

REPORT ON RECOMMENDATION OF THE AUDIT COMMITTEE OF TIMKEN INDIA LIMITED ON THE DRAFT SCHEME OF AMALGAMATION AND ARRANGEMENT BETWEEN TIMKEN INDIA LIMITED, ABC BEARINGS LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

MEMBERS PRESENT

Mr. P S Dasgupta – Chairman
Mr. Sanjay Koul
Mrs. Rupa Mahanty

SECRETARY

Mr. Soumitra Hazra

PRESENT BY INVITATION

1. Mr. Avishrant Keshava
2. Mr. S. Sivaramakrishnan

1. A meeting of the Audit Committee of Timken India Limited (“**Company**”) was held on July 04, 2017 to consider and recommend the proposed the scheme of amalgamation and arrangement amongst the Company and ABC Bearings Limited (“**Transferor Company**”) and their respective shareholders and creditors under Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013 and other applicable laws (“**Scheme**”) involving the amalgamation of the Transferor Company with the Company (“**Amalgamation**”), with effect from Appointed Date, as defined in the Scheme.
2. This report of the Audit Committee is made in order to comply with the requirements of Circular No CFD/DIL3/CIR/2017/21 dated 10th March 2017 issued by the Securities and Exchange Board of India (“**SEBI Circular**”).
3. The following documents were placed before the Audit Committee:
 - draft Scheme, duly initialed by the Chairman for the purpose of identification;

Registered office:
Timken India Limited
39-42, Electronic City
Phase II, Hosur Road
Bangalore 560 100.
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- the valuation and share exchange ratio report dated July 04, 2017 (“**Valuation Report**”) prepared by SSPA & Co, independent chartered accountants, describing the methodology adopted by them in arriving at the valuation for the Amalgamation and recommending the Share Exchange Ratio (defined in Clause 5 below); (valuation report as per Para 1(A)(4) of Annexure-I of SEBI Circular No. CFD/DIL3/CIR/2017/21 dated 10th March 2017); and
 - Fairness opinion dated July 04, 2017 prepared by JM Financial Institutional Securities Limited, an independent merchant banker providing the fairness opinion on the Share Exchange Ratio (as defined below) recommended by the valuer SSPA & Co (“**Fairness Opinion**”).
4. The Audit Committee noted that the Amalgamation is sought to be undertaken to help in achieving the following:
- The Company is a subsidiary of The Timken Company, which is a US based leading manufacturer of taper roller bearings, which is the also the main product currently being manufactured by the Transferor Company. The Company is desirous of acquiring a capacity that meets the increasing demand for its products across the globe. The Transferor Company possess such manufacturing facility and is seeking to access new technology and new markets.
 - Both the Transferor Company and the Company intend to and can achieve larger product portfolio, access new domestic and export markets, increase market share, economies of scale, efficiency, and other related economies through this Amalgamation. This Scheme intends to merge the operations of the Transferor Company with that of the Company to fulfil this objective.
 - The Amalgamation would be beneficial to the respective shareholders, investors and creditors of the Transferor Company and the Company
5. The Audit Committee reviewed the Valuation Report and noted the valuation and the recommended share exchange ratio for the Amalgamation (“**Share Exchange Ratio**”), as under:

In consideration for the Amalgamation, the Company shall issue and allot shares, credited as fully paid up, to all the equity shareholders of the Transferor Company in the following ratio:

For every 8 fully paid up equity shares of the face value of Rs. 10 each held in Transferor Company on the record date, 5 fully paid up equity shares of face value of Rs. 10 each of the Company shall be issued.

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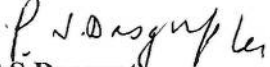


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6. Further, the Fairness Opinion confirmed that the Share Exchange Ratio in the Valuation Report is fair to the shareholders of the Company.
7. The equity shares issued by the Company to the shareholders of ABC Bearings Limited pursuant to the Amalgamation are proposed to be listed on BSE Ltd. and the National Stock Exchange of India Ltd.
8. **Recommendation of the Audit Committee**

The Audit Committee recommends the draft Scheme, after taking into consideration the Valuation Report and the Share Exchange Ratio, to the Board of Directors of the Company for its approval and for favourable consideration by the Stock Exchange(s) and Securities and Exchange Board of India.

By Order of the Audit Committee
For and on behalf of
Timken India Limited


P S Dasgupta
Chairman, Audit Committee

Date: July 04, 2017
Place: New Delhi

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