



TIMKEN

26th Annual Report 2012-2013

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UNTAMED ROADS.

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Timken India Limited

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TIMKEN INDIA LIMITED

Board of Directors

(As on 21 June 2013)

Chairman	Mr. James R. Menning
Managing Director	Mr. Sanjay Koul
Directors	Mr. N. Mahanty
	Mr. J. S. Pathak
	Mr. P. S. Dasgupta
	Mr. Christopher J. Holding

Committees of the Board

(As on 21 June 2013)

Audit Committee

Chairman	Mr. P. S. Dasgupta
Members	Mr. N. Mahanty
	Mr. J. S. Pathak
	Mr. Christopher J. Holding

Investors Grievance Committee

Chairman	Mr. N. Mahanty
Members	Mr. Sanjay Koul
	Mr. Christopher J. Holding

Remuneration Committee

Chairman	Mr. N. Mahanty
Members	Mr. P. S. Dasgupta
	Mr. J. S. Pathak

Registered Office	39-42, Electronic City, Phase II Hosur Road Bangalore – 560 100 Phone No. (080) 4136 2000 Fax No. (080) 4136 2047
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NOTICE

Notice is hereby given that the Twenty-sixth 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, 1 August 2013 at 10.00 am to transact the following business:

1. To receive and adopt the Profit and Loss Account for the financial year ended 31 March 2013 and the Balance Sheet as on that date and the reports of the Directors and the Auditors.
2. To declare dividend on Equity Share Capital of the Company.
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 appoint a Director in place of Mr. James R. Menning, who retires by rotation and, being eligible, offers himself for reappointment.
5. To reappoint Auditors of the Company and to fix their remuneration. In this connection, to consider and if thought fit, to pass the following resolution as an ordinary resolution:

“RESOLVED THAT Messrs. S R B C & CO LLP (Registration No. FRN324982E), Chartered Accountants be and they are hereby reappointed as the Auditors of the Company to hold such office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be mutually agreed between the Board of Directors and the Auditors.”

SPECIAL BUSINESS

6. Appointment of Mr. Sanjay Koul 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. Sanjay Koul, 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.”

7. Appointment of Mr. Sanjay Koul as the 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 (‘the Act’) and subject to approval of the Central Government and such other approvals as may be necessary, Mr. Sanjay Koul (‘Mr. Koul’) be and is hereby appointed as the Managing Director of the Company effective from 26 October 2012 on the terms and conditions set out in an Agreement to be entered into between the Company and Mr. Koul in terms of the draft placed before the meeting and initialed 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 without limitation, to enter into an Agreement on behalf of the Company with Mr. Koul in terms of the said draft.”

8. Appointment of Mr. Christopher J. Holding 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. Christopher J. Holding, 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 items no. 6, 7 and 8 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 25 July 2013 to 1 August 2013, both days inclusive.

4. Dividend on equity shares, as recommended by the Board of Directors, if declared at the Annual General Meeting of the Company, will be paid:
 - a. In respect of shares held in physical form to those shareholders whose names will appear on the Register of Members of the Company as at the close of business on 24 July, 2013.
 - b. In respect of shares held in the dematerialized form to those beneficial owners whose names will appear in the statements as may be furnished by the depositories for this purpose as at the close of business on 24 July, 2013.
5. Members may please note that the dividend warrants will be payable at par at the designated branches of the bank printed on the reverse of the dividend warrant for an initial period of 3 months only. Thereafter the dividend warrant should be surrendered for renewal at the office of Company's Registrars and Share Transfer Agent, C B Management Services (P) Limited, P-22, Bondel Road, Kolkata – 700 019.
6. Beneficial Owners of shares in demat form are advised to get particulars of their bank accounts updated with the Depository Participants (DP) as in terms of SEBI Guidelines and the regulations of NSDL and CDSL, their bank account details as furnished to DP, will be printed on the dividend warrants. The Company will not entertain requests for change of such bank details printed on their dividend warrants.
7. Those shareholders who have not encashed their dividend warrants sent to them on 28 November 2011 may please contact the Company Secretary for issue of demand drafts in lieu of the warrants not encashed by them.
8. The amount outstanding in unpaid dividend account in respect of financial year ended 31 March, 2012 will be transferred to the Investors Education and Protection Fund maintained with Central Government after the end of seven years from the date the said dividend was transferred to unpaid dividend account.
9. The Ministry of Corporate Affairs has introduced a 'Green Initiative in Corporate Governance' by allowing paperless compliances by companies. It has issued circulars stating that documents including annual reports can be sent by e-mails to its shareholders. Shareholders who are yet to get registered their e-mail addresses are requested to do so in respect of electronic holdings with the depositories through the Depository Participants. Shareholders who hold shares in physical form are requested to fill and send the e-mail registration form available at webpage of our Registrars and Share Transfer Agents at www.cbmsl.com/green.php.
10. A copy of the draft Agreement relating to appointment of Mr. Sanjay Koul as Managing Director to be executed between the Company and Mr. Koul in terms of the resolution under item no. 7 above shall be available for inspection at the Registered Office of the Company at 39-42, Electronic City, Phase II, Hosur Road, Bangalore – 560 100 on any working day prior to the date of the Annual General Meeting between the hours of 10.00 am and 12.00 noon and shall also be available for inspection from 9.00 am at the venue on the date of the meeting.

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

By Order of the Board of Directors

Soumitra Hazra
Company Secretary & Chief-Compliance

21 June, 2013

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

Item No. 6

Mr. Sanjay Koul has been appointed by the Board of Directors of the Company ('the Board') as an Additional Director effective 26 October 2012. As per the provisions of the Companies Act, 1956 Mr. Koul holds office upto 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. Koul as a candidate for the office of Director.

The proposal for the appointment of Mr. Koul as Director on the Board, is therefore, placed before the members for approval as set out under item no. 6 of the accompanying Notice. The Board recommends the Resolution set out under item no. 6 for approval of members.

Memorandum of Interest

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

Item No. 7

Members may please recall that, subject to the approval of the Members of the Company and such other approvals as may be necessary, Mr. Sanjay Koul ('Mr. Koul') has been appointed by the Board of Directors of the Company ('the Board'), as the Managing Director for a period of five years effective 26 October 2012. It may also be recalled that an Abstract of the terms of engagement of Mr. Koul as the Managing Director dated 1 November 2012 pursuant to Section 302 of the Companies Act, 1956 was sent to the Members of the Company. The said terms of appointment have since been modified and approved by the Board of Directors and the Remuneration Committee on 19 June 2013. The revised terms are reproduced herein below:

Salary & Allowances	Rs. 7,59,449 per month <i>This may progressively go up by such amount as may be approved by Chairman of the Board based on periodic performance review by the Chairman / merit increase / industry trends, subject however, that in no case this amount shall exceed Rs. 10,00,000 per month.</i>
Term	5 years
Performance Incentive	as per rules of the Company
Perquisites	<ul style="list-style-type: none"> i) Company leased accommodation.* ii) Free use of telephone facility at his residence. iii) Free use of Company car with driver. iv) Medical facilities as per rules of the Company. v) Club membership of one club each in Jamshedpur & Bangalore. vi) Free passage for self and family from present place of residence to the place of work in India. All freight charges of luggage & belongings for relocation from China to India to be borne by the Company. vii) One month of current base pay at the time of relocation as reimbursement for relocation from China to India. viii) Leave – accrual and encashment – as per rules of the Company. ix) Leave Travel Concession as per rules of the Company. x) Company's contribution to Provident Fund / Pension Fund / Employee Deposit Linked Insurance / Group Insurance / Superannuation Fund etc. xi) Gratuity and Superannuation benefits as per rules of the Company.
Minimum Remuneration	The salary & allowances and perquisites 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.
Duties and Conditions	<ul style="list-style-type: none"> i) Mr. Sanjay Koul 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 the Company. ii) The appointment may be terminated by either party by giving three months notice in writing to that effect unless termination at a shorter notice is mutually agreed by both Mr. Koul and the Board of Directors.

	<p>iii) Mr. Sanjay Koul shall not be entitled to any Sitting Fees for attending any meetings of the Board or any Committee thereof.</p> <p>iv) Mr. Sanjay Koul shall be entitled to be reimbursed for all expenses incurred by him for the purpose of business of the Company.</p>
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* *The Board of Directors of the Company had initially resolved to provide for company lease accommodation. However, since Mr. Koul has opted to take accommodation on personal lease, the Company provided for the security deposit with a corresponding suitable adjustment of the rent being paid by him in the quantum of 'Salary and Allowances.' Maintenance and related expenses will be reimbursed to Mr. Koul at actuals subject to a ceiling as may be approved by the Chairman of the Board. The same has been approved by the Board of Directors and the Remuneration Committee respectively.*

The proposal for the appointment of Mr. Koul as the Managing Director of the Company as per the terms and conditions referred to above, is therefore placed before the members for approval as set out under item no. 7 of the accompanying Notice. The Board recommends the Resolution set out under item no. 7 for approval of members.

Memorandum of Interest

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

This may be treated as the abstract of terms and Memorandum of Interest under Section 302 of the Companies Act, 1956.

Item No. 8

Mr. Christopher J Holding has been appointed by the Board of Directors of the Company ('the Board') as an Additional Director effective 7 June 2013. As per the provisions of the Companies Act, 1956 Mr. Holding 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. Holding as a candidate for the office of Director.

The proposal for the appointment of Mr. Holding as Director on the Board, is therefore, placed before the members for approval as set out under item no. 8 of the accompanying Notice. The Board recommends the Resolution set out under item no. 8 for approval of members.

Memorandum of Interest

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

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

By Order of the Board of Directors

Soumitra Hazra
Company Secretary & Chief-Compliance

21 June, 2013

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

Name of Director	Mr. P. S. Dasgupta	Mr. James R. Menning	Mr. Sanjay Koul	Mr. Christopher J. Holding
Date of Birth	30 June 1955	6 November 1959	20 December 1964	25 February 1959
Date of last appointment	21 April 2011	21 April, 2011	26 October 2012	7 June 2013
Expertise in specific functional areas	<ul style="list-style-type: none"> • Legal Profession • General Management 	<ul style="list-style-type: none"> • Computer Science, Information Technology • General Management 	<ul style="list-style-type: none"> • Manufacturing • Sales & Marketing • Supply Chain & Quality • General Management 	<ul style="list-style-type: none"> • Global Customs incl. Customs Planning • Tax and treasury activities, including cash and liquidity management • Tax compliance, planning and strategy • Pension funding • Corporate Insurance • General Management
Qualifications	<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's Degree in Computer Science & Bus. Mgmt. from Wittenberg University • Master of Business Administration from the University of Akron 	<ul style="list-style-type: none"> • Bachelor's Degree in Mechanical Engineering, Birla Institute of Technology and Science, Pilani • Master's Degree in Business Administration, Xavier Labour Relations Institute, Jamshedpur • EDGE Executive Development Program, Darden School of Business, University of Virginia 	<ul style="list-style-type: none"> • Bachelor's Degree in Accounting, University of Cincinnati • Master's Degree in Taxation, University of Cincinnati • Certified Public Accountant.
List of public companies in which outside Directorship held	<ul style="list-style-type: none"> • Cummins India Ltd. • Otis Elevator Co. India Ltd. • Tricone Projects India Limited • Bhilwara Technical Textiles Ltd. • Maral Overseas Ltd. • Asian Hotels (North) Limited • Ester Industries Ltd. • Interstar Financial Services Ltd. 	NIL	NIL	NIL

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

Name of Director	Mr. P. S. Dasgupta	Mr. James R. Menning	Mr. Sanjay Koul	Mr. Christopher J. Holding
Chairman / Member of the Committees of the Board of the Companies on which he is a Director	<ul style="list-style-type: none"> • Cummins India Ltd. – Member – Finance and Audit Committee • Cummins India Ltd. – Member – Shareholders / Investors Grievance Committee • Tricone Projects India Ltd. – Member – Audit Committee • Otis Elevator Co. I. Ltd. – Member – Audit Committee • Otis Elevator Co. I. Ltd. – Member – Shareholders / Investors Grievance Committee • Timken India Ltd. – Member – Remuneration Committee • Timken India Ltd. – Chairman – Audit Committee • Maral Overseas Ltd. – Member – Audit Committee • Maral Overseas Ltd. – Member – Remuneration Committee • Bhilwara Technical Textiles Ltd. – Chairman – Shareholders / Investors Grievance Committee • Bhilwara Technical Textiles Ltd. – Chairman – Remuneration Committee • Bhilwara Technical Textiles Ltd. – Member – Audit Committee 	Nil	<ul style="list-style-type: none"> • Timken India Ltd. – Member – Investors Grievance Committee 	<ul style="list-style-type: none"> • Timken India Ltd. – Member – Investors Grievance Committee • Timken India Ltd. – Member – Audit Committee
Shareholding in the Company	1 Equity Share	NIL	NIL	NIL

Chairman's Statement

Dear Shareholders,

I am pleased to report yet another year of progress for Timken India Limited. This year we reported a total revenue of Rs. 6,940 million which is 2% over last year. We have achieved this against tough market conditions and economic downturn. The Indian economy is continuously moving forward but at a slow pace. Although the government has introduced reforms to revitalize business, many investors still remain cautious. Indian gross domestic product grew only 5% last year, a respectable performance by the standards of the developed world but still the country's lowest rate for a decade. India is still almost uniquely vulnerable to a change in external economic conditions. Overall, the year 2012 was a year of economic uncertainties and cautious sentiments. Coupled with this is the continuing problem of the depreciation of the Indian Rupee against the US Dollar which is now trading between the INR 54 and INR 59 range as against INR 48 in 2012.

Despite this tough economic environment Timken India Limited continues to maintain a healthy profit margin. We have moved into new product categories, new markets and new geographies. During this year the Company specifically took an initiative to make an issue of equity shares to do an Institutional Placement Program so as to attain the minimum public shareholding norm of 25% as per the government regulations. As part of our expansion plans to strengthen the business, we have announced the new Gear and Services facility in Raipur in collaboration with Philadelphia Gear which shall start operations shortly.

Our know-how, customer engagement and global consistency set us apart from our competition and help strengthen our relationship with our customers. We realize that the value that we bring to our customers and the world translates into the value for our shareholders.

Our values, vision, mission and strategy guide us towards profitable growth into the future. This direction keeps us successfully working together, so we make the world a more productive place and deliver value to our stakeholders. Our strength comes from the ways in which we operate – both what we make and what we know. You see it in the number of markets we serve, in the essential products we provide, in the geographies where we conduct business, in our qualified people and in our performance.

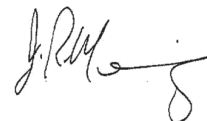
We are today a fundamentally different Company than we were 10 years ago. During the past decade we built a brand new company on the foundation of a 100 year old Timken business. Our core values Ethics and Integrity, Quality, Innovation, and Independence are still the foundation of all we do every day.

On behalf of the Board of Directors, I would like to express my sincere thanks to all our stakeholders. To our shareholders, thank you for your continued support and confidence. To my fellow board members, management team and employees, thank you for your hard work and commitment. To our customers, suppliers and business partners, we gratefully appreciate your trust and confidence in us and look forward to many more years of support.

Sincerely,

Place: Bangalore

Date: 21 June, 2013



James R Menning
Chairman

Directors' Report

To the Members

The Directors have pleasure in presenting the Twenty-sixth Annual Report on the business and operations of the Company together with the financial results for the period ended 31 March 2013.

Financial Results

(Rs./Million)

	12-months ended 31 March 2013	15-months ended 31 March 2012
a) Total Revenue	6,940	8,511
b) Total Expenditure	6,151	7,244
c) Earnings before Interest, Tax, Depreciation, Amortization	789	1,267
d) Less: Depreciation	139	149
e) Less : Amortization & Finance Costs	13	12
f) Profit before Tax (PBT)	637	1,106
g) Less: Tax Expenses	195	299
h) Profit after Tax (PAT)	442	807
i) Add: Profit brought forward from previous year	2,153	2,908
j) Profit available for appropriation	2,595	3,715
k) Less: Appropriations		
– Dividend including dividend distribution tax	159	1,481
– Transferred to General Reserve	33	81
l) Balance carried forward	2,403	2,153

The current financial year comprised a period of 12 months ended 31 March 2013 whereas the previous financial year comprised a period of 15 months ended 31 March 2012. Therefore, the two sets of numbers appearing above are not comparable.

During the financial year under review, total Revenue grew annually (April, 2012 – March, 2013 vs. April, 2011 – March, 2012) by 2% primarily due to increase in revenue from operations though other income registered a decline of 66%. This is primarily on account of sale in long term investments and current investments. The increase in revenue from operations can be attributed to 4% annual increase in sales out of which export sales grew by 8% and domestic sales grew by 2% annually. Expenditures on the other hand registered an increase of 5% due to increase in costs of materials and also due to increased volume of products purchased for resale. Increase in depreciation was due to capitalization of new plant and machinery for the expansion project.

Consequently Profit before tax declined by 18% to Rs. 637 million primarily on account of reduction in investment income.

Dividends

Your Directors are pleased to recommend a dividend of Rs. 2/- per equity share of Rs. 10/- each fully-paid (20%) for the year ended 31 March 2013 out of the profits of the Company for the year 2012-13 as against a total dividend of Rs. 20/- per equity share of Rs. 10/- each fully-paid (200%) for the previous financial period comprising 15 months, disbursed as an interim dividend on 28 November 2011 which was confirmed as a final dividend at the 25th Annual General Meeting of the Company held on 19 July 2012. The dividend being recommended by your Directors is subject to approval of the shareholders at the forthcoming Annual General Meeting and if approved will be paid to those shareholders or beneficial owners for dematerialized shares whose names will appear on the Register of Members of the Company as at the close of business on 24 July 2013.

Proposed Issue of New Shares

Pursuant to the approval of the members conveyed at the Extraordinary General Meeting in terms of Section 81 (1A) of the Companies Act, 1956, the Company has since issued 42,65,134 equity shares of Rs. 10/- each at an issue price of Rs. 120/- per equity share through an Institutional Placement Programme in accordance with Chapter VIII-A of the Securities and Exchange Board