

TIMKEN INDIA LIMITED

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TIMKEN INDIA LIMITED

BOARD OF DIRECTORS

(As on 26 February 2009)

MR G W ROBINSON – Chairman & Managing Director
MR R W LINDSAY
MR N MAHANTY
MR J S PATHAK
MR P S DASGUPTA
MR S RANGARAJAN
MS S NARAHARI – Alternate to Mr R W Lindsay

COMMITTEES OF THE BOARD

(As on 26 February 2009)

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 G W ROBINSON
MR J S PATHAK

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-second Annual General Meeting of Timken India Limited will be held at Timken Engineering and Research India Private Limited, Wing B, Office 2, Block A, Salarpuria Soft Zone, Bangalore - 560 037 on Friday, 24 April 2009 at 9.00 am to transact the following business:

1. To receive and adopt the Profit and Loss Account for the year ended 31 December 2008 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. P S Dasgupta who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

4. **Appointment of Mr. Sridharan Rangarajan 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. Sridharan Rangarajan, 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, subject to retirement by rotation.”

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. 4 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 will remain closed from 17 April 2009 to 24 April 2009, both days inclusive.

By Order of the Board

Registered Office :
39-42, Electronic City
Phase II, Hosur Road
Bangalore - 560 100
26 March 2009

Soumitra Hazra
Company Secretary
& *Chief - Compliance*

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

Item No. 4

Mr. Sridharan Rangarajan, Director of the Company, was appointed by the Board of Directors of the Company ('the Board') as an Additional Director at its meeting held on 26 February 2009. As per the provisions of the Companies Act, 1956, Mr. Rangarajan 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. Rangarajan as a candidate for the office of Director.

The proposal for the appointment of Mr. Rangarajan as Director on the Board, subject to retirement by rotation is therefore, placed before the members for approval as set out under item no. 4 of the accompanying Notice. The Board recommends the Resolution set out under item no. 4 for approval of members.

Memorandum of Interest

Except Mr. Rangarajan, 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
26 March 2009

Soumitra Hazra
Company Secretary
& Chief - Compliance

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

Name of the Director	Mr. P S Dagupta	Mr. Sridharan Rangarajan
Date of Birth	30 June 1955	16 March 1966
Date of Appointment	28 April 2006	26 February 2009
Expertise in specific functional areas	<ul style="list-style-type: none"> ■ Legal Profession ■ General Management 	<ul style="list-style-type: none"> ■ Banking & Finance ■ Contracting ■ Manufacturing / Distribution ■ Taxation
Qualifications	<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"> ■ B.Com. ■ ACA ■ AICWA
List of public companies in which outside Directorship held as on 31 December 2008	<ul style="list-style-type: none"> ■ Cummins India Ltd. ■ Cummins Auto Services Ltd. ■ India Gypsum Ltd. ■ Otis Elevator Co. India Ltd. ■ Maral Overseas Ltd. 	NIL
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on 31 December 2008	<ul style="list-style-type: none"> ■ Cummins India Ltd – Member – Finance and Audit Committee ■ India Gypsum Ltd – Member – Share Transfer Committee ■ India Gypsum Ltd. – Member – Finance and Audit Committee ■ India Gypsum Ltd – Member – Remuneration Committee ■ Otis Elevator Co. India Ltd. – Member – Audit Committee ■ Otis Elevator Co. India Ltd. – Member – Shareholders/Investors Grievance Committee ■ Timken India Limited – Member – Remuneration Committee ■ Timken India Limited – Chairman – Audit Committee ■ Maral Overseas Ltd. – Member – Audit Committee ■ Maral Overseas Ltd. – Member – Remuneration Committee 	NIL
Relationship between Director inter-se	NIL	NIL
Shareholding in the Company	1 Equity Share	NIL

STATEMENT FROM CHAIRMAN & MANAGING DIRECTOR

Dear Shareholders,

The year 2008 was a year of mixed fortunes for Timken India. The global economic situation has left the common man and industry alike in a flux, stranded in a loop of rising costs, credit squeeze and reduced consumption and productivity. Your company performed exceedingly well during the first half of 2008, however as the global situation worsened it was inevitable to feel the heat. Sales and operating profits took a dip from August onwards as exports collapsed. The domestic markets too were hit with demand for commercial trucks and tractors taking a steep downward trend. As this report goes to the press a feeling of uncertainty envelopes us; uncertainty of how much further the markets will go down, uncertainty of where this is leading and how much longer it will last.

2008 had its fair share of successes too. The first half witnessed excellent overall growth in net sales with a strong bottom-line. Our relationships with customers were strengthened as is reiterated in the record order from the Indian Railways to the tune of INR 75 Cr. Another feather in the hat at the Jamshedpur facility was the establishment of the P900 manufacturing capability. The Sales and Marketing teams were also realigned in line with the global front ends, cutting out complexity in our business processes to enhance productivity and efficiency.

Project O.N.E. (Our New Enterprise), the enterprise resource planning system, is in the process of being implemented by April 2009. It will improve operating efficiency through a new lean, efficient and accurate management of business processes, thus helping us achieve excellence in serving our customers and shareholders.

In continuation to our ever expanding line of services offered to our customers it gives me great pleasure to announce the launch of our new Integrated Bearings Repair facility in Jamshedpur. As part of the service business it provides additional opportunity for revenue generation. It is cost effective as well, requiring low capital investment for measurably good returns. Our residential as well as onsite training programmes are helping add value and enhance productivity of our customers as well as distributors.

As the year looms ahead of us our focus will remain on the conservation of cash. There will be an equal emphasis on accurately evaluating customer demand to ensure optimal inventory without compromising on high customer service levels. Accounts receivables will also be managed keenly. Customer service will be of prime importance for all of us as we increase visibility and plan to extend our reach in the market. We would also aim for a broader line of products and services to cater to the lucrative industrial markets.

As mentioned earlier I would like to reiterate our operational theme through 2009 will be to conserve cash. This can be achieved through efficient execution of business plans and a shrewd following of our strategy model of 'Grow and Optimize'. Through this we aim to deliver long term unparalleled value to our customers and you, our shareholders.

Thanking you,

Yours sincerely,



Gordon William Robinson
Chairman & Managing Director

Place: Bangalore
Date: 26 March 2009

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Twenty-second Annual Report on the business and operations of the Company together with the Financial Results for the year ended 31 December 2008.

FINANCIAL RESULTS

	(Rs/Lakhs)	
	Year ended 31 December	
	2008	2007
a) Net Sales / Income	42,743	34,822
b) Total Expenditure	33,842	28,142
c) Gross Profit	8,901	6,680
d) Less: Depreciation	1,046	1,023
e) Earnings before Interest, Tax & Prior period item	7,855	5,657
f) Less: Interest	106	99
g) Add: Income relating to prior period	43	51
h) Profit before Tax (PBT)	7,792	5,609
i) Less: Taxes	2,492	1,869
j) Profit after Tax (PAT)	5,300	3,740
k) Add: Profit brought forward from previous year	15,428	11,688
l) Profit available for appropriation	20,728	15,428
m) Balance carried forward	20,728	15,428

During the year under review, net sales grew by 23% primarily due to a 48% increase in exports compared to 2007. Your Company could continue with its export plan and registered a 48% growth in exports, 51% of which was made to US. Though in the last quarter in 2008, domestic sales were under pressure due to a slow down in automotive markets in India, your Company could register a slender 11% increase in domestic sales overall compared to that of previous year.

Profit before tax has increased by 39% to Rs. 7792 lakhs primarily due to increase in exports – gain in both volume and price realization and a weakening rupee vis-à-vis US dollars.

The Plant in Jamshedpur continued to work well during the year but for the last few weeks when slow down in off-take by automotive customers in India had affected production schedule. Production at Jamshedpur Plant in terms of equivalent bearings registered a small decline by 5% in 2008 whereas the Standard Value of Production went up by 8% to Rs. 22,171 lakhs.

DIVIDENDS

Your Directors are not recommending payment of any dividend on equity shares for 2008.

FINANCE

Working capital was managed well in 2008 resulting in generation of

adequate cash flows as planned. Pending investment of such funds in suitable growth opportunities in India, it was temporarily parked in various Mutual Funds. Receivables continued to be managed well but for the last quarter when recession in automotive markets in India affected the overall number of days outstanding status. Inventory management continued to remain under focus of the management team more so in view of the recessionary phase being experienced at present.

During the year under review, the Company did not borrow any fund to meet its working capital or other needs.

SHIFTING OF REGISTERED OFFICE

In terms of the approvals received at the last Annual General Meeting, the Registered Office of the Company has been shifted from Jamshedpur to 39-42, Electronic City, Phase II, Hosur Road, Bangalore – 560 100 after obtaining necessary approvals from the Company Law Board with effect from 10 November 2008.

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 2008 and the listing fees for the year 2008-09 have been paid to the Stock Exchanges.

DIRECTORS

Mr. Michael J. Hill has resigned as a Director of the Company effective 17 April 2008. Mr. Shyamal Kumar Sinha has also resigned as the Dy. Managing Director and as a Director effective 8 December 2008. The Board placed on record its deep appreciation of the valuable contribution made by both Mr. Hill and Mr. Sinha as Directors of the Company.

The Board has appointed Mr. Roger W. Lindsay as a Director of the Company effective 24 April 2008 in the casual vacancy created by the resignation of Mr. Michael J Hill. Ms. Sunitha Narahari has also been appointed as an Alternate Director to Mr. Lindsay during his absence in India.

The Board has also appointed Mr. Sridharan Rangarajan as an Additional Director with effect from 26 February 2009. In terms of relevant provisions of the Companies Act, 1956 ('the Act'), Mr. Rangarajan holds office upto the date of the forthcoming Annual General Meeting. The Company has received a notice from a member in terms of Section 257 of the Act signifying his intention to propose the name of Mr. Rangarajan 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. P S Dasgupta, Director of the Company, is liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment at the said Annual General Meeting.

AUDITORS

Messrs. S R Batliboi and Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the Twenty-second 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 2008.

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 2008 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 has been actively participating in the promotion of social welfare activities of the community in the industrial town of Jamshedpur.

PARTICULARS OF EMPLOYEES

Information required under Section 217(2A) of the Companies Act, 1956 ('the Act') read with the Companies (Particulars of Employees) Rules, 1975 forms part of this Report. However as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent excluding the Statement of Particulars of Employees. Any member 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, finishing and assembly. 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 2008 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

Bangalore
26 March 2009

Gordon William Robinson
Chairman & Managing Director

Declaration in terms of Clause 49 – Code of Conduct

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

I confirm that the Company has received from the Senior Management Team of the Company and from the members of the Board of Directors a declaration of compliance with the code for 2008.

For the purpose of this declaration, Senior Management Team means members of Management one level below the Executive Directors as on 31 December 2008.

Bangalore
26 March 2009

Gordon William Robinson
Chairman & Managing Director

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

A. CONSERVATION OF ENERGY

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

The Overall Plant power factor continued to improve in 2008 from 0.97 to 0.98. This has resulted in an approximate saving of Rs. 0.25 lacs on Maximum Demand and a recurring saving of Rs. 3.0 lacs is expected to the Company.

- 1) New Energy efficient Centralised Chilling unit was installed to take care of variable AC conditioning load & thus reducing overall power consumption.
- 2) Plant lighting was modified to reduce overall power consumption & saving of Rs 2.35 lacs per year. This had also improved illumination inside the plant.
- 3) Air set point of compressor was reduced from 82 PSI to 73 PSI thus saving Rs 1.50 Lacs / year.
- 4) Old tumbler was replaced with energy efficient tumbler thus saving 1.20 lacs every year.

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

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

As per details given below under Form A.

B. TECHNOLOGY ABSORPTION

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

During 2008, exports registered a significant 48% increase compared to that of 2007. 51% of such exports were made to US. Some of the Part Numbers hitherto manufactured at other Timken locations worldwide have now moved to Company's Plant in Jamshedpur. Current global slow down may however affect Company's export performance in the current accounting year.

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

	2008	2007
i) Foreign Exchange Earnings	159	95
ii) Foreign Exchange Outgo	67	54

FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy

A. Power and fuel consumption

1. Electricity

	2008	2007
(a) Purchased Units (KWH)	1,90,26,010	1,95,76,430
Total amount (Rs.)	6,85,44,337	6,87,21,923
Rate Per Unit (Rs.) (all inclusive)	3.60	3.51

(b) Own generation

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

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

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

There is no Steam Turbine / Generator.

2. Coal (specify quality and where used)

- Quantity (tonnes)
 Total Cost
 Average rate

Not Used

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

B. Consumption per unit of production

	Standards (if any)	2008	2007
Products (with details) unit			
Standard Bearings	Not applicable (Standard varies with product mix)		
Electricity		2.64	2.59
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

Bangalore
26 March 2009

Gordon William Robinson
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Bearing Industry Structure and Development

Year 2008 was marked with unprecedented business vulnerability. First, rising steel prices and other input materials followed by general inflation reaching as high as 12%, followed by monetary policies aimed at containing inflation by reducing market liquidity. Consequently, interest rates hardened and the stock market saw a steep fall. Weakening of the Indian Rupee against the U.S. Dollar did not help trading stability.

The Indian economy registered a growth of 8% during the first three quarters of calendar year 2008, continuing from two consecutive years of around 9% GDP growth. However, each quarter showed a declining trend in the growth rates with quarter end-September 2008 registering 7.6%. While the macro-economic data for the last quarter of 2008 is yet to be released, it is expected to be one of the lowest growth figures that India has witnessed in recent times. This is reflected in the Index of Industrial Production figures released for the last quarter.

Deferment of planned capacity by most companies is not helping the situation. It is widely accepted that the medium to long term infrastructure story of India is intact although delayed by a year atleast.

Three key elements that need to be focussed on during the next five years will be: 1) increasing contribution of private investment in India's capital formation 2) investment in infrastructure and 3) industrialisation of the economy.

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

The Indian bearing market is estimated at INR 55 billion and has been growing at about 9% CAGR during the last five years.

High prices, increase in bank lending rates and loss of wealth valuation significantly dampened consumer sentiments and therefore demand. The key markets for bearings, automotive and the infrastructure sector, both witnessed a drastic demand reduction which led to order cancellations. Thankfully, the performance of both Rail and Power Generation sectors has been good.

Business Review

The Company manufactures Tapered Roller Bearings in its Jamshedpur plant. These bearings cater to medium and heavy

trucks 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 needle roller bearings by sourcing these from other Timken Company plants globally.

Despite a slowdown in the Indian medium and heavy commercial vehicle segment and also demand for exports in 2008, the Company achieved a net sales of Rs.42,743 lakhs - a growth of 23% over 2007. Exports grew by 48% over 2007 and accounts for 38% of net sales. Production in terms of equivalent bearings however declined by 5% over 2007.

The Company's product portfolio has been diversifying with continued emphasis on value added products and services. In 2008, the Company acquired two strategic services' contracts in the steel industry. Leveraging the Timken Technology Centre at Bangalore, the Company is working on applications for heavy truck, rail and infrastructure industries.

A major initiative taken to improve customer service in 2007 delivered results. The Company received the 'The Best Supplier Award' from Mahindra & Mahindra. The new business model makes the inventory available at the four regional hubs, closer to most original equipment manufacturers. Also, the operations of picking from plant to delivery to customer have been outsourced to a single global logistics company.

New business models, focusing on large fleet owners and service points, are being developed to increase penetration in the automotive aftermarket.

The Company is keenly focussing on cost reduction initiatives and scrap reduction to mitigate the rising input costs.

The implementation of Project O.N.E. (Our New Enterprise) which includes the installation of a new ERP system to support business processes will help us serve our customers better through real time tracking of demand, inventory and supply.

Opportunities, Threats and Outlook

The Company, being part of a global bearing major, considers India as a strategic market for growth. The Company's knowledge of trends and needs of various developed and developing markets, provides the necessary advantage to foresee and work with original equipment manufacturers in their new product development.

Launch of other Timken products and significant outsourcing of maintenance operations, by some of our major customers especially in the heavy industry sector, provides growth opportunities for Timken.

Year 2009 poses a difficult challenge the magnitude of which is yet to be fully understood. Major industries consuming roller bearings viz., heavy truck, steel, cement, off-highway equipments and farm tractors are all impacted by slack domestic demand and also further declining export opportunities.

The Company fully realizes that tighter control on inventory, receivables and operating cost will be a critical focus in order to succeed in such market conditions.

Rising input costs pose a major challenge, especially in a price sensitive market like India.

Stiff competition from domestic bearing companies and possibility of growing imports from China pose a major challenge to the Company.

However, the Company recognizes these and is geared up to defining its value proposition and retaining its competitive edge.

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 2008, the Company did not witness any kind of adverse development on the HR/IR front. The relationship between the Associates of the Company and the Management remains congenial all through out the year. The Company employed 613 Associates (including 319 Officers) as on 31 December 2008.

AUDITORS' REPORT

TO THE MEMBERS OF TIMKEN INDIA LIMITED

We have audited the attached Balance Sheet of Timken India Limited, as at 31st December 2008 and also the Profit and Loss Account and the cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- ii) In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of those books;
- iii) The Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v) On the basis of written representations received from the directors, as on 31st December 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2008;
 - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. in the case of cash flow statement, of the cash flows for the year ended on that date.

Place : Kolkata
Date : 26th February, 2009

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

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

- (i) The Company maintains proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over 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. 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 controls in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered. The company interalia, undertakes transactions of purchase and sale of Goods, Materials, and services with associate and group companies, in pursuance of contracts / arrangements entered in the register maintained under section 301 of the Companies Act, 1956. As these transactions relate to proprietary items manufactured by the Timken Group and Raw Materials 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 management's explanation; such services are highly specialized in nature.
- (vi) The Company has not accepted any deposit from public within the meaning of sections 58A and 58AA of the Companies Act, 1956.
- (vii) The Company has an internal audit system, which in our opinion, is commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the order made by the Central government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is generally 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. There is one instance of proportionate service tax on royalty payment for half year ending Sept '08 of Rs. 6,77,834 due for more than six months which has been subsequently paid in January '09. As informed to us, the provisions of Employees' State Insurance Act are not applicable to the Company.

ANNEXURE TO THE AUDITORS' REPORT (Continued)

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

Name of Statute	Nature of dues	Amount (Rs.)	Period to which it relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax Demands	6,98,50,369	1991-92, 2000-01 to 2002-03, 2004-05, 2005-06	Commissioner of Income Tax (Appeals) Jamshedpur
Jharkhand Finance (Amendment) Act, 2001	Local Sales Tax Demands	2,34,64,323	1999-2000 to 2003-04	Joint Commissioner (Appeals), Jamshedpur
Jharkhand Finance (Amendment) Act, 2001	Central Sales Tax Demands	9,40,32,312	1995-96, 1996-97, 1999-2000 to 2003-04	Joint Commissioner (Appeals), Jamshedpur
UP Trade Tax Act, 1948	Local Sales Tax Demands	9,05,229	1994-95 to 1996-97	Allahabad High Court, Tribunal Bench, Ghaziabad (UP)
UP Trade Tax Act, 1948	Central Sales Tax Demands	1,55,616	2003-04, 2004-05	Deputy Commissioner Appeal, Noida (UP)
UP Trade Tax Act, 1948	Central Sales Tax Demands	9,942	1996-97	Allahabad High Court, Tribunal Bench, Ghaziabad (UP)
Haryana VAT Act, 2003	Central Sales Tax Demand	1,92,000	2003-04	Deputy Commissioner Appeals, Faridabad
Kerala General Sales Tax Act, 1963	Central Sales Tax Demands	9,82,206	2001-02	Deputy Commissioner Appeals, Ernakulam
Madhya Pradesh Commercial Tax Act, 1994	Local Sales Tax Demands	3,04,368	1998-99	Commissioner of Sales Tax, Raipur, Chattisgarh
West Bengal Sales Tax Act, 1994	Central Sales Tax Demands	27,72,455	2003-04	Tribunal Commercial Taxes, Kolkata
West Bengal Sales Tax Act, 1994	Central Sales Tax Demands	16,69,762	2005-06	Commissioner of Commercial Taxes (Appeals), Kolkata
Orissa Sales Tax Act, 1947	Central Sales Tax Demands	1,71,563	2003-04 to 2004-05	Joint Commissioner (Appeals), Cuttack
Central Excise Act, 1944	Excise Duty Demands	52,45,045	1998-99 to 2001-02	Deputy Commissioner of Central Excise, Jamshedpur
Central Excise Act, 1944	Excise Duty Demands	2,90,89,596	2004-05 to 2005-06	Commissioner of Central Excise, Ranchi

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) As per the books and records maintained by the Company and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

ANNEXURE TO THE AUDITORS' REPORT *(Continued)*

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

Place : Kolkata
Date : 26th February, 2009

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

BALANCE SHEET AS AT 31ST DECEMBER, 2008

	Schedule	Rupees	As at 31.12.2008 Rupees	As at 31.12.2007 Rupees
SOURCES OF FUNDS				
a) SHAREHOLDERS' FUNDS				
(i) Share Capital	1	63,72,07,500		63,72,07,500
(ii) Reserves & Surplus	2	<u>233,27,65,316</u>	296,99,72,816	<u>180,27,93,216</u>
				244,00,00,716
b) LOAN FUNDS				
(i) Secured Loans	3		37,429	43,18,027
c) DEFERRED TAX LIABILITIES (NET) [refer note (m), Schedule 17]				
			—	77,83,334
			<u>297,00,10,245</u>	<u>245,21,02,077</u>
APPLICATION OF FUNDS				
d) FIXED ASSETS :				
(i) Gross Block	4	188,14,85,993		180,66,13,743
(ii) Less : Accumulated Depreciation		<u>134,78,09,544</u>		<u>127,56,35,327</u>
(iii) Net Block		<u>53,36,76,449</u>		53,09,78,416
(iv) Capital Work-In-Progress		<u>17,18,20,338</u>		<u>10,10,70,702</u>
— including capital advances Rs. 2,92,96,464 (Rs. 4,00,28,665)			70,54,96,787	63,20,49,118
e) INVESTMENTS				
	5		113,41,04,094	82,30,58,976
f) DEFERRED TAX ASSETS (NET) (refer note (m), schedule 17)				
			89,59,265	—
g) CURRENT ASSETS, LOANS AND ADVANCES				
(i) Inventories	6	84,16,15,222		62,77,71,247
(ii) Sundry Debtors	7	78,67,39,727		66,06,52,947
(iii) Cash and Bank Balances	8	5,26,08,523		8,21,90,351
(iv) Loans and Advances	9	<u>28,33,23,675</u>		<u>20,03,79,469</u>
		<u>196,42,87,147</u>		157,09,94,014
h) LESS : CURRENT LIABILITIES & PROVISIONS				
(i) Current Liabilities	10	77,03,10,592		53,90,71,161
(ii) Provisions	11	<u>7,25,26,456</u>		<u>3,49,28,870</u>
		<u>84,28,37,048</u>		<u>57,40,00,031</u>
i) NET CURRENT ASSETS				
			<u>112,14,50,099</u>	<u>99,69,93,983</u>
			<u>297,00,10,245</u>	<u>245,21,02,077</u>
j) SIGNIFICANT ACCOUNTING POLICIES AND NOTES				
Schedules 1 to 17 form an integral part of these accounts.	17			

As per our report of even date

For S.R.BATLIBOI & CO.

Chartered Accountants

Per Rahul Roy

Partner

Membership No. 53956

Kolkata, 26 February, 2009

P.S. Dasgupta

Director

For and on behalf of the Board

G. W. Robinson

Chairman & Managing Director

Soumitra Hazra

Company Secretary & Chief-Compliance

Chennai, February 26, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2008

	Schedule	Rupees	Year ended December 31, 2008 Rupees	Year ended December 31, 2007 Rupees
INCOME				
a) Sale of Products (Gross)		429,18,09,537		370,74,08,743
Less : Trade Discounts		4,15,95,088		5,30,30,249
Less : Excise Duty Recovered		37,76,74,969		41,56,15,158
Sale of Products (Net)			387,25,39,480	323,87,63,336
b) Income from Services	12		17,24,05,581	14,91,44,701
c) Other Income	13		22,93,92,424	9,42,75,333
			427,43,37,485	348,21,83,370
EXPENDITURE				
d) (Increase)/Decrease in Stock of Finished and Semi Finished Goods	14		(15,66,07,751)	(9,95,86,987)
e) Excise Duty & Cess on Stock (refer note (q) of Schedule 17)			23,97,719	1,62,43,925
f) Manufacturing and other expenses	15		353,84,85,923	289,75,09,541
g) Interest	16		1,05,70,564	99,47,072
h) Depreciation	4		10,45,97,091	10,22,56,187
			349,94,43,546	292,63,69,738
PROFIT BEFORE TAX & PRIOR PERIOD ITEMS			77,48,93,939	55,58,13,632
i) Income/(Expenses) Relating to Prior Period (net) (refer note (z) of Schedule 17)			42,51,218	51,29,544
PROFIT BEFORE TAX			77,91,45,157	56,09,43,176
j) Provision for Taxation				
– Current		25,60,42,573		18,26,35,068
– Deferred		(1,67,42,598)		(31,28,132)
– Fringe Benefit Tax		98,73,082		73,97,280
			24,91,73,057	18,69,04,216
PROFIT AFTER TAX			52,99,72,100	37,40,38,960
k) PROFIT BROUGHT FORWARD FROM PREVIOUS YEAR			154,27,93,216	116,87,54,256
PROFIT CARRIED TO BALANCE SHEET			207,27,65,316	154,27,93,216
l) EARNINGS PER SHARE - Basic & Diluted			8.32	5.87
Nominal value of shares Rs. 10 (Previous year - Rs. 10) [refer note (x) of Schedule 17]				
m) SIGNIFICANT ACCOUNTING POLICIES AND NOTES 17	Schedules 1 to 17 form an integral part of these accounts.			

As per our report of even date

For S.R.BATLIBOI & CO.

Chartered Accountants

Per Rahul Roy

Partner

Membership No. 53956

Kolkata, 26 February, 2009

P.S. Dasgupta

Director

For and on behalf of the Board

G. W. Robinson

Chairman & Managing Director

Soumitra Hazra

Company Secretary & Chief-Compliance

Chennai, February 26, 2009

SCHEDULES 1 TO 17 FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST DECEMBER 2008**SCHEDULE 1 : SHARE CAPITAL**

	<u>Rupees</u>	<u>As at 31.12.2008 Rupees</u>	<u>As at 31.12.2007 Rupees</u>
Authorised :			
7,50,00,000 (Previous year 7,50,00,000) Equity Shares of Rs. 10 /- each	75,00,00,000		75,00,00,000
26,00,000 (Previous year 26,00,000) 9% Cumulative Redeemable Preference Shares of Rs.100/- each	26,00,00,000		26,00,00,000
		101,00,00,000	101,00,00,000
Issued :			
6,37,50,000 (Previous year 6,37,50,000) Equity Shares of Rs. 10 /- each		63,75,00,000	63,75,00,000
Subscribed: (refer note (p), Schedule 17)			
6,37,34,850 (Previous year 6,37,34,850) Equity Shares of Rs. 10 /- each fully paid-up	63,73,48,500		63,73,48,500
Less: Calls in Arrears - others than directors	1,41,000		1,41,000
		63,72,07,500	63,72,07,500

SCHEDULE 2 : RESERVES & SURPLUS

a) Capital Redemption Reserve – as per last Accounts		26,00,00,000	26,00,00,000
b) Profit & Loss Account		207,27,65,316	154,27,93,216
		233,27,65,316	180,27,93,216

SCHEDULE 3 : SECURED LOANS

Cash Credit from State Bank of India (Secured by hypothecation of entire inventories & receivables)		37,429	43,18,027
		37,429	43,18,027

SCHEDULE 4 : FIXED ASSETS

ASSETS	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	Opening Balance as at 01.01.2008 Rupees	ADDITIONS Rupees	DEDUCTIONS Rupees	AS AT 31.12.2008 Rupees	Opening Balance as at 01.01.2008 Rupees	FOR THE YEAR Rupees	DEDUCTIONS Rupees	TOTAL UPTO 31.12.2008 Rupees	AS AT 31.12.2008 Rupees	AS AT 31.12.2007 Rupees
Buildings	15,88,29,114	19,30,503	—	16,07,59,617	5,55,63,224	98,80,764	—	6,54,43,988	9,53,15,629	10,32,65,890
Plant & Machinery	154,89,93,596	9,64,58,317	3,28,24,230	161,26,27,683	116,45,52,564	8,14,79,506	2,74,89,379	121,85,42,691	39,40,84,992	38,44,41,032
Office Equipment	2,18,01,043	14,86,509	3,56,106	2,29,31,446	1,38,48,429	27,44,678	2,70,649	1,63,22,458	66,08,988	79,52,614
Computer	3,76,36,675	65,59,529	23,34,457	4,18,61,747	1,96,22,291	57,28,690	22,29,523	2,31,21,458	1,87,40,289	1,80,14,384
Furniture & Fixtures	1,83,69,354	11,20,280	56,298	1,94,33,336	1,02,89,920	17,57,603	26,391	1,20,21,132	74,12,204	80,79,434
Vehicles	2,09,83,961	61,71,672	32,83,469	2,38,72,164	1,17,58,899	30,05,850	24,06,932	1,23,57,817	1,15,14,347	92,25,062
Total	180,66,13,743	11,37,26,810	3,88,54,560	188,14,85,993	127,56,35,327	10,45,97,091*	3,24,22,874	134,78,09,544	53,36,76,449	53,09,78,416
Previous Year	175,06,54,656	9,60,73,088	4,01,14,001	180,66,13,743	120,56,03,734	10,22,56,187	3,22,24,594	127,56,35,327	53,09,78,416	

* Includes charge for the earlier years Rs. 46,53,507 (Rs. Nil)

TIMKEN INDIA LIMITED

	As at 31.12.2008 Rupees	As at 31.12.2007 Rupees
SCHEDULE 6 : INVENTORIES		
<i>(At lower of Cost and Net Realisable Value)</i>		
a) Stores and Spares *	7,60,02,727	7,35,59,912
b) Raw materials and Components *	21,08,45,058	15,60,51,649
c) Work - in - progress	7,03,27,934	5,39,88,351
d) Finished stock *	48,44,39,503	34,41,71,335
	84,16,15,222	62,77,71,247
*Including in transit.		
SCHEDULE 7 : SUNDRY DEBTORS		
[refer note (s), Schedule 17]		
a) Debts outstanding for a period over six months	3,19,99,204	2,90,69,567
b) Other Debts	77,32,34,865	65,15,35,775
	80,52,34,069	68,06,05,342
Less : Provision for Bad and Doubtful debts	1,84,94,342	1,99,52,395
	78,67,39,727	66,06,52,947
Classification of Debts :-		
Secured and considered good	60,17,955	64,88,001
Unsecured – considered good	78,07,21,772	65,41,64,946
– considered doubtful	1,84,94,342	1,99,52,395
[out of debts outstanding for a period over six months Rs. 1,74,73,753 (Rs. 1,99,52,395) and for less than six months Rs. 10,20,589 (Rs. Nil)]	80,52,34,069	68,06,05,342
SCHEDULE 8 : CASH AND BANK BALANCES		
a) Cash and Cheques in Hand		
Cash	3,06,501	2,61,697
Cheques in Hand	3,30,281	1,56,02,464
Remittances in Transit	3,80,85,590	5,70,60,809
b) Balance with Scheduled Banks		
In Current Accounts	1,38,86,151	92,65,381
	5,26,08,523	8,21,90,351

	As at 31.12.2008 Rupees	As at 31.12.2007 Rupees
SCHEDULE 9 : LOANS AND ADVANCES		
[refer note (t), Schedule 17]		
a) Prepaid expenses	90,09,694	37,02,000
b) Advance Payment of Tax - net of Provision	2,69,90,676	3,10,70,279
c) Advances recoverable in Cash or in Kind or for value to be received	7,41,78,222	9,25,59,833
d) Export Incentive Receivable	4,21,53,521	2,05,42,344
f) Balances with Customs, Excise and other statutory authorities	10,56,44,722	2,77,92,775
g) Deposits [refer note (l) of Schedule 17]	2,56,89,340	2,50,54,738
	28,36,66,175	20,07,21,969
Less : Provision for Doubtful Advances & Deposits	3,42,500	3,42,500
	28,33,23,675	20,03,79,469
Classification of Loans & Advances :-		
Secured and considered good	—	—
Unsecured – considered good	28,33,23,675	20,03,79,469
– considered doubtful	3,42,500	3,42,500
	28,36,66,175	20,07,21,969

Notes : 1) Amount due from a Director Rs. Nil (Rs. Nil). Maximum amount due during the year Rs. 1,07,105 (Rs. 2,33,150).
2) Amount due from an Officer Rs. 22,500 (Rs. 5,000). Maximum amount due during the year Rs. 40,000 (Rs. 1,00,000).

SCHEDULE 10 : CURRENT LIABILITIES

	Rupees	As at 31.12. 2008 Rupees	As at 31.12.2007 Rupees
a) Sundry Creditors :			
i) Dues of Micro and Small Enterprises [refer note (r), Schedule 17]	56,90,794		6,44,475
ii) Dues to Others Creditors	67,50,54,439		43,36,58,397
		68,07,45,233	43,43,02,872
b) Advance from Customers / Contractors		3,15,983	4,53,700
c) Deposit from Customers (Bearing Interest)		1,59,68,828	1,30,13,856
d) Other Liabilities		7,32,80,548	9,13,00,733
		77,03,10,592	53,90,71,161

	As at 31.12.2008 Rupees	As at 31.12.2007 Rupees
SCHEDULE 11 : PROVISIONS		
a) Employees' Compensated Absences	3,98,22,727	2,39,63,480
b) Employees' Death Benefit Scheme	1,46,64,451	86,23,500
c) Employees' Provident Fund	38,47,170	36,60,000
d) Employees' Gratuity (refer note (w), Schedule 17)	1,41,92,108	(13,18,110)
	<u>7,25,26,456</u>	<u>3,49,28,870</u>
	Year ended December 31,2008 Rupees	Year ended December 31, 2007 Rupees
SCHEDULE 12 : INCOME FROM SERVICES		
i) Agency Commission	6,63,27,268	7,19,03,292
ii) Other Services – including TDS Rs. 27,92,868 (Rs. 4,74,679)	10,60,78,313	7,72,41,409
	<u>17,24,05,581</u>	<u>14,91,44,701</u>
SCHEDULE 13 : OTHER INCOME		
i) Foreign Exchange Gain (net)	4,42,83,770	—
ii) Liabilities no longer required written back [including provisions Rs. 53,99,586 (Rs. 21,93,048)]	1,16,03,605	70,18,993
iii) Export incentives under DEPB Scheme (net)	5,16,34,741	2,61,66,108
iv) Dividend from Current Investments - Non Trade	5,60,02,232	2,46,87,025
v) Profit on Sale of Current Investment - Non Trade	3,64,63,333	2,91,35,166
vi) Insurance Income	50,72,402	5,75,000
vii) For Interest Income — Others		
From Supplier	50,50,630	22,17,085
On Income Tax Refund	38,43,313	—
viii) Miscellaneous Income	1,54,38,398	44,75,956
	<u>22,93,92,424</u>	<u>9,42,75,333</u>
SCHEDULE 14 : (INCREASE)/DECREASE IN STOCK OF FINISHED AND SEMI FINISHED GOODS		
Opening Stock		
Work in Progress	5,39,88,351	5,70,67,456
Finished Goods	34,41,71,335	24,15,05,243
	<u>39,81,59,686</u>	<u>29,85,72,699</u>
Less : Closing Stock		
Work in Progress	7,03,27,934	5,39,88,351
Finished Goods	48,44,39,503	34,41,71,335
	<u>55,47,67,437</u>	<u>39,81,59,686</u>
	<u>(15,66,07,751)</u>	<u>(9,95,86,987)</u>

	Rupees	Year ended December 31, 2008 Rupees	Year ended December 31, 2007 Rupees
SCHEDULE 15 : MANUFACTURING AND OTHER EXPENSES			
1) Purchase of Products for resale [refer note (c), Schedule 17]		46,02,39,078	30,13,52,823
2) Raw Materials and Components consumed [refer note (d), Schedule 17]		172,82,63,234	148,75,71,488
3) Payments to and Provision for employees			
a) Salaries, Wages and Bonus	31,96,13,680		26,49,07,339
b) Provident Fund expenses	1,60,01,738		1,54,56,758
c) Gratuity expenses	1,48,09,619		24,55,807
d) Company's contribution to Super-annuation Fund	79,70,702		58,37,606
e) Employee Death Benefit Scheme expenses	65,20,919		13,34,319
f) Staff Welfare expenses	2,48,50,936		2,44,26,429
		38,97,67,594	31,44,18,258
4) Operation & Other Expenses			
a) Stores and spare parts consumed [refer note (e)(ii), Schedule 17]	26,71,59,987		24,37,51,541
b) Power	6,85,44,337		6,87,21,923
c) Repairs to Buildings	98,20,770		97,91,579
d) Repairs to Machineries	2,26,05,531		2,10,35,329
e) Royalty	10,35,40,327		8,70,47,066
f) Rent	1,60,88,518		1,23,77,100
g) Rates and Taxes	33,00,178		30,55,107
h) Insurance	44,55,677		39,30,730
i) Commission & Discount	5,30,89,682		2,77,75,319
j) Travelling	8,42,85,327		5,77,58,444
k) Conversion Charges	2,80,99,790		2,08,12,424
l) Legal & Professional Fees	11,28,88,788		7,22,03,633
m) Donations	3,54,049		—
n) Other Expenses [refer note (o), Schedule 17]	13,24,29,080		11,34,32,864
		90,66,62,041	74,16,93,059
5) Foreign Exchange Loss (Net)		—	7,72,330
6) Carriage and Handling		4,01,02,573	3,70,71,013
7) Provision for doubtful debts, deposits & advances		92,30,914	1,39,57,405
8) Irrecoverable Debts, Deposits & Advances written off Less : Adjusted against opening Provision	77,28,712 52,89,384		26,22,796 23,21,206
		24,39,328	3,01,590
9) Excise Duty (Net of recovery) [refer note (y), Schedule 17]		17,81,161	3,71,575
		353,84,85,923	289,75,09,541
SCHEDULE 16 : INTEREST			
Interest Expense			
Other than fixed loan		1,05,70,564	99,47,072
		1,05,70,564	99,47,072

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**a) SIGNIFICANT ACCOUNTING POLICIES****(i) Basis of Accounting**

The Company prepares its accounts on accrual basis under the historical cost convention and in accordance with the accounting standards notified by the Companies' Accounting Standard Rules, 2006 and the relevant provisions of the Companies Act, 1956.

(ii) 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.

(iii) Revenue Recognition

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

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

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.

(iv) 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.

(v) Cash & Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, cheques in hand, remittances in transit and short-term investments with an original maturity of three months or less.

(vi) Depreciation

Depreciation is provided under straight line method as detailed below –

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

Building	30 years
Furniture & Fixtures	10 years
Office Equipment, Amortised Tools, Computer & Vehicles	5 years
Air conditioning at Plant	10 Years

- b) For other Plant & Machinery - at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.

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

(vii) Foreign Currency Transactions

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

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

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.

(viii) Inventories

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

(ix) 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.

SCHEDULE 17 : (Contd.)

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.

(x) 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.

(xi) Leases

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

(xii) Income Taxes

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets (including unrecognized deferred tax assets of earlier years) 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

(xiii) 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.

(xiv) 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.

(xv) 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.

(xvi) 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.

(xvii) Impairment

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

(xviii) Earning Per Share

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

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

SCHEDULE 17 : (Contd.)

d) CONSUMPTION OF RAW MATERIALS AND COMPONENTS

Details of Raw Materials/Components	Year ended December 31, 2008		Year ended December 31, 2007	
	Quantity	Rupees	Quantity	Rupees
Raw Materials - Steel	13,92,574 Kgs.	8,75,52,622	14,85,432 Kgs.	9,21,33,116
Rings	66,32,641 Nos.	107,07,89,469	68,95,521 Nos.	90,98,92,067
Components & Accessories		56,99,21,143		48,55,46,305
		<u>172,82,63,234</u>		<u>148,75,71,488</u>

e) CONSUMPTION OF IMPORTED AND INDIGENOUS MATERIALS

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

	Year ended December 31, 2008		Year ended December 31, 2007	
	%	Rupees	%	Rupees
i) Raw Materials and components				
Imported	12.78	22,09,24,166	12.56	18,67,82,350
Indigenous	87.22	150,73,39,068	87.44	130,07,89,138
	<u>100.00</u>	<u>172,82,63,234</u>	<u>100.00</u>	<u>148,75,71,488</u>
ii) Stores and spare parts				
Imported	12.03	3,21,52,146	11.47	2,79,52,575
Indigenous	87.97	23,50,07,841	88.53	21,57,98,966
	<u>100.00</u>	<u>26,71,59,987</u>	<u>100.00</u>	<u>24,37,51,541</u>

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

	Year ended December 31, 2008 Rupees	Year ended December 31, 2007 Rupees
i) Raw Materials, components, stores and spare parts	28,50,89,127	31,27,90,618
ii) Finished Products for re-sale	25,74,85,239	18,25,76,413
iii) Capital Goods	9,00,64,425	4,68,70,467

SCHEDULE 17 : (Contd.)

	Year ended December 31, 2008 Rupees	Year ended December 31, 2007 Rupees
g) EXPENDITURE IN FOREIGN CURRENCY (on cash basis)		
i) Foreign Travel	82,75,633	64,86,489
ii) Bank Charges	1,30,926	1,35,467
iii) Royalty (net of withholding tax)	7,24,55,481	6,71,66,524
iv) Agency commission	12,29,904	12,79,831
v) Others	3,44,03,378	3,41,04,751
h) EARNINGS IN FOREIGN EXCHANGE (on cash basis)		
i) F.O.B. value of exports	152,32,97,037	88,12,89,650
ii) Agency commission	7,09,99,236	6,90,03,505
	As at 31.12.2008 Rupees	As at 31.12.2007 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.	10,83,73,790	9,86,43,401
ii) Demand of sales tax on account of non-deduction of various allowances and consequent enhancement of Gross turnover.	1,38,84,317	1,28,18,641
iii) Demand of sales tax on method of valuation of Goods.	12,21,669	12,21,669
iv) Demand of Additional Income Tax due to non-consideration of TDS Certificates by the Assessing Officer.	14,76,649	14,76,649
v) Demand of Income Tax due to disallowance of certain business expenses & incentives by the Assessing Officer.	6,76,58,126	3,24,95,134
vi) Demand of excise duty on CVD credit for imported components of railway bearings.	52,45,045	52,45,045
vii) Demand of excise duty on scrap grinding sludge and short/excess of stock.	—	12,76,716
viii) Demand of excise duty, on discounts allowed to customers, during finalization of Provisional Assessment for the period Apr'04 to Mar'06	2,79,25,353	2,79,25,353
The Company has preferred appeals against all the above issues and the same are pending with the relevant appropriate authorities.		
B. Other Claims against the Company not acknowledged as debts		
i) Demand of ESI Corporation for ESI contribution on employees at Kolkata office of the Company. The Company has contested on the applicability of ESI for such employees and the issue is pending before the Assistant Regional Director, ESI Corporation, Kolkata.	788,885	2,88,849
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.	5,52,251	5,31,060
iii) Claims for recovery arising out of suit filed by a contractor before the Calcutta High Court	57,99,702	—
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 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)	5,29,85,967	3,08,02,316

SCHEDULE 17 : (Contd.)

	Year ended December 31, 2008 Rupees	Year ended December 31, 2007 Rupees
k) MANAGERIAL REMUNERATION		
i) Salary	1,54,50,108	1,62,96,581
ii) Contribution to Provident & Other Funds	3,74,340	4,31,158
iii) Estimated Value of Perquisites	17,63,860	11,19,927
Total	1,75,88,308	1,78,47,666

Note: Managerial Remuneration does not include gratuity, leave pay and similar benefits provided on the basis of actuarial valuation in the accounts in applicable cases.

l) Deposits include Rs 1,81,26,596 (Rs. 1,81,26,596) with Customs Authorities, pending final assessment against which a liability of Rs. 57,65,265 (Rs. 57,65,265), considered adequate, is held in the accounts.

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

	As at 31.12.2008 Rupees	As at 31.12.2007 Rupees
– Disallowance u/s 43B and 40(a)(ia) of Income Tax Act, 1961	2,95,37,388	2,00,75,938
– Provision for Bad Debts	65,51,715	68,98,235
– Depreciation	(2,71,29,838)	(3,41,43,308)
– Retiral Benefits	—	(6,14,199)
Net Deferred Tax Assets/(Liabilities)	89,59,265	(77,83,334)

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

i) Forward Contract outstanding as at Balance Sheet Date

Particulars of Forward Contracts	Purpose
Sell US \$ 33,20,000 (Rs. 16,17,00,000)	Hedge of Sundry Debtors

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

Sl. No.	Particulars	Foreign Currency	Rupees
i)	Sundry Debtors, Loans & Advances	USD 55,92,045 (58,85,028)	27,07,34,713 (23,17,25,939)
		EURO 111 (1,767)	7,508 (1,01,027)
ii)	Current Liabilities & Provisions	USD 62,91,562 (44,03,728)	30,55,54,117 (17,37,38,088)
		EURO 12,143 (64,258)	8,39,949 (37,39,167)
		GBP 160 (96)	11,310 (7,593)
		YEN 8,61,555 (9,555)	4,65,240 (3,392)
		Year ended December 31, 2008 Rupees	Year ended December 31, 2007 Rupees

o) OTHER EXPENSES

Item 4 (n) of Schedule 15 includes :

i) Auditors' Remuneration *

– For services as Auditors	13,60,000	13,27,400
– For Limited Review	12,00,000	10,55,000
– For Tax Audit	4,75,000	4,16,500
– For US GAAP Certification	4,75,000	4,00,000
– For Other Services	1,85,000	1,45,000
– For Corporate Governance	66,200	1,41,100
– For travelling and out-of-pocket expenses	2,73,322	2,08,654

* exclusive of service tax

SCHEDULE 17 : (Contd.)

	Year ended December 31, 2008 Rupees	Year ended December 31, 2007 Rupees
ii) Directors' fees	2,00,000	1,85,000
iii) Loss on disposal / discarding of assets (net) [excluding insurance claims of Rs. 50,72,402 (Rs. 5,75,000) included in other Income (ref Schedule 13(vi)]	43,93,921	70,93,948
iv) Provision for wealth tax	2,05,000	Nil
p) i) No Equity shares have been allotted during the year ended 31st December, 2008 out of 15,150 shares of Rs. 10/- each kept in abeyance as at 31st March, 1998.		
ii) Out of the total shares issued, 5,09,99,988 fully paid-up Equity shares of Rs. 10/- each are held by The Timken Company, USA (The Holding Company) as at 31st December, 2008.		
iii) Calls in arrears of Rs. 1,41,000 have been computed on the basis of information certified by the Registrar & Share Transfer Agent of the Company.		
q) Excise Duty and Cess on Stock represents differential excise duty and cess paid / provided on opening and closing stock of Finished goods.		
r) Information in terms of Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006		

Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006	31-Dec-08 (Rupees)	31-Dec-07 (Rupees)
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Principal – 56,23,749 Interest – 67,045	Principal – 6,44,475 Interest – Nil
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	—	8,994
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.	67,045	—
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	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	—	—

SCHEDULE 17 : (Contd.)

	As at 31.12.2008 Rupees	As at 31.12.2007 Rupees
s) Sundry Debtors include dues from companies under the same Management :-		
Timken Europa GmbH	—	2,17,814
Timken UK Limited	3,31,894	25,62,079
Australian Timken Proprietary Limited	54,95,349	—
Timken Do Brasil Com.E.Ind.Ltda.	3,70,000,867	4,01,35,756
Timken Singapore PTE. Limited	1,19,21,514	7,77,617
Timken South Africa (PTY) Limited	45,49,741	1,65,26,477
Timken Shanghai Distribution & Sales	1,11,73,365	—
Timken Romania S.A.	—	33,159
Timken India Manufacturing Pvt. Ltd.	—	30,361
Yantai Timken Company Limited	—	12,60,654
Timken Bearing Services South Africa	71,38,038	1,20,30,040

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

	As at 31.12. 2008 Rupees	Maximum Amount due during 2008 Rupees	As at 31.12. 2007 Rupees	Maximum Amount due during 2007 Rupees
Timken Europe (France)	—	2,84,366	2,84,366	2,84,366
Timken Romania	—	—	—	2,25,594
Timken Engg. and Research India Pvt. Ltd.	—	3,435	—	1,13,943
Timken Yantai Company Limited	—	11,074	—	9,260
Timken Singapore Ltd.	5,30,885	8,38,617	93,831	93,831
Timken – Shanghai	94,21,848	94,21,848	—	—
Timken Italia S.R.L.	—	92,367	—	31,853
Timken Wuxi (China)	—	26,735	26,735	26,735
Timken India Manufacturing Pvt. Ltd.	22,03,835	1,78,54,152	83,74,529	83,74,529

u) **Segment Information**

Business Segment:

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

SCHEDULE 17 : (Contd.)

Geographical Segments:

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

Secondary Segment - Geographical

	Year ended December 31, 2008 Rupees	Year ended December 31, 2007 Rupees
Sales Revenue by Geographical Market		
India	262,78,69,437	236,91,33,929
Outside India	164,64,68,048	111,30,49,441
Total	<u>427,43,37,485</u>	<u>348,21,83,370</u>
Carrying Amount of Segment Assets		
India	337,14,45,808	278,71,98,315
Outside India	43,24,42,220	23,89,03,793
Total	<u>380,38,88,028</u>	<u>302,61,02,108</u>
Purchase of Fixed and Intangible Assets		
India	19,52,08,646	12,76,53,986
Outside India	—	—
Total	<u>19,52,08,646</u>	<u>12,76,53,986</u>

v) Related Party Disclosure:

During the year, the company entered into transactions with related parties. Those transactions along with related balances at 31st December 2008 and for the year then ended are presented in the following table.

Particulars	Holding Company		Fellow Subsidiaries		Key Management Personnel	
	Transactions Amount	Outstanding as at 31.12.08	Transactions Amount	Outstanding as at 31.12.08	Transactions Amount	Outstanding as at 31.12.08
Purchases of goods	37,01,45,111 (32,23,61,680)	23,22,30,550 (11,39,31,074)	4,00,45,065 (4,20,67,231)	45,26,545 (1,52,46,253)	— (—)	— (—)
Sale of goods	116,74,27,230 (70,70,17,192)	31,76,60,856 (14,58,53,883)	38,29,05,643 (32,28,34,669)	7,76,10,769 (7,33,22,984)	— (—)	— (—)
Purchase of fixed assets	7,83,71,169 (3,55,48,464)	3,69,99,384 (1,64,87,321)	49,48,387 (3,21,757)	2,54,273 (—)	— (—)	— (—)
Advances Receivable	— (—)	— (—)	94,21,848 (—)	94,21,848 (—)	— (—)	— (—)
Expenses Receivable	1,27,96,655 (2,39,26,820)	19,53,954 (1,05,86,520)	1,89,05,317 (1,91,45,002)	27,34,720 (84,95,095)	— (—)	— (—)
Expenses Payable	3,48,05,940 (3,14,90,797)	1,67,87,129 (1,46,19,670)	10,11,38,129 (4,96,01,832)	3,09,21,398 (54,04,118)	— (—)	— (—)
Agency Commission (Expense)	— (—)	— (—)	15,76,509 (5,65,912)	15,76,239 (13,08,366)	— (—)	— (—)
Agency Commission (Income)	6,60,65,342 (7,12,17,002)	90,56,846 (15,18,922)	2,61,926 (7,31,860)	7,508 (2,50,973)	— (—)	— (—)
Royalty	9,86,09,834 (8,29,01,968)	7,62,35,198 (6,38,59,597)	— (—)	— (—)	— (—)	— (—)
Remuneration*	— (—)	— (—)	— (—)	— (—)	1,75,88,308 (1,78,47,666)	90,20,590 (1,00,32,610)

SCHEDULE 17 : (Contd.)

Note:

Name of related parties & description of relationship:

Holding Company	The Timken Company, USA
Fellow Subsidiaries	Timken UK Limited Timken Do Brasil COM.E.IND.LTDA Timken Korea LLC Timken South Africa Limited Timken Bearing Services South Africa Timken Romania Timken Singapore PTE. Limited Yantai Timken Company Limited Australian Timken Proprietary Limited Timken Polska Timken (China) Investment Company Limited Timken (Shanghai) Distribution & Sales Co. Ltd - China Timken Gmbh Others (Timken Italia SRL, Timken Engineering & Research India - Pvt Ltd, Timken India Mfg. Pvt. Ltd., Timken Germany Gmbh, Timken Wuxi, Timken RBS, Jinagsu TWB Bearing Company Limited China)
Key Management Personnel	G. W. Robinson - Chairman & Managing Director Shyamal K Sinha - Deputy Managing Director (till 07.12.08)

* For payments being Managerial Remuneration to Key Management Personnel - refer note (k) of schedule 17

**w) 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-08	31-Dec-07	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
Current service cost	26,11,060	24,42,020	6,64,000	6,62,940	3,60,870	3,88,000
Interest cost on benefit obligation	29,04,750	26,09,100	7,14,000	6,54,330	1,66,677	2,13,000
Expected return on plan assets	(28,07,550)	(24,75,664)	-	-	-	-
Net actuarial(gain) / loss recognised in the year	1,28,01,950	1,10,400	53,04,000	(3,91,761)	6,09,630	2,35,000
Net benefit expense	<u>1,55,10,210</u>	<u>26,85,856</u>	<u>66,82,000</u>	<u>9,25,509</u>	<u>11,37,177</u>	<u>8,36,000</u>
Actual return on plan assets	8.50%	8.00%	NA	NA	NA	NA

Balance sheet :

Details of Provision :

Defined benefit obligation	5,03,35,000	3,56,03,570	1,46,64,451	86,24,000	38,47,170	36,02,000
Fair value of plan assets	3,61,42,892	3,69,21,680	-	-	-	-
	<u>1,41,92,108</u>	<u>(13,18,110)</u>	<u>1,46,64,451</u>	<u>86,24,000</u>	<u>38,47,170</u>	<u>36,02,000</u>
Less: Unrecognised past service cost	-	-	-	-	-	-
Plan (asset) / liability	<u>1,41,92,108</u>	<u>(13,18,110)</u>	<u>1,46,64,451</u>	<u>86,24,000</u>	<u>38,47,170</u>	<u>36,02,000</u>

SCHEDULE 17 : (Contd.)

Changes in the present value of the defined benefit obligation are as follows:

(Rupees)

	Gratuity fund		Employee death benefit scheme		Provident fund	
	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07	31-Dec-08	31-Dec-07
Opening defined benefit obligation	3,56,03,572	3,09,76,030	86,24,009	76,98,500	27,10,000	35,41,000
Interest cost	29,04,750	26,09,100	7,14,000	6,54,330	1,66,670	2,13,000
Current service cost	26,11,060	24,42,020	6,64,000	6,62,940	3,60,870	3,88,000
Benefits paid	(36,54,702)	(5,61,520)	(6,41,558)	—	—	(7,75,000)
Actuarial (gains) / losses on obligation	1,28,70,320	1,37,940	53,04,000	(3,91,770)	6,09,630	2,35,000
Closing defined benefit obligation	<u>5,03,35,000</u>	<u>3,56,03,570</u>	<u>1,46,64,451</u>	<u>86,24,000</u>	<u>38,47,170</u>	<u>36,02,000</u>

Changes in the fair value of plan assets are as follows:

Opening fair value of plan assets	3,69,21,680	2,74,73,000	NA	NA	NA	NA
Expected return	28,07,550	24,75,660	NA	NA	NA	NA
Contributions by employer	—	75,07,000	NA	NA	NA	NA
Benefits paid	(36,54,702)	(5,61,520)	NA	NA	NA	NA
Actuarial gains / (losses)	68,364	27,540	NA	NA	NA	NA
Closing fair value of plan assets	<u>3,61,42,892</u>	<u>3,69,21,680</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>

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

Discount rate	6.80%	8.60%	6.80%	8.60%	6.80%	8.60%
Expected rate of return on assets	8.50%	8.00%	NA	NA	8.25%	8.25%
Salary escalation for respective class of employees	6.5 & 5.5 %	5.00%	6.5 & 5.5 %	5.00%	6.5 & 5.5 %	5.00%
Employee turnover	1.30%	1.60%	NA	NA	1.30%	1.50%

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:

Defined benefit obligation	5,03,35,000	3,56,03,570	1,46,64,451	86,24,000	38,47,170	36,02,000
Plan assets	3,61,42,892	3,69,21,680	—	—	—	—
(Surplus)/deficit	1,41,92,108	(13,18,110)	1,46,64,451	86,24,000	38,47,170	36,02,000
Experience adjustment on Plan Liabilities	14,21,040	Nil	34,87,000	Nil	N.A	N.A
Experience adjustment on Plan Assets	68,380	Nil	—	Nil	N.A	N.A

SCHEDULE 17 : (Contd.)

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

	Year ended December 31, 2008 Rupees	Year ended December 31, 2007 Rupees
Profit After Tax	52,99,72,100	37,40,38,960
Earnings available for Equity Shareholders	52,99,72,100	37,40,38,960
Weighted Average No. of Equity Shares @ Rs. 10/- each	6,37,34,850	6,37,34,850
Earnings per share - Basic & Diluted	8.32	5.87

- y) Excise duty expense (net of recovery) represents duty paid/provided for stocks written off, burnt stock, free samples etc.
- z) The income relating to prior period comprises commission earned relating to earlier years. Prior period expense of Rs 14,68,705 pertaining to selling expenses has been netted off with prior period income for the year.
- aa) Previous Wage Agreement with Associates' Union has expired in April 2008 and the management is in the final stage of negotiation for a new wage agreement, pending finalisation of which the liabilities for differential wages, as per management's estimate has been provided and included in 'Salaries, Wages and Bonus' under item 3(a) of Schedule 15 without any separate allocation of such provision towards Company's contribution to Provident and other funds. Adjustment if any, required consequent on finalisation of such negotiation, will be provided in the year of conclusion thereof.
- ab) Previous year's figures (including those in brackets) have been regrouped / rearranged, wherever necessary.

Signature to Schedules 1 to 17

For and on behalf of the Board

G. W. Robinson

Chairman & Managing Director

Soumitra Hazra

Company Secretary & Chief-Compliance

As per our report of even date

For S.R.BATLIBOI & CO.

Chartered Accountants

Per Rahul Roy

Partner

Membership No. 53956

Kolkata, 26 February, 2009

P.S. Dasgupta

Director

Chennai, February 26, 2009

ABSTRACT OF THE BALANCE SHEET AS AT 31.12.2008 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
 State Code 0 8
 Balance Sheet Date 3 1 1 2 2 0 0 8
 Date Month Year

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

Public Issue NIL
 Rights Issue NIL
 Bonus Issue NIL
 Private Placement NIL

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

Total Liabilities 2 9 7 0 0 1 0
 Total Assets 2 9 7 0 0 1 0
 Sources of Funds
 Paid-Up Capital 6 3 7 2 0 8
 Reserves & Surplus 2 3 3 2 7 6 5
 Secured Loans 0 0 0 3 7
 Unsecured Loans NIL
 Application of Funds
 Net Fixed Assets 7 0 5 4 9 7
 Investment 1 1 3 4 1 0 4
 Net Current Assets 1 1 2 1 4 5 0
 Deferred Tax Assets (Net) 8 9 5 9
 Accumulated Losses NIL
 Misc. Expenditure NIL

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

Turnover 4 2 7 4 3 3 7
 Total Expenditure 3 4 9 5 1 9 2
 + - Profit/loss Before Tax
 + - Profit/loss After Tax 7 7 9 1 4 5
 + - Earning per Share in Rs.
 + - Dividend rate % 8 . 3 2
 NIL

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

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

For and on behalf of the Board

Chennai,
February 26, 2009

Soumitra Hazra
Company Secretary & Chief-Compliance

P. S. Dasgupta
Director

G. W. Robinson
Chairman & Managing Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2008

	Year ended December 31, 2008 Rupees	Year ended December 31, 2007 Rupees
A. Cash Flow from Operating Activities :		
Net Profit/(Loss) before Tax and Extraordinary items	77,91,45,157	56,09,43,176
Adjustments for :		
Depreciation	10,45,97,091	10,22,56,187
Interest income	(88,93,943)	(22,17,085)
Interest expense	1,05,70,564	99,47,072
Income from Investments (Net)	(9,24,65,565)	(5,38,22,191)
(Profit)/Loss on sale of assets	43,93,921	70,93,948
Provision for Doubtful debts / advance	92,30,914	1,39,57,405
Provision no longer required written back	(1,16,03,604)	(70,18,992)
Debts, Deposits & Advances written off	77,28,712	26,22,796
Provision for Wealth Tax	2,05,000	—
	<u>2,37,63,090</u>	<u>7,28,19,140</u>
Operating Profit before Working Capital Changes	80,29,08,247	63,37,62,316
Adjustments for :		
Trade and Other Receivables	(22,46,70,633)	(14,41,22,743)
Inventories	(21,38,43,973)	(12,03,63,270)
Trade Payables and Other Liabilities	27,00,40,953	16,60,43,606
	<u>(16,84,73,653)</u>	<u>(9,84,42,407)</u>
Cash Generated from Operations	63,44,34,594	53,53,19,909
Direct Tax paid [net of refund Rs. 46,89,041 (nil)]	(26,20,41,053)	(21,86,34,104)
	<u>(26,20,41,053)</u>	<u>(21,86,34,104)</u>
Net Cash from Operating Activities	37,23,93,541	31,66,85,805
B. Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(17,95,81,802)	(14,94,27,465)
Sale of Fixed Assets	20,37,767	7,95,554
Purchase of Investments	(376,20,88,300)	(171,75,00,000)
Sale of Investments	348,75,06,512	154,05,62,196
Dividend from Investments	5,60,02,233	2,46,87,025
Interest received	88,93,943	22,17,085
Net Cash from Investing Activities	(38,72,29,647)	(29,86,65,605)
C. Cash Flow from Financing Activities :		
Interest paid	(1,04,65,124)	(99,07,325)
Proceeds / (Repayment) from Short Term Borrowings	—	(1,14,28,627)
Cash Credit (Net)	(42,80,598)	(88,281)
Net Cash from Financing Activities	(1,47,45,722)	(2,14,24,233)
Net increase/(decrease) in Cash and Cash equivalents	(2,95,81,828)	(34,04,033)
Cash and Cash equivalents as at 1st January (Opening Balance)	8,21,90,351	8,55,94,384
Cash and Cash equivalents as at 31st December (Closing Balance)	5,26,08,523	8,21,90,351

Notes : (1) Figures in brackets represent outflows.

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

As per our Report of even date

For S.R.BATLIBOI & CO.

Chartered Accountants

Per Rahul Roy

Partner

Membership No 53956

Kolkata, 26 February, 2008

Soumitra Hazra
Company Secretary & Chief-Compliance

P.S. Dasgupta
Director

For and on behalf of the Board

G. W. Robinson
Chairman & Managing Director

Chennai, February 26, 2009

Corporate Governance Report

Company's philosophy on code of governance

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

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

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

Board of Directors

Composition:

The Company has an Executive Chairman and the number of Independent Directors in 2008 was not less than 50% of the total number of Directors. The number of Non-Executive Directors was more than 50% of the total number of Directors, with the Chairman & Managing Director and the Dy. Managing Director (till 7 December 2008) being the only Executive Directors on the Board of Directors of the Company.

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

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

Name	Category	No. of Board Meetings attended during the year ended December 31, 2008	Whether attended AGM held on April 24, 2008	No. of Directorships in other companies as on December 31, 2008 ^β	No. of Committee positions held in other companies as on December 31, 2008	
					Chairman	Only Member
Mr. Gordon W. Robinson	Promoter Director, Executive, Not Independent	4	Yes	—	—	—
Mr. Shyamal K. Sinha*	Executive, Not Independent	4	Yes	—	—	—
Mr. Michael J Hill **	Promoter Director, Non-Executive, Not Independent	—	No	—	—	—
Mr. Roger W Lindsay ***	Promoter Director, Non-Executive, Not Independent	—	No	—	—	—
Mr Niroop Mahanty	Non-Executive, Independent	4	Yes	2	—	—
Mr. Jai S. Pathak	Non-Executive, Independent	3	Yes	—	—	—
Mr. P S Dasgupta	Non-Executive, Independent	3	Yes	17	—	6
Ms. Sunitha Narahari Alternate Director to Mr. Roger W Lindsay	Non-Executive, Independent	4	Yes	4	—	—

^β including directorships in Private Limited companies

* since resigned with effect from 8 December 2008

** since resigned with effect from 18 April 2008

*** since appointed with effect from 24 April 2008

Four Board Meetings were held during the year ended 31 December 2008 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

- 1) 22 February 2008
- 2) 24 April 2008
- 3) 16 July 2008
- 4) 27 October 2008

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

Audit Committee

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

The Company has complied with all the requirements of clause 49 (II)(A) of the Listing Agreement relating to composition of the Audit Committee. Mr. P S Dasgupta, an independent, non-executive Director acted as the Chairman of the Audit Committee in 2008. Mr. Dasgupta, as the Chairman of the Audit Committee was present at the Twenty-first Annual General Meeting of the Company held on 24 April 2008.

In 2008, the composition of the Audit Committee and the details of meetings attended by the members thereof were as follows:

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

* since resigned with effect from 8 December 2008

Audit Committee Meetings were attended by Controller of Accounts, Audit – Manager, Business Controller and Pricewaterhouse Coopers, as Internal Auditors. Chairman & Managing Director and Ms. Sunitha Narahari were also present as invitees at all the Audit Committee Meetings held in 2008. 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 2008. The dates on which the said meetings were held are as follows:

- 1) 22 February 2008
- 2) 24 April 2008
- 3) 16 July 2008
- 4) 27 October 2008

Necessary quorum was present at all these meetings.

Remuneration Committee

Broad terms of reference of the Remuneration Committee includes determination on behalf of the Board of Directors of the Company and on behalf of the shareholders, the Company's policy on specific remuneration packages for Executive Directors of the Company. As at the end of the year, the Company has one Executive Director under the designation 'Chairman & 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 2008, the composition of the Remuneration Committee was as follows:

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

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

The Company paid remuneration by way of salary, perquisites and allowances (fixed components) and Performance Incentive (variable component) to the Chairman & Managing Director and Dy. Managing Director (till 7 December 2008) being the Executive Directors on the Board of Directors of the Company, after obtaining the requisite approvals from the Remuneration Committee, Board of Directors of the Company, the shareholders and in applicable cases from Central Government after complying with the requisite formalities as prescribed under the Companies Act, 1956. As per practices consistently followed by the Company, Performance Incentives (variable component) were based on the performance criteria laid down at the beginning of the year broadly taking into account the profit targets set for the year under review.

No meeting of the Remuneration Committee was held in 2008. Necessary approvals were however obtained by way of resolutions by circulation.

Details of Remuneration of Directors for year 2008

Non-Executive Directors

Name of the Director	Sitting Fees (Rs.)
Mr. M J Hill	Nil
Mr. Roger W Lindsay	Nil
Mr. Niroop Mahanty	65,000
Mr. Jai S. Pathak	50,000
Mr. P. S. Dasgupta	45,000
Ms. Sunitha Narahari	40,000

Executive Directors

In Rupees

Name of the Director	Salary & Allowances	Perquisites	Performance Incentive	Stock Options
Mr. Gordon W Robinson	45,00,000	2,66,647	79,32,863	Nil
Mr. Shyamal K. Sinha*	27,44,644	14,89,315	6,54,839	Nil
*till 7 December 2008				

The terms of appointment of the Chairman & Managing Director and Dy. Managing Director have been governed by the provisions of the Companies Act, 1956 and such appointments have been subject to termination by either party by giving three months' notice unless termination at a shorter notice is mutually agreed between the Director(s) and the Board of Director of the Company. As per terms of appointment, the Chairman & 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 2008, the composition of the Investors Grievance Committee is given below:

Name of the Members	Category
Mr. Niroop Mahanty, Chairman	Non-Executive Independent
Mr. Gordon W. Robinson Member*	Executive Not Independent
Mr. Shyamal K. Sinha, Member **	Executive Not Independent
Mr. Jai S. Pathak, Member	Non-Executive Independent
*effective 8 December 2008	
**since resigned with effect from 8 December 2008	

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

One meeting of the Investors Grievance Committee was held on 16 July 2008. 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 38 resolutions have been approved by the said Committee by way of circulation.

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
2005	Center for Excellence, Jubilee Road Jamshedpur – 831 001	AGM	28 April 2006	Friday	3.00 pm	—
2006	Center for Excellence, Jubilee Road Jamshedpur – 831 001	AGM	27 April 2007	Friday	3.00 pm	—
2007	Center for Excellence, Jubilee Road Jamshedpur – 831 001	AGM	24 April 2008	Thursday	3.00 pm	2

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 2008 is given below:

Particulars	Total Received	Total Replied	Total Pending as on 31.12.08
Change of Address / POA	114	114	—
Others	131	131	—
Duplicate /New Certificates	101	101	—
Non-receipt of interest/redemption	67	67	—
Non-receipt of Certificates	54	54	—
Endorsement	85	85	—
Transmission	33	33	—
Dematerialisation	16	16	—
Revalidation	7	7	—
TOTAL	608	608	—

As on 31 December 2008, 10 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 2008 and partly for sellers' confirmation.

Disclosures

There were 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 2008.

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 – Since the Company has an Executive Chairman, the provisions of this Clause is not applicable for the Company.
- 2) Remuneration Committee – The Company has a Remuneration Committee in place and it is functioning properly.
- 3) Shareholders' Rights – Half-yearly declaration of financial performance are not currently sent to each of the household of Shareholders but are published in terms of Clause 41 of the Listing Agreement in certain newspapers and also sent to the Stock Exchanges. Besides, all the Quarterly / Half-year financial results are posted 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 Berdhardplein 200
1097, JB Amsterdam
Amsterdam, Netherlands

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

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

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

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

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

Timken Global Treasury, SARL
5, Rue Guillauma
Kroll L – 1882, Luxembourg

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

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

Means of Communication

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

The financial results were also posted 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 Director holds any Equity Shares of the Company. Mr. Dasgupta holds 1 Equity Share.

General Shareholders Information

1.	AGM	24 April 2009 at 9.00 am at Timken Engineering and Research India Private Limited, Wing B, Office 2, Block A, Salarpuria Soft Zone, Bangalore 560 037																																							
2.	Financial Calendar	The Accounting Year covers the period from 1 January to 31 December 2009. Financial reporting for: a) 1st Quarter ending 31 March 2009 – end April, 2009 b) Half year ending 30 June 2009 – end July, 2009 c) 3rd Quarter ending 30 September 2009 – end October, 2009 d) Year ending 31 December 2009 – end January / February 2010 Note : the above calendar is indicative in nature.																																							
3.	Date of Book Closure	17 April 2009 to 24 April 2009 (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 for delisting from the Magadh Stock Exchange. The Company has paid annual Listing Fees to all these three Stock Exchanges for the year 2008-2009.																																							
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, 2008 (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 2008</td> <td>173.85</td> <td>93.35</td> </tr> <tr> <td>February 2008</td> <td>125.00</td> <td>103.00</td> </tr> <tr> <td>March 2008</td> <td>115.00</td> <td>83.00</td> </tr> <tr> <td>April 2008</td> <td>121.00</td> <td>94.00</td> </tr> <tr> <td>May 2008</td> <td>119.00</td> <td>93.00</td> </tr> <tr> <td>June 2008</td> <td>96.85</td> <td>76.70</td> </tr> <tr> <td>July 2008</td> <td>105.00</td> <td>70.10</td> </tr> <tr> <td>August 2008</td> <td>115.00</td> <td>94.00</td> </tr> <tr> <td>September 2008</td> <td>103.85</td> <td>78.10</td> </tr> <tr> <td>October 2008</td> <td>86.00</td> <td>55.15</td> </tr> <tr> <td>November 2008</td> <td>72.00</td> <td>50.00</td> </tr> <tr> <td>December 2008</td> <td>63.50</td> <td>50.20</td> </tr> </tbody> </table>	Month	High (Rs.)	Low (Rs.)	January 2008	173.85	93.35	February 2008	125.00	103.00	March 2008	115.00	83.00	April 2008	121.00	94.00	May 2008	119.00	93.00	June 2008	96.85	76.70	July 2008	105.00	70.10	August 2008	115.00	94.00	September 2008	103.85	78.10	October 2008	86.00	55.15	November 2008	72.00	50.00	December 2008	63.50	50.20
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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 of the BSE SENSEX is given below:																																								
9.	Registrar & Transfer Agents	C B Management Services (P) Limited P-22, Bondel Road Kolkata - 700 019																																								
10.	Share Transfer System	<p>Requests for registration of transfer of Shares held in physical form may be lodged with C B Management Services (P) Limited at 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 December 31, 2008 is given below :</p> <table border="1" data-bbox="592 1547 1482 1951"> <thead> <tr> <th>Range (Rs.)</th> <th>Accounts</th> <th>Shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>1 – 5000</td> <td>51909</td> <td>6086174</td> <td>9.55</td> </tr> <tr> <td>5001 – 10000</td> <td>782</td> <td>625960</td> <td>0.98</td> </tr> <tr> <td>10001 – 20000</td> <td>348</td> <td>516225</td> <td>0.81</td> </tr> <tr> <td>20001 – 30000</td> <td>101</td> <td>264082</td> <td>0.41</td> </tr> <tr> <td>30001 – 40000</td> <td>42</td> <td>152533</td> <td>0.24</td> </tr> <tr> <td>40001 – 50000</td> <td>48</td> <td>221925</td> <td>0.35</td> </tr> <tr> <td>50001 – 100000</td> <td>34</td> <td>252814</td> <td>0.40</td> </tr> <tr> <td>100001 and above</td> <td>39</td> <td>55615137</td> <td>87.26</td> </tr> <tr> <td></td> <td>53303</td> <td>63734850</td> <td>100.00</td> </tr> </tbody> </table>	Range (Rs.)	Accounts	Shares	%	1 – 5000	51909	6086174	9.55	5001 – 10000	782	625960	0.98	10001 – 20000	348	516225	0.81	20001 – 30000	101	264082	0.41	30001 – 40000	42	152533	0.24	40001 – 50000	48	221925	0.35	50001 – 100000	34	252814	0.40	100001 and above	39	55615137	87.26		53303	63734850	100.00
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TIMKEN INDIA LIMITED

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 Bombay Stock Exchange Limited and National Stock Exchange Limited, Mumbai.	
13.	Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity	Nil	
14.	Plant location	The Company's manufacturing facility is located at Bara, P.O. Agrico, Jamshedpur – 831 009.	
15.	Address for correspondence	Any investor related queries may be addressed to the following addresses :	
		Company Secretary & Chief - Compliance Timken India Limited 39-42, Electronic City Phase II, Hosur Road Bangalore – 560 100	C B Management Services (P) Limited P-22, Bondel Road Kolkata – 700 019 Tel. No. 033 – 22806692-94/2486/2937 E-mail – cbmsl1@cal2.vsnl.net.in

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 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

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

Place : Kolkata
Date : 26th February, 2009

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

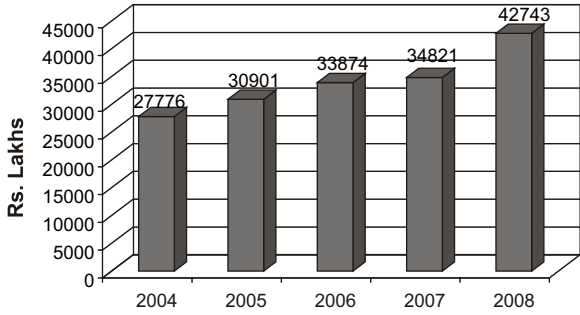
Per RAHUL ROY
Partner
Membership no. 53956

FIVE YEARS AT A GLANCE

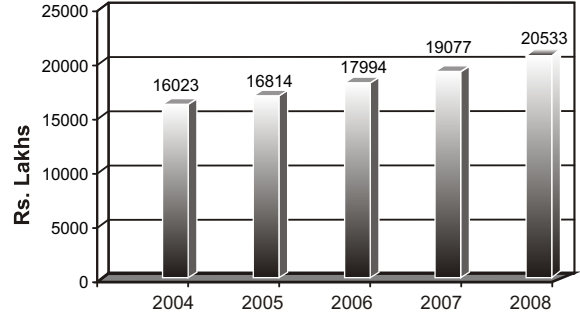
	Year Ended				
	Year Ended 31.12.2008	Year Ended 31.12.2007	Year Ended 31.12.2006	Year Ended 31.12.2005	Year Ended 31.12.2004
Production					
(i) Standard Roller Brgs (Equiv. Nos.)	16,50170	21,75,062	21,10,058	18,66,621	19,01,588
(ii) Special Roller Bearings (Equiv. Nos.)	14,44,620	11,80,365	14,19,012	8,63,492	9,12,875
(iii) Components (Equiv. Nos.)	41,07,566	42,04,134	27,15,466	28,33,987	23,44,194
Rs/Lakhs					
Profit & Loss Account					
(i) Net Sales					
(a) Domestic	26,279	23,691	21,299	17,379	16,462
(b) Export	16,464	11,130	12,575	13,521	11,314
Total (a+b)	42,743	34,821	33,874	30,901	27,776
(ii) EBIT	7,898	5,708	5,982	5,391	5,179
(iii) Profit Before Tax	7,792	5,609	5,875	5,295	5,089
(iv) Profit After Tax	5,300	3,740	3,813	3,488	3,299
Balance Sheet					
(i) Gross Block	20,533	19,077	17,994	16,814	16,023
(ii) Net Block	7,055	6,320	5,938	5,626	4,851
(iii) Net Current Asset	11,215	9,970	8,801	6,326	5,655
(iv) Capital Employed	29,611	24,521	20,909	17,398	14,686
(v) Beginning Invested Capital (BIC)	23,701	20,053	16,224	14,197	9,837
(vi) Total Debt	—	43	158	336	964
(vii) Equity	29,700	24,400	20,648	16,835	13,325
Other Comparative Data					
(i) PAT to Net Sales (%)	12%	11%	11%	11%	12%
(ii) EBIT / BIC (%)	33%	28%	37%	38%	53%
(iii) Return on Net Worth (%)	18%	15%	18%	21%	25%
(iv) E.P.S. (Rs)	8.32%	5.87%	5.98%	5.47%	5.18%
(v) Total Debt to Equity (%)	0%	0%	1%	2%	7%
(vi) Total Debt to Total Capital (%)	0%	0%	1%	2%	7%
(vii) Fixed Asset Turnover (times)	6.06	5.51	5.70	5.49	5.73
(viii) Working Capital Turnover (times)	3.81	3.49	3.85	4.88	4.91
(ix) Current Ratio (times)	2.33	2.72	3.09	2.10	2.16
(x) Interest Cover (times)	74.51	57.38	56.08	56.66	57.37
(xi) Net Sales/Employee (Rs/Lakhs)	70	58	58	55	50

- 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 interest expenses.

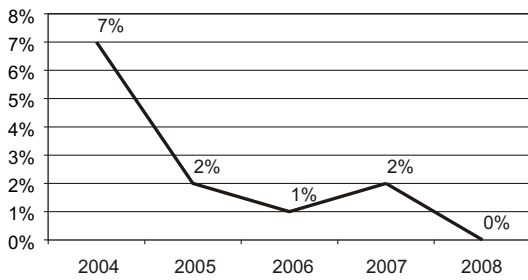
NET SALES



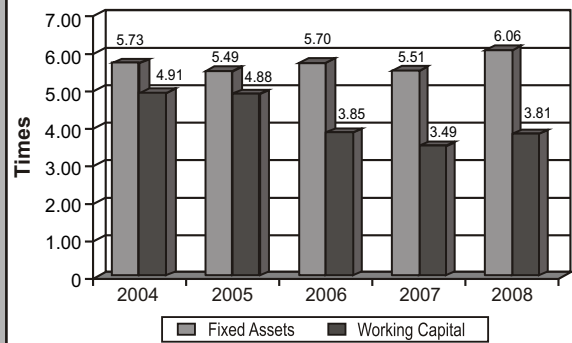
GROSS BLOCK



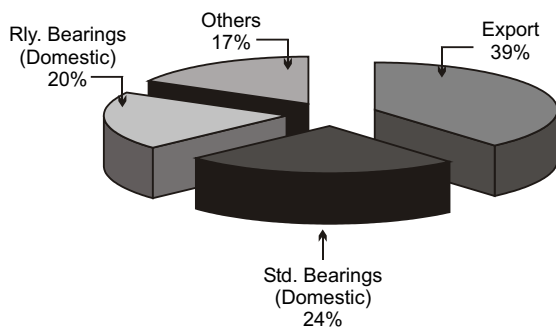
TOTAL DEBT : EQUITY



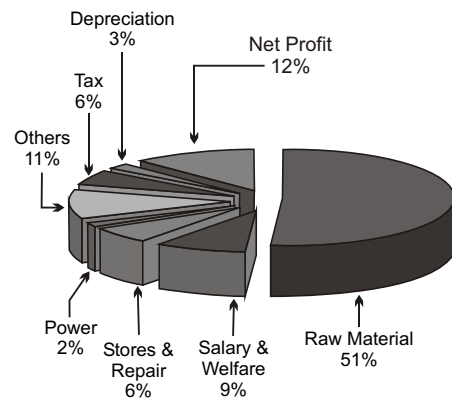
ASSET TURNOVER



HOW THE MONEY WAS EARNED



HOW THE MONEY WAS DISTRIBUTED



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-second Annual General Meeting of the Company at Timken Engineering and Research India Private Limited, Wing B, Office 2, Block A, Salarpuria Soft Zone, Bangalore - 560 037 on Friday, 24 April 2009 at 9.00 a.m.

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-second Annual General Meeting of the Company, to be held on Friday, 24 April 2009 and at
any adjournment thereof.

Signed this day of 2009.

Reference Folio :

No. of Shares : Signature

Affix
Revenue
Stamp

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.