

TIMKEN

REPORT AND ACCOUNTS 1999 - 2000



TIMKEN INDIA LIMITED

SHAREHOLDER INFORMATION

Annual General Meeting

Thirteenth Annual General Meeting of the Company will be held at Tata Steel Management Development Centre, XLRI Campus, Circuit House Area (East), Jamshedpur - 831 001 on Friday, 21st July, 2000 at 12.00 Noon.

Dates of Book Closure

13th July, 2000 to 21st July, 2000 (both days inclusive).

Nomination

A holder of Equity Shares or joint holders of Equity Shares together may nominate another person to whom the shares will vest in the event of death of the Shareholder/all the joint holders. Nomination form may be available from Mr. Rajib De, Sr. Officer - Secretarial, Timken India Limited, Bara, P.O. Agrico, Jamshedpur - 831009 on request.

Investors' Queries/Grievances

All efforts are made for attending to such queries/grievances promptly. For any assistance, investors may please write to Mr. Rajib De, Sr. Officer - Secretarial, Timken India Limited, Bara, P. O. Agrico, Jamshedpur - 831009.

Registrars and Share Transfer Agents

ABC Computers Private Limited
National Council of Education Building
Jadavpur University Campus
Jadavpur
Calcutta - 700 032
Ph. No. : (033) 473-1163/473-1292/473-5363
Fax : (033) 4832970

STOCK EXCHANGES WHERE THE COMPANY'S SHARES ARE LISTED

1. Magadh Stock Exchange Association
Ashiana Plaza, 9th Floor
Budh Marg, Patna - 800001
2. The Stock Exchange, Mumbai
P. J. Towers, Dalal Street
Mumbai - 400001
3. The Calcutta Stock Exchange
Association Limited
7, Lyons Range
Calcutta - 700001

DEPOSITORY FOR DEMATERIALISATION

1. National Securities Depository Ltd.
Trade World, 4th floor
Kamala Mills Compound
Senapati Bapat Marg, Lower Parel
Mumbai - 400013
2. Central Depository Services (India) Limited
P. J. Towers, 28th floor, Dalal Street
Mumbai - 400023

Members are requested to please note that with effect from 2nd December, 1996, the Registered Office of the Company has been shifted from Tata Centre, 43, Chowringhee Road, Calcutta-700071 to Bara, P.O. Agrico, Jamshedpur-831009. All correspondence meant for the Registered Office of the Company may therefore please be sent to the new address.

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies to the meeting.



BOARD OF DIRECTORS

(As on 29th May, 2000)

MR G W ROBINSON	- Chairman
MR C J DeVIRGILIO	- Managing Director
DR J J IRANI	
MR M SONDHI	
DR T MUKHERJEE	
MR R L LEIBENSBERGER	- Alternate to Mr R L Leibensperger
MR J T ELSASSER	- Alternate to Mr J T Elsasser
MR S A SCHERFF	- Alternate to Mr S A Scherff
MR P S DASGUPTA	
MR S K SINHA	
MR J S PATHAK	

MANAGEMENT TEAM

MR C J DeVIRGILIO	- Managing Director
MR S K SINHA	- Director (Finance & Systems)
MR A K SINHA	- Director (HR &P)
MR M W HAPPACH	- Director (Sales & Marketing)

Company Secretary

Soumitra Hazra

BankersState Bank of India
Bank of Baroda**Auditors**S R Batliboi & Co.
36, Ganesh Chandra Avenue
Calcutta - 700 013**Registered Office**Bara, P.O. Agrico
Jamshedpur - 831 009
Ph. No. (0657) 431119
Fax No. (0657) 431290**CONTENTS**

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NOTICE TO MEMBERS

Notice is hereby given that the Thirteenth Annual General Meeting of Timken India Limited will be held at Tata Steel Management Development Centre, XLRI Campus, Circuit House Area (East), Jamshedpur - 831 001 on Friday, the 21st day of July, 2000 at 12.00 Noon to transact the following business :

1. To receive and adopt the Profit and Loss Account for the year ended 31st March, 2000 and the Balance Sheet as on that date and the Reports of the Directors and Auditors.
2. To declare a dividend on 9% Cumulative Redeemable Preference Shares.
3. To appoint a Director in place of Mr. Mantosh Sondhi, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr R L Leibensperger, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

6. Remuneration payable to Mr. Vinod Kumar Dasari as Managing Director

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

"RESOLVED THAT pursuant to Sections 269, 309, 310, 311 and such other applicable provisions, if any, of the Companies Act, 1956 ('the Act') the Company hereby accords its approval to the modification of the terms relating to remuneration payable to Mr. Vinod Kumar Dasari as the Managing Director of the Company with effect from 1st January, 1999 to 8th April, 2000 as per details contained in the Abstract of Terms and Memorandum of Interest dated 5th November, 1999 circulated to all the Members of the Company pursuant to Section 302 of the Act."

7. Appointment of Mr. Charles Joseph DeVirgilio as a Director

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

"RESOLVED THAT Mr. Charles Joseph DeVirgilio, in whose respect notice has been received from a Member under Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company."

8. Appointment of Mr. Charles Joseph DeVirgilio as the Managing Director

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

"RESOLVED THAT pursuant to Sections 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government and such other approvals as may be necessary, Mr. Charles Joseph DeVirgilio ('Mr. DeVirgilio') be and is hereby appointed as the Managing Director of the Company for a period of three years with effect from the conclusion of the Board Meeting on 8th April, 2000 on the terms and conditions set out in an Agreement to be entered into between the Company and Mr. DeVirgilio in terms of the draft placed before the meeting and initialled by the Chairman for the purpose of identification and that the Board of Directors of the Company be and is hereby authorized to take all such steps in this regard as may be necessary, proper and expedient, including but not restricted to entering into an Agreement on behalf of the Company with Mr. DeVirgilio in terms of the said draft."



9. Alternate Director holding office or place of profit under the Company

To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 314 of the Companies Act, 1956 and such other applicable provisions and subject to such approvals as may be necessary, consent of the Company be and is hereby accorded to Mr. Shyamal Kumar Sinha, who has been appointed as Alternate Director to Mr. Jon T Elsasser, holding office or place of profit under the Company as an ordinary employee of the Company and continuing to hold office or place of profit under the Company as an ordinary employee of the Company under the designation "Director (Finance & Systems)" and that Mr. Shyamal Kumar Sinha be and is hereby authorized to draw and to continue to draw the remuneration and enjoy perquisites as per terms of his appointment as Director (Finance & Systems)."

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 nos. 6 to 9 is annexed hereto.
3. The draft of the Agreement proposed to be entered into with Mr. Charles Joseph DeVirgilio in terms of the Ordinary Resolution under Item no. 8 of the notice will be made available for inspection at the Registered Office of the Company at Bara, P.O. Agrico, Jamshedpur - 831 009 on any working day, prior to the date of the Thirteenth Annual General Meeting between the hours of 11.00 am and 1.00 pm and will also be available for inspection from 11.00 am at the place and date of the Meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from 13th July, 2000 to 21st July, 2000 both days inclusive.



Registered Office :
Bara, P.O. Agrico
Jamshedpur - 831 009
29th May, 2000

By Order of the Board

Soumitra Hazra
Company Secretary



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

Item No. 6

Mr. Vinod Kumar Dasari ('Mr. Dasari') was appointed as the Managing Director of the Company for a period of three years commencing from 1st January, 1999 as per terms and conditions set out in the draft of an Agreement placed before the Extra Ordinary General Meeting held on 15th January, 1999. The Board of Directors, subject to the requisite approval of the Members of the Company and also of the Central Government had approved modification of the terms relating to remuneration payable to Mr. Dasari as the Managing Director of the Company with effect from 1st January, 1999 as per the Abstract of Terms and Memorandum of Interest dated 5th November, 1999 circulated to all the Members of the Company pursuant to the provisions of Section 302 of the Companies Act, 1956 and as appearing below :

A) EMOLUMENTS

a) **Salary**

Rs. 91,500/- (Rupees Ninety One Thousand Five Hundred only) per month

b) **Perquisites**

- i) Free furnished accommodation;
- ii) Free electricity, gas, water at house limited to 10% of salary;
- iii) Free medical facilities for self and family;
- iv) Free passage by Business Class for self and family from India to Home Town and back for availing of his Earned/Privilege Leave;
- v) Free passage by Business Class for self or wife from India to Home Town and back in case of decease of immediate parents of self or wife;
- vi) Free passage by Business Class to Home Town for self and family on completion of service. All freight charges for extra luggage and belongings to be borne by the Company;
- vii) Entrance fee and Membership of two Clubs;
- viii) Personal Accident Insurance of an amount, the annual premium of which shall not exceed Rs. 1,000/- (Rupees One thousand only);
- ix) Free use by Mr. Dasari of Company's car with driver for the purpose of the Company's business and telephone facility at his residence, which shall not be considered as perquisite / benefits, but the use of car for private purpose and personal long distance calls on telephone shall be billed by the Company to Mr. Dasari.

B) MINIMUM REMUNERATION

The remuneration including the benefits and amenities aforesaid shall nevertheless be paid and allowed as the minimum remuneration for any year in the event of absence or inadequacy of profits for such a year.

The other terms and conditions of his appointment remaining unaltered.

The Company had received the requisite approval from the Central Government to the aforesaid modification of the terms relating to the remuneration payable to Mr. Dasari.

Due to personal reasons, Mr. Dasari had resigned as the Managing Director of the Company with effect from 8th April, 2000.

The Board of Directors recommends the proposed resolution set out under item no. 6 of the Notice for approval of the Members.

No Director of the Company is concerned or interested in the said resolution.

Item No. 7

Mr. Charles Joseph DeVirgilio has been appointed as an Additional Director of the Company under the provisions



of Section 260 of the Companies Act, 1956 ('the Act') with effect from 8th April, 2000. Notice has been received from a Member of the Company pursuant to the provisions of Section 257 of the Act proposing the appointment of Mr. DeVirgilio as a Director of the Company. The Board recommends the resolution relating to his appointment as a Director of the Company be passed.

Except Mr. DeVirgilio, no other Director is concerned or interested in the resolution set out under item no. 7.

Item No. 8

At its meeting held on 8th April, 2000, the Board of Directors had appointed Mr. Charles Joseph DeVirgilio as an Additional Director of the Company and also as the Managing Director of the Company on the terms and conditions contained in the draft of an Agreement and set out as follows:

A) TENURE

3 Years with effect from the conclusion of Board Meeting on 8th April, 2000;

B) EMOLUMENTS

a) Salary

Rs. 1,00,000/- (Rupees One lakh only) per month.

b) Perquisites

1. Free furnished accommodation;
2. Free electricity, gas, water at residence limited to 10% of salary;
3. Free telephone at residence for official use, which shall not be considered as perquisite/benefit. The use of telephone for private purposes and personal long distance calls shall be billed to Mr. DeVirgilio by the Company;
4. Free use of Company car with driver for the purpose of Company and official business, which shall not be considered as perquisite/benefit. However, use of car and driver for private purpose shall be billed to Mr. DeVirgilio by the Company;
5. Free medical facilities for self and family;
6. Entrance fee and membership of two Clubs;
7. Personal Accident Insurance of an amount, the annual premium of which shall not exceed Rs. 1,000/- (Rupees One Thousand only);
8. Free passage by Business Class for self and family from the present place of residence to the place of work in India, including incidental expenses related to the travel. All freight charges for extra luggage and duties to be borne by the Company;
9. Paid Leave for five weeks after every one year of service. Leave not availed but accumulated will not be allowed to be encashed. Free passage by Business Class for self and family to Home Town and back for availing of his leave, including all incidental expenses related to the travel. For the purpose of availing Leave Travel facilities, "Family" means self, spouse, dependent children and dependent parents;
10. Free passage by Business Class for self or spouse from India to Home Town and return in case of decease of immediate parents of self or spouse;
11. Free passage by Business Class for self and family from India to Home Town on completion of service, including all incidental expenses related to the travel. All freight charges for extra luggage and belongings to be borne by the Company.

C) MINIMUM REMUNERATION

The remuneration including the benefits and amenities aforesaid shall nevertheless be paid and allowed as the minimum remuneration for any year in the event of absence or inadequacy of profits for such year.

D) DUTIES AND CONDITIONS

- 1) Mr. Charles Joseph DeVirgilio will perform the duties and exercise the powers, which from time to time may be assigned to or vested in him by the Board of Directors of Timken India Limited.
- 2) The appointment may be terminated by either party by giving six months notice in writing to that effect.



- 3) Mr. Charles Joseph DeVirgilio shall not be entitled to any sitting fees for attending the meeting of the Board of Directors of the Company or any Committee thereof.

The said appointment of Mr. DeVirgilio including his remuneration as referred to above is subject to and requires the approval of the Company in General Meeting.

Mr. DeVirgilio is a Bachelor of Arts from the Ohio State University, Ohio, USA and a Master of Business Administration from the Xavier University, Cincinnati, Ohio. He has completed Juris Doctor from the Capital University, Columbus, Ohio and has also completed Executive Program in Business Administration from Columbia University, New York, USA. Mr. DeVirgilio has been a Member of American Bar Association, Ohio State Bar Association and an Associate Member of Pennsylvania Bar Association. Before joining Timken India Limited, Mr. DeVirgilio has been working with The Timken Company, USA for a period of about twenty-six years in various locations and from August 1999, was working as the Managing Director-Bearings - Central Europe. The Board considers that Mr. DeVirgilio will be eminently suitable for the position of Managing Director of the Company in view of his knowledge and vast experience in various functions specially in Human Relations, Corporate Services etc.

The Board recommends that the resolution set out under item no. 8 be passed in the interest of the Company.

The draft of the Agreement as referred to above may be inspected by any Member of the Company at the Registered Office of the Company at Bara, P.O. Agrico, Jamshedpur - 831009 on any working day prior to the date of the Annual General Meeting between the hours of 11.00 am and 1.00 pm and will also be available for inspection from 11.00 am at the place and date of the Annual General Meeting.

Except Mr. DeVirgilio, no other Director of the Company has any interest or concern in the aforesaid resolution.

This may be treated as an Abstract of the Agreement between the Company and Mr. DeVirgilio pursuant to Section 302 of the Companies Act, 1956.

Item No. 9

Mr. Shyamal Kumar Sinha ('Mr. Sinha') has been appointed by the Board of Directors of the Company as Alternate Director to Mr. Jon T Elsasser. Mr. Sinha is also an ordinary employee of the Company under the designation Director (Finance & Systems). As an ordinary employee of the Company, Mr. Sinha is entitled to, as per terms of his appointment as Director (Finance & Systems), remuneration and perquisites under the following heads :

1. Salary including Allowances as per Rules of the Company.
2. Performance Incentive as per Rules of the Company.
3. Furnished residential accommodation.
4. Free electricity, water at house limited to 10% of Basic salary.
5. Free use by Mr. Sinha of Company's car for the purpose of the Company's business and telephone facility at his residence, which shall not be considered as perquisite / benefit, but the use of car for private purpose and personal long distance calls on telephone shall be billed by the Company to Mr. Sinha.
6. Subscription of one Club.
7. Leave Travel concession as per Rules of the Company.

The total amount of remuneration drawn by Mr. Sinha during 1999-2000 was Rs. 7,11,171/-.

Under the provisions of Section 314 of the Companies Act, 1956, approval of the Members by a Special Resolution is required for Mr. Sinha to hold and continue to hold the office or place of profit under the Company.

The Board of Directors recommends that the Special Resolution set out under item no. 9 of the Notice be passed.

No Director of the Company, except Mr. Sinha is concerned or interested in the above Resolution.

Registered Office :
Bara, P.O. Agrico
Jamshedpur - 831 009
29th May, 2000

By Order of the Board

Soumitra Hazra
Company Secretary



CHAIRMAN'S STATEMENT

Dear Shareholders,

At this time last year, I expressed confidence of facing the challenges arising out of sluggish export markets and uncertainties arising out of general elections. I also expressed my belief that the Indian economy would see an upturn during the second half of the financial year 1999-2000 after the elections.

My confidence and belief had indeed come true. This year witnessed significant growth in earnings as well as in sales. The Company achieved a growth in gross profit by 42% which coupled with a saving in interest showed a phenomenal 109% increase in Profit after Tax. As a result, the Company wiped off its accumulated losses completely from its books. This also enabled the Company to clear a part of the dividends in arrears on its Preference Shares. All the Associates of the Company deserve to be congratulated for making this happen. I am certain that this feat could not have been achieved without the strong determination and dedication of our Associates.

The Indian economy has continued to act positively despite the Kargil conflict, the severe cyclonic storm that devastated Orissa last October and the recent drought witnessed in parts of Western, Central and Eastern India. We are optimistic that the positive economic trend will continue for the remaining part of this year.

In order to seize opportunities in this business environment, the Company has decided to expand its existing product range by introducing Tapered Roller Bearings with a bore size of

35 mm and less. In addition, the Company has adopted several tactics to enable it to improve its position in the market.

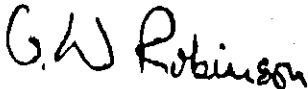
The Continuous Improvement Programme launched in the administrative areas last year to identify areas for potential cost savings has started yielding results. This, together with cost saving initiative at the Plant enabled the Company to present a financial performance much better compared to that presented in the earlier years.

During the year, your Company has got a new name pursuant to your approval conveyed at the Extra Ordinary General Meeting in May, 1999. The name of the Company has been changed to Timken India Limited on receipt of the requisite Government approval.

The year ahead of us looks challenging but I am sure that with continuous support from all our Associates, Suppliers, Customers and Government, we will be able to overcome all challenges and step into the next millennium with an improved performance to further strengthen the Shareholders' value.

Thank you.

Yours sincerely,


Gordon William Robinson
Chairman

Mumbai, 29th May, 2000



DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting the Thirteenth Annual Report on the business and operations of the Company together with the Financial Results for the year ended 31st March, 2000.

FINANCIAL RESULTS

	Current year (Rs. in Lakhs)	Previous year (Rs. in Lakhs)
a) Gross Profit	3309	2330
b) Less : Depreciation	1124	1024
c) Earnings before Interest & Tax (EBIT)	2185	1306
d) Less : Interest	422	493
e) Profit before Tax (PBT)	1763	813
f) Less : Taxes	243	85
g) Profit after Tax (PAT)	1520	728
h) Add : Loss brought forward from previous year	(1269)	(1997)
i) Add : Debenture Redemption Reserve Written back	650	—
j) Profit available for appropriation	901	(1269)
k) Less : Interim Dividend on Preference Shares	791	—
l) Balance Profit/ (Loss) carried forward	110	(1269)

FINANCIAL HIGHLIGHTS

The year under review recorded significant growth in earnings which enabled the Company to wipe off the accumulated loss from the books. In view of this,

the Directors have declared interim dividend on 9% Cumulative Redeemable Preference Shares of Rs. 100/- each aggregating Rs. 791.32 lakhs (including Dividend Tax thereon @ 11% amounting to Rs. 78.42 lakhs) so as to clear a part of dividend in arrears on these Preference Shares for the financial years 1994-95, 1995-96, 1996-97 and 1997-98. Due to meager surplus left after the payment of the interim dividend as aforesaid, no further dividend on these Preference Shares is being recommended now and the interim dividend paid as aforesaid shall be fully adjusted as final dividend for the respective financial years mentioned above. No dividend on Equity Shares is being recommended.

With the Indian economy looking up, the performance of the Company during the year under review was satisfactory. Sales registered an increase of 13% compared to last year. The increased Sales revenue coupled with the strong initiative for reduction in operating cost has helped the Company to post a Gross Profit higher by 42% over previous year. The said increase in Gross Profit together with the reduction in interest charges witnessed an increase in the Profit before Tax by 117%. The Profit after Tax however, registered 109% increase.

OPERATIONS

During the year, the Company produced 1925141 nos. of Standard Bearings — an increase by about 11% compared to last year. Production of Components however, was limited to 94357 nos. in view of overall Plant capacity. Production of Railway Bearings also increased by 18% to 47324 sets during the year.

Sales of Standard Bearings registered an increase of 15% to 1913841 nos. whereas a moderate growth of 16% has been recorded in the sale of Railway Bearings from 40663 sets in 1998-99 to 47143 sets this year.

QUALITY CERTIFICATION

During the year, the Company achieved certification from American Association of Railroad (AAR). This would help the Company in quick acceptance of its products in USA without testing. The Company is the first Company in India to achieve Certification from AAR.

