

TIMKEN
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Annual Report 2010

REPORT  JUNCTION.COM

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Since 1990, Timken has played an integral role in the development of Indian Railways, delivering more than 1.3 million locally made bearings for the most challenging environments and applications – from locomotives to rolling stock, freight to passenger service, metros to high-speed rail. With innovations, like high-speed freight bearings and UIC 130 bearings for passengers and metro cars, to meet the technological needs, Timken is where the Indian Railways turn for quality products, services and business leadership – today and tomorrow. Visit www.timken.com/rail or Call +91-11-4604 3419 for more information.

TIMKEN INDIA LIMITED

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TIMKEN INDIA LIMITED

BOARD OF DIRECTORS

(As on 10 February 2011)

MR JAMES R MENNING – Chairman
MR AJAY K DAS – Managing Director
MR N MAHANTY
MR J S PATHAK
MR P S DASGUPTA
MR S RANGARAJAN

COMMITTEES OF THE BOARD

(As on 10 February 2011)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

INVESTORS GRIEVANCE COMMITTEE

MR N MAHANTY – Chairman
MR AJAY K DAS
MR S RANGARAJAN

Auditors

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

Registered Office

39-42, Electronic City
Phase II, Hosur Road
Bangalore - 560 100
Phone No. (080) 4136 2000
Fax No. (080) 4136 2010

TIMKEN INDIA LIMITED

NOTICE

Notice is hereby given that the Twenty-fourth Annual General Meeting of Timken India Limited will be held at Tangerine Conference Hall, Lemon Tree Hotel, Plot No. 54B/55A, Hosur Main Road, Electronic City, Phase I, Bangalore - 560 100 on Thursday, 21 April 2011 at 10.00 am to transact the following business:

1. To receive and adopt the Profit and Loss Account for the year ended 31 December 2010 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 a Director in place of Mr. P S Dasgupta who retires by rotation and being eligible offers himself for reappointment.
4. To reappoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. **Appointment of Mr. James R Menning 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. James R Menning, 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.”

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 no. 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 2011 to 21 April 2011, both days inclusive.

Registered Office :
39-42, Electronic City
Phase II, Hosur Road
Bangalore - 560 100
10 February 2011

By Order of the Board

Soumitra Hazra
Company Secretary
& Chief - Compliance

ANNEXURE TO THE NOTICE – EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No.5**

Mr. James R Menning was appointed by the Board of Directors of the Company ('the Board') as an Additional Director effective 28 October 2010. As per the provisions of the Companies Act, 1956 Mr. Menning 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. Menning as a candidate for the office of Director.

The proposal for the appointment of Mr. Menning 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. Menning, no other Director is concerned or interested in the resolution.

By Order of the Board

Registered Office :
39-42, Electronic City
Phase II, Hosur Road
Bangalore - 560 100
10 February 2011

Soumitra Hazra
*Company Secretary
& Chief - Compliance*

TIMKEN INDIA LIMITED

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

Name of Director	Mr. Niroop Mahanty	Mr. P S Dasgupta	Mr. James R Menning
Date of Birth	12 January 1950	30 June 1955	6 November 1959
Date of Appointment	24 April 2004	28 April 2006	28 October 2010
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"> ■ Computer Science, Information Technology ■ General Management
Qualifications	<ul style="list-style-type: none"> ■ BA (Hons.) – St. Stephans 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"> ■ Bachelor Degree in Computer Science & Bus. Mgmt. from Wittenberg University ■ Masters of Business Administration from the University of Akron
List of public companies in which outside Directorship held as on 31 December 2010	<ul style="list-style-type: none"> ■ Steel City Press Limited ■ Kalinga Aquatics Limited 	<ul style="list-style-type: none"> ■ Cummins India Ltd. ■ Otis Elevator Co. India Ltd. ■ Maral Overseas Ltd. ■ Bhilwara Technical Textiles Ltd. ■ Tricone Projects India Limited ■ Asian Hotels (North) Limited 	Nil
Chairman / Member of the Committees of the Board of the Companies on which he is a Director as on 31 December 2010	<ul style="list-style-type: none"> ■ Timken India Limited - Chairman - Remuneration Committee ■ Timken India Limited - Chairman - Investors Grievance Committee ■ Timken India Limited - Member - Audit Committee 	<ul style="list-style-type: none"> ■ Timken India Limited - Chairman - Audit Committee ■ Bhilwara Technical Textiles Ltd. - Chairman - Shareholders / Investors Grievance Committee ■ Cummins India Limited - Member - Finance and Audit Committee ■ Cummins India Limited - Member - Shareholders / Investors Grievance Committee ■ Tricone Projects India Pvt. Ltd. - Member - Audit Committee ■ Otis Elevator Co. I. Ltd. - Member - Audit Committee ■ Otis Elevator Co. I. Ltd. - Member - Shareholders / Investors Grievance Committee ■ Timken India Limited - Member - Remuneration Committee ■ Maral Overseas Ltd. - Member - Audit Committee ■ Maral Overseas Ltd. - Member - Remuneration Committee 	Nil
Shareholding in the Company	—	1 Equity Share	—

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2010, Timken India Limited emerged resoundingly from the depths of the prior year's global economic recession. We witnessed steady recovery across industrial sectors throughout 2010, and revitalized exports to serve improving demand from our American and European markets. Domestic demand for commercial trucks, tractors and automotive aftermarket products surged, while we also saw the rejuvenation of process industries and the energy markets.

As of this writing, we feel a sense of cautious optimism about our business prospects and the industries we serve. The "Great Recession" is behind us, and we look forward to growth opportunities cognizant of issues that concern our customers around the world.

Timken India Limited had its share of successes in 2010: We generated record sales for your company. We strengthened relationships with existing key customers and acquired new accounts during the year. We welcomed 2011 with a strong order book prompting further investment in our production capacity and customer service capabilities. With an acute focus on working capital, we generated positive cash flow.

I commend all Timken India associates for the efforts they made throughout the year to serve our customers and increase market share. In turn, the resulting growth and cash generation paves the way for us to continue to develop our business.

The new Supply Chain Center at Chennai and our SAP-based enterprise resource enable significant supply chain operating improvements. This provides the flexibility to streamline processes and serve customers more efficiently, which ultimately creates value for shareholders.

From these improvements, we gain capacity to expand the products and services we offer to customers, via new products made at our plant in India, and by leveraging those developed by our parent, The Timken Company. Examples include a new line of spherical roller bearings; steel housed units; and elastomeric and steel couplings specially designed to maximize speed, precision and efficiency in demanding machine-tool applications.

We also are growing our service business with a focus on providing maintenance, repair and replacement activities for key components in customers' facilities, we will help keep their operations running optimally. We are seeing revenue generating opportunities from an expanded Industrial Bearings Services facility in Jamshedpur, our MILLTEC® services and our other capabilities, such as reliability and condition monitoring services.

We help to fulfill our responsibility to investors, associates, communities and the environment by continuing to grow the company in ways that build sustainable value. This is a reflection of our long-held Timken values. In the year past and for those to come, our commitment to global citizenship holds true, reflected in ongoing contributions to the communities where we live and work.

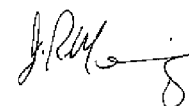
Throughout 2011, we remain keenly focused on serving our customers with excellence. We will ramp up several aspects of our business to answer the call of rising demand: We will invest further in the development of our associates, our processes and in our manufacturing and supply chain capabilities.

We will work to increase Timken's visibility and reach in the off-highway original equipment and aftermarket in 2011, as well as in our services business, extending our offering to customers.

To deliver the profitable growth opportunities we have targeted, we remain committed to conscious cash management, efficient execution and concerted progress toward the achievement of our vision and values. In pursuit of these aims, we intend to win the loyalty of our customers, expand the careers of our associates and create long-term value for our shareholders.

We deeply appreciate your investment and trust.

Yours sincerely,



James R. Menning
Chairman

Place: Chennai
Date: 10th February, 2011

TIMKEN INDIA LIMITED

DIRECTORS' REPORT**TO THE MEMBERS**

The Directors have pleasure in presenting the Twenty-fourth Annual Report on the business and operations of the Company together with the Financial Results for the year ended 31 December 2010.

FINANCIAL RESULTS

	(Rs./Millions)	
	Year ended 31 December	
	2010	2009
a) Total Income	4,820	3,305
b) Total Expenditure	3,969	2,749
c) Gross Profit	851	556
d) Less: Depreciation	113	103
e) Earnings before Interest, Tax & Prior period item	738	453
f) Less: Interest	9	4
g) Add: Income/(Expense) relating to prior period	(16)	
h) Profit before Tax (PBT)	713	449
i) Less: Taxes	203	124
j) Profit after Tax (PAT)	510	325
k) Add: Profit brought forward from previous year	2,398	2,073
l) Profit available for appropriation	2,908	2,398
m) Balance carried forward	2,908	2,398

During the year under review, overall net sales grew by 46% primarily due to a 82% increase in exports compared to 2009 and 34% growth in domestic sales to Rs. 3190 million compared Rs. 2371 million in 2009. The Company's Plant in Jamshedpur operated at capacity.

Accordingly, Profit before tax went up by 59% to Rs. 713 million primarily due to volume gain and profitability improvements through cost management.

Production at Jamshedpur Plant in terms of equivalent bearings registered an increase of 55% in 2010.

DIVIDENDS

Your Directors are not recommending payment of any dividend on equity shares for 2010.

EXPANSION PROJECT

The Company has decided to undertake an Expansion Project to expand its tapered roller bearing manufacturing capacity in India by approximately 2.4 million races of up to 8 inch tapered roller bearings per annum in view of the growing demand in construction, other off-highway vehicles, heavy trucks and other commercial transportation systems both in India and globally. Work relating to this project is scheduled to begin in

the first quarter of 2011 and commercial production is expected to start in the second quarter of 2011. This project will require an estimated investment of Rs. 360 million.

FINANCE

Working capital was managed well in 2010 resulting in generation of adequate cash flows. Pending investment of such funds in suitable growth opportunities in India, it was temporarily parked in debt based schemes offered by various Mutual Funds. Receivables continued to be managed well, as a result of which the number of days outstanding for domestic receivable at the end of 2010 had come down to 56 days compared to 63 days at the end of last year. Inventory management continued to remain under focus of the management team. At the end of the year the overall inventory rose to Rs. 1053 million mainly due to increased level of operations.

During the year under review, the Company did not borrow any fund to meet its working capital or other needs and ended the year debt-free – both secured and unsecured.

LISTING OF EQUITY SHARES ON STOCK EXCHANGES

Listing of the Company's Equity Shares on Bombay Stock Exchange Limited and National Stock Exchange of India Limited continued during 2010 and the listing fees for the year 2010-11 have been paid to the Stock Exchanges.

DIRECTORS

Mr. Roger W Lindsay resigned as a Director and as the Chairman of the Board with effect from the close of business on 27 October 2010. The Board placed on record its deep appreciation for the valuable contribution made by Mr. Lindsay as a Director and the Chairman of the Board.

Mr. James R Menning has been appointed as an Additional Director and the Chairman of the Board with effect from 28 October 2010. In terms of relevant provisions of the Companies Act, 1956 ('the Act'), Mr. Menning holds office up to the date of the forthcoming Annual General Meeting. The Company has received a notice from a member in terms of Section 257 of the Act signifying his intention to propose the name of Mr. Menning for appointment as Director of the Company at the next Annual General Meeting. This item has been included in the Notice convening the next Annual General Meeting of the Company.

Mr. Niroop Mahanty and Mr. P S Dasgupta, Directors of the Company, are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves 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-fourth 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 2010.

TWENTY-FOURTH ANNUAL REPORT

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 2010 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 and its associates have been actively participating in the promotion of social welfare activities of the communities where Timken facilities are located in India.

PARTICULARS OF EMPLOYEES

Information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in the Annexure forming part of the Report. However, as per the provisions of Section 219(1)(b)(iv), the Report and Accounts are being sent to all Shareholders of the Company excluding the Statement of Particulars of Employees. Any shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company for a copy.

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 31 December 2010 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 safe guarding 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

Chennai
10 February 2011

James R. Menning
Chairman

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 and 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 2010.

For the purpose of this declaration, Senior Management Team means members of Management one level below the Executive Directors as on 31 December 2010.

Chennai
10 February 2011

Ajay K. Das
Managing Director

TIMKEN INDIA LIMITED

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

<p>A. Conservation of Energy</p> <p>(a) Energy conservation measures taken</p> <p>(b) Additional investments / proposal, if any</p> <p>(c) Impact of the measures at (a) and (b) above</p>	<p>(a) Plant power factor improved from 0.98 to 0.985 even at a peak level of production.</p> <p>1) All high power consuming equipments / furnaces operation were closely monitored to reduce the overall power consumption.</p> <p>2) All high power motors operation converted from star delta mode to star mode.</p> <p>3) All mist controller motor were interlocked with grinding process so that it is not running while grinding operation is not on.</p> <p>4) Variable drive installed for 160 KW plant air compressor system.</p> <p>5) Air operated rejection system was modified & converted to cylinder operated system.</p> <p>6) Selective stoppage of plant air conditioning based on ambient condition.</p> <p>7) New equipments / machines added during the year are energy efficient.</p> <p>(b) Electrical Power Consumption per equivalent bearing is reduced from 3.25 units in 2009 to 2.87 units in 2010.</p>									
<p>(d) Total energy consumption and energy consumption per unit of production</p>	<p>As per details given below under Form A</p>									
<p>B. Technology Absorption</p> <p>(e) As per details given below under Form B.</p>										
<p>C. Foreign Exchange Earnings and Outgo</p> <p>(f) Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans</p>	<p>During the period under review, exports grew by 82% to Rs. 1,439 million mainly to US in view of the gradual improvement of overall market conditions. The current indications about the export trend do not envisage a significant departure from the one noticed in 2010.</p> <p>Jamshedpur being a focused Plant, some of the part numbers previously used to be manufactured at other Timken locations worldwide have been earmarked for production at the Company's Plant in Jamshedpur.</p>									
<p>(g) Total foreign exchange used and earned (Rs./Crores)</p>										
	<table border="0" style="width: 100%;"> <thead> <tr> <th></th> <th style="text-align: center;">2010</th> <th style="text-align: center;">2009</th> </tr> </thead> <tbody> <tr> <td>i) Foreign Exchange Earnings</td> <td style="text-align: center;">123</td> <td style="text-align: center;">110</td> </tr> <tr> <td>ii) Foreign Exchange Outgo</td> <td style="text-align: center;">81</td> <td style="text-align: center;">38</td> </tr> </tbody> </table>		2010	2009	i) Foreign Exchange Earnings	123	110	ii) Foreign Exchange Outgo	81	38
	2010	2009								
i) Foreign Exchange Earnings	123	110								
ii) Foreign Exchange Outgo	81	38								

FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy

A. Power and fuel consumption		
1. Electricity		
	2010	2009
(a) Purchased Units (KWH)	20,432,870	16,239,250
Total amount (Rs.)	77,239,477	62,255,945
Rate Per Unit (Rs.) (all inclusive)	3.78	3.83
(b) Own generation		
(i) Through diesel generator		
Unit		
Unit per ltr. of diesel oil		
Cost / unit		
(ii) Through steam turbine / generator		
Units		
Units per ltr. of fuel oil/gas		
Cost / unit		
	} Not used for operations. Only for emergency lighting and water requirements.	
	} There is no Steam Turbine / Generator.	
2. Coal (specify quality and where used)	Not Used	
Quantity (tonnes)		
Total Cost		
Average rate		