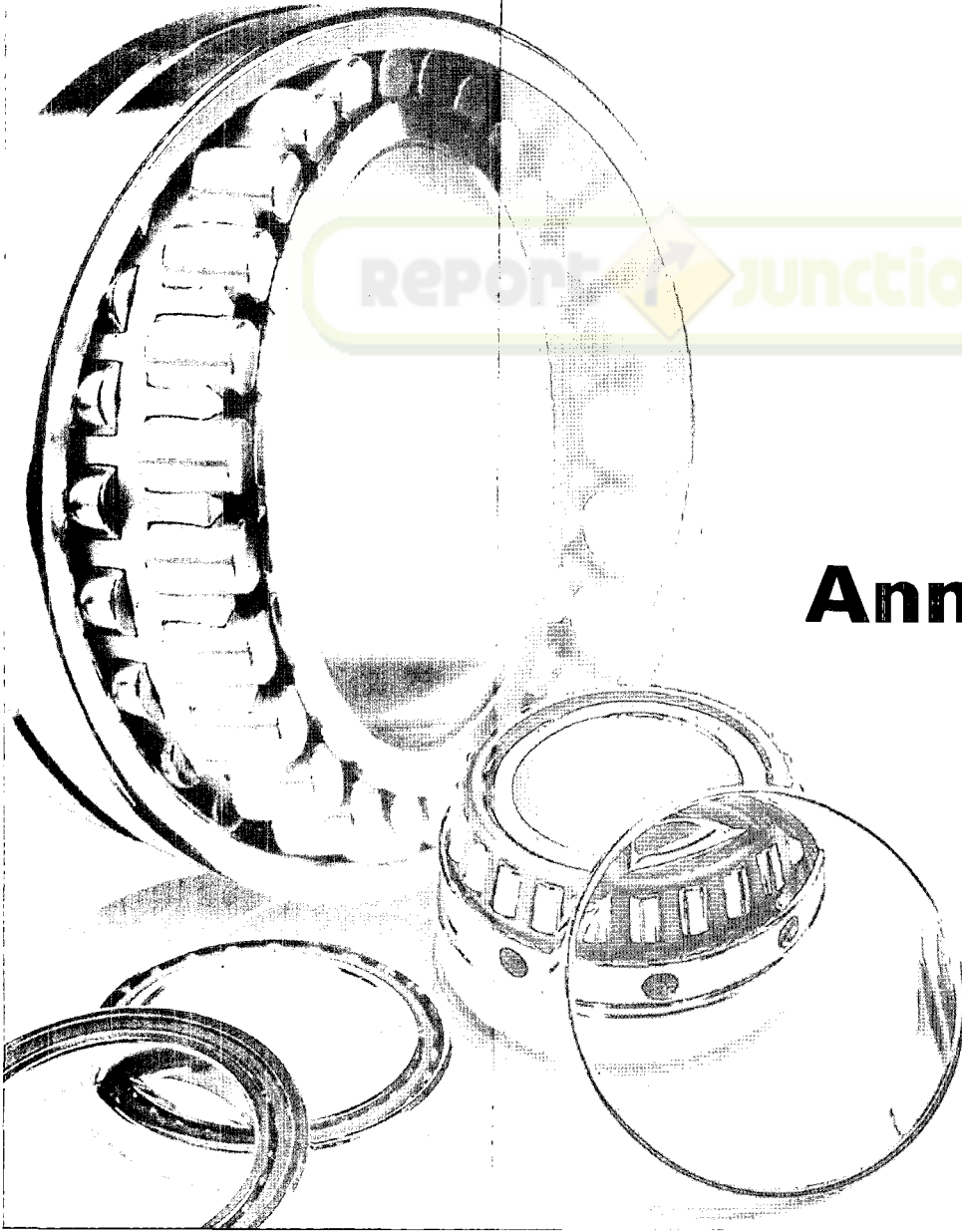


# TIMKEN

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## **21st Annual Report 2007**



# 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 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) 2152 500  
Fax No. (0657) 2210 290

## NOTICE

Notice is hereby given that the Twenty-first Annual General Meeting of Timken India Limited will be held at Center for Excellence, Circuit House Area, Jamshedpur – 831 001 on Thursday, 24 April 2008 at 3.00 pm to transact the following business:

1. To receive and adopt the Profit and Loss Account for the year ended 31 December 2007 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. Shifting of Registered Office

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

"RESOLVED –

THAT subject to approval of the Central Government in terms of the applicable provisions of law, Clause II of the Memorandum of Association of the Company be substituted with following Clause:

II. The Registered Office of the Company will be situated in the State of Karnataka.

THAT on obtaining confirmation from the Central Government, the Registered Office of the Company be shifted from Bara, P.O. Agrico, Jamshedpur 831 009 to 39-42, Electronic City, Phase II, Hosur Road, Bangalore 560 100 or to such other place in the State of Karnataka as may be decided by Board of Directors of the Company from time to time."

### 5. Alteration of the Articles of Association

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

"RESOLVED THAT the Articles of Association of the Company be and are hereby altered in the manner set out below :

- 1) In Article 1, the definition of "Tata Steel" be deleted.
- 2) In Article 1, in the definition of the term "paid-up" the word "capital" be inserted between the words "includes" and "credited".
- 3) In Article 1, in the definition of the term "Securities" the following words be inserted at the end of the definition – "and includes hybrids."
- 4) In Article 2, in line 1, the word "regulations" be replaced with the word "Regulation".
- 5) In Article 3a, in line 1, the words "Board of Directors" be replaced with the word "Company" and in line 3, the following words be inserted between the words "subject to" and "such limits" – "provisions of Section 77A and Section 77B of the Act, up to".
- 6) In Article 4a(i)(i), in line 2, the word "Company" be deleted.
- 7) In Article 4a(iii), in line 1, the words "sub-clause(4a)(i)" be substituted by the word "sub-clause(4a)(i) and (ii)" and the last sentence, in the first paragraph, starting with the words "The Company shall....." be replaced by the following new sentence – "The Company has furnished to TIMKEN an irrevocable undertaking to the afore going effect."
- 8) The Article 4b(ii) be deleted.
- 9) In Article 5, line 2, the figure and the word appearing as "7,50,00,000 Equity" be substituted by the figure and word "7,50,00,000 Equity shares".
- 10) In Article 33, in line 1, the words "Section 111" be inserted after the words "provisions of".
- 11) In Article 43c, in line 1, the word "clause (ii)" be replaced with the word "clause (iii)".
- 12) In Article 51, in last line, the word 'agreed' be replaced with the word "agreed, ".
- 13) In Article 51a(1), the word "Securities" be replaced with the words "The Securities".

- 14) The following new sub-clauses (l) and (m) be inserted in Clause 85(1) –
  - l) being already a director of a public company, he is disqualified in terms of Section 274(1) (g) of the Act;
  - m) his appointment is in contravention of Section 266A or Section 266D of the Act;
- 15) The proviso to Article 94 be deleted.
- 16) In Article 95, the words “as also as Article 78” as appearing in the last line be deleted.
- 17) In Article 100, in last line, the word “office” should be replaced with the word “office,”.
- 18) In Article 142, in the second and sixth line, the words ‘forty-two (42)’ be substituted with the words “thirty (30)” and in the fourth line, the words “from the date of expiry of the said period of forty-two (42) days” be deleted.
- 19) In Article 144(b), in the fifth line, the words “unless he is a retiring Auditor or Auditors” be deleted.”

**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 Businesses under item no. 4 and 5 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 11 April 2008 to 24 April 2008, both days inclusive.


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By Order of the Board

Registered Office :  
 Bara, P.O. Agrico  
 Jamshedpur – 831 009  
 17 March, 2008

**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

The Registered Office of the Company was shifted from Calcutta to Jamshedpur in 1996 after obtaining all the appropriate approvals.

It is now proposed to shift the Registered Office from Jamshedpur to Bangalore.

Timken has three units in India, of which Registered Offices of two units are located in Bangalore. In order to have better coordination, management and control, the Board of Directors are of the opinion that the Registered Office of the Company be shifted from Jamshedpur to Bangalore. For this purpose, it is necessary to amend Clause II of the Memorandum of Association of the Company. The Board, therefore, recommends the proposal for approval by the Members as set out in Resolution under item No. 4.

### Memorandum of Interest

No Director is concerned or interested in the resolution.

### Item No. 5

The Company's Articles of Association were amended in 1999. Since then, amendments to several provisions of the Companies Act, 1956 have been brought into effect. In order to align the Articles of Association of the Company with the amended provisions of the said Act, the Articles of Association of the Company require alteration. In terms of Section 31 of the said Act, Articles of Association of the Company may be amended by a Special Resolution in a General Meeting.

The Board of Directors commends the Special Resolution as set out under item No. 5 for the approval of Members.

A printed copy of the Memorandum and Articles of Association of the Company showing the proposed alterations will be open for inspection by the Members at the Registered Office of the Company at Bara, P.O. Agrico, Jamshedpur – 831 009 between 11.00 am and 1.00 pm on any working day prior to the date of the Annual General Meeting and will also be available for inspection from 1.00 pm at the place on the day of the Annual General Meeting.

### Memorandum of Interest

No Director is concerned or interested in the resolution.

By Order of the Board

Registered Office :  
Bara, P.O. Agrico  
Jamshedpur – 831 009  
17 March, 2008

**Soumitra Hazra**  
Company Secretary  
& Chief – Compliance

### APPLICABLE DETAILS OF DIRECTOR IN TERMS OF CLAUSE 49 OF THE LISTING AGREEMENT

Name of Director	<b>Mr. Niroop Mahanty</b>
Date of Birth	January 12, 1950
Date of Appointment	April 24, 2004
Expertise in specific functional areas	<ul style="list-style-type: none"> <li>■ Human Resources</li> <li>■ General Management</li> </ul>
Qualifications	<ul style="list-style-type: none"> <li>■ BA (Hons.)– St. Stephens College, Delhi University</li> <li>■ MBA – University of Colorado, USA</li> </ul>
List of public companies in which outside Directorship held as on December 31, 2007	<ul style="list-style-type: none"> <li>■ Steel City Press Limited</li> <li>■ Kalinga Aquatics Limited</li> </ul>
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on December 31, 2007	<ul style="list-style-type: none"> <li>■ Timken India Limited – Chairman – Remuneration Committee</li> <li>■ Timken India Limited – Chairman – Investors Grievance Committee</li> <li>■ Timken India Limited – Member – Audit Committee</li> </ul>
Shareholding in the Company	—

TIMKEN INDIA LIMITED

## STATEMENT FROM CHAIRMAN & MANAGING DIRECTOR

Dear Shareholders,

2007 was a year of mixed fortunes for Timken India. Exports continued to weaken due to significant downturn in US Auto Industry. Rail exports also suffered a set back on the same count. The situation was further complicated by the strengthening of Rupee against the US Dollar by almost 12%.

Despite this difficult global outlook, your Company in domestic market could retain the market position while searching for alternative profitable growth market in India. Accordingly, the Company is expanding the horizon in India towards value added services in the field of aerospace, on-site mill services, windmill, power transmission etc.

The Company has also taken a big step forward in knowledge sharing with business partners – mechanics and distributors through introduction of a mobile training van fitted with state of the art training equipments.

While the India market remained reasonably strong; rising input costs, especially Steel continued to put pressure on our margins. We have had limited success in sharing these increasing cost burden with our customers. I want to commend all Timken India Associates for their efforts to drive costs down to help protect the Company's profitability. But going forward, there is a compelling need to have a significant increase in our selling prices if margins are to be maintained.

The slow progress in development of infrastructure across the country has remained a constraint in bringing improvements in our customers' delivery performance on time.

Within these limitations, we made much progress in improving the efficiency of our distribution network across India which is now largely complete. To attain further efficiency in our operation in India, a complete revamp of our existing home grown IT systems which have served your Company well over 15 years has become more than a necessity. During 2008, we are all set to launch a cross-functional team, to map and re-design of our core business processes to implement SAP. While it is an expensive project, both in terms of man and money, this is an essential cost to position Timken India for future growth.

As a part of our responsibility to the community, all our facilities across the country has been made "smoke free" zones. We are thankful to all our associates who have joined hands and embraced these social calls. We also continued to contribute support towards our community in and around the steel city of Jamshedpur and elsewhere in the country.

Thanking you,

Yours sincerely,



**Gordon William Robinson**  
Chairman & Managing Director

Place : Bangalore  
Date : 25 March, 2008



## DIRECTORS' REPORT

### TO THE MEMBERS

The Directors have pleasure in presenting the Twenty-first Annual Report on the business and operations of the Company together with the Financial Results for the year ended December 31, 2007.

### FINANCIAL RESULTS

	Year ended December 31, 2007 (Rs/Lakhs)	Year ended December 31, 2006 (Rs/Lakhs)
a) Net Sales/Income	34800	33874
b) Total Expenditure	28142	26889
c) Gross Profit	6658	6985
d) <b>Less:</b> Depreciation	1023	1003
e) Earnings before Interest, Tax & Prior period item	5635	5982
f) <b>Less:</b> Interest (Net)	77	107
g) <b>Add:</b> Income relating to prior period	51	—
h) Profit before Tax (PBT)	5609	5875
i) <b>Less:</b> Taxes	1869	2062
j) Profit after Tax (PAT)	3740	3813
k) <b>Add:</b> Profit brought forward from previous year	11688	7863
l) Profit available for appropriation	15428	11676
m) Balance carried forward	15428	11676

Exports continued to remain under pressure in 2007 also. During this year, your Company's exports declined by 12% from Rs. 126 Crores in 2006 to Rs. 111 Crores. Continued slow down in US auto market and strong rupee to US dollar were mainly responsible for the declining trend in exports. Domestic Sales, however, continued to rise. In 2007, domestic sales increased by 11% compared to 2006 from Rs. 213 Crores to Rs. 237 Crores. This 11% rise has helped your Company to post a 3% overall increase in Net Sales for the year under review.

Net Profit before Tax for 2007 is 5% lower compared to last year mainly due to increased input costs especially steel. Interest cost, however, went down by 28% due to better receivables management.

The Plant at Jamshedpur performed well during the year. There had been a 21% increase in production of equivalent bearings without any substantial investment in capacity expansion.

### DIVIDENDS

Your Directors are not recommending payment of any dividend on equity shares for 2007.

### FINANCE

Working capital was managed as per strategy in 2007 generating

adequate cash flow as planned. Pending investment of such funds in further growth in India, it was temporarily parked in short term investment in various high secured mutual funds. The average number of days outstandings for domestic receivables showed a marked improvement at the end of the year – compared to 81 days as at 31 December, 2006, it came down to 69 days at the end of the year under review. No long term loan was taken in 2007.

### SHIFTING OF REGISTERED OFFICE

Timken has three units in India, of which Registered Offices of two units are located in Bangalore. In order to have better coordination, management and control, the Board of Directors are of the opinion that the Registered Office of the Company be shifted from Jamshedpur to Bangalore. For this purpose, it is necessary to amend Clause II of the Memorandum of Association of the Company. The Board, therefore, recommends the proposal to shift the Registered Office of the Company to Bangalore for approval by the Members as set out in Resolution under Item No. 4 of the accompanying Notice convening the next Annual General Meeting.

### ALTERATIONS OF ARTICLES OF ASSOCIATION

The Company's Articles of Association were last amended in 1999. Since then, amendments to several provisions of the Companies Act, 1956 have been brought into effect. In order to align TIL's Articles of Association with the amended provisions of the said Act, it is necessary to alter the Articles of Association of the Company. The Board therefore, recommends the proposal to alter the Articles of Association of the Company in the manner set forth in the resolution under item no. 5 of the accompanying Notice convening the next Annual General Meeting for approval by the Members.

### VOLUNTARY DELISTING OF EQUITY SHARES ON STOCK EXCHANGES

Applications for delisting of the Company's equity shares from Calcutta and Magadh Stock Exchanges are pending at the respective Stock Exchanges.

The Company as per plan maintained the listing of the Company's equity shares with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

The listing fees for the year 2007-08 have been paid to the Stock Exchanges.

### DIRECTORS

Mr. Niroop Mahanty, a 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-first 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 2007.



## TIMKEN INDIA LIMITED

**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 2007 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 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 had been followed in the preparation of the accompanying Accounts;
- (2) The Directors had 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 2007 and of the profit of the Company for the said period;
- (3) The Directors had 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 had prepared the accompanying Accounts on a going concern basis.

For and on behalf of the Board of Directors

Bangalore  
17 March, 2008

**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, Dy. 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 2007.

For the purpose of this declaration, Senior Management Team means members of Management one level below the Executive Directors as on 31 December 2007.

Bangalore  
17 March, 2008

**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 2007 from 0.94 to 0.97. This has resulted in an approximate saving of Rs. 1.25 lacs on Maximum Demand and a recurring saving of Rs. 13.50 lacs is expected to the Company. The Company plans to improve the overall power factor to 0.98 resulting in further savings. New energy efficient chilling unit and variable frequency drives were installed in utility equipment to reduce power consumption.

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 the period under review, exports were lower compared to that of 2006 at Rs. 111 Crores. Slow down in US auto market and stronger rupee to US dollar are primarily responsible for this decrease in exports. Some of the Part Numbers hitherto manufactured at other Timken locations worldwide have now moved to Company's Plant in Jamshedpur. The current indications about the export trend do not envisage a marked improvement in 2008.

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

	2007	2006
i) Foreign Exchange Earnings	95	130
ii) Foreign Exchange Outgo	54	73

## FORM A

### Form for Disclosure of Particulars with respect to Conservation of Energy

#### A. Power and fuel consumption

##### 1. Electricity

	2007	2006
(a) Purchased Units (KWH)	1,95,76,430	1,86,66,090
Total amount (Rs.)	6,87,21,923	6,44,15,788
Rate Per Unit (Rs.) (all inclusive)	3.51	3.45

##### (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)

Not Used

Quantity (tonnes)

Total Cost

Average rate