
iii) Demand of sales tax on method of valuation of Goods.	1,221,668	1,221,668
iv) Demand for Denial of Input Credit	2,425,800	Nil
v) Demand of Additional Income Tax due to non-consideration of TDS Certificates by the Assessing Officer.	Nil	1,476,649
vi) Demand of Income Tax due to disallowance of certain business expenses & incentives by the Assessing Officer.	73,714,229	85,254,317
vii) Demand of excise duty on CVD credit for imported components of railway bearings.	5,245,045	5,245,045
viii) Denial of Cenvat credit of service tax on outward transportation of goods beyond the place of removal	1,441,114	Nil
B. Other Claims against the Company not acknowledged as debts		
i) Demand towards ESI contribution on employees at Kolkata office of the Company. The Company has contested on the applicability of ESI for such employees and the issue is pending before the Assistant Regional Director, ESI Corporation, Kolkata.	613,737	613,737
ii) Demands arising out of suits filed by Shareholders on account of short/non refund of Application Money for which shares have not been allotted and/or non-receipt of Share Certificates etc. Company's appeals against these issues are pending before relevant District Forums/State Commission/Civil Courts.	508,351	508,351
iii) Claims for recovery arising out of suit filed by a contractor before the Calcutta High Court	5,799,702	5,799,702
Based on discussions with the solicitors/favourable decisions in similar cases/legal opinions taken by the Company, the management believes that the Company has a good chance of success in above-mentioned cases (both under (A) & (B) categories) and hence, no provision there against is considered necessary.		
j) ESTIMATED AMOUNT OF CONTRACTS REMAINING TO BE EXECUTED ON CAPITAL ACCOUNT AND NOT PROVIDED FOR (net of advances paid)	35,684,755	3,991,111

SCHEDULE 16 : (Contd.)

	Year ended December 31, 2010 Rupees	Year ended December 31, 2009 Rupees
k) DIRECTORS' REMUNERATION		
i) Salary	9,633,630	4,874,417
ii) Contribution to Provident & Other Funds	1,186,456	434,721
iii) Estimated Value of Perquisites	1,682,073	641,421
Total	12,502,159	5,950,559

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

l) The company carries a liability of Rs.84,359,586 (Rs.54,949,922) being provision towards custom duty on imports for various years. The company has made these provisions based on most recent assessments. Further, the management is of the view that this liability shall be payable only at the time of final assessment. Pending such final assessment, the company has also deposited Rs. 54,342,319 (Rs.42,007,525) with customs authorities. The net liability is included in other liabilities in Schedule 9.

m) Details of Deferred Tax Assets/(Liabilities) are as follows :

	As at December 31, 2010 Rupees	As at December 31, 2009 Rupees
- Disallowance u/s 43B and 40(a)(ia) of Income Tax Act, 1961	53,331,694	20,812,308
- Provision for Bad Debts	5,667,733	7,222,044
- Depreciation	(22,366,515)	(23,539,868)
Net Deferred Tax Assets/(Liabilities)	36,632,912	4,494,484

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

Particulars of Forward Contracts	Purpose
Sell US \$ 1,510,000 (Rs. 72,956,200)	Hedge of Trade Receivables denominated in Foreign Currencies.
[US \$ 1,050,000 (Rs. 48,520,500)]	

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

Sl. No.	Particulars	Foreign Currency	Rupees
a)	Sundry Debtors, Loans & Advances	USD 6,150,774	266,952,336
		(2,316,383)	(107,040,072)
		YEN Nil	Nil
		(1,320,000)	(694,584)
b)	Current Liabilities & Provisions	USD 9,426,506	426,832,188
		(3,405,904)	(160,486,196)
		EURO 7,290	440,665
		(2,963)	(201,395)
		GBP 6,160	432,309
		(579)	(43,962)
		YEN Nil	Nil
		(210,000)	(107,667)
		CHF Nil	Nil
		(2,134)	(97,631)
		JPY 9,422,000	5,262,187
		(Nil)	(Nil)

SCHEDULE 16 : (Contd.)

	Year ended December 31, 2010 Rupees	Year ended December 31, 2009 Rupees
o) OTHER EXPENSES		
Item 4 (p) of Schedule 14 includes :		
i) Auditors' Remuneration *		
As Auditors		
– For Statutory Audits	1,500,000	1,550,000
– For Limited Reviews	1,200,000	1,350,000
– For Corporate Governance	60,000	84,700
– For Travelling and out-of-pocket expenses	292,307	Nil
For Other Matters		
– For Tax Audit	900,000	500,000
– For US GAAP Reporting	400,000	525,000
– For Other Services	195,200	245,000
* Exclusive of service tax		
ii) Directors' fees	310,000	165,000
iii) Loss on disposal / discarding of assets (net)	872,073	6,845,505
iv) Provision for wealth tax	255,000	Nil
p) i) No Equity shares have been allotted during the year ended 31st December, 2010 out of 15,150 shares of Rs. 10/- each kept in abeyance as at 31st March, 1998.		
ii) Out of the total shares issued, 50,999,988 fully paid-up Equity shares of Rs. 10/- each were held by The Timken Company, USA till 4th October 2010. On 5th October 2010, such shares were transferred to Timken (Mauritius) Limited. Consequent thereto, Timken (Mauritius) Limited is the Holding Company as at 31st December 2010.		
iii) Calls in arrears of Rs.139,500 (Rs.141,000) have been computed on the basis of information certified by the Registrar & Share Transfer Agent of the Company.		
q) Excise Duty and Cess on Stock represents differential excise duty and cess paid/provided on opening and closing stock of Finished goods.		
r) Office premises are obtained on operating leases which are generally cancellable in nature. The lease term is for various number of years and renewable for further periods as per the lease agreements at the option of the company. In few lease agreements, escalation clauses are present consequent to which straight lining of lease rental is done and accounted for accordingly. There are no restrictions imposed by the lease arrangements. There are no subleases. The details of non-cancellable lease rentals payable are given below :		

	As at 31.12.2010	As at 31.12.2009
Future minimum lease payments :		
Not later than one year	5,735,000	1,575,000
Later than one year but not later than five years	14,490,000	2,625,000
Later than five years	Nil	Nil

The Company has paid Rs. 20,091,845 (Rs. 21,916,384) towards lease rent during the year.

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

Details of dues to Micro and Small Enterprises as per MSMED Act, 2006	As at / For the year ended 31.12.2010 (Rupees)	As at / For the year ended 31.12.2009 (Rupees)
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Principal – 2,051,033 Interest – 5,352	Principal – 297,435 Interest – 20,748
The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Principal – 7,124,016 Interest – Nil	Principal – 3,303,970 Interest – Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
The amount of interest accrued for the year and remaining unpaid at the end of each accounting year; and F.Y ended 31-Dec-2010 F.Y ended 31-Dec-2009 F.Y ended 31-Dec-2008	206,552 32,816 67,045	— 32,816 67,045
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprise Development Act, 2006	206,552	12,068

SCHEDULE 16 : (Contd.)

	As at 31.12.2010 Rupees	As at 31.12.2009 Rupees		
t) Sundry Debtors include dues from companies under the same Management :-				
Timken UK Limited	2,961,314	1,085,935		
Australian Timken Proprietary Limited	22,179,906	3,884,959		
Timken Do Brasil Com.E.Ind.Ltda.	94,810,297	45,582,640		
Timken Singapore PTE. Limited	3,845,228	198,037		
Timken South Africa (PTY) Limited	12,930,449	2,299,710		
Timken Shanghai Distribution & Sales	1,362,820	2,554,511		
Timken Wuxi Bearing Ltd.	85,336	—		
Timken India Manufacturing Pvt. Ltd.	—	248,241		
u) Loans and Advances include dues from companies under the same Management :-				
	As at 31.12. 2010 Rupees	Maximum Amount due during 2010 Rupees	As at 31.12. 2009 Rupees	Maximum Amount due during 2009 Rupees
Timken Engg. and Research India Pvt. Ltd.	—	—	—	409,353
Timken Singapore Ltd.	395,625	644,995	406,839	1,148,213
Timken India Manufacturing Pvt. Ltd.	1,612,957	4,196,329	1,714,000	3,222,001

v) **Disclosures as per Revised Accounting Standard -15
Gratuity and other post-employment benefit plans:**

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

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

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

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

Profit and Loss account :

Net employee benefit expense (recognised in Employee Cost) (Rupees)

	Gratuity fund		Employee death benefit scheme		Provident fund	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
Current service cost	1,996,010	2,456,620	429,580	947,110	309,420	515,110
Interest cost on benefit obligation	3,788,860	3,260,610	720,850	970,820	259,710	261,610
Expected return on plan assets	(3,140,450)	(2,979,740)	—	—	—	—
Curtailement cost / (credit)	—	—	(3,257,230)	—	—	—
Net actuarial(gain) / loss recognised in the year	<u>69,009,930</u>	<u>(6,335,755)</u>	<u>(1,021,550)</u>	<u>(5,654,580)</u>	<u>3,334,330</u>	<u>(1,638,670)</u>
Net benefit expense	<u>71,654,350</u>	<u>(3,598,265)</u>	<u>(3,128,350)</u>	<u>(3,736,650)</u>	<u>3,903,460</u>	<u>(861,950)</u>
Actual return on plan assets	8.50%	8.50%	NA	NA	NA	NA

Balance sheet :

Details of Provision :

Defined benefit obligation	116,823,100	44,917,590	6,368,880	10,152,520	6,888,680	2,985,220
Fair value of plan assets	39,960,100	36,919,020	—	—	—	—
	<u>76,863,000</u>	<u>7,998,570</u>	<u>6,368,880</u>	<u>10,152,520</u>	<u>6,888,680</u>	<u>2,985,220</u>
Less: Unrecognised past service cost	—	—	—	—	—	—
Plan (asset) / liability	<u>76,863,000</u>	<u>7,998,570</u>	<u>6,368,880</u>	<u>10,152,520</u>	<u>6,888,680</u>	<u>2,985,220</u>

SCHEDULE 16 : (Contd.)

	(Rupees)					
	Gratuity fund		Employee death benefit scheme		Provident fund	
	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
Changes in the present value of the defined benefit obligation are as follows:						
Opening defined benefit obligation	44,917,590	50,335,000	10,152,520	14,664,451	2,985,220	3,847,170
Interest cost	3,788,860	3,260,610	720,850	970,820	259,710	261,610
Current service cost	1,996,010	2,456,620	429,580	947,110	309,420	515,110
Curtailement cost / (credit)	—	—	(3,257,230)	—	—	—
Benefits paid	(2 735 010)	(4 769 600)	(655 290)	(775 280)	—	—
Actuarial (gains) / losses on obligation	68,855,650	(6,365,040)	(1,021,550)	(5,654,580)	3,334,330	(1,638,670)
Closing defined benefit obligation	116,823,100	44,917,590	6,368,880	10,152,521	6,888,680	2,985,220
Changes in the fair value of plan assets are as follows:						
Opening fair value of plan assets	36,919,020	36,142,890	NA	NA	NA	NA
Expected return	3,140,450	2,979,740	NA	NA	NA	NA
Contributions by employer	2,789,920	2,595,280	655,290	775,280	NA	NA
Benefits paid	(2,735,010)	(4,769,600)	(655,290)	(775,280)	NA	NA
Actuarial gains / (losses)	(154,280)	(29,290)	NA	NA	NA	NA
Closing fair value of plan assets	39,960,100	36,919,020	NA	NA	NA	NA

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

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

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. The company expects to contribute Rs. 2,999,170 (Rs. 2,550,000) to the gratuity funds in the next year.

The principal assumptions used in determining Provision for the Company's plans are shown below:

	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
Discount rate	8.10%	8.70%	8.10%	8.70%	8.10%	8.70%
Expected rate of return on assets	8.50%	8.50%	NA	NA	8.50%	8.50%
Salary escalation for respective class of employees	Officer - 12% for 1st year and 8% thereafter Non Officer - 15% for 1st year and 10% thereafter	6.5 & 5.5%	NA	NA	Officer - 12% for 1st year and 8% thereafter Non Officer - 15% for 1st year and 10% thereafter	6.5 & 5.5%
Employee turnover	Officer - 15% Non Officers-4%	1.60%	NA	NA	Officer - 15% Non Officers-4%	1.60%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current period are as follows:

	Rupees		
Gratuity Fund	31-Dec-2010	31-Dec-2009	31-Dec-2008
Defined benefit obligation	116,823,100	44,917,590	50,335,000
Plan assets	39,960,100	36,919,020	36,142,892
(Surplus)/deficit	76,863,000	7,998,570	14,192,108
Experience adjustment on Plan Liabilities	(25,509,480)	(2,240,360)	1,421,040
Experience adjustment on Plan Assets	(154,280)	(29,290)	68,380
Actuarial Gain / (Loss) due to change on assumptions	(43,346,170)	8,605,410	(14,291,370)

SCHEDULE 16 : (Contd.)

	(Rupees)		
	31-Dec-2010	31-Dec-2009	31-Dec-2008
Employee Death Benefit Scheme			
Defined benefit obligation	6,368,880	10,152,520	14,664,450
Plan assets	—	—	—
(Surplus)/deficit	6,368,880	10,152,520	14,664,450
Experience adjustment on Plan Liabilities	808,010	3,525,240	3,487,000
Experience adjustment on Plan Assets	—	—	—
Actuarial Gain / (Loss) due to change on assumptions	213,540	2,129,330	(1,817,000)
Provident Fund			
Defined benefit obligation	6,888,680	2,985,220	3,847,170
Plan assets	—	—	—
(Surplus)/deficit	6,888,680	2,985,220	3,847,170
Experience (Gain) / Loss adjustment on Plan Liabilities	30,710	1,420,450	—
Experience (Gain) / Loss adjustment on Plan Assets	NA	NA	NA
Actuarial Gain / (Loss) due to change on assumptions	NA	NA	NA

w) Segment Information

Business Segment:

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

Geographical Segments:

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

Secondary Segment - Geographical

	Year ended December 31, 2010 Rupees	Year ended December 31, 2009 Rupees
Sale of products and services by Geographical Market		
India	3,190,266,601	2,371,399,927
Outside India	1,439,097,339	788,986,914
Total	<u>4,629,363,940</u>	<u>3,160,386,841</u>
Carrying Amount of Segment Assets		
India	2,346,813,827	3,680,463,735
Outside India	338,475,241	156,255,155
Total	<u>2,685,289,068</u>	<u>3,836,718,890</u>
Purchase of Fixed Assets		
India	44,899,753	81,808,359
Outside India	—	—
Total	<u>44,899,753</u>	<u>81,808,359</u>

TIMKEN INDIA LIMITED

SCHEDULE 16 : (Contd.)

x) Related Party Disclosure:

Name of the Holding Company – Timken (Mauritius) Limited* (with effect from October 5, 2010. The Timken Company, USA (till October 4, 2010)

* Refer Note p(ii) of Schedule 16 – Notes to accounts

During the year, the company entered into transactions with related parties. Those transactions along with related balances at 31st December 2010 and for the year then ended are presented in the following table.

Sl No.	Name of the Related Party	Relationship	Nature of transactions	Transaction Amount (Rs)	Outstanding as at 31-12-2010 (Rs)
1	The Timken Company, USA	Ultimate Parent Company	Purchase of goods	582,490,034 (200,542,808)	161,129,708 (97,523,102)
			Sale of Goods	756,753,161 (459,854,618)	197,253,987 (81,733,639)
			Purchase of Fixed Assets	5,846,990 (13,144,636)	3,611,941 (868,162)
			Expenses Receivable	10,132,116 (8,620,687)	1,037,669 (4,018,285)
			Expenses Payable	57,196,374 (67,468,129)	33,439,899 (12,467,958)
			Agency Commission (Income)	58,476,485 (51,478,222)	2,814,151 (10,558,068)
			Royalty (excluding cess)	94,180,505 (72,555,578)	66,091,784 (78,499,213)
2	Timken UK Limited	Fellow Subsidiary	Sale of Goods	18,239,598 (37,137,324)	2,961,314 (1,085,935)
			Freight Recovery	— (98,202)	— (—)
3	Timken Do Brasil COM.E.IND.LTDA	Fellow Subsidiary	Sale of Goods	256,521,456 (77,937,356)	94,810,297 (45,582,640)
			Purchase of goods	28,458 (—)	7,551 (—)
			Purchase of Fixed Assets	1,575,891 (—)	1,575,891 (—)
			Expenses Payable	958,818 (—)	768,931 (—)
			Agency Commission (Expense)	265,742 (—)	199,351 (—)
4	Timken Korea LLC	Fellow Subsidiary	Agency Commission (Expense)	1,321,931 (3,206,938)	953,415 (3,021,677)
5	Timken South Africa Limited	Fellow Subsidiary	Sale of Goods	218,349,964 (22,786,910)	12,930,449 (2,299,710)
			Purchase of goods	4,795,142 (27,112)	3,180,054 (34,718)
6	Timken Bearing Services South Africa	Fellow Subsidiary	Sale of Goods	— (26,649,467)	— (—)
7	Timken Romania	Fellow Subsidiary	Purchase of goods	47,048,468 (7,439)	26,335,128 (7,555)
			Expenses Payable	— (6,819)	— (—)
8	Timken Singapore PTE. Limited	Fellow Subsidiary	Sale of Goods	33,441,213 (15,794,195)	3,845,228 (198,037)
			Purchase of goods	21,208,255 (13,951,889)	5,464,944 (2,863,404)
			Expenses Receivable	4,125,012 (3,560,449)	395,625 (406,817)
			Expenses Payable	942,470 (—)	748,767 (—)
			Purchase of goods	32,677,623 (1,371,204)	20,976,042 (709,785)
9	Yantai Timken Company Limited	Fellow Subsidiary	Purchase of goods	32,677,623 (1,371,204)	20,976,042 (709,785)
			Purchase of Fixed Assets	315,765 (—)	— (—)

SCHEDULE 16 : (Contd.)

SI No.	Name of the Related Party	Relationship	Nature of transactions	Transaction Amount (Rs)	Outstanding as at 31-12-2010 (Rs)
10	Australian Timken Proprietary Limited	Fellow Subsidiary	Sale of Goods	66,995,571 (57,530,977)	22,179,906 (3,884,959)
			Purchase of goods	966,737 (—)	— (—)
11	Timken Polska	Fellow Subsidiary	Purchase of goods	2,119,846 (1,925,374)	217,887 (1,128,194)
			Purchase of Fixed Assets	386,243 (842,261)	— (—)
12	Timken (China) Holding company	Fellow Subsidiary	Expenses Payable	53,392,821 (2,194,630)	46,033,784 (—)
13	Timken Wuxi Co Ltd — China	Fellow Subsidiary	Purchase of goods	83,081,871 (3,640,513)	38,630,788 (3,387,742)
			Expenses Payable	— (411,245)	— (—)
			Sale of Goods	359,996 (—)	85,336 (—)
14	Timken (Shanghai) Distribution & Sales Co. Ltd. — China	Fellow Subsidiary	Sale of Goods	9,942,241 (2,991,426)	1,362,820 (2,554,511)
			Purchase of goods	4,063,470 (—)	2,088,420 (—)
15	Timken Gmbh	Fellow Subsidiary	Purchase of goods	— (460,251)	— (—)
			Expenses Payable	— (63,858)	— (5,178)
16	Timken Europa	Fellow Subsidiary	Agency Commission (Income)	— (22,240)	— (—)
17	Timken India Manufacturing Pvt. Ltd.	Fellow Subsidiary	Purchase of goods	30,330,536 (4,172,291)	2,083,137 (3,905,410)
			Sale of Goods	1,397,499 (3,013,409)	— (248,241)
			Expenses Receivable	13,154,305 (11,854,713)	1,612,957 (1,714,000)
18	Timken Engineering & Research India Pvt. Ltd.	Fellow Subsidiary	Purchase of goods	— (193,525)	— (81,345)
			Sale of Goods	— (43,623)	— (—)
			Expenses Receivable	423,586 (409,353)	— (1,714,000)
			Expenses Payable	83,524,180 (80,597,391)	14,421,035 (2,525,173)
19	Timken DE Mexico S A DE CV	Fellow Subsidiary	Purchase of goods	1,888,922 (—)	80,790 (—)
			Expenses Payable	7,395 (—)	7,207 (—)
20	Jiangsu TWB Bearing Co. Ltd.	Fellow Subsidiary	Purchase of goods	1,381,768 (—)	— (—)
21	Timken Canada LP	Fellow Subsidiary	Sale of goods	649,009 (—)	— (—)
22	Nihon Timken KK	Fellow Subsidiary	Purchase of goods	— (103,765)	— (107,814)
23	G. W. Robinson	Chairman & Managing Director (till 31st July, 2009) Key Management Personnel	Remuneration	— (2,625,000)	— (—)
24	Ajay Das	Managing Director (from 1st August, 2009) Key Management Personnel	Remuneration	12,502,159 (3,325,559)	3,785,143 (—)

SCHEDULE 16 : (Contd.)

y) Earnings Per Share (Basic & Diluted) :

	Year ended December 31, 2010 Rupees	Year ended December 31, 2009 Rupees
Profit After Tax	510,573,850	325,346,108
Earnings Available for Equity Shareholders	510,573,850	325,346,108
Weighted Average No. of Equity Shares @ Rs. 10/- each	63,734,850	63,734,850
Earnings per share - Basic & Diluted	8.01	5.10

z) Excise duty expense (net of recovery) represents duty paid/provided for stocks written off, burnt stock, free samples etc.

aa) Prior period expenses include Rs. 16,029,050 (Rs. Nil) towards gratuity on account of change in the estimate of one of the actuarial assumptions used in past actuarial valuations and Rs. Nil (Rs. 219,840) towards service tax charge for earlier year.

ab) Disclosure required by Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets".

Particulars	Year ended December 31, 2010 Rupees	Year ended December 31, 2009 Rupees
Balance as at January 1	5,344,243	—
Additional provision during the period	7,433,720	5,344,243
Balance as at December 31	12,777,963	5,344,243

The Company has reviewed the various liabilities relating to indirect taxes and estimated the provision for contingencies based on assessment of its probability.

ac) Previous year's figures (including those in brackets) have been regrouped / rearranged, wherever necessary.

Signature to Schedules 1 to 16

For and on behalf of the Board

James R. Menning
Chairman

As per our report of even date
For S. R. BATLIBOI & CO.
Firm Registration No. 301003E
Chartered Accountants
Per SANJOY K. GUPTA
Partner
Membership No. 54968
Kolkata, 10 February, 2011

Ajay K. Das
Managing Director

Soumitra Hazra
Company Secretary & Chief-Compliance

Chennai, 10 February, 2011

ABSTRACT OF THE BALANCE SHEET AS AT 31.12.2010 AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI (AMENDED) TO THE COMPANIES ACT, 1956

I. Registration Details

Registration No.

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

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 Balance Sheet Date

3	1
---	---

1	2
---	---

2	0	1	0
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 Date Month Year

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

Public Issue	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	Rights Issue	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L							
N	I	L							
Bonus Issue	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	Private Placement	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L
N	I	L							
N	I	L							

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

Total Liabilities	<table border="1"><tr><td>3</td><td>8</td><td>0</td><td>5</td><td>8</td><td>9</td><td>4</td></tr></table>	3	8	0	5	8	9	4	Total Assets	<table border="1"><tr><td>3</td><td>8</td><td>0</td><td>5</td><td>8</td><td>9</td><td>4</td></tr></table>	3	8	0	5	8	9	4
3	8	0	5	8	9	4											
3	8	0	5	8	9	4											
Sources of Funds		Reserves & Surplus	<table border="1"><tr><td>3</td><td>1</td><td>6</td><td>8</td><td>6</td><td>8</td><td>5</td></tr></table>	3	1	6	8	6	8	5							
3	1	6	8	6	8	5											
Paid-Up Capital	<table border="1"><tr><td>6</td><td>3</td><td>7</td><td>2</td><td>0</td><td>9</td></tr></table>	6	3	7	2	0	9	Unsecured Loans	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L					
6	3	7	2	0	9												
N	I	L															
Secured Loans	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	Application of Funds												
N	I	L															
Net Fixed Assets	<table border="1"><tr><td>6</td><td>0</td><td>6</td><td>7</td><td>8</td><td>7</td></tr></table>	6	0	6	7	8	7	Investment	<table border="1"><tr><td>2</td><td>1</td><td>0</td><td>3</td><td>4</td><td>7</td><td>1</td></tr></table>	2	1	0	3	4	7	1	
6	0	6	7	8	7												
2	1	0	3	4	7	1											
Net Current Assets	<table border="1"><tr><td>1</td><td>0</td><td>5</td><td>9</td><td>0</td><td>0</td><td>3</td></tr></table>	1	0	5	9	0	0	3	Deferred Tax Assets (Net)	<table border="1"><tr><td>3</td><td>6</td><td>6</td><td>3</td><td>3</td></tr></table>	3	6	6	3	3		
1	0	5	9	0	0	3											
3	6	6	3	3													
Accumulated Losses	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L	Misc. Expenditure	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L								
N	I	L															
N	I	L															

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

Turnover	<table border="1"><tr><td>4</td><td>8</td><td>1</td><td>9</td><td>7</td><td>5</td><td>3</td></tr></table>	4	8	1	9	7	5	3	Total Expenditure	<table border="1"><tr><td>4</td><td>1</td><td>0</td><td>2</td><td>7</td><td>1</td></tr></table>	4	1	0	2	7	1			
4	8	1	9	7	5	3													
4	1	0	2	7	1														
+ - Profit/loss Before Tax	<table border="1"><tr><td>+</td><td></td><td>7</td><td>1</td><td>3</td><td>4</td><td>8</td><td>2</td></tr></table>	+		7	1	3	4	8	2	+ - Profit/loss After Tax	<table border="1"><tr><td>+</td><td></td><td>5</td><td>1</td><td>0</td><td>5</td><td>7</td><td>4</td></tr></table>	+		5	1	0	5	7	4
+		7	1	3	4	8	2												
+		5	1	0	5	7	4												
+ - Earning per Share in Rs.	<table border="1"><tr><td>+</td><td></td><td>8</td><td>.</td><td>0</td><td>1</td></tr></table>	+		8	.	0	1	Dividend rate %	<table border="1"><tr><td>N</td><td>I</td><td>L</td></tr></table>	N	I	L							
+		8	.	0	1														
N	I	L																	

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

Item Code No.

8	4	8	2	2	0	0	1
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 &

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

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

 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
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 (ITC Code)
 Product Description

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

Chennai, 10 February 2011

Soumitra Hazra
Company Secretary & Chief-Compliance

For and on behalf of the Board
Ajay K. Das
Managing Director

James R. Menning
Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Year ended December 31, 2010 Rupees	Year ended December 31, 2009 Rupees
A. Cash Flow from Operating Activities :		
Net Profit before Tax	713,482,352	449,102,891
Adjustments for :		
Depreciation	112,454,730	103,401,628
Interest income	(1,424,657)	(2,207,860)
Interest expense	8,906,048	4,200,481
Income from Investments	(109,063,328)	(78,819,817)
Loss on sale of assets (Net)	872,074	6,845,505
Provision for Doubtful debts / advances	1,195,570	9,842,851
Provision no longer required written back	(19,296,343)	(21,988,906)
Debts, Deposits & Advances written off	1,035,771	2,584,039
Unrealised foreign exchange gain	(5,038,560)	(602,269)
Provision for Wealth Tax	255,000	—
	(10,103,695)	23,255,652
Operating Profit before Working Capital Changes	703,378,657	472,358,543
Adjustments for :		
Sundry Debtors and Loans and Advances	(275,616,953)	310,951,522
Inventories	(380,083,985)	168,926,498
Current Liabilities and Provisions	497,545,074	(228,375,761)
	(158,155,864)	251,502,259
Cash Generated from Operations	545,222,793	723,860,802
Direct Tax paid [net of refund Rs. Nil (Rs. 4,689,041)]	(246,300,000)	(140,065,636)
	(246,300,000)	(140,065,636)
Net Cash from Operating Activities	298,922,793	583,795,166
B. Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(38,212,170)	(81,808,359)
Sale of Fixed Assets	948,822	894,933
Purchase of Investments	(2,807,118,820)	(2,502,193,249)
Sale of Investments	2,503,655,729	2,024,172,475
Interest received	1,424,657	2,207,860
	(339,301,782)	(556,726,340)
Net Cash used in Investing Activities	(339,301,782)	(556,726,340)
C. Cash Flow from Financing Activities :		
Interest paid	(3,634,345)	(4,200,481)
Cash Credit (Net)	—	(37,429)
Proceeds from Calls in arrears	1,500	—
	(3,632,845)	(4,237,910)
Net Cash used in Financing Activities	(3,632,845)	(4,237,910)
Net increase/(decrease) in Cash and Cash equivalents	(44,011,834)	22,830,916
Cash and Cash equivalents as at 1st January (Opening Balance) (refer Schedule 7)	75,439,439	52,608,523
Cash and Cash equivalents as at 31st December (Closing Balance) (refer Schedule 7)	31,427,605	75,439,439

Schedules 1 to 16 from an integral part of these accounts.

For and on behalf of the Board

As per our report of even date
For S. R. BATLIBOI & CO.
Firm Registration No. 301003E
Chartered Accountants
Per SANJOY K. GUPTA
Partner
Membership No. 34968
Kolkata, 10 February, 2011

Ajay K. Das
Managing Director

James R. Menning
Chairman

Soumitra Hazra
Company Secretary &
Chief-Compliance

Chennai, 10 February, 2011

Corporate Governance Report

Company's philosophy on code of governance

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

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

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

Board of Directors

Composition:

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

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

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

Name	Category	No. of Board Meetings attended during the year ended 31 December, 2010	Whether attended AGM held on 28 April 2010	No. of Directorships in other companies ^β	No. of Committee positions held in other companies	
					Chairman	Only Member
Mr. Roger W Lindsay*	Promoter Director, Non-Executive, Not Independent	3	Yes	—	—	—
Mr. James R Menning**	Promoter Director, Non-Executive, Not Independent	1	N.A.	—	—	—
Mr. Ajay K. Das	Executive, Not Independent	4	Yes	—	—	—
Mr. Niroop Mahanty	Non-Executive, Independent	4	Yes	2	—	—
Mr. Jai S. Pathak	Non-Executive, Independent	4	Yes	1	—	3
Mr. P. S. Dasgupta	Non-Executive, Independent	4	Yes	15	1	7
Mr. Sridharan Rangarajan	Non-Executive, Not Independent	4	Yes	—	—	—

^β including directorships in Private Limited companies

* resigned with effect from close of business on 27 October 2010

** appointed with effect from 28 October 2010

Four Board Meetings were held during the year ended 31 December 2010 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

- 1) 16 February 2010
- 2) 28 April 2010
- 3) 30 July 2010
- 4) 28 October 2010

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 Independent Directors for attending the meetings of the Board or Committees thereof, the Company did not have any pecuniary relationship or transactions with Non-Executive Directors during the period under review.

Audit Committee

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

The Company has complied with all the requirements of clause 49 (II)(A) of the Listing Agreement relating to composition of the Audit Committee. Mr. P. S. Dasgupta, an Independent, Non-executive Director acted as the Chairman of the Audit Committee in 2010. Mr. Dasgupta, as the Chairman of the Audit Committee was present at the Twenty-third Annual General Meeting of the Company held on 28 April 2010.

In 2010, the composition of the Audit Committee and the details of meetings attended by the members thereof were as follows:

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

Audit Committee Meetings were attended by Controller of Accounts and representatives of Pricewaterhouse Coopers, as Internal Auditors. Chairman and Managing Director were also present as invitees at all the Audit Committee Meetings held in 2010. 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 2010. The dates on which the said meetings were held are as follows:

- 1) 16 February 2010
- 2) 28 April 2010
- 3) 30 July 2010
- 4) 28 October 2010

Necessary quorum was present at all these meetings.

Remuneration Committee

Broad terms of reference of the Remuneration Committee include determination on behalf of the Board of Directors of the Company and on behalf of the shareholders, the Company's policy on specific remuneration packages for Executive Directors of the Company. The Company has one Executive Director under the designation 'Managing Director'.

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

In 2010, the composition of the Remuneration Committee was as follows:

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

As per Company's policy, the Independent Directors of the Company were paid remuneration by way of Sitting Fees only. Accordingly, a sum of Rs. 15,000/- was paid to each Independent Director for attending a meeting of the Board and a sum of Rs. 10,000/- was paid to each Independent Director for attending a meeting of the Committee of the Board. Other Directors were not paid any Sitting Fees.

The Company paid remuneration by way of salary, perquisites and allowances (fixed components) and Performance Incentive (variable component) to the Managing Director being the Executive Director on the Board of Directors of the Company, after obtaining the requisite approvals from the Remuneration Committee, Board of Directors of the Company, the shareholders and in applicable cases from Central Government after complying with the requisite formalities as prescribed under the Companies Act, 1956. As per practices consistently followed by the Company, Performance Incentives (variable component) 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 required to be held in 2010.

Details of Remuneration of Directors for year 2010

Non-Executive Directors

Name of the Director	Sitting Fees (Rs.)
Mr. Roger W Lindsay*	Nil
Mr. James R. Menning**	Nil
Mr. Niroop Mahanty	1,10,000
Mr. Jai S. Pathak	1,00,000
Mr. P. S. Dasgupta	1,00,000
Mr. Sridharan Rangarajan	Nil

* resigned with effect from close of business on 27 October 2010

** appointed with effect from 28 October 2010

Executive Directors

In Rupees

Name of the Director	Salary & Allowances	Perquisites	Performance Incentive	Stock Options
Mr. Ajay K. Das	70,34,943	16,82,073	37,85,143	Nil

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

Investors Grievance Committee

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

In 2010, the composition of the Investors Grievance Committee was as follows:

Name of the Members	Category
Mr. Niroop Mahanty, Chairman	Non-Executive, Independent
Mr. Ajay K. Das, Member	Executive, Not Independent
Mr. Sridharan Rangarajan, Member	Non-Executive, Not Independent

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

One meeting of the Investors Grievance Committee was held on 28 October 2010. 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 43 resolutions have been approved by the said Committee by way of circulation.

In addition, status reports, *inter alia*, on share price movement and investors' profile were circulated periodically to the members of the Investors Grievance Committee.

The status of investors' queries handled by the Company and also by the Registrars during the year ended on 31 December 2010 is given below:

Particulars	Total Received	Total Replied	Total Pending as on 31.12.10
Change of Address / POA	137	137	—
Others	100	100	—
Duplicate /New Certificates	65	65	—
Endorsement/Stickers	99	99	—
Request for Annual Report	38	38	—
Non-receipt of interest/redemption	33	33	—
Non-receipt of Certificates	15	15	—
Transmission	30	30	—
Dematerialisation	4	4	—
Correction of Name	4	4	—
Revalidation	3	3	—
TOTAL	528	528	—

As on 31 December 2010, 24 requests for registration of transfer of Equity Shares of the Company remained outstanding in the books of the Company, partly being requests received subsequent to 21 December 2010 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
2007	Center for Excellence, Jubilee Road Jamshedpur – 831 001	AGM	24 April, 2008	Thursday	3.00 pm	2
2008	Timken Engineering and Research India Private Limited, Wing B, Office 2, Block A, Salarpuria Soft Zone, Bangalore - 560 037	AGM	24 April, 2009	Friday	9.00 am	—
2009	Timken Engineering and Research India Private Limited, Wing B, Office 2, Block A, Salarpuria Soft Zone, Bangalore - 560 037	AGM	28 April, 2010	Wednesday	9.00 am	—

Note : Of the resolutions passed at the General Meetings as aforesaid, only two resolutions – Shifting of Registered Office from Jamshedpur to Bangalore and change in Articles of Association were required to be passed by way of Special Resolutions in terms of the relevant provisions of the Companies Act, 1956. No Special Resolution was passed in 2010 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 2010.

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

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

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

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

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

- 1) Chairman of the Board – The Chairman of the Board of Directors being a Non-Executive Director enjoyed all the infrastructural support during his visits last year to the offices of the Company in performance of his duties.
- 2) Remuneration Committee – The Company has a Remuneration Committee in place and it is functioning properly.
- 3) Shareholders' Rights – Half-yearly declaration of financial performance are not currently sent to each of the household of Shareholders but are published in terms of Clause 41 of the Listing Agreement in certain newspapers and also to the Stock Exchanges. Besides, all the Quarterly / Half-yearly 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.

The Timken Company has additionally disclosed to the Company the below mentioned entities are part of The Timken Company's group. These companies along with The Timken Company would constitute a group as defined under the Monopolies and Restrictive Trade Practices Act, 1969.

Timken Europe B.V.
Prins Berhardplein 200
1097, JB Amsterdam
Amsterdam, Netherlands

Timken (Bermuda) L.P.
Clarendon House
2 Church Street
P.O. Box H M 666
Hamilton, HM 11, Bermuda

Timken (Mauritius) Limited
5th Floor, Chancery House
Lislet Geoffroy Street
Port Louis, Mauritius

Timken Global Treasury, SARL
16 Avenue Pasteur
L-2310 Luxembourg
Grand-Duchy of Luxembourg

The Timken Services and Sales Company
1835, Dueber Avenue, SW
Canton, OH 44706, USA

Timken India Manufacturing Private Limited
39-42, Electronic City
Phase II, Hosur Road
Bangalore 560 100

Timken (Gibraltar) Limited
57/63, Line Wall Road
Gibraltar

Timken Engineering and Research India Private Limited
39-42, Electronic City, Phase II,
Hosur Road
Bangalore 560 100

Timken (Gibraltar) 2 Limited
57/63, Line Wall Road
Gibraltar

Timken Singapore PTE, Ltd.
51 Chiangi Business Park,
Central 2, #08-06/07
Singapore 486066

Means of Communication

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

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

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

Directors' Shareholding

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

General Shareholders Information

1.	AGM	21 April 2011 at 10.00 am at Tangerine Conference Hall, Lemon Tree Hotel, Plot No. 54B/55A, Hosur Main Road, Electronic City, Phase I, Bangalore - 560 100																																							
2.	Financial Calendar	The Accounting Year covers the period from 1 January to 31 December, 2011. Financial reporting for: a) 1st Quarter ending 31 March 2011 – end April, 2011 b) Half year ending 30 June 2011 – end July, 2011 c) 3rd Quarter ending 30 September 2011 – end October, 2011 d) Year ending 31 December 2011 – end January / February, 2012 Note : the above calendar is indicative in nature.																																							
3.	Date of Book Closure	11 April 2011 to 21 April 2011 (both days inclusive)																																							
4.	Dividend Payment Date	—																																							
5.	Listing on Stock Exchanges	Equity Shares of the Company are presently listed on the following Stock Exchanges: The National Stock Exchange of India Limited “Exchange Plaza” Bandra Kurla Complex Bandra (E) Mumbai – 400 051 The Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai – 400 001 Magadh Stock Exchange Association 9th Floor, Ashiana Plaza Budh Marg Patna – 800 001 Steps have been taken to get the Equity Shares delisted from the Magadh Stock Exchange. The Company has paid annual Listing Fees to the Stock Exchanges for the year 2010-2011.																																							
6.	Stock Code	522113 (Equity) (BSE), TIMKEN (NSE)																																							
7.	Market Price Data	Monthly High/Low of Market Prices of the Company’s Equity Shares, traded on the Bombay Stock Exchange Limited, Mumbai during the year ended December 31, 2010 (source : www.bseindia.com)																																							
		<table border="1"> <thead> <tr> <th>Month</th> <th>High (Rs.)</th> <th>Low (Rs.)</th> </tr> </thead> <tbody> <tr> <td>January 2010</td> <td>150.45</td> <td>97.00</td> </tr> <tr> <td>February 2010</td> <td>119.15</td> <td>98.55</td> </tr> <tr> <td>March 2010</td> <td>115.80</td> <td>99.35</td> </tr> <tr> <td>April 2010</td> <td>124.75</td> <td>102.30</td> </tr> <tr> <td>May 2010</td> <td>128.20</td> <td>106.10</td> </tr> <tr> <td>June 2010</td> <td>152.35</td> <td>111.50</td> </tr> <tr> <td>July 2010</td> <td>156.45</td> <td>133.50</td> </tr> <tr> <td>August 2010</td> <td>179.00</td> <td>137.30</td> </tr> <tr> <td>September 2010</td> <td>174.00</td> <td>153.25</td> </tr> <tr> <td>October 2010</td> <td>212.40</td> <td>154.00</td> </tr> <tr> <td>November 2010</td> <td>200.60</td> <td>153.05</td> </tr> <tr> <td>December 2010</td> <td>179.70</td> <td>155.20</td> </tr> </tbody> </table>	Month	High (Rs.)	Low (Rs.)	January 2010	150.45	97.00	February 2010	119.15	98.55	March 2010	115.80	99.35	April 2010	124.75	102.30	May 2010	128.20	106.10	June 2010	152.35	111.50	July 2010	156.45	133.50	August 2010	179.00	137.30	September 2010	174.00	153.25	October 2010	212.40	154.00	November 2010	200.60	153.05	December 2010	179.70	155.20
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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 with 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 Kolkata or may also be sent to Company Secretary & Chief – Compliance at the Registered Office of the Company at Bangalore.</p> <p>All valid requests for registration of transfer are normally processed within 10 - 12 days from the date of receipt of the documents, if the same are complete in all respect.</p> <p>A Committee of the Board under the title “Investors Grievance Committee” has been entrusted with the authority, <i>inter alia</i>, to approve registration of transfer of shares.</p>																																								
11.	Distribution of Share holding	<p>The distribution of shareholding as on 31 December, 2010 is given below :</p> <table border="1" data-bbox="706 1626 1565 1939"> <thead> <tr> <th>Range (Rs.)</th> <th>Accounts</th> <th>Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>1 – 5000</td> <td>55005</td> <td>6263376</td> <td>9.83</td> </tr> <tr> <td>5001 – 10000</td> <td>1021</td> <td>821406</td> <td>1.29</td> </tr> <tr> <td>10001 – 20000</td> <td>414</td> <td>609753</td> <td>0.96</td> </tr> <tr> <td>20001 – 30000</td> <td>154</td> <td>397778</td> <td>0.62</td> </tr> <tr> <td>30001 – 40000</td> <td>60</td> <td>215847</td> <td>0.34</td> </tr> <tr> <td>40001 – 50000</td> <td>61</td> <td>287957</td> <td>0.45</td> </tr> <tr> <td>50001 – 100000</td> <td>61</td> <td>455707</td> <td>0.71</td> </tr> <tr> <td>100001 and above</td> <td>67</td> <td>54683026</td> <td>85.80</td> </tr> <tr> <td></td> <td>56843</td> <td>63734850</td> <td>100.00</td> </tr> </tbody> </table>	Range (Rs.)	Accounts	Shares	%	1 – 5000	55005	6263376	9.83	5001 – 10000	1021	821406	1.29	10001 – 20000	414	609753	0.96	20001 – 30000	154	397778	0.62	30001 – 40000	60	215847	0.34	40001 – 50000	61	287957	0.45	50001 – 100000	61	455707	0.71	100001 and above	67	54683026	85.80		56843	63734850	100.00
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12.	Dematerialisation of Shares and liquidity	The Company has arrangements with National Securities Depositories Ltd. (NSDL) as well the Central Depository Services (India) Ltd. (CDSL) for Demat facility. At present around 95% of the Company's Equity Share Capital is dematerialised. The Shares of the Company are listed as aforesaid and are regularly traded on the BSE & NSE, Mumbai.	
13.	Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity	Nil	
14.	Plant location	The Company's Plant is located at Bara, P.O. Agrico, Jamshedpur - 831 009.	
15.	Address for correspondence	Any investor related queries may be addressed to the following addresses :	
		Company Secretary & Chief - Compliance Timken India Limited 39-42, Electronic City Phase II, Hosur Road Bangalore – 560 100 Tel. No. 080 – 40053133 Fax No. 080 – 28521039 E-mail: santosh.kumar@timken.com	C B Management Services (P) Limited P-22, Bondel Road Kolkata – 700 019 Tel. No. 033 – 40116700, 40116711, 40116718, 40116723 E-mail: rta@cbmsl.com

AUDITORS' CERTIFICATE

To
The Members of Timken India Limited

We have examined the compliance of conditions of corporate governance by Timken India Limited for the year ended on 31st December 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

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

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

For S. R. BATLIBOI & CO.
Firm Registration Number: 301003E
CHARTERED ACCOUNTANTS

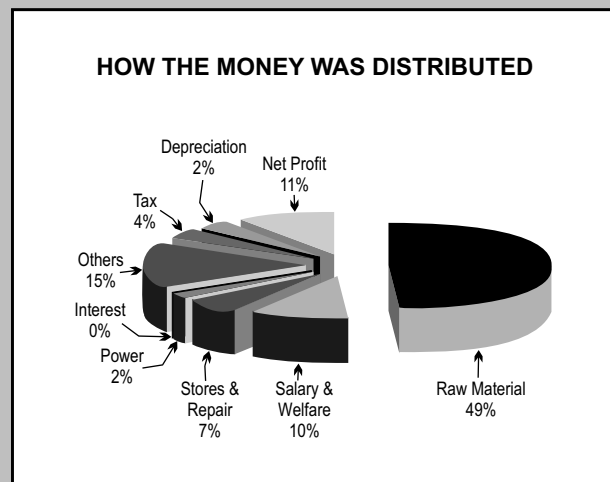
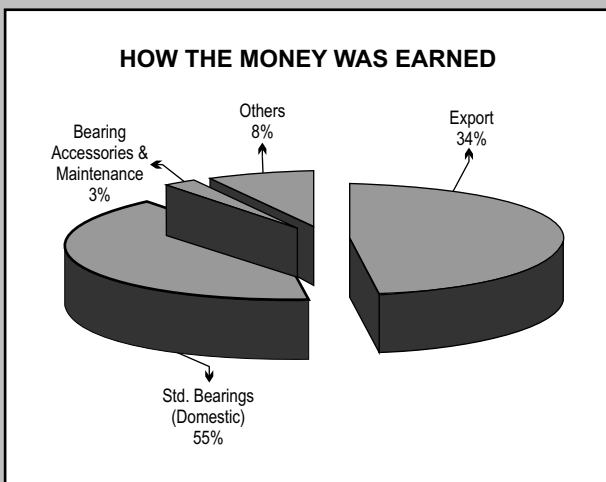
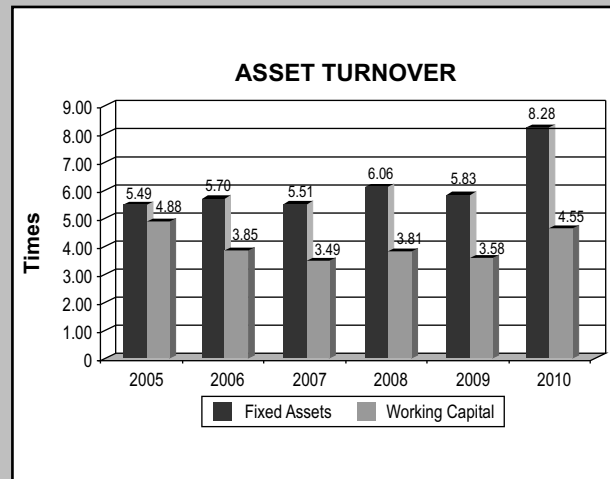
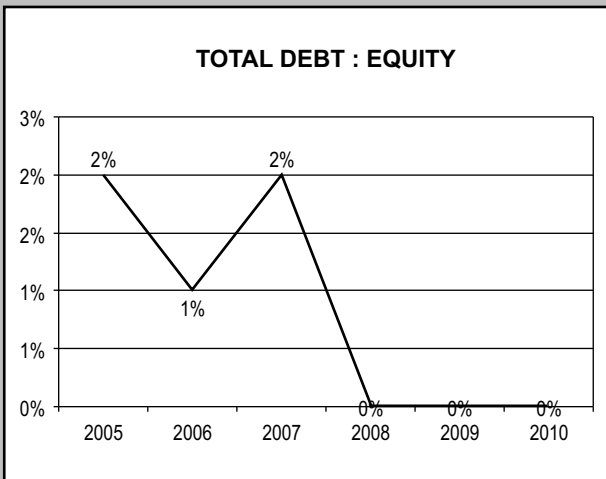
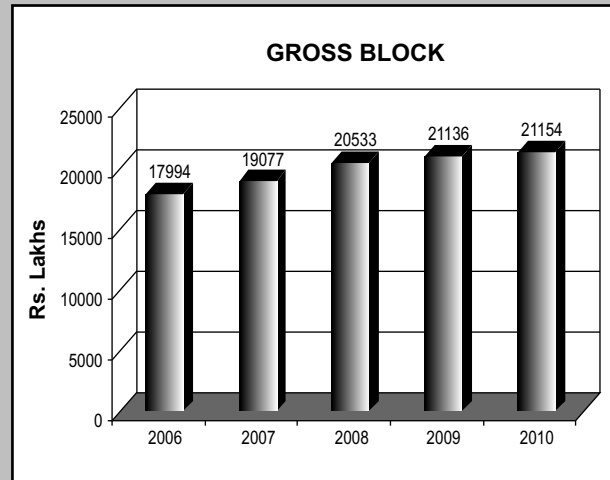
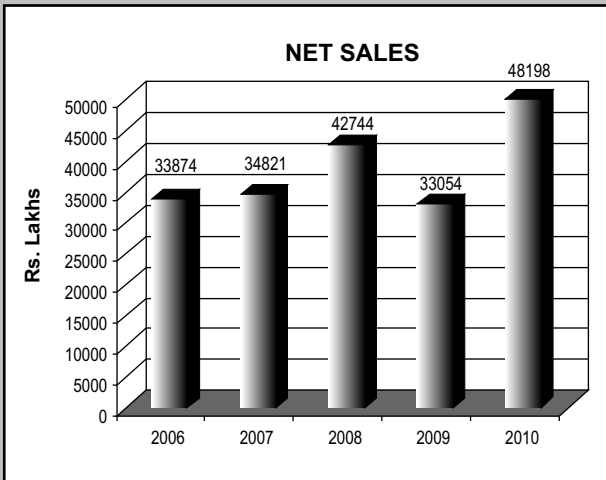
per SANJOY. K. GUPTA
Partner
Membership No. 54968

Place: Kolkata.
Date: 10th February, 2011

FIVE YEARS AT A GLANCE

	Year Ended				
	Year Ended 31.12.2010	Year Ended 31.12.2009	Year Ended 31.12.2008	Year Ended 31.12.2007	Year Ended 31.12.2006
Production					
(i) Standard Roller Brgs (Equiv. Nos.)	1,864,926	890,288	1,650,170	2,175,062	2,110,058
(ii) Special Roller Bearings (Equiv. Nos.)	1,435,855	1,454,873	1,444,620	1,180,365	1,419,012
(iii) Components (Equiv. Nos.)	3,819,550	2,645,995	4,107,566	4,204,134	2,715,466
Rs/Lakhs					
Profit & Loss Account					
(i) Net Sales					
(a) Domestic	33,807	25,214	26,279	23,691	21,299
(b) Export	14,391	7,890	16,464	11,130	12,575
Total (a+b)	<u>48,198</u>	<u>33,104</u>	<u>42,743</u>	<u>34,821</u>	<u>33,874</u>
(ii) EBIT	7,224	4,533	7,898	5,708	5,982
(iii) Profit Before Tax	7,135	4,491	7,792	5,609	5,875
(iv) Profit After Tax	5,106	3,253	5,300	3,740	3,813
Balance Sheet					
(i) Gross Block (Includes CWIP)	21,154	21,136	20,533	19,077	17,994
(ii) Net Block	5,818	5,676	7,055	6,320	5,938
(iii) Net Current Asset	10,590	9,237	11,215	9,970	8,801
(iv) Capital Employed	37,693	32,908	29,611	24,521	20,909
(v) Beginning Invested Capital (BIC)	32,154	29,085	23,700	20,053	16,224
(vi) Total Debt	—	—	—	43	158
(vii) Equity	38,059	32,953	29,700	24,400	20,648
Other Comparative Data					
(i) PAT to Net Sales (%)	11%	10%	12%	11%	11%
(ii) EBIT / BIC (%)	22%	16%	33%	28%	37%
(iii) Return on Net Worth (%)	13%	10%	18%	15%	18%
(iv) E.P.S. (Rs)	8.01	5.10	8.32	5.87	5.98
(v) Total Debt to Equity (%)	0%	0%	0%	0%	1%
(vi) Total Debt to Total Capital (%)	0%	0%	0%	0%	1%
(vii) Fixed Asset Turnover (times)	8.28	5.83	6.06	5.51	5.70
(viii) Working Capital Turnover (times)	4.55	3.58	3.81	3.49	3.85
(ix) Current Ratio (times)	1.98	2.56	2.33	2.72	3.09
(x) Interest Cover (times)	81.11	107.93	74.51	57.38	56.08
(xi) Net Sales/Employee (Rs/Lakhs)	82.11	58	70	58	58

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



NOTES

TIMKEN INDIA LIMITED

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

ATTENDANCE SLIP

Name
Folio No.
No. of Shares held

I hereby record my presence at the Twenty-fourth Annual General Meeting of the Company will be held at Tangerine Conference Hall, Lemon Tree Hotel, Plot No. 54B/55A, Hosur Main Road, Electronic City, Phase I, Bangalore - 560 100 on Thursday, 21 April 2011 at 10.00 am.

SIGNATURE OF THE MEMBER/PROXY

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

TIMKEN INDIA LIMITED

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

PROXY

I/We,

of in the District of

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

of in the District of or failing him/her

..... of in the District of

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

my/our behalf at the Twenty-fourth Annual General Meeting of the Company, to be held on Thursday, 21 April 2011 and at any adjournment thereof.

Signed this day of 2011.

Reference Folio :

No. of Shares :

Signature



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