

## FORM A

Format of covering letter of the annual audit report to be filed with the Stock Exchanges

1.	Name of the Company	Timken India Limited
2.	Annual Financial Statement for the year ended	31 <sup>st</sup> March 2013
3.	Type of Audit Observation	Un-qualified
4.	Frequency of Observation	Not Applicable

*SRBC & CO LLP*

For **SRBC & CO LLP**  
Chartered Accountants  
ICAI Firm Registration Number: 324982E

*[Signature]*  
per **Kamal Agarwal**  
Partner  
Membership Number: 058652  
Place of Signature: Mumbai  
Date: May 27, 2013



*R. Ramesh*

**R Ramesh**  
Business Controller – India  
& CFO

*[Signature]*

**Sanjay Koul**  
Managing Director  
CEO

*P. S. Dasgupta*

**P S Dasgupta**  
Director & Chairman – Audit Committee







# TIMKEN

## 26<sup>th</sup> Annual Report 2012-2013

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HARSH WEATHER.  
UNTAMED ROADS.

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**Timken India Limited**

**Stronger. By Design.**

## TIMKEN INDIA LIMITED

**Board of Directors**

(As on 21 June 2013)

<b>Chairman</b>	Mr. James R. Menning
<b>Managing Director</b>	Mr. Sanjay Koul
<b>Directors</b>	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**

<b>Chairman</b>	Mr. P. S. Dasgupta
<b>Members</b>	Mr. N. Mahanty
	Mr. J. S. Pathak
	Mr. Christopher J. Holding

**Investors Grievance Committee**

<b>Chairman</b>	Mr. N. Mahanty
<b>Members</b>	Mr. Sanjay Koul
	Mr. Christopher J. Holding

**Remuneration Committee**

<b>Chairman</b>	Mr. N. Mahanty
<b>Members</b>	Mr. P. S. Dasgupta
	Mr. J. S. Pathak

<b>Registered Office</b>	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](http://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"> <li>i) Company leased accommodation.*</li> <li>ii) Free use of telephone facility at his residence.</li> <li>iii) Free use of Company car with driver.</li> <li>iv) Medical facilities as per rules of the Company.</li> <li>v) Club membership of one club each in Jamshedpur &amp; Bangalore.</li> <li>vi) Free passage for self and family from present place of residence to the place of work in India. All freight charges of luggage &amp; belongings for relocation from China to India to be borne by the Company.</li> <li>vii) One month of current base pay at the time of relocation as reimbursement for relocation from China to India.</li> <li>viii) Leave – accrual and encashment – as per rules of the Company.</li> <li>ix) Leave Travel Concession as per rules of the Company.</li> <li>x) Company's contribution to Provident Fund / Pension Fund / Employee Deposit Linked Insurance / Group Insurance / Superannuation Fund etc.</li> <li>xi) Gratuity and Superannuation benefits as per rules of the Company.</li> </ul>
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"> <li>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.</li> <li>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.</li> </ul>

	<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"> <li>Legal Profession</li> <li>General Management</li> </ul>	<ul style="list-style-type: none"> <li>Computer Science, Information Technology</li> <li>General Management</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing</li> <li>Sales &amp; Marketing</li> <li>Supply Chain &amp; Quality</li> <li>General Management</li> </ul>	<ul style="list-style-type: none"> <li>Global Customs incl. Customs Planning</li> <li>Tax and treasury activities, including cash and liquidity management</li> <li>Tax compliance, planning and strategy</li> <li>Pension funding</li> <li>Corporate Insurance</li> <li>General Management</li> </ul>
Qualifications	<ul style="list-style-type: none"> <li>Bachelor of Law, Faculty of Law, Delhi University</li> <li>BA, Econ (Hons.)</li> <li>Post Graduate Diploma in Corporate Laws &amp; Labour Laws – Indian Law Institute, Delhi</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's Degree in Computer Science &amp; Bus. Mgmt. from Wittenberg University</li> <li>Master of Business Administration from the University of Akron</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's Degree in Mechanical Engineering, Birla Institute of Technology and Science, Pilani</li> <li>Master's Degree in Business Administration, Xavier Labour Relations Institute, Jamshedpur</li> <li>EDGE Executive Development Program, Darden School of Business, University of Virginia</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's Degree in Accounting, University of Cincinnati</li> <li>Master's Degree in Taxation, University of Cincinnati</li> <li>Certified Public Accountant.</li> </ul>
List of public companies in which outside Directorship held	<ul style="list-style-type: none"> <li>Cummins India Ltd.</li> <li>Otis Elevator Co. India Ltd.</li> <li>Tricone Projects India Limited</li> <li>Bhilwara Technical Textiles Ltd.</li> <li>Maral Overseas Ltd.</li> <li>Asian Hotels (North) Limited</li> <li>Ester Industries Ltd.</li> <li>Interstar Financial Services Ltd.</li> </ul>	NIL	NIL	NIL



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

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

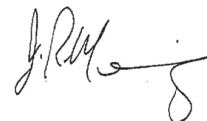
We are today a fundamentally different Company than we were 10 years ago. During the past decade we built a brand new company on the foundation of a 100 year old Timken business. Our core values Ethics and Integrity, Quality, Innovation, and Independence are still the foundation of all we do every day.

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) <b>Less:</b> Depreciation	139	149
e) <b>Less :</b> Amortization & Finance Costs	13	12
f) Profit before Tax (PBT)	637	1,106
g) <b>Less:</b> Tax Expenses	195	299
h) Profit after Tax (PAT)	442	807
i) <b>Add:</b> Profit brought forward from previous year	2,153	2,908
j) Profit available for appropriation	2,595	3,715
k) <b>Less:</b> 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 25<sup>th</sup> 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

of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, to comply with the requirement to maintain a minimum public shareholding of 25% in listed companies.

### Expansion Project

#### *Industrial Services plant*

The Company is in the process of establishing an Industrial Service plant in Raipur, Chattisgarh with an estimated cost of Rs. 27.50 Crores including plant and machinery. This facility shall be a combined Gear and Bearings service facility – located in the hub of the Metal, Cement, Coal fired power generation, Mining Industry and will support growing our aftermarket penetration in these target industries.

This proposed Raipur Service plant, will be the first such Timken plant outside the United States that expands the service capabilities to new growing markets offering gear service capabilities. This project is expected to be commissioned by mid 2013.

#### *Roller line capacity*

Your Company is a manufacturer of tapered roller bearings. Considering the increased demand for rollers in the Asia Region, your Company has embarked upon an expansion plan for manufacture of rollers beyond the capacity currently available. The additional capacity will not only help the Company to meet the domestic demand but also will help to increase its export turnover. This will also reduce the Company's dependency on imported rollers resulting in reduction of lead time and shipping and duty costs.

This project is being established at a cost of Rs. 16.50 Crores and is expected to be commissioned by end of third quarter of the current financial year.

### Finance

Your Company continues to remain debt free and generated adequate cash flow to meet its working capital needs. Pending investment of such fund in growth opportunities it was temporarily parked in debt based schemes offered by various mutual funds.

### Listing of Equity Shares on Stock Exchanges

Listing of the Company's Equity Shares on BSE Limited and National Stock Exchange of India Limited continued during 2012-13 and the listing fees for the year 2013-14 have already been paid to the Stock Exchanges.

### Directors

Mr. Ajay K. Das ('Mr. Das') resigned as the Managing Director of the Company with effect from 26 October 2012. The Board placed on record its deep appreciation for the valuable contribution made by Mr. Das as the Managing Director.

Mr. Sanjay Koul ('Mr. Koul') has been appointed as an additional director and also as the Managing Director by the Board of Directors with effect from 26 October 2012. In terms of relevant provisions of the Companies Act, 1956 ('the Act'), Mr. Koul 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. Koul 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. Deepak Rastogi ('Mr. Rastogi') resigned as a Director of the Company with effect from 7 June 2013. The Board placed on record its deep appreciation for the valuable contribution made by Mr. Rastogi as a Director of the Company.

Mr. Christopher J Holding ('Mr. Holding') has been appointed as an additional director by the Board of Directors with effect from 7 June 2013. In terms of relevant provisions of the Act, Mr. Holding 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. Holding 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. P. S. Dasgupta and Mr. James R. Menning, 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.

### Statutory Audit

The Statutory Auditors of the Company who were appointed at the Twenty-fifth Annual General Meeting have since informed the Company about change in their name from S R B C & Co to S R B C & CO LLP effective 1 April 2013, pursuant to the Limited Liability Partnership Act, 2008.

Messrs. S R B C & CO LLP, Chartered Accountants, Statutory Auditors of the Company retires at the conclusion of the Twenty-sixth Annual General Meeting and offers themselves for reappointment. They have furnished to the Company a Certificate, regarding their eligibility for reappointment. Accordingly, the reappointment of Messrs. S R B C & CO LLP, Chartered Accountants is being proposed as an ordinary resolution at the Twenty-sixth Annual General Meeting of the Company in terms of applicable provisions of the Companies Act, 1956 and has been included in the Notice convening the next Annual General Meeting.

### Cost Audit

Mr. Prakash Kumar Varma was reappointed as the Cost Auditor to audit the Cost Accounts of the Company for the year ended 31 March 2013. Due to health reasons, Mr. Varma could not take up this assignment and has since requested the Company to relieve him of his responsibilities and appoint a new Cost Auditor in his stead. Accordingly, the Board of Directors have appointed



Messrs. Shome & Banerjee as the new Cost Auditors to audit the Cost Accounts of the Company for the year ended 31 March 2013. The due date for submitting the Cost Audit Report for that year with the prescribed authority is 30 September 2013. The Cost Audit Report for the year ended 31 March 2012 in XBRL format was submitted on 27 February 2013.

**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 March 2013 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 and 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 indigenization of all components for standard bearings and substantial indigenization for AP Bearings. It is the intention of the Company to proceed with the process of indigenization 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 March 2013 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

Bangalore  
21 June, 2013

**James R. Menning**  
*Chairman*

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**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 the financial year ended 31 March 2013.

For the purpose of this declaration, senior management team means members of management one level below the executive directors as on 31 March 2013.

Bangalore  
21 June 2013

**Sanjay Koul**  
*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

(a) Plant power factor continued to be maintained at 0.98 levels.

- 1) All high power consuming furnaces operation were closely monitored to not only reduce the overall power consumption but also to control maximum demand.
- 2) 15 year old air compressor replaced with new energy efficient compressor.
- 3) TER energy audit recommendation is being implemented.
- 4) Major overhauling was done in centralized AC system & coolant chiller system to store back chiller's efficiency.

- (b) 1) LED lighting for plant inside lightings.
- 2) Air audit to optimize air usages and power control.

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 grew by 8% to Rs. 1,804 million mainly to US. The current indications about the export trend do not envisage a significant departure from the one noticed in previous year.

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.

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

	2012-13	2011-12
(i) Foreign Exchange Earnings	180	210
(ii) Foreign Exchange Outgo**excluding part repayment of PCFC loan amounting to USD 2.9 million (Rs. 154 million)	311	261

**FORM A**

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

**A. Power and fuel consumption**

	2012-13	2011-12
1. Electricity		
(a) Purchased Units (KWH)	19,412,130	25,130,790
Total amount (Rs.)	76,023,718	98,311,127
Rate Per Unit (Rs.)(all inclusive)	3.92	3.91
(b) Own generation		
(i) Through diesel generator	} Not used for operations. Only for emergency lighting and water requirements.	
Unit		
Unit per ltr. of diesel oil		
Cost / unit	} There is no Steam Turbine / Generator.	
(ii) Through steam turbine / generator		
Unit		
Units per ltr. of fuel oil / gas		
Cost / unit		

2. Coal (specify quality and where used)			
Quantity (tonnes)	}	Not Used	
Total Cost			
Average rate			
3. Furnace Oil			
Quantity (k.ltrs.)	}	Not Used	
Total amount			
Average rate			
4. Other/internal generation (please give details)			
Quantity	}	Not Used	
Total Cost			
Rate / Unit			
<b>B. Consumption per unit of production</b>	<b>Standards (if any)</b>	<b>2012-13</b>	<b>2011-12</b>
Products (with details) unit			
Standard Bearings	Not applicable (Standard varies with product mix)		
Electricity		<b>2.94</b>	2.62
Furnace Oil		<b>Not used</b>	Not Used
Coal (specify quality)		<b>Not Used</b>	Not Used
Others (specify)		<b>Nil</b>	Nil

**FORM B****Form for Disclosure of Particulars with respect to Absorption****TECHNOLOGY ABSORPTION****(A) Research and Development (R&D)**

- |   |   |  |
|---|---|--|
| <ol style="list-style-type: none"> <li>1. Specific areas in which R&amp;D carried out by the Company</li> <li>2. Benefits derived as a result of the above R&amp;D</li> <li>3. Future plan of action</li> <li>4. Expenditure on R&amp;D:               <ol style="list-style-type: none"> <li>a. Capital</li> <li>b. Recurring</li> <li>c. Total</li> <li>d. Total R&amp;D expenditure as a percentage of total turnover</li> </ol> </li> </ol> | } | <p>The benefits of research facilities available with The Timken Company are extended to Timken India Limited on a continuing basis.</p> |
|---|---|--|

**(B) Technology absorption, adaptation and innovation**

- |  |   |   |
|--|---|---|
| <ol style="list-style-type: none"> <li>1. Efforts, in brief, made towards technology absorption, adaptation and innovation</li> <li>2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.</li> </ol>  | } | <p>Under the Collaboration Agreement, technology update is released from The Timken Company which is transferred to the shop floor instructions. Any improvement in the technology / process is part of this continuous update and this is being regularly monitored by The Timken Company personnel.</p>   |
| <ol style="list-style-type: none"> <li>3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:               <ol style="list-style-type: none"> <li>a) Technology imported</li> <li>b) Year of import</li> <li>c) Has technology been fully absorbed?</li> <li>d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of actions</li> </ol> </li> </ol> | } | <p>Manufacture of Tapered Roller Bearings 1991-92 onwards.</p> <p>It is being gradually absorbed and is a continuous process.</p> <p>Ongoing in the areas of machining, heat treatment and finishing. To make further improvements in the manufacturing process, product quality and production output.</p> |

Bangalore  
21 June, 2013

For and on behalf of the Board of Directors  
**James R Menning**  
Chairman

## **Management Discussion and Analysis**

### **Bearing Industry Structure and Development**

Demand for bearings, related products and services are directly linked to industrial activity and in general the economy. For the quarters ending June'12, September'12 and December'12, the Indian economy posted a GDP growth rate of 5.5%, 5.3% and 4.5% respectively. The GDP growth for 2012-13 as reported in Economic Survey of India would be 5.0%, after posting 6.2% growth in 2011-12. The lower growth rate is primarily attributable to a weak performance by the industrial sector as demonstrated by the Index of Industrial Production (IIP). Growth of value added in industrial sector slowed to 3.5% in 2011-12 and to 3.1% in 2012-13. The manufacturing sector, the most dominant sector within industry, witnessed a decline in growth to 2.7% in 2011-12 and 1.9% in 2012-13. However, the average inflation (WPI) at 7.6% in 2012-13 has shown improvement from 8.9% in 2011-12 and 9.6% in 2010-11.

The core industries, that impact demand for bearings, performed weakly. Steel production in 2012-13 at 77 million ton remained at 2011-12 level. Cement production at 243 million ton grew by 5.6% over 2011-12 and electricity generated grew by a modest 4%. The Medium and Heavy Commercial Vehicle production, one of the largest consumers of bearings, fell by 28% over 2011-12. The slowdown in industrial growth and in particular the manufacturing sector, is largely attributed to sluggish growth of investment, lower margins, slowdown in growth of credit flows and a fragile global economy.

With signals of a recovery not very evident coupled with other uncertainties, the industrial output and consequently demand for components is expected to be weak in the short term. We believe in the infrastructure story of this country and the economy would rebound strongly over the next couple of years.

The current size of anti-friction bearings market is approximately INR 90-95 billion. It is estimated that around 40% of demand is catered through imports. The automotive sector accounts for approximately 45-48% of the bearing demand while the rest is consumed by the industrial sector. During the year 2012-13, domestic sale of bearings produced in India, as reported by Ball and Roller Bearing Manufacturers Association (BRBMA), fell by 1.5% over 2011-12, while production value fell by 0.5% during the same period.

### **Business Review**

The Company is one of the leading manufacturers of tapered roller bearings and certain components of tapered roller bearings in India with manufacturing facility at Jamshedpur. The bearings produced by the Company largely cater to medium and heavy trucks, off-highway equipments, Railways and Timken Company's global requirements. The Company meets the demand for other types of bearings viz., large size tapered roller bearings, spherical roller bearings, cylindrical roller bearings and specialty ball bearings by sourcing these from other Timken Company plants globally.

In order to expand our services portfolio, we are establishing a green-field operation centre in Raipur, Chhattisgarh for repair of gearboxes largely used in steel, cement, power plants and marine industries. We believe that this facility will enable us to strengthen our After-Market Services Business.

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.

### **Opportunities, Threats and Outlook**

As the government increases its thrust on the infrastructural build, the economic growth is expected to accelerate. We believe that this will trigger demand for bearings and upturn business cycle may continue for the medium term.

Innovation has become the key word and experts are already working on new possibilities. It is felt that conventional systems have evolved to the point where further refinements can only result in modest performance and capacity gains. As a result, it is felt that the future will witness technologies which help in efficient ways to create, transfer and control power. These technologies can have endless societal impacts, from improved energy efficiency that saves businesses and consumers money to reduced emissions that help sustain our environment.



## Management Discussion and Analysis

There is an increasing trend of designing and manufacturing of heavy industrial equipments in India which has resulted in customers asking for design and application engineering knowledge and assistance. In many applications, bearings can be the limiting factor in increasing the power density of the equipment and also one of the first components to get damaged. Hence working with customers, to help them make optimum design choices is becoming an important customer expectation now. Customers are asking for more competitiveness and responsiveness from bearing industry, which would require companies to regionalize production bases closer to customers.

With development in infrastructure sector in India, the bearing industry is expected to witness a significant increase in demand, especially in large sized bearings. Further, consumers are getting more demanding and with product liability and safety issues getting more stringent, there will be a need for a qualitative improvement in the performance of the bearings. Meeting these two requirements in a competitive fashion is the key challenge for the bearing industry.

Any adverse changes in the industrial environment within which any of our customers operate could lead to reduction in demand for their finished products, which in turn will have a direct adverse impact on the demand of our products.

Counterfeit products also pose a threat to the industry. Low quality duplicate bearings not only lead to crucial downtime for customers but also tarnish the quality and brand value of superior manufacturers. Efforts have to be taken by manufacturers to educate customers on the importance of using genuine high quality bearings.

The principal raw materials for our products are alloy steel bars, tubes and wire rods, which are purchased by our vendors from our approved list of global suppliers, in order to leverage The Timken Company's economies of scale. The prices and supply of raw materials may depend on factors beyond our control, including economic conditions, exchange rates, competition, consumer demand, production levels, transportation costs and import duties.

### Internal Control Systems

The various internal control systems operating in the Company are working satisfactorily. The adequacy and effectiveness of these systems is continuously examined by Pricewaterhouse Coopers India Private Limited – Internal Auditors and the findings of these audits are reported to the Audit Committee of the Board and also to the Board of Directors. The adequacy of the internal control system has also been examined by the Statutory Auditors and the Audit Department of The Timken Company, USA and the Company has not received any major adverse comments from them on the adequacy of the internal control systems.

### HR Front

During the financial year under review, the Company did not witness any adverse development on the HR/IR front. The relationship between the Associates of the Company and the Management remains congenial all through-out the year. The Company employed 624 Associates (including 341 Officers) as on 31 March 2013.

## **Independent Auditor's Report**

**To the Members of Timken India Limited**

### ***Report on the Financial Statements***

We have audited the accompanying Financial Statements of Timken India Limited ("the Company"), which comprise the Balance Sheet as at 31 March, 2013 and the Statement of Profit & Loss and Cash Flow Statement for the year then ended and a summary of Significant Accounting Policies and other Explanatory Information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### ***Report on Other Legal and Regulatory Requirements***

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (e) On the basis of written representations received from the Directors as on 31 March, 2013 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March, 2013 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E

**per Kamal Agarwal**

Partner

Membership Number: 058652

Place of Signature: Mumbai

Date: May 27, 2013

## **Annexure to the Auditors' Report to the Members of Timken India Limited [Referred to in our Report of even date]**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over a period of three years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification of fixed assets.
- (c) There was no disposal of a substantial part of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company maintains proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Company Act, 1956. Accordingly, the provisions of clause 4(iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered. The Company interalia, undertakes transactions of purchase of certain fixed assets, purchase and sale of goods, materials and components, and services with associate and group companies, in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956. As these transactions, exceeding value of rupees five lakhs entered into during the year, relate to proprietary items manufactured by the Timken Group and fixed assets and raw materials and components in connection thereto, and/or specialized services rendered, comparative rates thereof are not always available; however as informed, considering the selling prices of such goods in the market, and margins earned by the company on purchases from associate and group companies on a overall basis in accordance with the group's internal transfer pricing guidelines, prima facie these transactions have been done at reasonable prices. For services received, there are no comparative since as per the management's explanation such services are highly specialized in nature.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (ix) (a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities. As informed, the provisions of Employees' State Insurance Act are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Service Tax, Sales Tax, Customs Duty, Excise Duty, Cess and other material undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

## TWENTY-SIXTH ANNUAL REPORT

- (c) According to the records of the Company, the dues outstanding of Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and Cess on account of any dispute are as follows:

Name of the Statute	Nature of Dues	Amount (Rs.)	Period to which the amount relates	Forum
Income Tax Act, 1961	Income Tax Demands	23,927,222 63,623,253	2002-03 1998-99, 2004-05 to 2009-10	Income Tax Appellate Tribunal Commissioner of Income Tax (Appeals), Jamshedpur
Various State Sales Tax Act	Demand relating to non-submission of local forms and other documents/ dispute related to VAT credit/dispute relating to classification of goods	244,191,491 17,044,032 915,171 299,064 37,937 304,368 1,702,803	1995-96 to 1996-97 2004-05 to 2008-09 1999-00 to 2001-02 1994-1995 to 1996-1997 2003-04 & 2004-05 2006-07 & 2007-08 1995-1996 2003-04, 2004-05, 2005-06, 2008-09 & 2009-10	Jt. Commissioner (Appeals), Jamshedpur Commissioner Commercial Tax, Ranchi Appeal filed in Allahabad H'Court Pending with Dy. Commissioner, (Appeal) Pending with Assessing Authority Commissioner of Sales Tax, Raipur, Chattisgarh Jt. Commissioner (Appeal)
Central Excise Act, 1945	Service Tax Demands	27,787,040	2009-2010 & 2006-2010	Central Excise and Service Tax Appellate Tribunal, Kolkata

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a bank. The Company did not have any outstanding dues in respect of a financial institution or debenture holders during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.



- (xvi) The Company did not have any term loans outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For **S R B C & CO LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E

**per Kamal Agarwal**

Partner

Membership Number: 058652

Place of Signature: Mumbai

Date: May 27, 2013

# **Balance Sheet as at March 31, 2013**

	Notes	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>a) SHAREHOLDERS' FUNDS</b>			
(i) Share Capital	3	637,227,000	637,226,000
(ii) Reserves & Surplus	4	2,777,359,129	2,494,032,488
		<b>3,414,586,129</b>	<b>3,131,258,488</b>
<b>b) NON-CURRENT LIABILITIES</b>			
(i) Long-term Liabilities	5	13,335,002	11,986,478
(ii) Long-term Provisions	6	85,720,560	73,650,760
		<b>99,055,562</b>	<b>85,637,238</b>
<b>c) CURRENT LIABILITIES</b>			
(i) Short-term Borrowings	7	–	147,752,610
(ii) Trade Payables	8	658,220,386	973,882,766
(iii) Other current liabilities	8	205,920,820	187,067,302
(iv) Short-term provisions	6	253,452,730	67,739,610
		<b>1,117,593,936</b>	<b>1,376,442,288</b>
<b>Total</b>		<b>4,631,235,627</b>	<b>4,593,338,014</b>
<b>ASSETS</b>			
<b>d) NON-CURRENT ASSETS</b>			
(i) Fixed Assets			
– Tangible assets	9	790,494,823	794,903,332
– Intangible assets	10	1,044,459	1,641,292
– Capital Work in Progress	39	244,829,686	102,248,752
– Intangible assets under development		12,218,779	–
(ii) Non-current Investments	11A	300,000	300,000
(iii) Deferred tax assets (net)	12	44,215,932	26,937,107
(iv) Long-term loans and advances	13	125,960,880	125,472,355
		<b>1,219,064,559</b>	<b>1,051,502,838</b>
<b>e) CURRENT ASSETS</b>			
(i) Current Investments	11B	318,449,988	658,688,091
(ii) Inventories	14	1,403,296,959	1,475,829,135
(iii) Trade Receivables	15	1,294,320,556	1,093,537,755
(iv) Cash and Bank balances	16	140,425,498	117,806,961
(v) Short-term loans and advances	13	130,525,910	129,547,049
(vi) Other current assets	17	125,152,157	66,426,185
		<b>3,412,171,068</b>	<b>3,541,835,176</b>
<b>Total</b>		<b>4,631,235,627</b>	<b>4,593,338,014</b>

Summary of significant accounting policies

2

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For S R B C & CO LLP**  
 Firm Registration No. 324982E  
 Chartered Accountants

**Per KAMAL AGARWAL**  
 Partner  
 Membership No. 058652  
 Mumbai, May 27, 2013

For and on behalf of the Board of Directors

**Sanjay Koul**  
 Managing Director

**James R. Menning**  
 Chairman

**Soumitra Hazra**  
 Company Secretary & Chief – Compliance  
 Mumbai, May 27, 2013

## Statement of Profit and Loss for the year ended March 31, 2013

	Notes	Year ended March 31, 2013 Rupees	15 months ended March 31, 2012 Rupees
<b>INCOME</b>			
a) Revenue from operations (Gross)	18	7,390,606,093	8,910,397,587
Less : Excise duty recovered		505,444,498	602,791,104
Revenue from operations (Net)		6,885,161,595	8,307,606,483
b) Other Income	19	54,840,607	203,344,976
<b>Total (I)</b>		<b>6,940,002,202</b>	8,510,951,459
<b>EXPENSES</b>			
c) Cost of raw materials and components consumed	20	2,736,124,767	3,969,745,061
d) Purchase of traded goods	21A	1,453,134,258	1,124,002,470
e) Increase in Stock of Finished goods, Traded goods and Work in Progress	21B	(18,433,612)	(329,423,060)
f) Excise duty and cess on increase in stock of finished goods	37	3,118,622	46,032,070
g) Employee Benefits expense	22	522,717,411	612,775,547
h) Other Expenses	23	1,453,895,752	1,821,176,447
<b>Total (II)</b>		<b>6,150,557,198</b>	7,244,308,535
Earnings before interest, tax, depreciation and amortisation (I - II)		789,445,004	1,266,642,924
i) Depreciation	9	138,511,216	148,656,795
j) Amortisation expense	10	596,833	149,208
k) Finance costs	24	12,871,740	12,217,506
<b>PROFIT BEFORE TAX</b>		<b>637,465,215</b>	1,105,619,415
l) Tax Expenses			
– Current Tax (includes Rs. 2,225,000 (Rs. Nil) relating to previous years)		212,332,666	289,353,175
– Deferred Tax		(17,278,825)	9,695,805
<b>Total Tax Expense</b>		<b>195,053,841</b>	299,048,980
<b>PROFIT AFTER TAX</b>		<b>442,411,374</b>	806,570,435
m) <b>EARNINGS PER SHARE – Basic &amp; Diluted</b>	25	<b>6.94</b>	12.66
Nominal value of shares Rs. 10 (Previous Year Rs. 10)			
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For S R B C & CO LLP**

Firm Registration No. 324982E

Chartered Accountants

**Per KAMAL AGARWAL**

Partner

Membership No. 058652

Mumbai, May 27, 2013

For and on behalf of the Board of Directors

**Sanjay Koul**  
Managing Director

**James R. Menning**  
Chairman

**Soumitra Hazra**  
Company Secretary & Chief – Compliance  
Mumbai, May 27, 2013

## Cash Flow Statement for the year ended March 31, 2013

	Year ended March 31, 2013 Rupees		15 months period ended March 31, 2012 Rupees	
<b>A. Cash Flow from Operating Activities :</b>				
Net Profit before Tax		637,465,215		1,105,619,415
<b>Adjustments to reconcile profit before tax to net cash flows :</b>				
Depreciation and amortisation	139,108,049		148,806,003	
Interest income	(116,108)		(780,632)	
Interest expense	12,871,740		12,217,506	
Profit on sale of long term investments – Non Trade	(11,334,600)		(60,528,316)	
(Gain) / Loss on sale of assets (Net)	1,026,984		(162,026)	
Provision no longer required written back	(3,046,149)		(11,822,416)	
Unrealised foreign exchange loss / (gain)	(2,815,589)		4,392,000	
Provision for Wealth Tax	70,000		130,000	
		135,764,327		92,252,119
<b>Operating Profit before Working Capital Changes</b>		773,229,542		1,197,871,534
<b>Adjustments for movement in Working Capital:</b>				
(Increase) in Trade receivable, Loans and Advances & Other current assets	(297,191,393)		(309,813,069)	
(Increase)/Decrease in Inventories	72,532,176		(423,056,426)	
Increase/(Decrease) Liabilities and Provisions	(237,651,890)		205,216,589	
		(462,311,107)		(527,652,906)
Cash Generated from Operations		310,918,435		670,218,628
Direct Taxes paid	(179,564,863)		(329,081,820)	
		(179,564,863)		(329,081,820)
<b>Net Cash from Operating Activities (A)</b>		131,353,572		341,136,808
<b>B. Cash Flow from Investing Activities :</b>				
Purchase of Fixed Assets including capital work in progress and capital advances		(301,602,616)		(444,504,339)
Sale of Fixed Assets		4,386		1,543,173
Purchase of Investments		-		(720,886,529)
Sale of Investments		131,334,600		661,414,847
Interest received		116,108		780,632
<b>Net Cash (used in) Investing Activities (B)</b>		(170,147,522)		(501,652,216)
<b>C. Cash Flow from Financing Activities :</b>				
Interest paid		(8,946,549)		(9,241,777)
Proceeds from short term borrowings		-		300,458,144
Repayment of short-term loan		(149,214,939)		(151,243,204)
Interim and final dividend paid		-		(1,251,455,820)
Tax on dividend distribution		-		(206,787,721)
Proceeds from Calls in arrears		1,000		17,000
<b>Net Cash used in Financing Activities (C)</b>		(158,160,488)		(1,318,253,378)
<b>Net increase/(Decrease) in Cash and Cash equivalents (A + B + C)</b>		(196,954,438)		(1,478,768,786)
<b>Cash and Cash equivalents - Opening Balance</b>		655,829,924		2,134,598,710
<b>Cash and Cash equivalents - Closing Balance *</b>		458,875,486		655,829,924



## Cash Flow Statement for the year ended March 31, 2013

\* Includes dividend account balance Rs. 22,050,660 (Rs. 22,979,680) which will be utilised only for the payment of dividend. Cash and cash equivalents consist of cash on hand, cheques in hand, balances with banks and short term investments with a maturity period of 90 days or less. Cash and cash equivalents included in the cash flow statement comprises of the following balance sheet amounts :

	As at March 31, 2013	As at March 31, 2012
Cash on hand and balances with banks (refer. Note 16)	140,425,498	117,806,961
Short term Investments (refer Note 11B)	318,449,988	538,688,091
Cash & Cash equivalents	458,875,486	656,495,052
Effect of exchange differences on cash & cash equivalents held in foreign currency	–	(665,128)
<b>Cash and cash equivalents as restated</b>	<b>458,875,486</b>	<b>655,829,924</b>

The accompanying notes are an integral part of the financial statements

As per our report of even date

**For S R B C & CO LLP**  
Firm Registration No. 324982E  
Chartered Accountants

**Per KAMAL AGARWAL**  
*Partner*  
Membership No. 058652  
Mumbai, May 27, 2013

For and on behalf of the Board of Directors

**Sanjay Koul**                      **James R. Menning**  
*Managing Director*                      *Chairman*

**Soumitra Hazra**  
*Company Secretary & Chief – Compliance*  
Mumbai, May 27, 2013

## **Notes to Financial Statements as at and for the year ended March 31, 2013**

### **1: CORPORATE INFORMATION**

Timken India Limited ('the Company') was incorporated on 15th June 1987. The Company is primarily into manufacture and distribution of tapered roller bearings, components and accessories for the automotive sector and the railway industry. It also provides maintenance contract services and refurbishment services.

### **2: SIGNIFICANT ACCOUNTING POLICIES**

#### **(i) Basis of Preparation**

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of the previous period, except for the change in accounting policy explained below.

#### **(ii) Change in Accounting Policy**

Presentation and disclosure of financial statements

During the year ended 31 March 2013, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous period figures in accordance with the requirements applicable in the current year.

#### **(iii) Use of estimates**

The preparation of financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

#### **(iv) Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

##### **Sale of Goods**

Revenue from sale of goods is recognized when all the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with delivery to the customers. Excise Duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arisen during the year.

##### **Income from Services**

Revenue from agency commission and maintenance and service contracts are recognized as and when services are rendered.

Export incentives are recognized when the right to receive such incentives as per the applicable terms is established, in respect of the exports made and when there is no significant uncertainty regarding the ultimate realization / utilization of such incentives.

Revenue for dividend income is recognized when the right to receive payment is established by the balance sheet date.

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

#### **(v) Tangible and Intangible Assets**

Tangible Assets are stated at cost of acquisition less accumulated depreciation and impairment loss (if any). Cost of acquisition includes duties (net of Cenvat), taxes, incidental expenses and erection / commissioning expenses. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

## Notes to Financial Statements as at and for the year ended March 31, 2013

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

### (vi) Cash & Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank, in hand, cheques in hand, remittances in transit and short-term investments with an original maturity of three months or less.

### (vii) Depreciation/ Amortization

Depreciation / amortization is provided under straight line method as per the useful life of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956, whichever is higher.

	Rates (SLM)	Schedule XIV Rates (SLM)
Building	3.34%	3.34%
Furniture & Fixtures	10%	6.33%
Plant & Machineries ( Including Tools)	5%,10%,20%	4.75%, 10.34%,11.31%
Computers	20%, 33.33%	16.21%
Vehicles	20%	9.5%
Office Equipment	20%	13.9%

Additions / deletions during the year are depreciated pro-rata from the date of such addition / deletion except assets costing below Rs. 5000 which are fully depreciated in the year they are put to use. Extra shift depreciation is calculated on actual shift basis in respect of each operating department.

Computer software is amortised in a straight line basis over a period of three years.

### (viii) Foreign Currency Translations

#### (a) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

#### (b) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

### (ix) Inventories

Inventories are valued as follows :

Raw materials, components, stores and spares	Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.
Work-in-progress and finished goods	Lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.
Trading goods	Lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis.

## **Notes to Financial Statements as at and for the year ended March 31, 2013**

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Excise Duty is accounted for at the point of manufacture of goods and accordingly, is considered for valuation of finished goods stock lying at the manufacturing locations as on the balance sheet date.

### **(x) Retirement Benefits**

- a) Gratuity is administered through an approved benefit fund. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- b) The liability on account of long term compensated absences and death benefit scheme due to the employees are provided for on the basis of an actuarial valuation on projected unit credit method at the end of each financial year.
- c) Retirement benefits in the form of Provident Fund and Superannuation / Pension Schemes are charged to the statement of profit & loss of the year when the contribution to the respective funds are accrued. Interest shortfall, if any, on Provident Fund, which is managed through a private trust, are provided for based on year-end actuarial valuation on projected unit credit method.
- d) Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.
- e) The long-term and short term classification of gratuity, death benefit scheme, provident fund and compensated absence liabilities is based on the actuarial valuations.

### **(xi) Leases**

#### **Assets taken on lease**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

#### **Assets given on lease**

Leases in which the company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income is recognized in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation are recognized as an expense in the Statement of Profit and Loss. An initial direct cost such as legal and professional cost is recognized immediately in the statement of profit and loss.

### **(xii) Income Taxes**

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961 enacted in India.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

### **(xiii) Investments**

Investments that are readily realizable and intended to be held for not more than a year from the date on which such investments are made, are classified as current Investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

## Notes to Financial Statements as at and for the year ended March 31, 2013

### (xiv) Borrowing Costs

- a) Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.
- b) Borrowing costs that are directly attributable to the acquisition / construction of a qualifying asset are capitalized as part of the cost of that asset till the time it is ready to put to use.
- c) All other borrowing costs are recognized as expenditure during the period in which these are incurred.

### (xv) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

### (xvi) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

### (xvii) Impairment

- a) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.
- b) After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.
- c) A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

### (xviii) Earnings Per Share

Basic Earnings per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

### (xix) Segment Reporting Policies

#### Identification of segments:

The Company's business includes manufacture and sale of bearings and related components and providing services in connection with or incidental to such sales. This is the only reportable business segment which is also the primary reportable segment.

Secondary reportable segments are based on geographical location of customers. The geographical segments have been disclosed based on revenues within India and outside India.

#### Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

### Segment Policies:

The company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

- (xx) As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss. In its measurement, the Company does not include depreciation and amortisation expense, finance costs and tax expense.



## Notes to the Financial Statements as at and for the year ended March 31, 2013

### NOTE 3: SHARE CAPITAL

	Rupees	As at March 31, 2013 Rupees	Rupees	As at March 31, 2012 Rupees
<b>Authorised:</b>				
75,000,000 (75,000,000) Equity Shares of Rs. 10 /- each		750,000,000		750,000,000
2,600,000 (2,600,000) 9% Cumulative Redeemable Preference Shares of Rs. 100/- each		260,000,000		260,000,000
		1,010,000,000		1,010,000,000
<b>Issued:</b>				
63,750,000 (63,750,000) Equity Shares of Rs. 10/- each		637,500,000		637,500,000
<b>Subscribed and Fully Paid-up:</b>				
63,708,050 (63,707,750) Equity Shares of Rs. 10 /- each fully paid-up		637,080,500		637,077,500
<b>Subscribed and partly paid-up:</b>				
26,800 (27,100) Equity Shares of Rs. 10 /- each	268,000		271,000	
Less: Calls in Arrears – other than directors *	121,500	146,500	122,500	148,500
		637,227,000		637,226,000

#### Notes:

- \*(i) Calls in arrears have been computed on the basis of information certified by the Registrar & Share Transfer Agent of the Company.
- (ii) No Equity shares have been allotted during the year ended March 2013 out of 15,150 shares of Rs. 10/- each kept in abeyance as at 31st March, 1998.
- (iii) Subsequent to the year end, the company has issued 4,265,134 no. of equity shares @ Rs 120 per share, through the Institutional Placement Program in accordance with Chapter VIII-A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, to comply with the requirement to maintain a minimum public shareholding of 25% in listed companies.

#### a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	March 31, 2013		March 31, 2012	
Equity Shares	No. of Shares	Rupees	No. of Shares	Rupees
At the beginning of the year	63,734,850	637,226,000	63,734,850	637,209,000
Outstanding at the end of the year	63,734,850	637,227,000	63,734,850	637,226,000

#### b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees. The dividend proposed by Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

## Notes to the Financial Statements as at and for the year ended March 31, 2013

The Board has recommended, subject to approval of the shareholders at the next Annual General Meeting, payment of dividend of Rs. 2 (31 March 2012 – Rs. 20) per equity share of Rs. 10 each fully paid. This dividend, if approved, will be paid to those shareholders or beneficial owners for dematerialised shares whose names will appear on the Register of Members of the Company as at the close of business on July 24, 2013.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.

The distribution will be in proportion to the number of equity shares held by the shareholders.

### c) Details of shareholders holding more than 5% shares in the company (Refer note (i) below)

	March 31, 2013			March 31, 2012		
	No. of Shares	Amount in Rs.	% of share holding	No. of Shares	Amount in Rs.	% of share holding
Timken Singapore PTE Limited, the holding company	50,999,988	509,999,880	80.02%	50,999,988	509,999,880	80.02%

#### **Note**

- i) Out of the total shares issued, 50,999,988 fully paid-up Equity shares of Rs. 10/- each are held by Timken Singapore PTE Limited. However, the Timken Company, USA happens to be the Ultimate Holding Company.

## Notes to the Financial Statements as at and for the year ended March 31, 2013

### NOTE 4 : RESERVES & SURPLUS

	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
<b>a) Capital Redemption Reserve</b>		
Opening balance	260,000,000	260,000,000
<b>b) General Reserve</b>		
Opening balance	80,657,043	–
Add: amount transferred from surplus in the statement of profit and loss	33,180,853	80,657,043
Closing Balance	113,837,896	80,657,043
<b>c) Surplus in the statement of profit and loss</b>		
Opening balance	2,153,375,445	2,908,685,274
Add: Profit for the year/period	442,411,374	806,570,435
Less: Appropriations		
Proposed Final Equity Dividend Rs.2 per share (Previous year - Final Dividend Rs. 20 per share)	135,975,668	1,274,435,500
(refer note below)		
Tax on Proposed Equity Dividend	23,109,065	206,787,721
Transfer to general reserve	33,180,853	80,657,043
Total appropriations	192,265,586	1,561,880,264
Net Surplus in the statement of profit and loss	2,403,521,233	2,153,375,445
<b>Total reserves and surplus</b>	<b>2,777,359,129</b>	<b>2,494,032,488</b>

#### Note : Net dividend remitted in foreign currency

Particulars	For the year ended March 31, 2013	15 months period March 31, 2012
Number of non resident shareholders	1	1
Number of equity shares held by them	50,999,988	50,999,988
Amount remitted Nil (USD 19,596,537)	Nil	1,019,999,760
Year to which the dividend relates	Nil	2011-12

### NOTE 5 : LONG-TERM LIABILITIES

	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
Deposit from Customers	13,335,002	11,986,478
	13,335,002	11,986,478

Note : The above are interest bearing deposits accepted from dealers / distributors which are repayable only upon termination of the dealership / distributor agreement.

### NOTE 6 : PROVISIONS

	Long-term		Short-term	
	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
Provision for Employees' Death Benefit Scheme (Refer note 28)	15,242,230	14,339,790	1,900,490	1,724,710
Provision for Employees' Provident Fund (Refer note 28)	17,980,750	16,578,520	1,740,640	1,525,810
Provision for Gratuity (Refer note 28)	–	–	1,406,430	–
Provision for compensated absences	52,497,580	42,732,450	7,291,930	6,375,449
Provision for Indirect taxes*	–	–	82,028,507	58,113,641
Proposed Equity Dividend	–	–	135,975,668	–
Provision for Tax on Proposed Equity Dividend	–	–	23,109,065	–
	<b>85,720,560</b>	<b>73,650,760</b>	<b>253,452,730</b>	<b>67,739,610</b>

## Notes to the Financial Statements as at and for the year ended March 31, 2013

\*Disclosure required by Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets".

Particulars	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
Opening Balance	58,113,641	22,439,283
Addition / (utilisation) during the year/period	23,914,866	35,674,358
Closing Balance	82,028,507	58,113,641

- a) The Company has reviewed the various liabilities/claims relating to indirect taxes and estimated the provision for contingencies based on assessment of its probability.
- b) Provision for Indirect Taxes includes a liability of Rs. 145,499,424 (Rs. 136,394,921) towards custom duty on imports for various years. The Company has provided these liabilities based on the most recent assessments. Further, the management is of the view that this liability shall be payable only at the time of final assessment, pending which, the Company has also deposited Rs. 100,132,979 (Rs. 90,646,461) with customs authorities. The net provision is included in Provision for Indirect Taxes above.

### NOTE 7 : SHORT-TERM BORROWINGS

	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
Short term loans from bank - Unsecured*	–	147,752,610
	–	147,752,610

\* These loans have been repaid on expiry of six months from the date of origination i.e. November 29, 2011 and carried an interest rate of LIBOR plus 2%.

### NOTE 8 : TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
<b>a) Trade Payables</b>		
i) Due to Micro and Small Enterprises (refer note (i) below)	9,864,973	20,912,882
ii) Due to Other Creditors	648,355,413	952,969,884
<b>Total Trade Payables</b>	<b>658,220,386</b>	<b>973,882,766</b>
<b>b) Other Liabilities</b>		
i) Advance from Customers	3,403,667	9,537,844
ii) Interest accrued and due on		
– Borrowings	–	281,338
– Security deposit from customers	564,341	184,650
iii) Investor Education and Protection Fund will be credited by following amounts (as and when due)		
– Unpaid dividends	22,050,660	22,979,680
<b>c) Other Payables</b>		
– Taxes and duties payable	93,076,949	100,836,341
– Customers claims	13,026,331	4,528,890
– Selling expenses	47,089,428	38,278,447
– Capital creditors	26,709,444	10,440,112
<b>Total Other Current Liabilities (b + c)</b>	<b>205,920,820</b>	<b>187,067,302</b>

## Notes to the Financial Statements as at and for the year ended March 31, 2013

**NOTE**

**(i) Information in terms of section 22 of the Micro, Small and Medium Enterprises Development Act 2006:**

Details of dues to Micro and Small Enterprises as per MSMED Act, 2006	As at/ For the Year Ended March 31, 2013 (Rupees)		As at/ For the 15 months period Ended March 31, 2012 (Rupees)	
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	<b>Principal</b>	<b>8,730,826</b>	Principal	20,000,848
	<b>Interest</b>	<b>Nil</b>	Interest	7,210
The amount of interest paid by the buyer in terms of Section 16, of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	<b>Principal</b>	<b>20,488,591</b>	Principal	41,428,983
	<b>Interest</b>	<b>Nil</b>	Interest	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro, Small and Medium Enterprises Development Act, 2006.		—		—
The amount of interest accrued for the year and remaining unpaid at the end of each accounting year;				
Year ended 31 March 2013		<b>222,112</b>		--
15 months period ended 31 March 2012		<b>605,621</b>		605,621
Year ended 31 December 2010		<b>206,552</b>		206,552
Year ended 31 December 2009		<b>32,816</b>		32,816
Year ended 31 December 2008		<b>67,045</b>		67,045
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006.		<b>1,134,146</b>		912,034

# Notes to the Financial Statements as at and for the year ended March 31, 2013

## NOTE 9 : TANGIBLE ASSETS

In Rupees

	Building	Plant & Machinery * (Including Tools)	Office Equipment	Computers	Furniture & Fixtures	Vehicles	Total
<b>GROSS BLOCK (AT COST)</b>							
At December 31, 2010	183,943,267	1,797,438,199	25,142,763	46,996,393	18,436,528	18,441,112	2,090,398,262
Additions	448,076	353,240,400	459,506	6,205,263	972,248	1,788,605	363,114,098
Deductions	-	(27,883,542)	(402,091)	(3,702,358)	-	(5,089,129)	(37,077,120)
At March 31, 2012	184,391,343	2,122,795,057	25,200,178	49,499,298	19,408,776	15,140,588	2,416,435,240
Additions	17,274,482	102,390,350	1,000,658	14,286,241	182,347	-	135,134,078
Deductions	-	(36,532,581)	(210,794)	-	-	(389,166)	(37,132,541)
<b>At March 31, 2013</b>	<b>201,665,825</b>	<b>2,188,652,826</b>	<b>25,990,042</b>	<b>63,785,539</b>	<b>19,591,123</b>	<b>14,751,422</b>	<b>2,514,436,777</b>
<b>DEPRECIATION</b>							
At December 31, 2010	76,206,592	1,349,887,464	20,264,122	36,150,058	13,600,523	12,462,326	1,508,571,085
Charge for the period	7,672,614	127,197,209	2,410,566	6,915,872	1,102,088	3,358,446	148,656,795
Deductions	-	(26,908,695)	(402,091)	(3,667,031)	-	(4,718,155)	(35,695,972)
At March 31, 2012	83,879,206	1,450,175,978	22,272,597	39,398,899	14,702,611	11,102,617	1,621,531,908
Charge for the year	6,357,237	122,084,948	1,186,311	5,976,535	932,279	1,973,906	138,511,216
Deductions	-	(35,501,210)	(210,794)	-	-	(389,166)	(36,101,170)
<b>At March 31, 2013</b>	<b>90,236,443</b>	<b>1,536,759,716</b>	<b>23,248,114</b>	<b>45,375,434</b>	<b>15,634,890</b>	<b>12,687,357</b>	<b>1,723,941,954</b>
<b>NET BLOCK</b>							
At March 31, 2012	100,512,137	672,619,079	2,927,581	10,100,399	4,706,165	4,037,971	794,903,332
<b>At March 31, 2013</b>	<b>111,429,382</b>	<b>651,893,110</b>	<b>2,741,928</b>	<b>18,410,105</b>	<b>3,956,233</b>	<b>2,064,065</b>	<b>790,494,823</b>

\* Plant & Machinery includes machinery given on operating lease as follows :

Details	As at March 31, 2013 (Rs.)	As at March 31, 2012 (Rs.)
Gross Book value	298,639,447	296,511,955
Accumulated Depreciation #	46,065,762	15,887,086
Net Book value	252,573,685	280,624,869

# includes depreciation for the year Rs. 30,178,676 (Rs. 15,887,086)

Future minimum rentals receivable under non-cancellable operating leases are as follows :

Details	As at March 31, 2013	As at March 31, 2012
Within one year	30,190,284	29,977,529
After one year but not more than five years	62,896,425	92,430,714
More than five years	-	-

The Company has received Rs. 30,178,676 (Rs.15,887,086) as lease rentals during the year ended March 31, 2013.



## Notes to the Financial Statements as at and for the year ended March 31, 2013

### NOTE 10 : INTANGIBLE ASSETS

	In Rupees	
	Computer Software	Total
<b>GROSS BLOCK (AT COST)</b>		
At December 31, 2010	-	-
Additions	1,790,500	1,790,500
Deductions	-	-
At March 31, 2012	1,790,500	1,790,500
Additions	-	-
Deductions	-	-
At March 31, 2013	1,790,500	1,790,500
<b>DEPRECIATION</b>		
At December 31, 2010	-	-
Charge for the period	149,208	149,208
Deductions	-	-
At March 31, 2012	149,208	149,208
Charge for the year	596,833	596,833
Deductions	-	-
At March 31, 2013	746,041	746,041
<b>NET BLOCK</b>		
At March 31, 2012	1,641,292	1,641,292
At March 31, 2013	1,044,459	1,044,459

### NOTE 11A : NON-CURRENT INVESTMENTS

	Face Value Rupees	Holdings as at March 31, 2013		Holdings as at March 31, 2012	
		Nos	Rupees	Nos	Rupees
<b>At Cost</b>					
<b>Trade (Unquoted)</b>					
<b>Equity Shares fully paid up</b>					
Nicco Jubilee Park Limited	10	30,000	300,000	30,000	300,000
<b>Total: Non-current investments</b>			300,000		300,000

## Notes to the Financial Statements as at and for the year ended March 31, 2013

### NOTE 11B : CURRENT INVESTMENTS

	Face Value Rupees	Holdings as at March 31, 2013		Holdings as at March 31, 2012	
		Nos	Rupees	Nos	Rupees
<b>Non Trade</b> (At lower of cost and fair value unless stated otherwise)					
<b>Quoted</b>					
SBI Debt Fund Series - 367 Days-5-Growth	10	–	–	7,000,000	70,000,000
HSBC Fixed Term Series 81 - Growth - Tenure 370 Days	10	–	–	5,000,000	50,000,000
Kotak Quarterly Interval Plan Series 2 - Dividend	10	–	–	3,497,936	35,000,000
ICICI Prudential Interval Fund II Quarterly Interval Plan Institutional Dividend	10	–	–	6,025,029	60,250,290
DSP BlackRock FMP - Series 40 - 3M - Dividend Payout	10	–	–	5,504,400	55,043,998
<b>Total Quoted Investments</b>			–		270,294,288
<b>Unquoted mutual funds</b>					
Birla Sun Life Cash Plus - Institutional Prem. – DDR	100	–	–	1,015,854	101,783,512
Kotak Liquid (Institutional Premium) - DDR	10	–	–	4,141,840	50,646,839
Tata Liquid Super High Investment Fund - DDR	1,000	72,738	<b>81,067,452</b>	133,862	149,192,332
Reliance Liquidity Fund - DDR	10	65,912	<b>65,945,228</b>	8,672,689	86,771,120
Kotak Liquid Scheme Plan A - DDR	1,000	41,106	<b>50,265,193</b>	–	–
SBI Premier Liquid Fund - Regular Plan - DDR	1,000	120,780	<b>121,172,115</b>	–	–
<b>Total Unquoted Investments</b>			<b>318,449,988</b>		388,393,803
<b>Total</b>			<b>318,449,988</b>		658,688,091

#### Note

Aggregate amount of investments		
Quoted	–	270,294,288
Unquoted (Current)	<b>318,449,988</b>	388,393,803
Unquoted (Non Current)	<b>300,000</b>	300,000
Market Value of Quoted Investments	–	277,281,650

**Note:** Short-term investments with a maturity period of 90 days or less has been considered as part of cash and cash equivalents in the cash flow statement.

### NOTE 12: DEFERRED TAX ASSETS (NET)

	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
<b>Deferred Tax Assets</b>		
– Disallowance u/s 43B and 40(a)(ia) of Income Tax Act, 1961	<b>57,788,254</b>	40,661,979
– Provision for Doubtful Debts & Advances	<b>3,309,727</b>	3,621,353
<b>Gross Deferred Tax Assets</b>	<b>61,097,981</b>	44,283,332
<b>Deferred Tax Liabilities</b>		
– On difference in depreciation and other differences in block of fixed assets as per tax books and financial books	<b>(16,882,049)</b>	(17,346,225)
<b>Gross Deferred Tax Liabilities</b>	<b>(16,882,049)</b>	(17,346,225)
<b>Net Deferred Tax Assets</b>	<b>44,215,932</b>	26,937,107

# Notes to the Financial Statements as at and for the year ended March 31, 2013

## NOTE 13 : LOANS AND ADVANCES

(Unsecured considered good unless otherwise stated)

	Non-current		Current	
	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
<b>Capital Advances</b>	<b>30,249,177</b>	2,311,019	–	--
<b>Security Deposits</b>	<b>11,647,907</b>	10,978,092	–	–
<b>Loans and advances to employees</b>	<b>235,954</b>	4,501,936	<b>8,341,108</b>	6,693,698
<b>Advances recoverable in cash or kind</b>	<b>–</b>	–	<b>16,425,644</b>	9,029,588
<b>Other loans and advances</b>				
– Advance Income Tax	<b>80,457,038</b>	107,681,308	–	–
[net of provision for taxation : Rs. 2,148,492,625 (Rs. 1,936,159,959)]				
– Prepaid Expenses	<b>3,370,804</b>	–	<b>28,023,138</b>	8,699,842
– Balance with statutory authorities/ government authorities	<b>–</b>	–	<b>77,736,020</b>	90,152,301
– Surplus in Employee's Gratuity fund (refer note 28)		–	–	14,971,620
	<b>125,960,880</b>	125,472,355	<b>130,525,910</b>	129,547,049

## NOTE 14: INVENTORIES

(Valued at lower of Cost and Net Realisable Value)

	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
a) Raw materials and Components *	<b>247,529,096</b>	335,781,669
b) Stores and Spares *	<b>103,327,713</b>	106,040,928
c) Work - in - progress	<b>157,627,915</b>	208,433,430
d) Finished stock*	<b>561,452,109</b>	586,101,507
e) Traded Goods*	<b>333,360,126</b>	239,471,601
	<b>1,403,296,959</b>	1,475,829,135
* Including in transit :		
Stores & Spares	<b>3,352,369</b>	6,794,858
Raw Materials and Components	<b>111,577,742</b>	160,297,120
Finished Stock	<b>17,750,862</b>	14,727,516
Traded Goods	<b>49,526,958</b>	110,523,927

## Notes to the Financial Statements as at and for the year ended March 31, 2013

### NOTE 15 : TRADE RECEIVABLES

	Non-current		Current	
	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
a) Outstanding for a period exceeding six months from the date they are due for payment				
Secured, considered good	–	–	963,655	44,921
Unsecured, considered good	–	–	27,387,318	1,965,995
– considered doubtful	9,737,372	11,161,513	–	–
	9,737,372	11,161,513	28,350,973	2,010,916
Provision for doubtful receivables	9,737,372	11,161,513	–	–
<b>A</b>	–	–	28,350,973	2,010,916
b) Other Receivables				
Secured and considered good	–	–	7,841,382	6,878,303
Unsecured - considered good	–	–	1,258,128,201	1,084,648,536
<b>B</b>	–	–	1,265,969,583	1,091,526,839
<b>Total A + B</b>	–	–	1,294,320,556	1,093,537,755

### NOTE 16 : CASH AND BANK BALANCES

	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
<b>Cash and Cash Equivalents :</b>		
a) Cash on Hand	127,414	124,072
b) Cheques on hand	2,677,848	13,325,600
c) Balance with Scheduled Banks		
On Current Accounts	115,569,576	80,585,746
In Foreign Currency Account	–	791,863
On unpaid dividend account	22,050,660	22,979,680
	140,425,498	117,806,961

#### Notes :

- i) Balance with scheduled banks on unpaid dividend account represents monies that can be utilised only to pay dividend to equity shareholders against dividend warrants issued to them.

## Notes to the Financial Statements as at and for the year ended March 31, 2013

### NOTE 17 : OTHER CURRENT ASSETS

	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
<b>Other Receivables :</b>		
Export incentive receivable	48,451,536	52,882,834
Reimbursements from related parties (refer note 36)	61,857,070	11,045,224
Lease rent receivable (from related party – refer note 36)	14,843,551	2,498,127
	<b>125,152,157</b>	<b>66,426,185</b>

### NOTE 18 : REVENUE FROM OPERATIONS

	Year ended March 31, 2013 Rupees	15 months ended March 31, 2012 Rupees
<b>Revenue from operations</b>		
i) Sale of Products	6,973,297,711	8,477,835,301
ii) Sale of Services	309,977,000	339,689,526
<b>Other operating revenue</b>		
i) Operating lease rentals	30,178,676	15,887,086
ii) Export incentives (refer note below)	77,152,706	76,985,674
Revenue from operations (Gross)	7,390,606,093	8,910,397,587
Less: Excise duty recovered	505,444,498	602,791,104
Revenue from operations (Net)	<b>6,885,161,595</b>	<b>8,307,606,483</b>

### Details of products sold / services rendered

	Year ended March 31, 2013 Rupees	15 months ended March 31, 2012 Rupees
<b>Finished goods sold (Net of excise duty)</b>		
i) Bearings	2,669,535,008	3,708,446,803
ii) Components	2,081,073,089	2,904,956,816
iii) Bearing accessories	59,874,099	83,240,418
	<b>4,810,482,196</b>	<b>6,696,644,037</b>
<b>Traded goods sold</b>		
i) Bearings	497,986,298	385,912,731
ii) Components	1,020,795,799	709,018,828
iii) Bearing accessories	138,588,920	83,468,601
	<b>1,657,371,017</b>	<b>1,178,400,160</b>
<b>Details of services rendered</b>		
i) Maintenance and refurbishment services	241,501,770	247,563,169
ii) Agency commission	56,038,680	79,554,201
iii) Others	12,436,550	12,572,156
	<b>309,977,000</b>	<b>339,689,526</b>

**Note:** The Company is entitled to export benefits under the Status Holder Incentive Scheme of the Exim Policy whereby such benefits can be utilised to import capital goods without payment of customs duty. The Company has not recognised this benefit amounting to Rs.14,034,078 due to uncertainty of utilisation of such benefits within the stipulated validity period.

## Notes to the Financial Statements as at and for the year ended March 31, 2013

### NOTE 19 : OTHER INCOME

	Year ended March 31, 2013 Rupees	15 months ended March 31, 2012 Rupees
i) Excess provisions no longer required written back – including provision for doubtful debts written back Rs. 249,738 (Rs. 1,291,250)	3,046,149	11,822,416
ii) Dividend from current investments – Non Trade	33,429,738	114,672,463
iii) Profit on sale of long term investments – Non Trade	11,334,600	60,528,316
iv) Insurance claims	2,397,850	–
v) Interest income – on advances to vendors	116,108	780,632
vi) Gain on sale of fixed assets (Net)	–	162,026
vii) Miscellaneous income	4,516,162	15,379,123
	<b>54,840,607</b>	<b>203,344,976</b>

### NOTE 20 : COST OF RAW MATERIALS AND COMPONENTS CONSUMED

	Year ended March 31, 2013 Rupees	15 months ended March 31, 2012 Rupees
Inventory at the beginning of the year/period	335,781,669	269,717,426
Add: Purchases	2,647,872,194	4,035,809,304
	<b>2,983,653,863</b>	<b>4,305,526,730</b>
Less: Inventory at the end of the year/period	247,529,096	335,781,669
Cost of raw materials and components consumed	<b>2,736,124,767</b>	<b>3,969,745,061</b>

#### Details of raw materials and components consumed

	Year ended March 31, 2013 Rupees	15 months ended March 31, 2012 Rupees
Steel	89,834,697	171,763,771
Rings	1,022,056,001	1,444,956,082
Components and accessories*	1,624,234,069	2,353,025,208
<b>Total</b>	<b>2,736,124,767</b>	<b>3,969,745,061</b>

\*Components and accessories include bought-out semi finished cups, cones and other components.

#### Details of raw materials and components Inventory

	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
Steel	9,793,251	8,027,070
Rings	32,327,301	37,166,949
Components and accessories*	205,408,544	290,587,650
<b>Total</b>	<b>247,529,096</b>	<b>335,781,669</b>

\*Components and accessories include bought-out semi finished cups, cones and other components.



# Notes to the Financial Statements as at and for the year ended March 31, 2013

## NOTE 21A : DETAILS OF PURCHASE OF TRADED GOODS

	Year ended March 31, 2013 Rupees	15 months ended March 31, 2012 Rupees
Bearings	398,170,383	316,627,738
Components	939,754,633	735,558,925
Other bearing accessories	115,209,242	71,815,807
<b>Total</b>	<b>1,453,134,258</b>	<b>1,124,002,470</b>

## NOTE 21B : INCREASE IN STOCK OF FINISHED GOODS, TRADED GOODS AND WORK IN PROGRESS

	Year ended March 31, 2013 Rupees	15 months ended March 31, 2012 Rupees
Opening Stock		
Work in Progress	208,433,430	171,886,196
Finished Goods	586,101,507	434,737,180
Traded Goods	239,471,601	97,960,102
	<b>1,034,006,538</b>	<b>704,583,478</b>
Less : Closing Stock		
Work in Progress	157,627,915	208,433,430
Finished Goods	561,452,109	586,101,507
Traded Goods	333,360,126	239,471,601
	<b>1,052,440,150</b>	<b>1,034,006,538</b>
(Increase)/decrease in stock of		
Work in Progress	50,805,515	(36,547,234)
Finished Goods	24,649,398	(151,364,327)
Traded Goods	(93,888,525)	(141,511,499)
	<b>(18,433,612)</b>	<b>(329,423,060)</b>
	<b>As at March 31, 2013 Rupees</b>	<b>As at March 31, 2012 Rupees</b>
<b>Details of Inventory – Traded goods</b>		
Bearings	82,469,943	48,608,322
Components	237,442,109	183,042,749
Other bearing accessories	13,448,074	7,820,530
<b>Total</b>	<b>333,360,126</b>	<b>239,471,601</b>
<b>Details of Inventory – Work-In-Progress</b>		
Bearings	40,430,622	57,909,450
Components	116,920,110	146,655,214
Other bearing accessories	277,183	3,868,766
<b>Total</b>	<b>157,627,915</b>	<b>208,433,430</b>
<b>Details of Inventory – Finished Goods</b>		
Bearings	319,941,461	315,843,353
Components	238,632,241	262,245,502
Other bearing accessories	2,878,407	8,012,652
<b>Total</b>	<b>561,452,109</b>	<b>586,101,507</b>

## Notes to the Financial Statements as at and for the year ended March 31, 2013

### NOTE 22 : EMPLOYEE BENEFIT EXPENSES

	Year ended March 31, 2013 Rupees	15 months ended March 31, 2012 Rupees
i) Salaries, Wages and Bonus	422,395,025	494,200,219
ii) Contribution to provident and other funds	52,674,542	51,333,644
iii) Staff welfare expenses	47,647,844	67,241,684
	<b>522,717,411</b>	<b>612,775,547</b>

### NOTE 23 : OTHER EXPENSES

		Year ended March 31, 2013 Rupees		15 months ended March 31, 2012 Rupees
a) Consumption of stores and spares		254,725,809		350,608,227
b) Power		76,023,718		98,311,128
c) Repairs to Buildings		5,711,121		22,936,138
d) Repairs to Machineries		61,868,190		82,988,712
e) Repairs Others		18,781,933		14,697,755
f) Royalty		155,594,316		205,644,542
g) Rent		24,237,987		28,653,876
h) Rates and Taxes		27,137,637		21,398,408
i) Insurance		5,234,540		5,850,494
j) Commission*		90,461,601		124,192,604
k) Cash Discount		23,878,768		30,969,709
l) Travelling		87,719,775		99,869,612
m) Subcontracting charges		125,849,791		116,354,547
n) Legal & Professional Fees		81,823,862		110,897,106
o) Inter company Service Charges		122,626,426		125,654,662
p) Network & ERP Expenses		48,758,909		47,571,165
q) Foreign exchange loss (net)		12,626,714		65,011,059
r) Carriage and Handling		45,903,362		61,770,967
s) Excise Duty Expense #		1,647,069		1,495,920
t) Irrecoverable debtors written off	1,174,403		2,917,220	
Less: Adjusted against opening provision	1,174,403	–	2,917,220	–
u) Other Expenses **		<b>183,284,224</b>		<b>206,299,816</b>
		<b>1,453,895,752</b>		<b>1,821,176,447</b>

\* Commission expense represents payments made for logistics and warehouse management services rendered by a third party

\*\* Other Expenses include:

i	Auditor's remuneration (exclusive of service tax)		
	As Auditors		
	– For Statutory Audit (including Rs. 247,000 (Rs. Nil) pertaining to earlier years)	1,922,000	1,675,000
	– For Limited Reviews	1,300,000	1,600,000
	– For Corporate Governance certificate	60,000	60,000
	– For Travelling & out-of-pocket expenses	267,381	215,922
	For Other Matters		
	– For Tax Audit	600,000	1,000,000
	– For US GAAP Reporting	526,000	500,000
	– For Other Services	506,800	270,300
ii	Directors fees	385,000	335,000
iii	Loss on disposal / discarding of assets (net)	1,026,984	Nil

# Excise duty expense (net of recovery) represents duty paid/provided for on stocks written off, burnt stock, free samples etc.

# Notes to the Financial Statements as at and for the year ended March 31, 2013

## NOTE 24 : FINANCE COST

	Year ended March 31, 2013 Rupees	15 months ended March 31, 2012 Rupees
Interest on short term loans from bank	334,581	1,962,414
Interest other than on loans	12,537,159	10,255,092
	12,871,740	12,217,506

## NOTE 25 : EARNING PER SHARE (EPS)

	Year ended March 31, 2013 Rupees	15 months ended March 31, 2012 Rupees
Profit after tax	442,411,374	806,570,435
Net profit for calculation of basic and diluted EPS	442,411,374	806,570,435
Weighted Average No. of Equity Shares @ Rs. 10/- each	63,722,700	63,722,600
Earnings per share – Basic & Diluted	6.94	12.66*

\* Not annualised

## NOTE 26 : LEASES

### Asset taken on lease

Office premises are obtained on operating leases which are generally cancellable in nature except two premises for which disclosures are given below. The lease term is for various number of years and renewable for further periods as per the lease agreements at the option of the company. In few lease agreements, escalation clauses are present consequent to which straight lining of lease rental is done and accounted for accordingly. There are no restrictions imposed by the lease arrangements. There are no subleases.

### Leases which are non-cancellable in nature

The details of non-cancellable lease rentals payable are given below :

	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
Within one year	6,163,857	10,565,856
After one year but not more than five years	480,000	8,875,107
More than five years	–	–

The Company has paid Rs. 24,237,987 (Rs. 28,653,876) towards lease rent.

### Lease of Land

The Company has taken land on lease during the year for the purposes of its new project in Raipur relating to servicing of gears/related accessories which is under implementation. The lease is for a period of 30 years cancellable with six months prior notice and total lease payments during the lease term amounts to Rs. 239,179,851. The lease does not involve upfront payment and has terms of renewal and escalation clauses.

## Notes to the Financial Statements as at and for the year ended March 31, 2013

### NOTE 27 : SEGMENT INFORMATION

#### Business Segment :

The Company has reviewed the disclosure of business segment wise information and is of the view that it manufactures and trades in bearings and related components which is a single business segment in accordance with AS-17, Segment Reporting. Accordingly, no separate business segment information is furnished herewith.

#### Geographical Segments :

Revenue and receivables are specified by location of customers while the other geographic information is specified by location of the assets.

The following table presents revenue and certain asset information regarding the company's geographical segments:

Secondary Segment – Geographical	Year Ended March 31, 2013 Rupees	15 months ended March 31, 2012 Rupees
<b>Sale of products and services by Geographical Market</b>		
India	4,973,829,878	6,161,282,498
Outside India	1,804,000,335	2,053,451,225
<b>Total</b>	<b>6,777,830,213</b>	<b>8,214,733,723</b>
<b>Carrying amount of segment assets</b>		
India	3,646,520,161	3,460,138,167
Outside India	541,292,508	336,567,518
<b>Total</b>	<b>4,187,812,669</b>	<b>3,796,705,685</b>

**Note:** Since the Company has all fixed assets in India only, separate figures for additions to fixed assets for domestic and overseas segments are not furnished.

### NOTE 28 : DISCLOSURES AS PER REVISED ACCOUNTING STANDARD 15

#### Gratuity and other post-employment benefit plans:

The Company has a defined benefit gratuity plan (funded). Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The Company also has a Death Benefit Scheme (unfunded) for its employees where the immediate beneficiaries are entitled to a monthly fixed sum till the date of superannuation, for death in harness.

The Company has a separate Provident Fund Trust (funded) whereby, all the employees are entitled to benefits as per Provident Fund Act / Trust Deed. Any shortfall for the Trust is borne by the Company, hence the same is treated as a defined benefit scheme.

The following tables summarise the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the respective plans.

#### Statement of Profit and Loss

Net employee benefit expense (recognised in Employee Cost)

	GRATUITY FUND (FUNDED)		EMPLOYEE DEATH BENEFIT SCHEME (UNFUNDED)		PROVIDENT FUND (FUNDED)	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Current service cost	8,436,470	9,765,990	780,940	521,950	1,731,010	966,400
Interest cost on benefit obligation	10,415,790	11,620,030	1,359,590	603,570	1,556,970	697,480
Expected return on plan assets	(11,609,760)	(8,903,350)	-	-	-	-
Curtailment cost / (credit)	-	-	-	-	-	-
Past Service Cost	-	-	-	9,386,710	-	-
Net actuarial (gain) / loss recognised in the year	10,135,550	(12,530,310)	(551,690)	(1,320)	(1,670,920)	9,551,770
Net benefit expense/ (Gain)	17,378,050	(47,640)	1,588,840	10,510,910	1,617,060	11,215,650
Actual return on plan assets	8.83%	8.60%	NA	NA	NA	NA

## Notes to the Financial Statements as at and for the year ended March 31, 2013

### Balance Sheet:

#### Details of Plan (asset) / liability :

Defined benefit obligation

Fair value of plan assets

Plan (asset) / liability

#### Changes in the present value of the defined benefit obligation are as follows:

Opening defined benefit obligation

Interest cost

Current service cost

Plan Amendments cost / (credit )

Curtailment cost / (credit )

Benefits paid

Actuarial (gains) / losses on obligation

Closing defined benefit obligation

GRATUITY FUND (FUNDED)		EMPLOYEE DEATH BENEFIT SCHEME (UNFUNDED)		PROVIDENT FUND (FUNDED)	
31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
150,716,080	124,929,020	17,142,720	16,064,500	19,721,390	18,104,330
149,309,650	139,900,640	-	-	-	-
1,406,430	(14,971,620)	17,142,720	16,064,500	19,721,390	18,104,330
124,929,020	116,823,100	16,064,500	6,368,880	18,104,330	6,888,680
10,415,790	11,734,260	1,359,590	603,570	1,556,970	697,480
8,436,470	9,765,990	780,940	521,950	1,731,010	966,400
-	-	-	9,386,710	-	-
-	-	-	-	-	-
(7,630,460)	(1,858,390)	(510,620)	(815,290)	-	-
14,565,260	(11,535,940)	(551,690)	(1,320)	(1,670,920)	9,551,770
150,716,080	124,929,020	17,142,720	16,064,500	19,721,390	18,104,330

#### Changes in the fair value of plan assets are as follows:

Opening fair value of plan assets

Expected return

Contributions by employer

Benefits paid

Actuarial gains / (losses)

Closing fair value of plan assets

GRATUITY FUND (FUNDED)		EMPLOYEE DEATH BENEFIT SCHEME (UNFUNDED)		PROVIDENT FUND (FUNDED)	
31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
139,900,640	39,960,100	NA	NA	NA	NA
11,609,760	9,023,230	NA	NA	NA	NA
1,000,000	91,786,970	510,620	815,290	NA	NA
(7,630,460)	(1,858,390)	(510,620)	(815,290)	NA	NA
4,429,710	988,730	NA	NA	NA	NA
149,309,650	139,900,640	NA	NA	NA	NA

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. Gratuity fund and Provident fund are 100% invested with approved funds as per the relevant Act/ trust deed. The Company expects to contribute Rs. 1,500,000 (Rs. 1,000,000) to the Gratuity Fund in the next year.

## Notes to the Financial Statements as at and for the year ended March 31, 2013

The principal assumptions used in determining provision for the Company's plans are shown below:

	GRATUITY FUND (FUNDED)		EMPLOYEE DEATH BENEFIT SCHEME (UNFUNDED)		PROVIDENT FUND (FUNDED)	
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Discount rate	8.10%	8.60%	8.10%	8.60%	8.10%	8.60%
Expected rate of return on assets	8.50%	8.50%	NA	NA	8.50%	8.50%
Salary escalation for respective class of employees	<b>Officer-10% for 1st Yr and 8% thereafter Non Officer-8%</b>	Officer-10% for 1st Yr and 8% thereafter Non Officer-8%	<b>Officer-N.A Non Officer-8%</b>	Officer-N.A Non Officer-8%	<b>Officer - 10% for 1st Yr and 8% thereafter Non Officer-8%</b>	Officer-10% for 1st Yr and 8% thereafter Non Officer-8%
Employee turnover	<b>Officers-10% Non Officers</b>	Officers-10% Non Officers	<b>Officers-N.A Non Officers</b>	Officers-N.A Non Officers	<b>Officers-10% Non Officers</b>	Officers-10% Non Officers
	Age Rate	Age Rate	Age Rate	Age Rate	Age Rate	Age Rate
	20-25 : 0.50%	20-25 : 0.50%	20-25 : 0.50%	20-25 : 0.50%	20-25 : 0.50%	20-25 : 0.50%
	25-30 : 0.30%	25-30 : 0.30%	25-30 : 0.30%	25-30 : 0.30%	25-30 : 0.30%	25-30 : 0.30%
	30-35 : 0.20%	30-35 : 0.20%	30-35 : 0.20%	30-35 : 0.20%	30-35 : 0.20%	30-35 : 0.20%
	35-50 : 0.10%	35-50 : 0.10%	35-50 : 0.10%	35-50 : 0.10%	35-50 : 0.10%	35-50 : 0.10%
	50-55 : 0.20%	50-55 : 0.20%	50-55 : 0.20%	50-55 : 0.20%	50-55 : 0.20%	50-55 : 0.20%
	55-60 : 0.30%	55-60 : 0.30%	55-60 : 0.30%	55-60 : 0.30%	55-60 : 0.30%	55-60 : 0.30%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous four periods are as follows:

Gratuity Fund	31-Mar-13	31-Mar-12	31-Dec-10	31-Dec-09	31-Dec-08
Defined benefit obligation	<b>150,716,080</b>	124,929,020	44,917,590	44,917,590	50,335,000
Plan assets	<b>149,309,650</b>	139,900,640	36,919,020	36,919,020	36,142,892
(Surplus) / deficit	<b>1,406,430</b>	(14,971,620)	7,998,570	7,998,570	14,192,108
Experience adjustments on Plan Liabilities	<b>(7,293,430)</b>	3,928,670	(25,509,480)	(2,240,360)	1,421,040
Experience adjustments on Plan Assets	<b>4,429,710</b>	1,055,910	(29,290)	(29,290)	68,380

Employee Death Benefit Scheme	31-Mar-13	31-Mar-12	31-Dec-10	31-Dec-09	31-Dec-08
Defined benefit obligation	<b>17,142,720</b>	16,064,500	6,368,880	10,152,520	14,664,450
Plan assets	<b>-</b>	-	-	-	-
(Surplus) / deficit	<b>17,142,720</b>	16,064,500	6,368,880	10,152,520	14,664,450
Experience adjustments on Plan Liabilities	<b>110,430</b>	1,806,150	808,010	3,525,240	3,487,000
Experience adjustments on Plan Assets	<b>N.A</b>	N.A	N.A	N.A	N.A



## Notes to the Financial Statements as at and for the year ended March 31, 2013

Provident Fund	31-Mar-13	31-Mar-12	31-Dec-10	31-Dec-09	31-Dec-08
Defined benefit obligation	19,721,390	18,104,330	6,888,680	2,985,220	3,847,170
Plan assets	–	–	–	–	–
(Surplus) / deficit	19,721,390	18,104,330	6,888,680	2,985,220	3,847,170
Experience adjustments on Plan Liabilities	(9,687,980)	(9,687,980)	30,710	1,420,450	–
Experience adjustments on Plan Assets	NA	NA	NA	NA	N.A

### NOTE 29 : CONTINGENT LIABILITIES

	As at March 31, 2013 Rupees	As at March 31, 2012 Rupees
i) Sales tax matters under dispute / appeal	16,545,755	242,091,776
ii) Income tax demands under appeal	75,173,399	74,778,129
iii) Excise and customs demand under dispute / appeal	27,787,040	19,468,903
iv) Other Claims against the Company not acknowledged as debts	8,309,615	8,309,615

Based on the discussions with the solicitors/favourable decisions in similar cases/legal opinions taken by the Company on above matters, no provision there against is considered necessary.

### NOTE 30 : CAPITAL & OTHER COMMITMENTS

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for – Rs. 96,838,177 (Rs. 10,090,944) [Net of advances paid Rs.30,249,177 (Rs.2,311,019)]
- (b) In terms of the Memorandum of Agreement dated 9th May, 2011 entered between the Company and Timken India Manufacturing (P) Ltd, (TIMPL), TIMPL will manufacture goods using the assets owned by the Company and leased out to TIMPL (as disclosed in Note 9) and the Company in consideration of purchase of such goods from TIMPL would give an agreed mark up on the cost incurred by TIMPL for manufacturing such goods. This agreement is valid for a period of 5 years with renewal option.
- (c) For commitments relating to lease arrangements, please refer note 26.

### NOTE 31 : UNHEDGED FOREIGN CURRENCY EXPOSURE

#### A) Particulars of unhedged foreign currency exposure as at the reporting date

Particulars	Currency	As at March 31, 2013		As at March 31, 2012	
		Value in Foreign Currency	Value in Rupees	Value in Foreign Currency	Value in Rupees
a) Trade Receivables, Loans & Advances	USD	9,848,532	532,411,664	6,658,539	337,654,538
	EURO	Nil	Nil	2,452	165,336
	GBP	Nil	Nil	840	67,838
b) Trade Payables and capital creditors	USD	6,514,009	357,488,806	11,639,861	599,802,052
	EURO	31,538	2,228,475	8,563	591,293
c) Unsecured Loan	USD	Nil	Nil	2,867,312	147,752,610
d) EEFC Bank account	USD	Nil	Nil	15,367	791,863

## Notes to the Financial Statements as at and for the year ended March 31, 2013

### NOTE 32: C.I.F VALUE OF IMPORTS (on accrual basis) (including in transit)

	Year Ended March 31,2013 Rupees	15 Months Ended March 31,2012 Rupees
i) Raw Materials and components	713,789,896	1,099,376,067
ii) Stores and spare parts	22,972,585	36,701,709
iii) Finished Products for re-sale	730,221,693	624,376,841
iv) Capital Goods	136,966,201	289,996,227

### NOTE 33: CONSUMPTION OF IMPORTED AND INDIGENOUS RAW MATERIALS & COMPONENTS AND STORES & SPARE PARTS

Value of consumption of imported and indigenously obtained raw materials, components, stores and spare parts and percentage of each to the total consumption :

	Year Ended March 31,2013		15 Months Ended March 31,2012	
	%	Rupees	%	Rupees
<b>i) Raw Materials and components</b>				
Imported	35.91	982,629,217	35.81	1,421,659,068
Indigenous	64.09	1,753,495,550	64.19	2,548,085,993
	100.00	2,736,124,767	100.00	3,969,745,061
<b>ii) Stores and spare parts</b>				
Imported	5.87	14,958,656	6.89	24,157,332
Indigenous	94.13	239,767,153	93.11	326,450,895
	100.00	254,725,809	100.00	350,608,227

### NOTE 34: EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)#

	Year Ended March 31,2013 Rupees	15 Months Ended March 31,2012 Rupees
i) Foreign Travel	8,196,150	8,921,928
ii) Bank Charges	161,563	225,803
iii) Royalty	155,594,316	205,644,542
iv) Agency Commission	307,413	1,430,708
v) Inter company Service Charges	113,126,618	112,386,984
vi) Network & ERP Expenses	43,986,050	41,282,328
vii) Others	34,936,690	179,551,212

### NOTE 35: EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)#

	Year Ended March 31,2013 Rupees	15 Months Ended March 31,2012 Rupees
i) Export at F.O.B Value	1,747,961,655	1,973,897,024
ii) Agency commission	56,038,680	79,554,201

# Expenditure and Earnings in foreign currency were disclosed on cash basis in the audited financial statements for the 15 months period ended March 31 2012. The same has been disclosed here on accrual basis based on the requirements of Revised Schedule VI.

## Notes to the Financial Statements as at and for the year ended March 31, 2013

### NOTE 36: RELATED PARTY DISCLOSURES

Name of the Holding Company – Timken Singapore PTE. Limited (with effect from March 26, 2012)  
 – Timken (Mauritius) Limited (with effect from October 5, 2010 till March 25, 2012)

Name of the Ultimate Parent Company – The Timken Company, USA

List of related parties where control exists and transactions with such related parties and other related parties with whom transaction have taken place during the year/period, along with related balances as at March 31, 2013 and for the year then ended are presented in the following table:

(Amount in Rupees)							
Sl No.	Name of the Related Party	Relation-ship	Nature of transactions	Transaction Amount	Outstanding as at	Transaction Amount	Outstanding as at
				31 March 2013		31 March 2012	
1	The Timken Company, USA	Ultimate Parent Company	Purchase of goods	166,718,166	18,314,150	376,752,186	110,906,155
			Sale of Goods	355,271,400	86,892,672	370,547,380	49,128,350
			Expenses Receivable	2,472,246	–	24,924,068	1,134,254
			Expenses Payable	123,435,323	6,515,125	119,611,651	19,060,867
			Agency Commission (Income)	5,269,029	–	–	–
			Royalty (excluding Cess)	155,594,316	36,535,556	205,644,542	75,558,350
2	The Timken Corporation, USA	Fellow Subsidiary	Purchase of goods	385,168,624	79,620,797	902,513,599	214,971,658
			Sale of Goods	737,663,871	160,930,043	1,069,677,205	168,995,102
			Purchases of Fixed Assets	129,732,160	2,527,733	264,679,816	10,440,112
			Expenses Receivable	7,423,185	210,674	–	–
			Agency Commission (Income)	28,050,596	–	55,216,238	3,366,281
			Royalty (excluding Cess)	–	–	–	–
3	Timken Industrial Services, USA	Fellow Subsidiary	Purchase of goods	5,192,446	1,843,584	6,393,682	2,983,152
4	Timken UK Limited	Fellow Subsidiary	Sale of Goods	23,213,694	3,523,913	35,654,706	5,212,717
			Agency Commission (Income)	744,480	–	1,964,411	592,037
5	Timken Do Brasil COM.E.IND.LTDA	Fellow Subsidiary	Sale of Goods	181,203,484	85,243,517	193,453,459	47,019,020
			Purchase of goods	1,338,193	718,536	1,637,614	1,686,440
			Expenses Payable	–	–	5,940,664	–
			Agency Commission (Expense)	–	–	205	–
6	Timken Korea LLC	Fellow Subsidiary	Agency Commission (Expense)	307,413	–	1,430,503	656,488
7	Timken South Africa Limited	Fellow Subsidiary	Sale of Goods	215,322,883	79,055,295	88,014,960	16,709,153
			Purchase of goods	1,662,736	1,023,037	16,154,350	2,642,308
			Purchases of Fixed Assets	1,359,250	1,372,000	2,403,381	–
			Agency Commission (Income)	2,685,226	965,180	1,186,358	156,166
			Expenses Receivable	83,416	–	–	–
8	Timken Romania	Fellow Subsidiary	Purchase of goods	100,935,986	26,216,972	83,709,419	21,435,377
			Expenses Payable	2,480	2,465	–	–
			Agency Commission (Income)	98,636	62,553	994,568	54,107

## Notes to the Financial Statements as at and for the year ended March 31, 2013

(Amount in Rupees)

Sl No.	Name of the Related Party	Relation-ship	Nature of transactions	Transaction Amount	Outstanding as at	Transaction Amount	Outstanding as at
				31 March 2013		31 March 2012	
9	Timken Singapore PTE. Limited	Fellow Subsidiary till 25th March 2012 and Holding Company thereafter	Sale of Goods	45,773,341	3,310,132	54,600,654	3,143,220
			Agency Commission (Income)	16,401,198	927,707	18,448,681	1,531,213
			Purchase of goods	30,578,726	3,928,673	28,877,598	6,576,899
			Expenses Receivable	26,281,297	4,385,361	13,324,742	3,856,215
			Expenses Payable	1,903,670	2,739,610	1,290,775	757,890
			Proposed Dividend	101,999,976	101,999,976	-	-
10	Yantai Timken Company Limited	Fellow Subsidiary	Purchase of goods	54,018,595	7,063,346	107,486,091	22,662,847
			Purchases of Fixed Assets	3,218,694	1,463,956	3,530,616	-
			Agency Commission (Income)	-	-	348	-
11	Australian Timken Proprietary Limited	Fellow Subsidiary	Sale of Goods	124,786,880	16,665,229	74,928,621	10,534,117
			Purchase of goods	917,714	-	3,512,844	204,532
12	Timken Polska	Fellow Subsidiary	Purchase of goods	77,937,539	19,445,992	47,076,160	28,067,490
			Purchases of Fixed Assets	879,661	-	-	-
			Agency Commission (Income)	-	-	36,861	-
13	Timken (China) Holding company	Fellow Subsidiary	Expenses Payable	57,797,546	2,976,563	69,841,035	13,751,004
			Expenses Receivable	-	-	205,648	-
14	Timken Wuxi Co Ltd - China	Fellow Subsidiary	Purchase of goods	373,495,652	75,711,990	349,835,521	54,623,038
			Expenses Payable	137,649	325,103	433,602	145,999
			Expenses Receivable	427,552	427,552	370,091	-
			Purchases of Fixed Assets	-	-	4,895,511	-
			Agency Commission (Income)	2,698	21,900	347,536	121,559
15	Timken (Shanghai) Distribution & Sales Co. Ltd China	Fellow Subsidiary	Sale of Goods	45,067,979	11,613,232	50,583,930	9,409,096
			Purchase of Goods	8,704,281	1,999,686	4,519,415	261,881
16	Timken India Manufacturing Pvt. Ltd	Fellow Subsidiary	Purchase of goods	397,302,441	3,463,844	167,638,752	35,718,587
			Sale of Goods	64,104,396	27,193,153	24,546,181	3,669,750
			Expenses Receivable	31,682,762	7,006,410	27,811,549	5,170,561
			Expenses Payable	2,430,034	593,372	735,534	-
			Lease rental	30,178,676	14,843,551	15,887,086	2,498,127
			Purchase of Assets	450,000	450,000	-	-
			Purchase of DEPB License	6,782,365	6,782,365	-	-

## Notes to the Financial Statements as at and for the year ended March 31, 2013

(Amount in Rupees)

Sl No.	Name of the Related Party	Relation-ship	Nature of transactions	Transaction Amount	Outstanding as at	Transaction Amount	Outstanding as at
				<b>31 March 2013</b>		<b>31 March 2012</b>	
17	Timken Engineering and Research India Pvt. Ltd	Fellow Subsidiary	Expenses Receivable	<b>11,910,626</b>	<b>767,622</b>	3,184,206	751,501
			Expenses Payable	<b>98,356,218</b>	<b>7,856,427</b>	135,367,263	9,947,862
18	Timken DE Mexico S A DE CV	Fellow Subsidiary	Purchase of goods	<b>222,917</b>	–	21,011	–
19	Jiangsu TWB Bearing Co Ltd	Fellow Subsidiary	Purchase of goods	–	–	2,215,082	1,094,435
			Agency Commission (Income)	<b>2,786,817</b>	<b>2,760,261</b>	–	–
20	Timken Canada LP	Fellow Subsidiary	Purchase of goods	<b>942,769</b>	<b>952,159</b>	–	–
21	Nihon Timken KK	Fellow Subsidiary	Purchase of goods	<b>9,587</b>	–	–	–
22	Timken Argentina S R L	Fellow Subsidiary	Sale of Goods	<b>14,986,428</b>	<b>26,207,951</b>	14,044,108	13,681,867
			Purchase of goods	<b>131,668</b>	<b>82,133</b>	–	–
23	Timken Italia SRL	Fellow Subsidiary	Sale of Goods	–	–	1,478,517	–
24	Timken (Mauritius) Ltd	Holding Company till 25th March 2012 and Fellow Subsidiary thereafter	Dividend payable	–	–	1,019,999,760	–
25	Timken Gears and Services	Fellow Subsidiary	Expenses Payable	<b>8,465,278</b>	<b>7,551,957</b>	–	–
			Expenses Receivable	<b>759,399</b>	–	–	–
			Purchases of Fixed Assets	<b>4,684,711</b>	<b>4,684,711</b>	–	–
26	Ajay Das	Managing Director (from 1st Aug 2009 till 25th Oct 2012) Key Management Personnel	Remuneration	<b>6,297,837</b>	–	24,270,432	1,255,384
27	Sanjay Koul	Managing Director (from 26th Oct 2012) Key Management Personnel	Remuneration	<b>9,709,655</b>	<b>3,062,103</b>	–	–

## Notes to the Financial Statements as at and for the year ended March 31, 2013

### NOTE 37

Excise duty and cess on stock represent differential excise duty and cess thereon paid/provided on opening and closing stock of finished goods.

### NOTE 38

The Company has applied to the Central Government for approval of the appointment of the Managing Director with effect from 26th October 2012 in terms of Part I of Schedule XIII to the Companies Act, 1956. Such appointment is also subject to the approval of the Company's shareholders.

### NOTE 39

Capital work-in-progress includes direct costs consisting of Salaries, Wages and Bonus Rs. 1,636,844 (Rs. Nil), Insurance Rs. 66,670 (Rs. Nil), Legal & Professional Fees Rs. 178,000 (Rs. Nil.) and Rent Rs. 162,800 (Rs. Nil) relating to the Company's project at Raipur. Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the company.

### NOTE 40

Till the fifteen months period ended 31 March 2012, the company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2013, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

Further, current year's figures are not comparable with previous period's figures which were for 15 months due to change of the accounting year by the company in the previous period.

As per our report of even date

**For S R B C & CO LLP**  
Firm Registration No. 324982E  
Chartered Accountants

**Per KAMAL AGARWAL**  
*Partner*  
Membership No. 058652  
Mumbai, May 27, 2013

For and on behalf of the Board of Directors

**Sanjay Koul**                      **James R. Menning**  
*Managing Director*                      *Chairman*

**Soumitra Hazra**  
*Company Secretary & Chief –Compliance*  
Mumbai, May 27, 2013

**ABSTRACT OF THE BALANCE SHEET AS AT 31-03-2013 AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI (AMENDED) TO THE COMPANIES ACT, 1956**
**I. Registration Details**

Registration No. 

L	2	9	1	3	0	K	A	1	9	9	6	P	L	C	0	4	8	2	0
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

State Code 

0	8
---	---

Balance Sheet Date 

3	1
---	---

0	3
---	---

2	0	1	3
---	---	---	---

Date Month Year

**II. Capital Raised during the year  
(Amount in Rs.Thousands)**

Public Issue 

N	I	L
---	---	---

 Rights Issue 

N	I	L
---	---	---

Bonus Issue 

N	I	L
---	---	---

 Private Placement 

N	I	L
---	---	---

**III. Position of Mobilisation and Deployment of Fund  
(Amount in Rs. Thousands)**

Total Liabilities 

4	6	3	1	2	3	5
---	---	---	---	---	---	---

 Total Assets 

4	6	3	1	2	3	5
---	---	---	---	---	---	---

Sources of Funds

Paid-Up Capital 

6	3	7	2	2	7
---	---	---	---	---	---

 Reserves & Surplus 

2	7	7	7	3	5	9
---	---	---	---	---	---	---

Secured Loans 

N	I	L
---	---	---

 Unsecured Loans 

N	I	L
---	---	---

Application of Funds

Net Fixed Assets 

1	0	4	8	5	8	7
---	---	---	---	---	---	---

 Investment 

3	1	8	7	5	0
---	---	---	---	---	---

Net Current Assets 

2	0	0	3	0	3	2
---	---	---	---	---	---	---

 Deferred Tax Assets (Net) 

4	4	2	1	6
---	---	---	---	---

Accumulated Losses 

N	I	L
---	---	---

 Misc. Expenditure 

N	I	L
---	---	---

**IV. Performance of Company (Amount in Rs. Thousands)**

Turnover 

6	9	4	0	0	0	2
---	---	---	---	---	---	---

 Total Expenditure 

6	3	0	2	5	3	7
---	---	---	---	---	---	---

+ - Profit/Loss Before Tax 

0	6	3	7	4	6	5
---	---	---	---	---	---	---

 + - Profit/Loss After Tax 

4	4	2	4	1	1
---	---	---	---	---	---

+ - Earning per Share in Rs. 

0	6	.	9	4
---	---	---	---	---

 Dividend rate % 

0	2	0
---	---	---

**V. Generic Names of Three Principal Products of the Company (as per monetary terms)**

Item Code No. 

8	4	8	2	2	0	0	1
---	---	---	---	---	---	---	---

 & 

8	4	8	2	2	0	0	2
---	---	---	---	---	---	---	---

(ITC Code)

Product Description 

T	A	P	E	R	E	D	R	O	L	L	E	R	B	E	A	R	I	N	G	S
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Item Code No. 

8	4	8	2	2	0	0	3
---	---	---	---	---	---	---	---

(ITC Code)

Product Description 

A	P	C	A	R	T	R	I	D	G	E	T	A	P	E	R	E	D
R	O	L	L	E	R	B	E	A	R	I	N	G	S				

Item Code No. 

8	4	8	2	8	0	0	0
---	---	---	---	---	---	---	---

(ITC Code)

Product Description 

O	T	H	E	R	I	N	C	L	U	D	I	N	G	C	O	M	B	I	N	E	D
B	A	L	L	/	R	O	L	L	E	R	B	E	A	R	I	N	G	S			

Mumbai, May 27, 2013

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

**Sanjay Koul**  
Managing Director

For and on behalf of the Board  
**James R. Menning**  
Chairman



## Corporate Governance Report

### Company's philosophy on code of governance

The Vision Statement of the Company expresses its commitment to improve customers' performance and to deliver unparalleled value by applying our knowledge of friction management and mechanical power transmission all around the world. This, it is believed, will help the Company in maximizing the shareholders' value.

The Company's Business Ethics Policy – Code of Conduct for its employees and Board of Directors requires the business of the Company to be conducted according to highest standards of integrity and ethics with due regard for all applicable laws. All associates are expected to be familiar and comply with all applicable laws and regulations. Towards achieving these objectives, the Company has put in place a number of systems to ensure transparency in decision-making, empowerment at different levels, accountability and integrity. These systems are continuously monitored and fine-tuned so as to bring them in line with the changing requirements of the Listing Agreements.

### Board of Directors

Composition:

The Company has a non-executive Chairman and the number of independent Directors is 50% of the total number of directors. The number of Non-executive Directors is more than 50% of the total number of Directors, with the Managing Director being the only Executive Director on the Board of Directors of the Company. None of the Directors on the Board is a member of more than 10 Committees and no Director is the Chairman of more than 5 Committees. The necessary disclosures regarding Committee positions have been made by all the Directors.

The names and category of Directors on the Board, their attendance at the Board Meetings held during the year and also at the last Annual General Meeting, the number of directorships and Committee memberships held by them in other companies are given below:

Name	Category	No. of Board Meetings attended during the year ended 31 March, 2013	Whether attended AGM held on 19 July, 2012	No. of Directorships in other public limited companies*	No. of Committee positions held	
					Chairman	Member
Mr. James R. Menning	Promoter Director, Non-Executive, Not Independent	5	Yes	–	–	–
Mr. Ajay K. Das <sup>1</sup>	Promoter Director, Executive, Not Independent	2	Yes	–	–	1
Mr. Sanjay Koul <sup>2</sup>	Promoter Director, Executive, Not Independent	4	N.A	–	–	1
Mr. Niroop Mahanty	Non-Executive, Independent	6	Yes	1	1	1
Mr. Jai S. Pathak	Non-Executive, Independent	6	Yes	1	–	2
Mr. P. S. Dasgupta	Non-Executive, Independent	5	Yes	8	2	9
Mr. Deepak Rastogi <sup>3</sup>	Promoter Director, Non-Executive, Not Independent	4	Yes	–	–	2
Mr. Christopher J. Holding <sup>4</sup>	Promoter Director, Non-Executive, Not Independent	N.A.	N.A.	–	–	2

\* excluding companies registered or incorporated outside India

1 resigned with effect from 26 October 2012

2 appointed with effect from 26 October 2012

3 resigned with effect from 7 June 2013

4 appointed with effect from 7 June 2013

Six Board Meetings were held during the financial year ended 31 March 2013 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

- 1) 2 May 2012
- 2) 19 July 2012
- 3) 9 November 2012
- 4) 14 January 2013
- 5) 12 February 2013
- 6) 20 February 2013

Information as required under Annexure I to Clause 49 has been made available to the Board. Except for sitting fees paid to the non-executive resident independent directors for attending the meetings of the Board or Committees thereof, the Company does not have any pecuniary relationship or transactions with non-executive directors.

#### Audit Committee

The Audit Committee of the Board enjoys all the powers as mentioned in para II(C) of the Clause 49 of the Listing Agreement. The scope of the Audit Committee includes all the work stated in para II (D) of Clause 49.

The Company has complied with all the requirements of Clause 49 (II)(A) of the Listing Agreement relating to composition of the Audit Committee. Mr. P. S. Dasgupta, an independent, non-executive director acted as the Chairman of the Audit Committee during the year ended 31 March 2013. Mr. Dasgupta, as the Chairman of the Audit Committee was present at the Twenty-fifth Annual General Meeting of the Company held on 19 July 2012.

During the year ended 31 March 2013, the composition of the Audit Committee and the details of meetings attended by the members thereof were as follows:

Name of the Members	Category	No. of Meetings attended
Mr. P. S. Dasgupta Chairman	Non-Executive Independent	4
Mr. Niroop Mahanty Member	Non-Executive Independent	4
Mr. Jai S. Pathak Member	Non-Executive Independent	4
Mr. Deepak Rastogi <sup>1</sup> Member	Promoter Director Non-Executive Not Independent	3

<sup>1</sup>resigned with effect from 7 June 2013, Mr. Christopher J Holding has been appointed as a member of this Committee with effect from 7 June 2013

Audit Committee Meetings were attended by Business Controller, Controller of Accounts and representatives of Pricewaterhouse Coopers, as Internal Auditors. Chairman of the Board of Directors and Managing Director were also present as invitees at the Audit Committee Meetings. Representatives of the Statutory Auditors had also attended these meetings. As required under law, Company Secretary & Chief – Compliance acted as the Secretary of the Audit Committee.

Four Audit Committee Meetings were held during the year ended 31 March 2013. The dates on which the said meetings were held are as follows:

- 1) 2 May 2012
- 2) 19 July 2012
- 3) 9 November 2012
- 4) 12 February 2013

Necessary quorum was present at all these meetings.

#### Remuneration Committee

Broad terms of reference of the Remuneration Committee include determination on behalf of the Board of Directors of the Company and on behalf of the shareholders, the Company's policy on specific remuneration packages for executive directors of the Company. The Company has one executive director under the designation 'Managing Director'.

In terms of the provisions of Clause 49 of the Listing Agreement read with the amended provisions of Schedule XIII to the Companies Act, 1956, all the three members of the Remuneration Committee are non-executive, independent.

## TWENTY-SIXTH ANNUAL REPORT

In 2012-13, the composition of the Remuneration Committee was as follows:

Name of the Members	Category
Mr. Niroop Mahanty Chairman	Non-Executive Independent
Mr. P. S. Dasgupta Member	Non-Executive Independent
Mr. Jai S. Pathak Member	Non-Executive Independent

As per Company's policy, the independent Directors of the Company were paid remuneration by way of Sitting Fees only. Accordingly, a sum of Rs. 15,000/- was paid to each independent director for attending a meeting of the Board of Directors and a sum of Rs. 10,000/- was paid to each independent director for attending a meeting of the Committee of the Board. Other directors were not paid any Sitting Fees.

The Company paid remuneration by way of salary, perquisites and allowances (fixed components) and Performance Incentive (variable component) to the Managing Director being the executive director on the Board of Directors of the Company, after obtaining the requisite approvals. As per practices consistently followed by the Company, Performance Incentives (variable component) were based on the performance criteria laid down at the beginning of the year broadly taking into account the profit targets set for the year under review.

No meeting of the Remuneration Committee was required to be held in 2012-13.

### Details of Remuneration of Directors for year 2012-13

#### Non-Executive Directors

Name of the Director	Sitting Fees (Rs.)
Mr. James R. Menning	Nil
Mr. Niroop Mahanty	1,40,000
Mr. Jai S. Pathak	1,30,000
Mr. P. S. Dasgupta	1,15,000
Mr. Deepak Rastogi	Nil
Mr. Christopher J. Holding	N.A.

#### Executive Directors

In (Rs.)

Name of the Director	Salary & Allowances	Perquisites	Performance Incentive	Stock Options
Mr. Ajay K. Das*	51,28,294	11,69,543	—	Nil
Mr. Sanjay Koul**	36,64,802	8,91,728	20,91,022	Nil

\* resigned with effect from 26 October 2012

\*\* appointed with effect from 26 October 2012

The terms of appointment of the Managing Director are governed by the provisions of the Companies Act, 1956 and such appointment is subject to termination by either party by giving three months' notice unless termination at a shorter notice is mutually agreed by the Managing Director and the Board of Directors of the Company. As per terms of appointment, the Managing Director is not entitled to receive any severance fees.

### Investors Grievance Committee

The terms of reference of the Investors Grievance Committee comprised looking into redressal of investor complaints, e.g. transfer of shares, non-receipt of Balance Sheet, etc. and also to authorize registration of transfer of shares, issue of duplicate / new certificates, etc.

In 2012-13, the composition of the Investors Grievance Committee was as follows:

Name of the Members	Category
Mr. Niroop Mahanty Chairman	Non-Executive, Independent
Mr. Ajay K. Das <sup>1</sup> Member	Promoter Director Executive Not Independent
Mr. Sanjay Koul <sup>2</sup> Member	Promoter Director Executive Not Independent
Mr. Deepak Rastogi <sup>3</sup> Member,	Promoter Director Non-Executive Not Independent

<sup>1</sup> resigned with effect from 26 October 2012

<sup>2</sup> appointed with effect from 26 October 2012

<sup>3</sup> resigned with effect from 7 June 2013, Mr. Christopher J. Holding has been appointed as a member of this Committee with effect from 7 June 2013

Company Secretary & Chief – Compliance acted as the Compliance Officer.

One meeting of the Investors Grievance Committee was held on 2 May 2012. Generally, approval of the members of Investors Grievance Committee are obtained through Circular Resolutions for effecting registration of transfer of shares, issue of duplicate / new certificates and other issues involving investor services. During the above period, an aggregate of 47 resolutions have been approved by the said Committee by way of circulation.

In addition, status reports, *inter alia*, on share price movement and investors' profile were circulated periodically to the members of the Investors Grievance Committee.

The status of investors' queries handled by the Company and also by the Registrars during the financial year ended on 31 March 2013 is given below:

Particulars	Total Received	Total Replied	Total Pending as on 31.03.13
Dividend	403	403	–
Change of Address / PoA	194	194	–
Request for Duplicate / New Certificates	160	160	–
Request for Transmission	50	50	–
Endorsement / Stickers	49	49	–
Others	32	32	–
Request for Annual Report	22	22	–
Non-receipt of interest / Redemption	12	12	–
Non-receipt of Certificates	7	7	–
<b>TOTAL</b>	<b>929</b>	<b>929</b>	<b>–</b>

As on 31 March 2013, 16 requests for registration of transfer of Equity Shares of the Company remained outstanding in the books of the Company, partly being requests received subsequent to 21 March 2013 and partly for sellers' confirmation.

# General Body Meetings

## Details on General Meetings

Location, date and time of General Meetings held during the last three years:

Year	Location	AGM / EGM	Date	Day	Time	No. of Special Resolutions
2009	Timken Engineering and Research India Private Limited Wing B, Office 2, Block A, Salarpuria Soft Zone Bangalore - 560 037	AGM	28 April 2010	Wednesday	9 am	–
2010	Tangerine Conference Hall Lemon Tree Hotel, Plot No. 54B/55A Hosur Main Road, Electronic City Phase I, Bangalore – 560 100	AGM	21 April 2011	Thursday	10 am	–
2011-12	Tangerine Conference Hall Lemon Tree Hotel, Plot No. 54B/55A Hosur Main Road, Electronic City Phase I, Bangalore – 560 100	AGM	19 July 2012	Thursday	10 am	–
2012-13	Tangerine Conference Hall Lemon Tree Hotel, Plot No. 54B/55A Hosur Main Road, Electronic City Phase I, Bangalore – 560 100	EGM	20 February 2013	Wednesday	10 am	1

*Note : No Special Resolution was required to be passed in 2012-13 through Postal Ballot.*

## Disclosures

There was no materially significant related party transactions, i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of the Company at large during the financial year 2012-13.

Representation from key management personnel has been received relating to financial and commercial transactions where he or his relatives may have personal interest.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchange / SEBI or any statutory authority on any matters related to capital markets during the last three years – NIL.

The Company has not as such adopted a Whistle Blower Policy being a non-mandatory requirement in terms of Clause 49 of the Listing Agreement. However, the Associates of the Company have access to "The Timken Helpline", a toll free phone number that any Associate can call, if he has any concern or question, which he is not willing to discuss face to face with his Supervisor, Manager or a member of the Human Resource Team. This Helpline is available around the clock, every day. No call tracing or recording devices are ever used and if the Associate so wishes, he may remain completely anonymous.

The Company has complied with all the mandatory requirements in terms of Clause 49 of the Listing Agreement.

Regarding compliance with non-mandatory requirements, the following is the status:

- 1) Chairman of the Board – The Chairman of the Board of Directors being a non-executive director enjoyed all the infrastructural support during his visits in the last financial year to the offices of the Company in performance of his duties.
- 2) Remuneration Committee – The Company has a Remuneration Committee in place and it is functioning properly.
- 3) Shareholders' Rights – Half-yearly declaration of financial performance are not currently sent to each of the household of shareholders but are published in terms of Clause 41 of the Listing Agreement in certain newspapers and also to the Stock Exchanges. Besides, all the quarterly / half-yearly / annual financial results are published on the Company's website.
- 4) Audit Qualification – The Auditors' Report on the Company's financial statements does not contain any qualification.
- 5) Board Members – The Company has not adopted any mechanism for evaluating non-executive Board Members or for their training so far.
- 6) Whistle Blower Policy – Please read our comments as above.

**Means of Communication**

Quarterly results were published in the leading English Dailies (Economic Times) and Kannada newspapers (Samyukta Karnataka).

The financial results were also displayed on the Company's website at [www.timken.com/india](http://www.timken.com/india).

Half-yearly results of the Company were communicated through newspaper insertions and intimation to the Stock Exchanges and were also displayed on the Company's website.

**Directors' Shareholding**

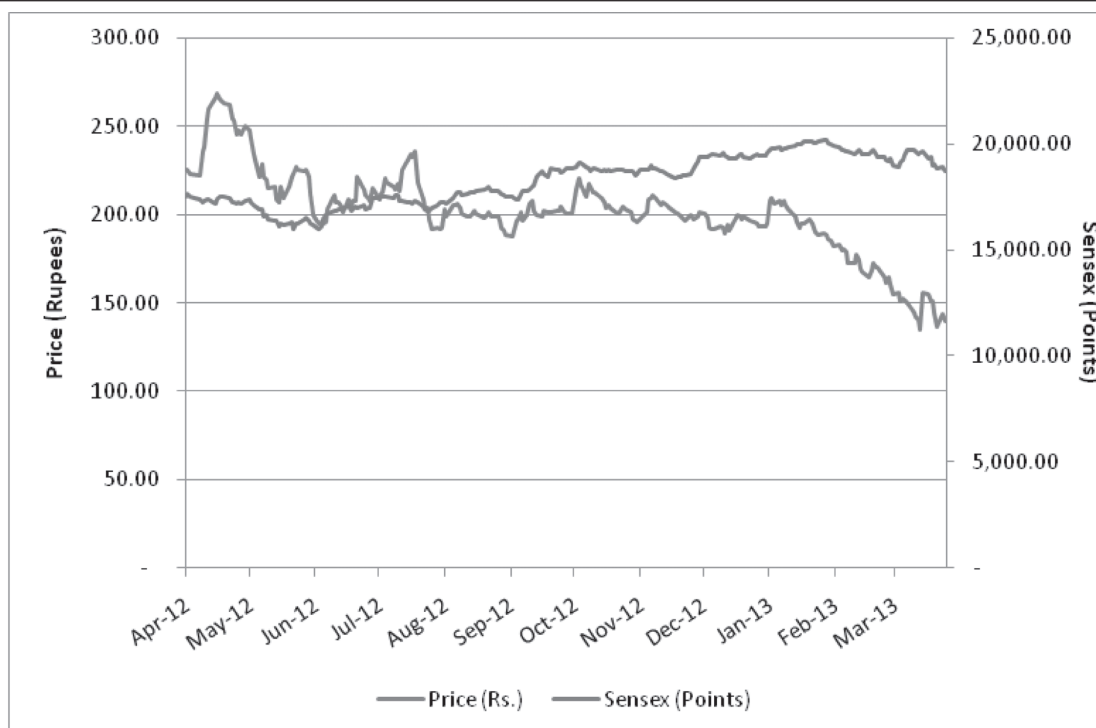
Except Mr. P S Dasgupta, no other non-executive directors hold any Equity Shares of the Company. Mr. Dasgupta holds 1 Equity Share.

**General Shareholders Information**

1.	AGM	1 August 2013 at 10.00 am at Tangerine Conference Hall, Lemon Tree Hotel, Plot No. 54B/55A, Hosur Main Road, Electronic City, Phase I, Bangalore – 560 100																																							
2.	Financial Calendar	<p>The accounting year covers 1 April 2013 to 31 March 2014.</p> <p>Financial reporting for:</p> <p>a) 1<sup>st</sup> Quarter ending 30 June 2013 – end July / early August 2013</p> <p>b) Half year ending 30 September 2013 – end October / early November 2013</p> <p>c) 3<sup>rd</sup> Quarter ending 31 December 2013 – end January / early February 2014</p> <p>d) Annual Accounts for 2013-14 – end April / May 2014</p> <p>Note : the above calendar is indicative in nature.</p>																																							
3.	Date of Book Closure	25 July 2013 to 1 August 2013 (both days inclusive)																																							
4.	Dividend Payment Date	After 1 August, 2013 if declared at the Annual General Meeting																																							
5.	Listing on Stock Exchanges	<p>Equity Shares of the Company are presently listed on the following Stock Exchanges:</p> <p>The National Stock Exchange of India Limited "Exchange Plaza", Bandra Kurla Complex, Bandra (E), Mumbai 400 051</p> <p>BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001</p> <p>The Company has paid annual Listing Fees to the above Stock Exchanges for the year 2013-14.</p> <p>Steps have been taken to get the Equity Shares for delisting from the Magadh Stock Exchange.</p>																																							
6.	Stock Code	522113 (Equity) (BSE), TIMKEN (NSE)																																							
7.	Market Price Data	<p>Monthly High/Low of Market Prices of the Company's Equity Shares, traded on the BSE Limited, Mumbai during the financial year ended 31 March 2013 (source : <a href="http://www.bseindia.com">www.bseindia.com</a>)</p> <table> <tr> <th>Month</th><th>High (Rs.)</th><th>Low (Rs.)</th></tr> <tr><td>April 2012</td><td>269.15</td><td>215.90</td></tr> <tr><td>May 2012</td><td>247.95</td><td>197.50</td></tr> <tr><td>June 2012</td><td>221.80</td><td>185.10</td></tr> <tr><td>July 2012</td><td>236.00</td><td>184.85</td></tr> <tr><td>August 2012</td><td>206.70</td><td>184.10</td></tr> <tr><td>September 2012</td><td>208.00</td><td>185.20</td></tr> <tr><td>October 2012</td><td>220.50</td><td>191.30</td></tr> <tr><td>November 2012</td><td>211.35</td><td>192.30</td></tr> <tr><td>December 2012</td><td>200.85</td><td>185.30</td></tr> <tr><td>January 2013</td><td>209.75</td><td>180.00</td></tr> <tr><td>February 2013</td><td>182.80</td><td>152.25</td></tr> <tr><td>March 2013</td><td>155.70</td><td>128.25</td></tr> </table>	Month	High (Rs.)	Low (Rs.)	April 2012	269.15	215.90	May 2012	247.95	197.50	June 2012	221.80	185.10	July 2012	236.00	184.85	August 2012	206.70	184.10	September 2012	208.00	185.20	October 2012	220.50	191.30	November 2012	211.35	192.30	December 2012	200.85	185.30	January 2013	209.75	180.00	February 2013	182.80	152.25	March 2013	155.70	128.25
Month	High (Rs.)	Low (Rs.)																																							
April 2012	269.15	215.90																																							
May 2012	247.95	197.50																																							
June 2012	221.80	185.10																																							
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January 2013	209.75	180.00																																							
February 2013	182.80	152.25																																							
March 2013	155.70	128.25																																							

## TWENTY-SIXTH ANNUAL REPORT

8.	Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc.	Performance of the Company's Share Prices in comparison of the BSE Sensex is given below:
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9.	Registrar & Transfer Agents	C B Management Services (P) Limited P-22, Bondel Road Kolkata - 700 019																																												
10.	Share Transfer System	<p>Requests for registration of transfer of Shares held in physical form may be lodged with C B Management Services (P) Limited at Kolkata or may also be sent to Company Secretary &amp; Chief – Compliance at the Registered Office of the Company at Bangalore.</p> <p>All valid requests for registration of transfer are normally processed within 10 - 12 days from the date of receipt of the documents, if the same are complete in all respect.</p> <p>A Committee of the Board under the title "Investors Grievance Committee" has been entrusted with the authority, <i>inter alia</i>, to approve registration of transfer of shares.</p>																																												
11.	Distribution of Share holding	<table><tr><td colspan="4">The distribution of shareholding as on 31 March 2013 is given below :</td></tr><tr><td>Range (Rs.)</td><td>Accounts</td><td>Shares</td><td>%</td></tr><tr><td>1 - 5000</td><td>54,614</td><td>61,95,665</td><td>9.72</td></tr><tr><td>5001 - 10000</td><td>1,220</td><td>9,75,088</td><td>1.53</td></tr><tr><td>10001 - 20000</td><td>522</td><td>7,84,525</td><td>1.23</td></tr><tr><td>20001 - 30000</td><td>153</td><td>3,92,758</td><td>0.62</td></tr><tr><td>30001 - 40000</td><td>80</td><td>2,87,231</td><td>0.45</td></tr><tr><td>40001 - 50000</td><td>55</td><td>2,61,333</td><td>0.41</td></tr><tr><td>50001 - 100000</td><td>96</td><td>7,29,192</td><td>1.14</td></tr><tr><td>100001 and above</td><td>74</td><td>5,41,09,058</td><td>84.90</td></tr><tr><td></td><td>56,814</td><td>6,37,34,850</td><td>100.00</td></tr></table>	The distribution of shareholding as on 31 March 2013 is given below :				Range (Rs.)	Accounts	Shares	%	1 - 5000	54,614	61,95,665	9.72	5001 - 10000	1,220	9,75,088	1.53	10001 - 20000	522	7,84,525	1.23	20001 - 30000	153	3,92,758	0.62	30001 - 40000	80	2,87,231	0.45	40001 - 50000	55	2,61,333	0.41	50001 - 100000	96	7,29,192	1.14	100001 and above	74	5,41,09,058	84.90		56,814	6,37,34,850	100.00
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12.	Dematerialisation of Shares and liquidity	The Company has arrangements with National Securities Depositories Ltd. (NSDL) as well the Central Depository Services (India) Ltd. (CDSL) for Demat facility. At present around 95.75% of the Company's Equity Share Capital is dematerialised. The Shares of the Company are listed as aforesaid and are regularly traded on BSE and NSE, Mumbai.
13.	Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity	Nil
14.	Plant location	The Company's Plant is located at Bara, P.O. Agrico, Jamshedpur - 831 009.
15.	Address for correspondence	Any investor related queries may be addressed to the following addresses :  <div style="display: flex; justify-content: space-between;"> <div> Company Secretary &amp; Chief - Compliance Timken India Limited 39-42, Electronic City Phase II, Hosur Road Bangalore - 560 100 Tel. No. 080 - 40053133 Fax No. 080 - 4136 2047 e-mail: santosh.kumar@timken.com </div> <div> C B Management Services (P) Limited P-22, Bondel Road Kolkata - 700 019 Tel. No. 033 - 40116700, 40116725, 40116729 E-mail - rta@cbmsl.com </div> </div>

## Auditors' Certificate

To

**The Members of Timken India Limited**

We have examined the compliance of conditions of corporate governance by Timken India Limited ('Company') for the year ended March 31, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For S R B C & CO LLP**

Firm Registration No. 324982E

Chartered Accountants

**Per KAMAL AGARWAL**

Partner

Membership No. 058652

Place: Kolkata

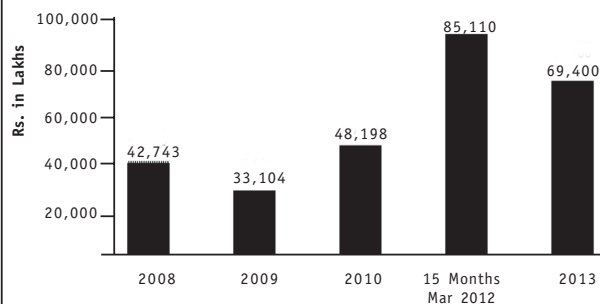
Date : 27 May, 2013

**FIVE YEARS AT A GLANCE**

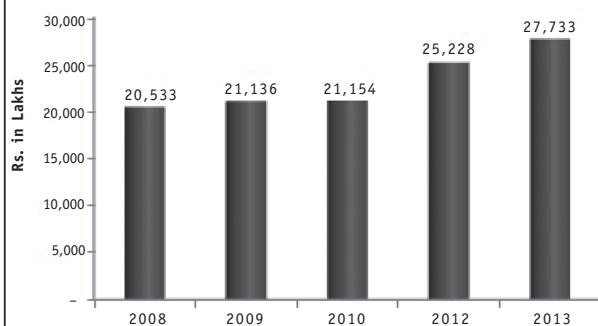
	Year Ended 31.03.2013	15 months Ended 31.03.2012	Year Ended 31.12.2010	Year Ended 31.12.2009	Year Ended 31.12.2008
<b>Production</b>					
(i) Standard Roller Brgs (Equiv. Nos.)	1,662,962	2,627,148	1,864,926	890,288	1,650,170
(ii) Special Roller Bearings (Equiv. Nos.)	1,633,225	2,184,660	1,435,855	1,454,873	1,444,620
(iii) Components (Equiv. Nos.)	3,310,654	4,792,248	3,819,550	2,645,995	4,107,566
<b>Rs/Lakhs</b>					
<b>Profit &amp; Loss Account</b>					
(i) NET Income					
(a) Domestic	51,360	64,575	33,807	25,214	26,279
(b) Export	18,040	20,535	14,391	7,890	16,464
<b>Total (a+b)</b>	<b>69,400</b>	<b>85,110</b>	<b>48,198</b>	<b>33,104</b>	<b>42,743</b>
(ii) EBIT	6,503	11,178	7,224	4,533	7,898
(iii) Profit Before Tax	6,375	11,056	7,135	4,491	7,792
(iv) Profit After Tax	4,424	8,066	5,106	3,253	5,300
<b>Balance Sheet</b>					
(i) Gross Block (includes CWIP)	27,733	25,228	21,154	21,136	20,533
(ii) Net Block	7,915	7,965	5,818	5,676	7,055
(iii) Net Current Asset	20,030	16,920	10,590	9,237	11,215
(iv) Capital Employed	33,704	32,521	37,693	32,908	29,611
(v) Beginning Invested Capital (BIC)	31,343	37,378	32,154	29,085	23,700
(vi) Total Debt	–	1,478	–	–	–
(vii) Equity	34,146	31,313	38,059	32,953	29,700
<b>Other Comparative Data</b>					
(i) PAT to Net Sales (%)	6%	9%	11%	10%	12%
(ii) EBIT / BIC (%)	21%	30%	22%	16%	33%
(iii) Return on Net Worth (%)	13%	26%	13%	10%	18%
(iv) E.P.S (Rs)	6.94	12.66	8.01	5.10	8.32
(v) Total Debt to Total Equity (%)	0%	5%	0%	0%	0%
(vi) Total Debt to Total Capital (%)	0%	5%	0%	0%	0%
(vii) Fixed Asset Turnover (times)	8.77	10.68	8.28	5.83	6.06
(viii) Working Capital Turnover (times)	3.46	5.03	4.55	3.58	3.81
(ix) Current Ratio (times)	2.65	2.29	1.98	2.56	2.33
(x) Interest Cover (times)	50.53	91.49	81.11	107.93	74.51
(xi) Net sales/Employee (Rs/Lakhs)	111	139	82	58	70

- Notes :**
- (i) EBIT/BIC i.e Beginning invested capital, a type of return on asset ratio, used internally to measure the company's performance. In broad terms, invested capital is total assets minus non interest- bearing current liabilities.
  - (ii) Return on Net Worth is profit after tax divided by net worth as at the end of the year.
  - (iii) Equity includes preference share capital net off accumulated losses and miscellaneous expenditure to the extent not written off.
  - (iv) Fixed Asset Turnover is net sales divided by net fixed assets as at the end of the year.
  - (v) Working Capital Turnover is net sales divided by net current asset as at the end of the year.
  - (vi) Current ratio is current assets divided by current liabilities including current portion of long term loans, if any, repayable within one year.
  - (vii) Interest Cover is profit before interest and taxation divided by net interest expenses.
  - (viii) Due to change of the accounting year by the company, current period's figures being for 12 months are not comparable with the previous year's figures of 15 months.

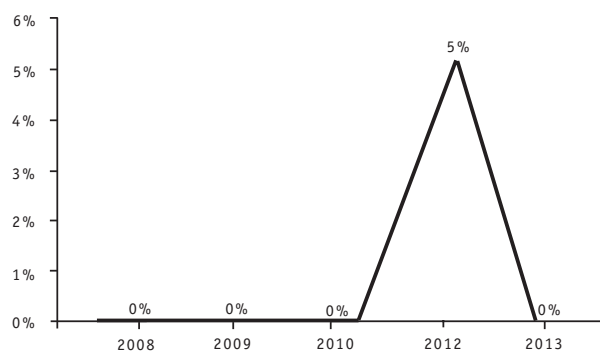
NET SALES



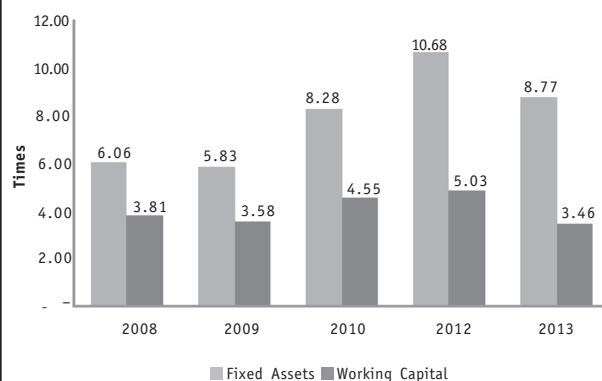
GROSS BLOCK



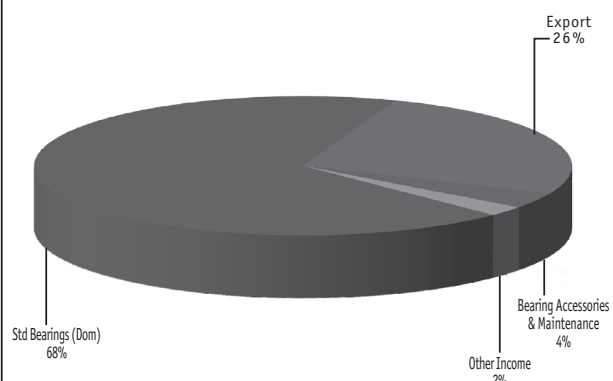
TOTAL DEBT: EQUITY



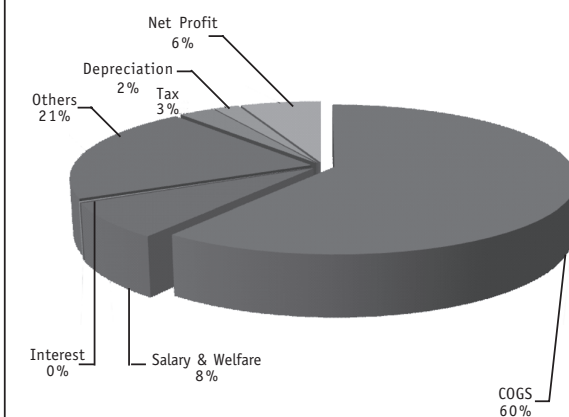
ASSET TURNOVER



HOW THE MONEY WAS EARNED



HOW THE MONEY WAS DISTRIBUTED



**TIMKEN INDIA LIMITED**

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

**ATTENDANCE SLIP**

Name .....

Folio No. ....

No. of Shares held .....

I hereby record my presence at the Twenty-Sixth Annual General Meeting of the Company 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.

SIGNATURE OF THE MEMBER/PROXY .....

- Notes :**
1. Members/Proxyholders wishing to attend the meeting must bring the Attendance Slip to the Meeting and hand over at the entrance duly signed.
  2. Members/Proxyholders desiring to attend the meeting are requested to bring their copy of the Annual Report for reference at the Meeting.

**TIMKEN INDIA LIMITED**

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

**PROXY**

I/We, .....  
 of ..... in the District of .....  
 a Member/Members of the above named Company, hereby appoint .....  
 of ..... in the District of ..... or failing him/her  
 ..... of ..... in the District of .....  
 ..... as my/our Proxy to attend and vote for me/us  
 and on my/our behalf at the Twenty-Sixth Annual General Meeting of the Company, to be held on Thursday, 1 August 2013  
 and at any adjournment thereof.

Signed this ..... day of ..... 2013.

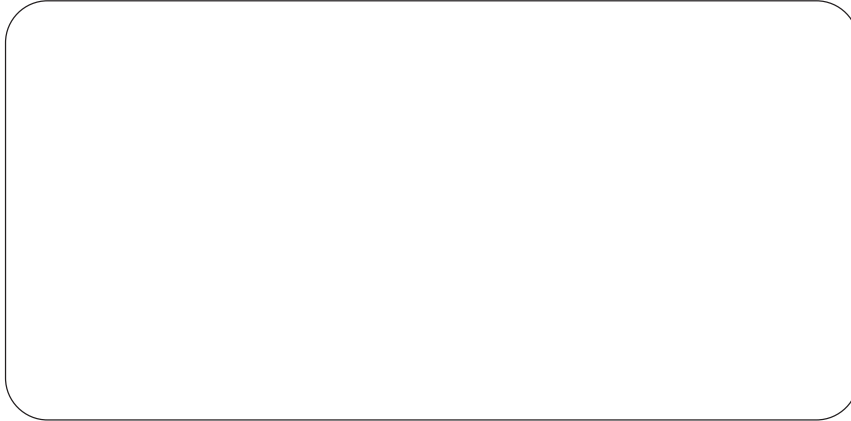
Reference Folio : .....

No. of Shares : ..... Signature .....

Affix  
Revenue  
Stamp

**Note:** The Proxy must be returned so as to reach the Registered Office of the Company at 39-42, Electronic City, Phase II, Hosur Road, Bangalore - 560 100 not less than 48 hours before the time for holding the aforesaid Meeting.

## BOOK POST



If undelivered please return to:

**C B Management Service (P) Limited**

P-22, Bondel Road, Kolkata - 700019.

# TIMKEN

The Timken team applies their know-how to improve the reliability and performance of machinery in diverse markets worldwide. The company designs, makes and markets high-performance steel as well as mechanical components, including bearings, gears, chain and related mechanical power transmission products and services.

[www.timken.com/india](http://www.timken.com/india)

Stronger. **Commitment.** Stronger. **Value.** Stronger. **Worldwide.** Stronger. **Together.** | Stronger. **By Design.**