

STRICTLY CONFIDENTIAL

July 4, 2017

The Board of Directors,
Timken India Limited
 39-42, Electronic City,
 Phase II, Hosur Road,
 Bangalore - 560 100
 Phone No. 080 41362000

Dear Sirs,

We refer to the engagement letter dated August 30, 2016 ("**Engagement Letter**") whereby Timken India Limited ("**Timken**" / "**Transferee Company**") has inter alia requested JM Financial Institutional Securities Limited ("**JM Financial**") to provide a fairness opinion to the Board of Directors of Timken ("**Fairness Opinion**") on the Share Exchange Ratio (as defined below) recommended by SSPA & Co, Chartered Accountants ("**SSPA**" / "**Valuer**"), appointed jointly by Timken and ABC Bearings Limited ("**ABC**" / "**Transferor Company**") for the proposed scheme of amalgamation and arrangement amongst Timken, ABC and their respective shareholders and creditors under the provisions of the Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013, (the "**Proposed Scheme**").

Companies that are party to the Proposed Scheme:

- (a) ABC, a public limited company, incorporated under the provisions of the Companies Act, 1956, has its registered office situated at 402-B, Poonam Chambers, Dr. Annie Besant Road, Worli, Mumbai-400 018. ABC is engaged primarily in the business of: (i) engineering, product design, manufacturing, distribution and sale of bearings including inter alia taper roller bearings, cylindrical roller bearings, spherical roller bearings and slewing bearings; and (ii) procurement, distribution and sale of other bearings, grease, oil and UJ Cross not manufactured by it but sold under the "ABC" brand. The equity shares of ABC are listed on the BSE Limited ("**BSE**").
- (b) Timken, a public limited company, incorporated under the provisions of the Companies Act, 1956, has its registered office situated at 39-42, Electronic City, Phase II, Hosur Road, Bangalore - 560 100. Timken is engaged in the business of engineering and manufacturing bearings and mechanical power transmission components including gear drives, couplings, belts and chain. It also provides industrial services including those in the nature of bearing repair and powertrain rebuild. The equity shares of the Transferee Company are listed on the BSE and National Stock Exchange of India Limited ("**NSE**") (BSE and NSE collectively referred to as the "**Stock Exchanges**").

ABC and Timken shall be together referred hereinafter as the "**Companies**".

Background of Proposed Scheme

We understand that the Proposed Scheme, inter alia, provides for amalgamation of the Transferor Company with the Transferee Company ("**Amalgamation**") as a going concern in accordance with the provisions of section 2(1B) of the Income Tax Act, 1961. Consequently (i) the assets and liabilities of the Transferor Company shall, as on the Appointed Date, stand transferred to and vested in or be deemed to be transferred to and vested in the Transferee Company as a going concern, and (ii)

JM Financial Institutional Securities Limited
 Corporate Identity Number : U65192MH1995PLC092522
 7th Floor, Energy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025.
 T: +91 22 6630 3030, 6630 3115 (D). F: +91 22 6630 3330 www.jmfl.com



the Transferor Company shall stand dissolved without being wound up. Further, we understand that pending completion of the Proposed Scheme, the Transferor Company shall be entitled to divest certain non-core properties of the Transferor Company which are not used for the business of manufacturing of bearings by the Transferor Company.

We understand that the Proposed Scheme shall be evaluated by the Board of Directors of the Transferee Company and that the appointed date for the Proposed Scheme is the date on which the last of the sanction orders of National Company Law Tribunal ("NCLT") at Mumbai and Bengaluru is passed or such other date as the NCLT at Mumbai and Bengaluru may direct. The Amalgamation shall take effect in accordance with the Proposed Scheme and after receipt of the statutory approvals including orders of NCLT at Mumbai and Bengaluru and filing of the same with the respective Registrar of Companies.

Scope and Purpose

Timken and ABC have jointly appointed the Valuer to recommend a fair and equitable Share Exchange Ratio for the Amalgamation pursuant to which Valuer has issued a report dated July 4, 2017 ("**Valuation Report**"). The Valuation Report recommended that the equity shareholders of ABC will receive 5 fully paid up equity shares of Timken of face value of Rs. 10 each in exchange for every 8 fully paid up equity share of ABC of face value of Rs. 10 each (the "**Share Exchange Ratio**").

In this connection, Timken has engaged JM Financial ("**JM Financial**") to submit an independent opinion to the Board of Directors of Timken on the fairness of the Share Exchange Ratio recommended by the Valuer.


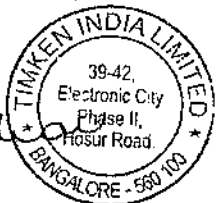
Scope of work of this Fairness Opinion includes commenting only on the fairness of the Share Exchange Ratio and not on the fairness or economic rationale of the Amalgamation per se or the valuation methods used by the Valuer.

This Fairness Opinion is addressed to the Board of Directors of Timken. This Fairness Opinion is subject to the scope, assumptions, exclusions, scope limitations and disclaimers detailed hereinafter. As such the Fairness Opinion is to be read in totality, not in parts and in conjunction with the relevant documents referred to herein. The same has been issued as per the requirements of SEBI circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 read with SEBI circular no. CFD/DIL3/CIR/2017/26 dated March 23, 2017 ("**SEBI Circular**"). This Fairness Opinion has been issued only for the purpose of opining on the fairness of the Share Exchange Ratio under the Proposed Scheme and should not be used for any other purpose.

Source of Information

For the said examination and for arriving at the opinion set forth below, we have:

- a) held discussions with the Valuer and perused the Valuation Report issued by the Valuer;
- b) reviewed the draft of the Proposed Scheme;
- c) reviewed publicly available relevant financial information relating to the Companies; and
- d) reviewed the information provided by the Transferee Company through its management representation letter and held discussions with the management pursuant to the Proposed Scheme;

Scope Limitations


We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by the Transferee Company for the purposes of this opinion. We have not conducted any due diligence, other than a review of such information / documents as has been provided to us and expressly set out in this Fairness Opinion and express no opinion and accordingly accept no responsibility with respect to or for such information, or the assumptions on which it is based. We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties, facilities, assets and liabilities of the Companies, and neither express any opinion with respect thereto nor accept any responsibility thereof. We have not made any independent valuation or appraisal of the assets or liabilities of the Companies, nor have we been furnished with any such appraisals. We have not reviewed any internal management information systems and instead, with your consent, have relied upon relevant information that was publicly available or provided or otherwise made available to us by the Transferee Company for the purposes of this Fairness Opinion.

We are not experts in the evaluation of contingent liabilities, litigation or other actual or threatened claims. We are not legal, taxation or actuarial advisors and accordingly, our opinion should not be construed as certifying the compliance with the provisions of any law including company and taxation laws or any legal, accounting or taxation implications or issues related to the Proposed Scheme. In addition, we have assumed that the Proposed Scheme will be approved by all the necessary regulatory authorities and that the Proposed Scheme will be consummated substantially in accordance with the terms set forth in the draft of the Proposed Scheme provided to us. We have not considered any contingent liabilities for the purposes of this opinion. Also, the Transferee Company has confirmed that there is no other material information other than already provided which is necessary for the purposes of this Fairness Opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Proposed Scheme, no change/ restrictions will be imposed that will have a material adverse effect on the benefits of the Proposed Scheme that may have been contemplated.

We understand that the management of the Transferee Company, during our discussion with them, has drawn our attention to all such information and matters which may have an impact on our analysis and opinion. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have an obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we were not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other extraordinary transaction involving the Companies or any of its assets, nor did we negotiate with any other party in this regard.

In the ordinary course of business, the JM Financial group is engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of the JM Financial group may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Proposed Scheme.

We express no opinion whatsoever and make no recommendation at all as to the Transferee Company's underlying decision to effect the Proposed Scheme or as to how the holders of equity shares or secured or unsecured creditors (as applicable) of the Transferee Company should vote at their respective meetings held in connection with the Proposed Scheme. We also do not provide any recommendation to the creditors of the Transferee Company with respect to Proposed Scheme. We do

not express and should not be deemed to have expressed any views on any other terms of the Proposed Scheme apart from that is relevant to the Fairness Opinion. We express no opinion and accordingly accept no responsibility as to the price at which the equity shares of the Transferee Company and / or of ABC will trade following the announcement of the Proposed Scheme or the price at which the equity shares of the Transferee Company and / or of ABC will trade following the Proposed Scheme being made effective. We also express no opinion and accordingly accept no responsibility for the value of the equity shares of the Transferee Company / ABC at any future date or their financial performance following the announcement of the Proposed Scheme / consummation of the Proposed Scheme. We do not express any opinion on the sufficiency of the methodology applied / procedures employed by the Valuer in determining Share Exchange Ratio. Shareholders should make their independent assessment of the economic benefits as also the overall transaction for arriving at their decision.

Conclusion

In the light of above and based on our examination of the Proposed Scheme, Valuation Report, such other information provided and represented to us by Timken and our independent analysis and evaluation of such information and subject to the scope limitations as mentioned hereinabove and to the best of our knowledge and belief, we are of the opinion that the Share Exchange Ratio recommended by the Valuer is fair for the equity shareholders of Timken.

Distribution of the Fairness Opinion

The Fairness Opinion is addressed only to the Board of Directors of Timken and is for the purpose of submission to the Stock Exchanges under the SEBI Circular. Further, the Fairness Opinion may be disclosed on the website of Timken and the Stock Exchanges and also be made part of the explanatory statement to be circulated the shareholders and/or creditors of the Transferee Company. The Fairness Opinion shall not otherwise be disclosed or referred to publicly or to any other third party without JM Financial's prior written consent. The Fairness Opinion should be read in totality and not in parts.

In no circumstances however, will JM Financial or any of its directors, officers, employees and controlling persons of JM Financial accept any responsibility or liability including any pecuniary or financial liability to any third party.

Further, this Fairness Opinion should not be used or quoted for any purpose other than the purpose mentioned hereinabove. If this Fairness Opinion is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, then we will not be liable for any consequences thereof. Neither this Fairness Opinion nor its contents may be referred to or quoted to / by any third party, in any registration statement, prospectus, offering memorandum, annual report, loan agreement or any other agreement or documents given to third parties.

Yours truly,

For **JM Financial Institutional Securities Limited**



Authorized Signatory

