

TIMKEN

NINETEENTH

ANNUAL

REPORT

2005

TIMKEN INDIA LIMITED

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TIMKEN INDIA LIMITED

BOARD OF DIRECTORS

MR G W ROBINSON	– Chairman & Managing Director
MR S K SINHA	– Dy. Managing Director
MR M J HILL	
MR N MAHANTY	
MR J S PATHAK	
MR P S DASGUPTA	
MS SUNITHA NARAHARI	– Alternate to Mr M J Hill

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

INVESTORS' RELATION & GRIEVANCE COMMITTEE

MR N MAHANTY – Chairman
MR S K SINHA
MR J S PATHAK

Auditors

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

Registered Office

Bara, P. O. Agrico
Jamshedpur – 831 009
Ph. No. (0657) 2210 293
Fax No. (0657) 2210 117

NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of Timken India Limited will be held at Center for Excellence, Circuit House Area, Jamshedpur – 831 001 on Friday, April 28, 2006 at 3.00 pm to transact the following business:

1. To receive and adopt the Profit and Loss Account for the year ended December 31, 2005 and the Balance Sheet as on that date and the reports of the Directors and the Auditors.
2. To appoint a Director in place of Mr. Niroop Mahanty who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

4. Appointment of Mr. P S Dasgupta, 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. P S Dasgupta, 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.”

5. Appointment of Mr. Jai S Pathak 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. Jai S Pathak, 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.”

6. Remuneration paid to Dy. 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 Section 310 and other applicable provisions if any, of the Companies Act, 1956 and subject to such approvals as may be necessary, the Company hereby accords its approval to the increase in remuneration paid / payable to Mr. Shyamal Kumar Sinha ('Mr. Sinha') as the Dy. Managing Director of the Company as per details contained in the draft Supplementary Agreement to be entered into between the Company and Mr. Sinha in terms of the draft placed before the meeting and initialed by the Chairman of the meeting 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 without limitation, entering into an agreement on behalf of the Company with Mr. Sinha in terms of the said draft.”

7. Reappointment of Mr. Shyamal K. Sinha as the Dy. Managing 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 pursuant to Section 269, 309 and other applicable provisions if any, of the Companies Act, 1956 and subject to such approvals as may be necessary, Mr. Shyamal K. Sinha ('Mr. Sinha') be reappointed as the Dy. Managing Director of the Company for a period of five years effective 8 June 2006 on the terms and conditions set out in an Agreement to be entered into between the Company and Mr. Sinha in terms of the draft placed before the meeting and initialled by the Chairman of the meeting 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 without restriction to entering into an Agreement on behalf of the Company with Mr. Sinha in terms of the said draft.”

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 items no. 4 to 7 is annexed hereto. Applicable details relating to Directors pursuant to Clause 49 of the Listing Agreement are also annexed.
3. The Register of Members and the share transfer books of the Company would remain closed from April 13, 2006 to April 28, 2006, both days inclusive.
4. Copy of the Draft Supplementary Agreement and Agreement relating to reappointment of Dy. Managing Director to be executed between the Company and Mr. Shyamal K. Sinha in terms of the Resolutions under Item No. 6 & 7 above shall be 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 aforesaid meeting between the hours of 10.00 am and 12.00 Noon and shall also be available for inspection from 1.00 pm at the place on the date of the meeting.

By Order of the Board

Registered Office :
Bara, P.O. Agrico
Jamshedpur – 831 009
March 27, 2006

Soumitra Hazra
Finance Controller
& Company Secretary

ANNEXURE TO THE NOTICE – EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No. 4**

Mr. P. S. Dasgupta ('Mr. Dasgupta'), Director of the Company, was appointed by the Board of Directors of the Company ('the Board') as an Additional Director with effect from close of business hours on 31 December 2005. As per the provisions of the Companies Act, 1956 Mr. Dasgupta 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. Dasgupta as a candidate for the office of Director.

The proposal for the appointment of Mr. Dasgupta as Director on the Board, 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. Dasgupta, no other Director is concerned or interested in the resolution.

Item No. 5

Mr. Jai S. Pathak ('Mr. Pathak'), Director of the Company, was appointed by the Board of Directors of the Company ('the Board') as an Additional Director with effect from close of business hours on 31 December 2005. As per the provisions of the Companies Act, 1956 Mr. Pathak 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. Pathak as a candidate for the office of Director.

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

Memorandum of Interest

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

Item No. 6

The Board of Directors, subject to the requisite approval of the Members of the Company and such other approvals as may be necessary, approved the following merit increases in remuneration paid / payable to Mr. Sinha as per details contained in the draft Supplementary Agreement to be entered into between the Company and Mr. Sinha, an abstract of which is set out as follows :

"1) Salary & other Allowances be increased to Rs. 1,27,950/- and to Rs. 1,38,650/- effective July 8, 2005 and March 1, 2006 respectively.

2) Para (i) under the head "Perquisites" be replaced with following words : Free furnished accommodation as per Company rules effective March 1, 2006, other terms remaining the same".

The Board of Directors recommends the Resolution set out under Item no. 6 for approval of the members.

Memorandum of Interest

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

This may be treated as the Abstract of the terms and Memorandum of Interest and also as an Abstract of the Agreement between the Company and Mr. Sinha pursuant to Section 302 of the Companies Act, 1956.

Item No. 7

The term of office of Mr. Shyamal Kumar Sinha ('Mr. Sinha') as Dy. Managing Director comes to an end on June 7, 2006 pursuant to the applicable provisions of the Companies Act, 1956. He has been reappointed for another term of five years by Remuneration Committee of the Board and also by the Board of Directors effective June 8, 2006 as per details contained in a draft Agreement to be entered into between the Company and Mr. Sinha, an abstract of which is set out as follows:

The terms governing the reappointment will be as per the Company's Policy for appointment / reappointment of Executive Directors – Indian National. These terms are substantially similar to those governed Mr. Sinha's earlier appointment.

TIMKEN INDIA LIMITED

Mr. Sinha's starting basic salary shall be Rs. 1,05,100/- which may progressively go up by such amounts as may be approved by Chairman & Managing Director based on periodic performance reviews, merit increase and industry trends, provided however that in no case such basic salary shall exceed Rs. 3,25,000/-.

The said reappointment of Mr. Sinha, including his remuneration as referred to above is subject to and requires shareholders' approval.

The Board recommends the Resolution set out under item no. 7 for approval of members.

Memorandum of Interest

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

This may be treated as an abstract of the terms and memorandum of interest and also as an abstract of the proposed Agreement between the Company and Mr. Sinha pursuant to Section 302 of the Companies Act, 1956.

By Order of the Board

Registered Office :
Bāra, P.O. Agrico
Jamshedpur – 831 009
March 27, 2006

Soumitra Hazra
*Finance Controller
& Company Secretary*



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

Name of Director	Mr. Niroop Mahanty	Mr. P S Dasgupta	Mr. Shyamal K Sinha	Mr. Jal S Pathak
Date of Birth	January 12, 1950	June 30, 1955	July 4, 1951	January 14, 1959
Date of Appointment	April 24, 2004	Effective close of business hours on December 31, 2005	June 8, 2001	Effective close of business hours on December 31, 2005
Expertise in specific functional areas	<ul style="list-style-type: none"> Human Resources General Management 	<ul style="list-style-type: none"> Legal Profession General Management 	<ul style="list-style-type: none"> Finance General Management 	<ul style="list-style-type: none"> Legal Profession General Management
Qualifications	<ul style="list-style-type: none"> BA (Hons.) St. Stephens College, Delhi University MBA – University of Colorado, USA 	<ul style="list-style-type: none"> Bachelor of Law, Faculty of Law, Delhi University BA, Econ (Hons.) Post Graduate Diploma in Corporate Laws & Labour Laws – Indian Law Institute, Delhi 	<ul style="list-style-type: none"> B.Com (Hons.), ICWA 	<ul style="list-style-type: none"> BA (Hons.), Delhi University MA Intl. Relation, JNU BA (Hons.), Jurisprudence, Oxford University, UK MA, Oxford University, UK LLM, University of Virginia, USA
List of public companies in which outside Directorship held as on December 31, 2005	<ul style="list-style-type: none"> Steel City Press Limited Kalinga Aquatics Limited 	<ul style="list-style-type: none"> Carrier Aircon Ltd. Cummins India Ltd. Cummins Auto Services Ltd. Gujarat Guardian Ltd. India Gypsum Ltd. Otis Elevator Co. India Ltd. Maral Overseas Ltd. 	Nil	<ul style="list-style-type: none"> i-Gate Global Systems Limited
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2005	<ul style="list-style-type: none"> Timken India Limited – Chairman – Remuneration Committee Timken India Limited – Chairman – Investors' Relation & Grievance Committee Timken India Limited – Member – Audit Committee 	<ul style="list-style-type: none"> Carrier Aircon Ltd. – Member – Shareholders Grievance Committee 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 	<ul style="list-style-type: none"> Timken India Limited – Member – Audit Committee Timken India Limited – Member – Investors Relation & Grievance Committee 	<ul style="list-style-type: none"> Timken India Limited – Member – Audit Committee Timken India Limited – Member – Investors' Relations & Grievance Committee Timken India Limited – Member – Remuneration Committee i-Gate Global Systems Limited – Member – Audit Committee i-Gate Global Systems Limited – Chairman – Shareholders' Grievance Committee i-Gate Global Systems Limited – Member – Compensation Committee
Shareholding in the Company	—	1 Equity Share	150 Equity Shares	—

STATEMENT FROM CHAIRMAN & MANAGING DIRECTOR

Dear Shareholders,

If 2004 was about continuing to maintain the growth trend from the earlier years for Timken India, 2005 could be considered the year in which your company picked up the pace on several fronts and broke fresh ground on others.

The year gone by saw your company successfully managing a lot of uncertainties – from escalating Steel and Fuel prices to changing customer requirements. Despite this you have seen your company go from strength to strength every year, but the market dynamics have become such that to be able to grow at a faster pace, we need to do things differently & better.

To do that, we have to continuously improve every aspect of our operations, from engineering & design to manufacturing, quality, product range to our customer interface.

We have seen demand for our products increase and we have made serious efforts to meet these demands – both on the Manufacturing and the Sales & Marketing front.

Through 2005, your company has successfully launched several new products and initiatives – Timken Premium Automotive Grease, Timken Service Points, Ball Bearings and Needle Roller Bearings for the Automotive OEs.

The extension of our product portfolio has been very well received by our channel partners and customers. This is evident from the enthusiasm shown by our channel partners in every city that we have launched these new products. They now have a much broader portfolio of products to offer to their customers, opening up newer business opportunities and increasing their profitability.

In line with The Timken Company's global strategy for growth – particularly in India and China, your company has taken several measures to ensure that we stay highly focused and on track with our corporate goal of reaching a consolidated sales turnover of US\$ 1 billion by the year 2008 for the Asian region.

To achieve this growth target we must become more customer focused. Listening to the voice of the customer, introducing newer products and services and aggressive marketing, are the only way ahead.

As our customers in India move to compete with the best in the world, we too have to be constantly helping them improve their products and performance by applying our knowledge of friction management and power transmission to deliver unparalleled value and innovation to them.

Your company's Sales & Marketing operations have been strengthened and streamlined to serve our customer's needs in a more efficient manner.

The MillTech operations – our On-site Maintenance Service - that we presently run at Jamshedpur and several of our industrial customer locations, are being seen as benchmarks in our industry and we intend to replicate these successes at several other customer locations in the coming year.

Timken Engineering and Research – India (TERI), The Timken Company's global engineering centre in Bangalore continues to be a major resource for us – especially with customers who need design & engineering support in the development of new products.

As the interaction between TERI and our customer base increases, we will continue to leverage on TERI's strengths and build on it.

TERI engineers have also been working on several projects aimed at improving our plant efficiencies with customized machine tools and other machinery.

There have been many successes in our continuing efforts to improve operating efficiencies at our Jamshedpur plant – with several new associates leading the crucial functions:

- Lean Six Sigma initiatives driving many of our productivity & capacity utilisation projects
- addition of new production lines for expansion

Our continuing efforts to achieve better manpower & capacity utilisation and new product lines to meet the growing demand for our products, are being reflected in a better product mix flowing out of the plant and enhanced Customer service.

The establishment of a robust Supply Chain Management team will definitely add value to our operating efficiencies. With a gradual integration into the global supply chain process underway, we will continue to see the results of our efforts in improving on parameters like Inventory Management, Cost-Quality-Delivery of products and finished material rejection.

With input costs of major items like Steel & Fuel scaling new heights, it will be a challenge for us to maintain our cost effectiveness while delivering products conforming to global quality standards to our demanding customers. The customer is unforgiving, but I am sure that our uncompromising commitment to provide them with the world's best friction management solutions at the lowest cost of ownership will see us meet these challenges and continue to grow profitably.

Several of the Finance Minister's announcements during his budget presentation this year, are indicative of the government's commitment to creating the right environment for growth of Indian industry. We see a huge opportunity opening up for us over the next few years, as India moves towards becoming the regional small car manufacturing hub, along with the on-going boom in the 2-wheeler segment. With the stress on further opening up of several sectors of the Indian economy, and renewed emphasis on infrastructure building, we expect to see positive developments in core sectors like Steel and Power.

When you couple the changes that we have been bringing to our operations with a wider product portfolio, increased customer interaction, faster delivery of products - what you have is a more satisfied customer fuelling our growth.

Where there is an opportunity, there is a challenge. 2006 promises to be just that for us. With the economy set to grow at a faster pace and the demand for our products also increasing, we have to be increasingly agile and responsive, to take advantage of the various opportunities that will continue to open up before us.

The onus will be on every one of our stakeholders – Channel Partners, Suppliers and Associates, and with your patronage - to put their best foot forward and capitalise on the opportunities to improve your company's profitability and provide enhanced value to our customers and shareholders.

Thanking you, .

Yours sincerely,

G.W Robinson

Bangalore
March 27, 2006

Gordon William Robinson
Chairman & Managing Director

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the Nineteenth Annual Report on the business and operations of the Company together with the Financial Results for the year ended December 31, 2005.

FINANCIAL RESULTS

	Year ended December 31, 2005 (Rs/Lakhs)	Year ended December 31, 2004 (Rs/Lakhs)
a) Gross Profit	6257	6007
b) Less: Depreciation	876	828
c) Earnings before Interest, Tax & Prior period item	5381	5179
d) Less: Interest (Net)	95	90
e) Add: Income relating to prior period	9	—
f) Profit before Tax (PBT)	5295	5089
g) Less: Taxes	1807	1789
h) Profit after Tax (PAT)	3488	3300
i) Add: Profit brought forward from previous year	4375	1075
j) Profit available for appropriation	7863	4375
k) Balance carried forward	7863	4375

The net sales (with other Income) grew by 11% from Rs 278 crores in 2004 to Rs 309 crores in 2005. The export of the company however grew significantly from Rs 110 crores in 2004 to Rs 130 crores in 2005 i.e. a growth of 18%. Most of the exports had been to USA.

While there had been sales growth of 11%, PBT increased very marginally during the year from Rs 51 crores in 2004 to Rs 53 crores. It is mainly due to some preventive measures & structural-correction as staff cost, repairs to machine and building, process-obsolescence & write-off etc. One-time charges included in above are unlikely to be repeated over the years. Profit margin at net level therefore stands marginally reduced to 17% in 2005 as against 18% in 2004.

DIVIDEND

Your Directors are not recommending payment of any dividend on equity shares for 2005.

PROJECTS

In 2005, the Company undertook an expansion project of installing a new 8" cone line. This new line has been installed and commercial production has started on April 5, 2005. The actual investment for this project has been around Rs. 2 Crores.

The progress for the other project to manufacture Double Extended (DE) cones has been satisfactory. The production facilities to manufacture 1,10,000 DE cones have since been installed and commissioned and the first phase of this project has become operational with effect from November 7, 2005. Two more similar Cells involving addition of 2,20,000 DE cones are being built and is expected to be completed by the end of the first quarter 2007. The

Company has so far spent around Rs. 4 Crores for this purpose.

FINANCE

Efficient management of working capital comprising Inventory and Receivables helped the Company in generating enough cash flow. Pending investment of such fund in growth, it has been temporarily parked in short-term investments in various high-secured mutual funds. Such measures, though temporary, have resulted in a significant addition to the bottom-line. The average inventory holding period has improved from 76 days in 2004 to 74 days in 2005. The level of external borrowings has all along been maintained at a low level. The present debt equity ratio stands at 1:19 compared to 1:7 as on December 31, 2004.

LISTING / VOLUNTARY DELISTING OF EQUITY SHARES ON STOCK EXCHANGES

Consequent to the shareholders' approval received at the last Annual General Meeting, applications have since been submitted for delisting the Company's Equity Shares from Calcutta and Magadh Stock Exchanges and the applications are under consideration of the respective Exchanges. Steps have also been initiated for enlisting of the Equity Shares of the Company on the National Stock Exchange, Mumbai.

The listing of the Company's Equity Shares on The Stock Exchange, Mumbai however, continues.

The listing fees for the year 2005-06 have been paid to the Stock Exchanges.

DIRECTORS

Mr. Jon T Elsasser, who has been acting as a Director of the Company has resigned with effect from the close of business hours on December 31, 2005. The Board placed on record its deep appreciation of the valuable contribution made by Mr. Elsasser during his tenure. Mr. P S Dasgupta who has been acting as his Alternate Director on the Board has also ceased to be such a Director consequent to the resignation of Mr. Elsasser as a Director of the Company. The Board placed on record its deep appreciation of the valuable contribution made by Mr. Dasgupta during his tenure as an Alternate Director.

Mr. Jai S Pathak who has been acting as the Alternate Director for Mr. Michael J Hill, has since resigned as an Alternate Director with effect from the close of business hours on December 31, 2005. The Board placed on record its deep appreciation of the valuable contribution made by Mr. Pathak during his tenure as an Alternate Director.

Ms. Sunitha Narahari who has been appointed as an Additional Director by the Board on July 30, 2005 has tendered her resignation as an Additional Director of the Company with effect from the close of business hours on December 31, 2005. The Board placed on record its deep appreciation of the valuable contribution made by Ms. Narahari during her tenure as an Additional Director.

The Board has since appointed Mr. P S Dasgupta and Mr. Jai S Pathak as Additional Directors with effect from the close of business hours on December 31, 2005. In terms of relevant provisions of the Companies Act, 1956 ('the Act'), both Mr. Dasgupta and Mr. Pathak hold office upto the date of the forthcoming Annual General Meeting. The Company has received notices from two members in terms of Section 257 of the Act signifying their respective intentions to propose the names of Mr. Dasgupta and Mr. Pathak respectively for appointment as Directors of the Company at the next Annual General Meeting. These items have been included in the Notice convening the next Annual General Meeting of the Company.

The current term of office of Mr. Shyamal K. Sinha, Dy. Managing Director shall come to an end on June 7, 2006 in terms of the applicable provisions of law. Subject to necessary approvals the Board has reappointed him for another term of five years with effect from June 8, 2006. Such appointment require an approval from the shareholders of the Company. This item has also been included in the Notice convening the Nineteenth Annual General Meeting of the Company.

TIMKEN INDIA LIMITED

Mr. Niroop Mahanty 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 Nineteenth 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 December 31, 2005.

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 December 31, 2005 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 in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure B to the Directors' Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE

All the new machineries installed during the year are energy efficient. Significant cost saving on cutting fluids and consumption of electricity

have been achieved by machine modifications, energy audit and efficient coolant management. Regarding absorption of foreign technology, the process is ongoing in the areas of machining, heat treatment and finishing. The Company has now achieved full indigenisation of all components for Standard Bearings and substantial indigenisation for AP Bearings. It is the intention of the Company to proceed with the process of indigenisation further.

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (1) The applicable Accounting Standards have been followed, in the preparation of the accompanying Accounts;
- (2) The Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year ended December 31, 2005 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 safeguarding 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
March 27, 2006

Gordon William Robinson
Chairman & Managing Director