

30 July, 2021

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| The Secretary National Stock Exchange of India Ltd. Exchange Plaza, Plot no. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051. <u>NSE Sybmol: TIMKEN</u> | The Secretary BSE Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. <u>Scrip Code: 522113</u> |
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Dear Sir(s),

Sub: Notice convening 34th Annual General Meeting and Annual Report 2020-21

In compliance with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we attach herewith:

- Notice of 34th Annual General Meeting of the Company to be held on Monday, 23 August, 2021 and
- Annual Report of the Company for the financial year 2020-21.

We request you to kindly take this on record.

Thanking you,

Yours sincerely,
For Timken India Limited

Mandar Vasmatkar
Company Secretary
& Chief - Compliance

TIMKEN INDIA LIMITED

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

(CIN: L29130KA1996PLC048230)

Phone No. 080-41362000, Fax No. 080-41362010

Website: www.timken.com/en-in; Email Id: tilinvestor@timken.com

Notice

Notice is hereby given that 34th Annual General Meeting of Timken India Limited will be held through Video Conferencing (VC) / Other Audio Visual Means ("OAVM") on Monday, 23 August, 2021 at 3.00 PM (IST) to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements for the year ended 31 March, 2021 and the reports of the Board of Directors and the Statutory Auditors.
2. To declare dividend of Rs.1.50/- per equity share of Rs.10/- each fully paid up for the year ended 31 March, 2021.
3. To appoint a Director in place of Mr. Douglas Smith (DIN: 02454618), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

4. Re-appointment of Mrs. N S Rama (DIN: 06720033) as an Independent Director of the Company

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

"RESOLVED THAT pursuant to provisions of Section 149 and other applicable provisions of the Companies Act, 2013 (the 'Act') and Rules made thereunder (including any statutory modifications or amendments or re-enactments thereof) read with Schedule -IV of the Act and Regulations 16 and 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and based on the recommendation of Nomination and Remuneration Committee and approval of the Board of Directors, Mrs. N S Rama (DIN: 06720033), in whose respect notice has been received from a Member under the provisions of Section 160 of the Act, be and is hereby re-appointed as an Independent Director of the Company for a further period of 2 years w.e.f. 25 October, 2021 to 24 October, 2023."

5. Ratification of remuneration payable to the Cost Auditors

To consider and if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to provisions of Section 148 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder (including any statutory modifications or amendments or re-enactments thereof) and based on recommendation of the Audit Committee and approval of the Board of Directors, remuneration of Rs. 4,40,000/- (Rupees four lakhs and forty thousand only) plus applicable taxes and reimbursement of out-of-pocket expenses payable to M/s. Shome & Banerjee (Firm Registration No. 000001), Cost Auditors, to conduct the Cost Audit for the financial year 2021-22 be and is hereby ratified and approved."

By Order of the Board

Place: Bengaluru
Date: 18 June, 2021

Sd/-
Mandar Vasmatkar
Company Secretary
& Chief - Compliance

NOTES :

1. The Ministry of Corporate Affairs vide Circular dated 13 January, 2021 read with Circulars dated 8 April, 2020, 13 April, 2020 and 5 May, 2020 (collectively referred to as "MCA Circulars") has allowed to conduct Annual General Meeting ('AGM') through VC/OAVM without physical presence of the Members. In view of the same, AGM of the Company is being held through VC/OAVM. Since physical attendance is dispensed with for this Meeting being conducted through VC/OAVM, facility of appointment of proxy is not available. In view of same, proxy form, attendance sheet and route map are not attached to this Notice.
2. **Statement pursuant to Section 102 of the Companies Act, 2013 (the 'Act') in respect of item nos. 4 & 5 is annexed hereto. Applicable details relating to Directors pursuant to Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and Secretarial Standard-2 ('SS-2') are also annexed.**
3. Those Members who have not encashed their dividend warrants relating to payment of dividend for FY 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 of the Company including for erstwhile ABC Bearings Limited (amalgamated) may please contact Investor Relations at tilinvestor@timken.com for payment in lieu of warrant not encashed by them.
4. The amount outstanding in unpaid dividend accounts in respect of financial years as mentioned above will be transferred to the Investor Education and Protection Fund ("IEPF") after end of seven years from the date when said dividend was transferred to unpaid dividend account. Accordingly, unpaid dividend for FY 2013-14 relating to ABC Bearings Limited (amalgamated) and unpaid dividend for FY 2014-15 (Interim Dividend) relating to the Company are due for transfer to IEPF in the month of August, 2021 and December, 2021 respectively.
5. Dividend on equity shares, as recommended by the Board of Directors (Rs. 1.50/- per equity share of Rs. 10/- each fully paid up), if declared at 34th AGM of the Company, will be paid:
 - In respect of shares held in physical form to those Members whose names will appear on the Register of Members of the Company as at the close of business on 30 July, 2021.
 - In respect of shares held in the dematerialized form to those beneficial owners whose names will appear in the statement as may be furnished by the depositories for this purpose as at the close of business on 30 July, 2021.
6. Shareholders may note that effective April 01, 2020, dividends paid or distributed by a company are taxable in the hands of the shareholders and the Company is required to deduct applicable taxes at source ("TDS") from such dividend payment in accordance with the applicable provisions of the Income-tax Act, 1961 ("the IT Act"), as amended by the Finance Act, 2020. In general, to enable the compliance with TDS provisions, shareholders are requested to complete and/ or update their residential status, PAN (Permanent Account number), category as per the IT Act with their Depository Participants/the Company.

- For resident shareholders, taxes shall be deducted at source as follows:

| | |
|-----------------------------------------|-------|
| Shareholders having valid PAN | 10% |
| Shareholders not having PAN / valid PAN | 20% * |

*subject to applicable Surcharge and Health and Education Cess

- Tax shall be deducted at the rate of 20% on dividend payable to specified person as per Section 206AB of the Income Tax Act.
- However, no tax shall be deducted on the dividend payable to a resident individual if the total dividend to be received by him/her during Financial Year 2021-22 from the Company does not exceed Rs. 5,000 and, also in cases where such resident shareholder provides declaration in Form 15G / Form 15H (applicable to individuals) subject to conditions specified in the IT Act. Resident shareholders may also submit any other document as prescribed under the IT Act to claim a lower / Nil withholding tax like a Certificate for deduction of TDS at lower rate from the Income Tax Department. PAN is mandatory for Shareholders providing Form 15G / 15H or any other document as mentioned above. Necessary declarations in this regards are available on the Company's website at <https://www.timken.com/en-in/investors/statutory-compliances/#dividend>
- For non-resident shareholders, taxes are required to be deducted in accordance with the provisions of Section 195 and other applicable sections of the IT Act, at the rates in force. TDS shall be deducted at the rate of 20% (plus applicable surcharge and Health and Education cess) on the amount of dividend payable. However, the rate of TDS may be reduced if such non-resident shareholder is a tax resident of a country or specified territory which has signed Double Taxation Avoidance Agreement (DTAA) with India and such DTAA provides for a lower TDS rate. To avail lower TDS rate as per the DTAA, the non-resident shareholders will have to provide the following information/ documents to the Company:

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- Copy of a Tax Residency Certificate i.e. a certificate of being resident in any country or specified territory outside India from the Government of that country or specified territory (“TRC”), valid till December 31, 2021;
 - Self-declaration in Form No. 10F
 - Copy of PAN card allotted by the Indian Income Tax authorities duly attested by the shareholder, if obtained. If no PAN card is allotted, then following information/ documents are required to be provided duly attested by the shareholder –
 - Name, e-mail id, contact number;
 - Address in the country or specified territory outside India;
 - Tax Identification Number in the country or specified territory and in case no such number is available, then a unique number on the basis of which such shareholder is identified by the Government of that country or the specified territory.
 - Self-declaration by the shareholder of having no permanent establishment or business connection in India in accordance with the applicable DTAA or the provisions of the IT Act.
 - Self-declaration of beneficial ownership by the non-resident shareholder
 - Any other documents as prescribed under the IT Act for lower TDS if applicable, duly attested by the shareholder.
- Please send the documents/ declarations, as applicable at the registered office address of the Company. The documents/ declarations can be sent to the Company through email at TIL.TDS@timken.com by Monday, August 10, 2021 on or before 6 PM India Standard Time. In case insufficient/ incomplete documents or no documents are received before the said date and time, the Company will deduct TDS at the maximum applicable rate. For any TDS related query, please write to TIL.TDS@timken.com.
7. Beneficial Owners of shares in demat form are advised to get particulars of their bank accounts and PAN details updated with the Depository Participants.
 8. Members may note that pursuant to Section 108 of the Act read with Rules made thereunder and Regulation 44 of Listing Regulations, the Company is providing remote e-Voting facility for voting on the resolutions proposed to be passed at the 34th AGM. This Notice contains a set of instructions for remote e-Voting and also for e-Voting on the day of AGM as per applicable provisions of law.
 9. In compliance with MCA Circulars and SEBI Circular dated 15 January, 2021 read with SEBI Circular dated 12 May, 2020, Annual Report and Notice of AGM are being sent only by e-mail to those Members who have registered their e-mail address with the Company/Depository Participant(s). Copies of Annual Report for FY 2020-21 and Notice of 34th AGM are available on the website of the Company at www.timken.com/en-in.
 10. To support the green initiative, the Members holding share(s) in physical form, who have not registered their e-mail address (to enable the Company to send various documents, including without limitation notices, annual report, etc., by electronic mail), bank details (for payment of dividend) and PAN (for TDS) are requested to register email ID and Bank & PAN details with the Company.
 11. The Register of Directors and Key Managerial Personnel and their shareholding, the Register of Contracts or Arrangements in which the Directors are interested, will be available for inspection by the members upto the date of AGM. Members seeking to inspect such documents can send an email to tilinvestor@timken.com.
 12. Corporate Members/Institutional Members (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG format) of the relevant Board Resolution, Authority letter/Power of Attorney for representative, who are authorized to attend and/or vote, to the Scrutinizer by e-mail to sree@sreedharancs.com with a copy marked to evoting@nsdl.co.in.

Annexure to the Notice – Statement pursuant to Section 102 of the Act

Item No. 4

Mrs. N S Rama (DIN: 06720033) ('Mrs. Rama') was appointed as an Independent Director of the Company effective 25 October, 2019 for a period of 2 years. Her tenure of 2 years will come to an end on 24 October, 2021. As per Section 149 of the Act, Mrs. Rama is eligible to be re-appointed as an Independent Director of the Company for another term.

The Nomination and Remuneration Committee has recommended to re-appoint Mrs. Rama as an Independent Director of the Company for a further period of 2 years w.e.f. 25 October, 2021. In the opinion of the Board of Directors, Mrs. Rama fulfills the conditions specified in the Act and the Rules made thereunder and she is independent of the management. The Board of Directors, based on performance evaluation of first tenure and considering knowledge, expertise and contribution of Mrs. Rama, believes that continued association of Mrs. Rama will be of immense benefit to the Company and therefore, approved re-appointment of Mrs. Rama as an Independent Director of the Company for a further period of 2 years w.e.f. 25 October, 2021 subject to approval of members.

The Company is in receipt of a notice under Section 160 of the Act from a Member proposing candidature of Mrs. Rama for the office of Independent Director.

The Company has received from Mrs. Rama:

- a) Consent in Form DIR-2
- b) Intimation in Form DIR-8 and
- c) Declaration to the effect that she meets the criteria of independence in terms of Section 149 of the Act and Regulation 16 of Listing Regulations.

The proposal for re-appointment of Mrs. Rama as an Independent Director of the Company is therefore, placed before the Members for approval as set out under item no. 4 of the accompanying Notice. The Board recommends Resolution set out under item no. 4 for approval of the Members.

Memorandum of Interest

Except Mrs. Rama, no other Director, Key Managerial Personnel or their relatives is concerned or interested in this Resolution.

Item No. 5

Pursuant to Section 148 of the Act read with Rules made thereunder, the Company is required to maintain cost records and get the same audited by Cost Accountant in Practice. The Board of Directors, based on recommendation of the Audit Committee, has re-appointed M/s. Shome & Banerjee (Firm Registration No. 000001), as Cost Auditors for FY 2021-22 at a remuneration of Rs. 4,40,000/- (Rupees four lakhs and forty thousand only) plus applicable taxes and other out-of-pocket expenses. Pursuant to Section 148 of the Act read with Rules made thereunder, remuneration payable to the Cost Auditors requires ratification by the Members.

This item involving payment of remuneration to the Cost Auditors is therefore, placed before the Members for ratification. The Board recommends Resolution set out under item no. 5 for ratification by the Members.

Memorandum of Interest

No Director, Key Managerial Personnel or their relatives is concerned or interested in this Resolution.

Place: Bengaluru
Date: 18 June, 2021

By Order of the Board

Sd/-
Mandar Vasmatkar
Company Secretary
& Chief - Compliance

INSTRUCTIONS

INSTRUCTIONS FOR REMOTE E-VOTING :

1. In compliance with the provisions of Section 108 of the Act read with Rules made thereunder and Regulation 44 of Listing Regulations, the Company is pleased to provide to Members a facility to exercise their right to vote on resolutions proposed to be considered at the 34th AGM by remote e-Voting. The facility of casting the votes by the Members through remote e-Voting will be provided by National Securities Depository Limited (“NSDL”).
2. The facility of e-Voting on the day of AGM shall also be made available by NSDL and the Members attending the meeting who have not cast their vote by remote e-Voting shall be eligible to exercise their right to vote at AGM.
3. The Members who have cast their vote by remote e-Voting prior to AGM may also attend AGM but shall not be entitled to cast their vote again.
4. The remote e-Voting facility will be available during the following period:

| Commencement of e-Voting | End of e-Voting |
|--------------------------------|--------------------------------|
| 20 August, 2021 from 9.00 A.M. | 22 August, 2021 till 5.00 P.M. |

During this period Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 16 August, 2021 may cast their vote by remote e-Voting. The remote e-Voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently.

5. How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of “Two Steps” which are mentioned below:

Step 1: Access to NSDL e-Voting system

- A) **Login method for e-Voting and joining virtual meeting for individual shareholders holding securities in demat mode:**-In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for individual shareholders holding securities in demat mode is given below:

| Type of shareholders | Login Method |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Individual Shareholders holding securities in demat mode with NSDL. | <ol style="list-style-type: none"> 1. If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the “Beneficial Owner” icon under “Login” which is available under “IDeAS” section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on “Access to e-Voting” under e-Voting services and you will be able to see e-Voting page. Click on options available against company name or e-Voting service provider - NSDL and you will be re-directed to NSDL e-Voting website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 2. If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select “Register Online for IDeAS” Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on options available against company name or e-Voting service provider - NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. |

| Type of shareholders | Login Method |
|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Individual Shareholders holding securities in demat mode with CDSL | <ol style="list-style-type: none"> Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URLs for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com. After successful login of Easi/Easiest the user will be able to see the e-Voting Menu. The Menu will have links of e-Voting service provider i.e. NSDL. Click on NSDL to cast your vote. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where the e-Voting is in progress. |
| Individual Shareholders (holding securities in demat mode) login through their depository participants | You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Once login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on options available against company name or e-Voting service provider-NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. |

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at respective websites.

Helpdesk for individual shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL:

| Login type | Helpdesk details |
|--------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Individual Shareholders holding securities in demat mode with NSDL | Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nssl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30 |
| Individual Shareholders holding securities in demat mode with CDSL | Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022-23058738 or 022-23058542-43 |

B) **Login Method for shareholders other than individual shareholders holding securities in demat mode and shareholders holding securities in physical mode:**

How to Log-in to NSDL e-Voting website?

- Visit e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nssl.com/> either on a Personal Computer or on a mobile.
- Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.
- A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nssl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below :

| Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical | Your User ID is: |
|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| a) For Members who hold shares in demat account with NSDL. | 8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****. |
| b) For Members who hold shares in demat account with CDSL. | 16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12***** |
| c) For Members holding shares in Physical Form. | EVEN Number followed by Folio Number registered with the Company. For example, if folio number is 001*** and EVEN is 101456 then user ID is 101456001*** |

5. Password details for shareholders other than Individual shareholders are given below:

- a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
- b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
- c) How to retrieve your 'initial password'?
 - (i) If your email ID is registered in your demat account or with the Company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open .pdf file. The password to open .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
 - (ii) If your email ID is not registered, please follow steps mentioned below in **process for those shareholders whose email ids are not registered.**

6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

- a) Click on "**Forgot User Details/Password?**" (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
- b) "**Physical User Reset Password?**" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
- c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address etc.
- d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system

How to cast your vote electronically and join General Meeting on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.
2. Select "EVEN" of TIMKEN. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join General Meeting".
3. Now you are ready for e-Voting as the Voting page opens.

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4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
 5. Upon confirmation, the message "Vote cast successfully" will be displayed.
 6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
 7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Process for procuring user ID and password for e-Voting for those shareholders whose email IDs are not registered with the depositories/Company:

The shareholders whose email ids are not registered with Depositories shall send following documents to NSDL at evoting@nsdl.co.in to obtain user id and password and registration of e mail ids for e-Voting for the resolutions set out in the Notice :

- a. In case shares are held in physical mode, please provide Folio No, name of Member, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card).
- b. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), name, client master or copy of consolidated account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card). If you are an Individual shareholder holding securities in demat mode, you are requested to refer to the login method explained at step 1 (A) i.e. Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.

INSTRUCTIONS FOR E-VOTING ON THE DAY OF THE AGM :

1. The procedure for e-Voting on the day of AGM is same as mentioned above for remote e-Voting.
2. Only those Members, who will be present in the AGM through VC/OAVM facility and have not cast their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM. Members who have voted through remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

INSTRUCTIONS FOR MEMBERS ATTENDING AGM THROUGH VC/OAVM:

1. Members will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access NSDL e-Voting system by following steps mentioned above for access to NSDL e-Voting system. After successful login, you can see link of "VC/OAVM link" placed under "Join General meeting" menu against Company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu.
2. Members who would like to express their views/ask questions during the meeting may register themselves as a speaker. For this purpose, please send request mentioning name, demat account number/folio number, email id, mobile number at tilinvestor@timken.com at least five days before AGM date. Those Members who have registered themselves as a speaker will only be considered to express their views/ask questions during the meeting. However, the Company reserves a right to restrict number of speakers depending on availability of time for AGM. Members who would like to ask questions may send their questions in advance mentioning their name, demat account number/folio number, email id, mobile number at tilinvestor@timken.com five days before AGM date. The same will be replied by the Company suitably in the meeting.
3. The Members can join AGM in VC/OAVM mode 30 minutes before and after scheduled time of commencement of the meeting by following procedure mentioned in the Notice. Members attending the AGM through VC/OAVM will be counted for purpose of reckoning the quorum.

GENERAL GUIDELINES FOR MEMBERS

1. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to e-Voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.
2. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-Voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800 1020 990 and 1800 22 44 30 or send a request at evoting@nsdl.co.in

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3. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 16 August, 2021.
 4. Any person, who acquires shares of the Company and becomes Member of the Company after dispatch of Notice of AGM and holding shares as of the aforesaid cut-off date may obtain login ID and password by sending a request at evoting@nsdl.co.in. However, if you are already registered with NSDL for remote e-Voting then you can use your existing user ID and password for casting your vote.
 5. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the depositories as on aforesaid cut-off date only shall be entitled to avail the facility of remote e-Voting as well as e-Voting on the day of AGM. A person who is not a Member (not holding shares of the Company) as on aforesaid cut-off date should treat this Notice for information purposes only.
 6. Mr. V Sreedharan (FCS 2347, CP No. 833), failing whom Mr. Pradeep B. Kulkarni (FCS 7260, CP No. 7835), failing whom Ms. Devika Sathyanarayana (ACS 16617, CP No. 17024) Partners of M/s V. Sreedharan and Associates, Company Secretaries, have been appointed as the Scrutinizers to scrutinize remote e-Voting and e-Voting on the day of AGM in a fair and transparent manner.
 7. The Scrutinizer shall after the conclusion of voting at the AGM, will unblock the votes cast through e-Voting (remote e-Voting as well as e-Voting on the day of AGM) and shall submit, not later than 48 working hours from the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
 8. Results declared along with the report of the Scrutinizer shall be placed on the Company's website at www.timken.com/en-in and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the Stock Exchanges where the Company's shares are listed.

Details of Directors in terms of Regulation 36 of Listing Regulations and SS-2 are as under

| Particulars | Mrs. N S Rama | Mr. Douglas Smith |
|----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Brief resume of the Director | Mrs. Rama presently serves as CEO of Electronics City Industries Association. She also serves on the academic advisory board of Management Institutes. In past, she worked as Delivery Head for a product engineering team and Location Head for Infosys Development Center. Mrs. Rama has contributed significantly for development of Electronics City. Mrs. Rama also serves as external member of Anti Sexual Harassment Committee of various companies. Mrs. Rama has decades of rich experience in engineering and system design and R&D in Telecom. | Mr. Smith presently serves as Vice President, Technology at The Timken Company. Mr. Smith is responsible for leading Timken's technology strategy, including product and digital technologies to advance customer experience and create enterprise value. This includes oversight of Timken's bearing research and development as well as information technology and digital transformation initiatives. Mr. Smith joined Timken in 1991 and has held number of research & development, manufacturing and management positions during his tenure. He holds eleven patents from U.S. Patent and Trademark Office. |
| Date of Birth/Age | 22 June, 1949/72 Years | 30 January, 1971/50 Years |
| Date of first appointment | 25 October, 2019 | 7 February, 2020 |
| Expertise in specific functional areas | <ul style="list-style-type: none"> ● Management Consultancy ● Information Technology (For more details, please refer Corporate Governance Report - Annexure I to the Board's Report) | <ul style="list-style-type: none"> ● Information and Product Technology ● Production and Engineering ● Research and Development (For more details, please refer Corporate Governance Report - Annexure I to the Board's Report) |
| Qualifications | Bachelor's Degree in Engineering | Bachelor's and Master's Degree in Mechanical Engineering |
| List of companies in which outside Directorship as on 31 March, 2021 | Xchanging Solutions Limited | Nil |
| Chairman / Member of the Committees of the Board of the Companies on which he/she is a Director as on 31 March, 2021 | Timken India Limited:- <ul style="list-style-type: none"> ● Chairperson – Nomination and Remuneration Committee ● Member – Audit Committee ● Chairperson – Stakeholders Relationship Committee Xchanging Solutions Limited:- <ul style="list-style-type: none"> ● Member - Nomination and Remuneration Committee ● Chairperson – Audit Committee ● Member – Corporate Social Responsibility Committee ● Member – Stakeholders Relationship Committee | Timken India Limited:- <ul style="list-style-type: none"> ● Member – Nomination and Remuneration Committee ● Member – Stakeholders Relationship Committee |
| Shareholding in the Company including shareholding as beneficial owner | Nil | Nil |
| Relationship with other Directors/KMP | No relationship with other Directors/KMP | No relationship with other Directors/KMP |
| No of Board Meetings attended in FY 2020-21 | 4 | 4 |
| Terms of Re-appointment | For a period of two years w.e.f. 25 October, 2021. Draft appointment letter containing terms and conditions of re-appointment of Mrs. Rama is available on website of the Company at www.timken.com/en-in | Director liable to retire by rotation |
| Remuneration paid in FY 2020-21 (Rs.) | Sitting Fees paid : Rs 4.5 lakhs | Nil |
| Remuneration sought to be paid | Sitting fees will be paid as approved by the Board. | Nil |



The Value of Engineering

TIMKEN INDIA LIMITED
34th Annual Report | 2020-21




CORPORATE INFORMATION

(As on 18 June, 2021)

BOARD OF DIRECTORS**Mr. Sanjay Koul**

Chairman & Managing Director

Mr. P S Dasgupta

Independent Director

Mr. Bushen Lal Raina

Independent Director

Mrs. N S Rama

Independent Director

Mr. Douglas Smith

Director

Mr. Avishrant Keshava

CFO & Whole-time Director

COMMITTEES OF THE BOARD**AUDIT COMMITTEE****Chairman**

Mr. P S Dasgupta

Members

Mr. Sanjay Koul

Mr. Bushen Lal Raina

Mrs. N S Rama

STAKEHOLDERS RELATIONSHIP**COMMITTEE****Chairperson**

Mrs. N S Rama

Members

Mr. Sanjay Koul

Mr. Douglas Smith

NOMINATION AND REMUNERATION**COMMITTEE****Chairperson**

Mrs. N S Rama

Members

Mr. P S Dasgupta

Mr. Bushen Lal Raina

Mr. Douglas Smith

CORPORATE SOCIAL RESPONSIBILITY**COMMITTEE****Chairman**

Mr. Sanjay Koul

Members

Mr. Bushen Lal Raina

Mr. Avishrant Keshava

RISK MANAGEMENT**COMMITTEE****Chairman**

Mr. Sanjay Koul

Members

Mr. Bushen Lal Raina

Mr. Avishrant Keshava

COMPANY SECRETARY**& CHIEF-COMPLIANCE**

Mr. Mandar Vasmatkar

STATUTORY AUDITORS

Deloitte Haskins & Sells LLP
Partner: Mr. Sathya P Koushik

INTERNAL AUDITORS

KPMG Assurance and Consulting Services LLP
Partner: Mr. Vineet Dhawan

COST AUDITORS

Shome and Banerjee
Partner: Mr. Kunal Banerjee

SECRETARIAL AUDITOR

Mr. Nagarjun Y G

BANKERS

HDFC Bank
Bank of America
Standard Chartered Bank
State Bank of India

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REGISTERED OFFICE

Timken India Limited
39-42, Electronic City, Phase II,
Hosur Road, Bengaluru 560 100

Tel. No. 080 - 41362000

Fax No. 080 - 41362010

✉ E-mail: tilinvestor@timken.com

🌐 Website: www.timken.com/en-in/

CIN: L29130KA1996PLC048230

BSE Code: 522113

NSE Symbol: TIMKEN

INVESTOR RELATIONS CORRESPONDENCE

Company Secretary & Chief Compliance
Timken India Limited
39-42, Electronic City, Phase II,
Hosur Road, Bengaluru - 560 100

Tel. No. 080 - 41362000

✉ E-mail: tilinvestor@timken.com

Tax on dividend queries: TIL.TDS@timken.com

REGISTRAR AND SHARE TRANSFER AGENT

CB Management Services Private Limited
P-22, Bondel Road, Kolkata - 700 019

✉ Email: rta@cbmsl.com

Tel. No. 033 - 40116700

Chairman's Statement

Dear Shareholders,

I trust this letter finds you and your families in good health.

While in FY 2020-21 we encountered unforeseen volatility, it also turned out to be a true test of our character. Aided by our core values, especially teamwork, we continued to deliver value to our stakeholders despite the challenges. We continued our mission to keep the world moving forward by working closely with our customers to ensure that they moved closer to their business objectives by mitigating uncertainties during the ever-changing economic and geo-political dynamics.

We stepped into the year amidst headwinds of a global economic slowdown aggravated further by a nation-wide lockdown. COVID-19 severely impacted every aspect of our lives and created much uncertainty. As a responsible company, Timken reacted to the pandemic with great agility and resilience and prioritized the safety of our employees and the communities in which we operate. We made a V-shaped recovery across all functions and made a strong comeback post lockdown as we continued to increase operating efficiency across all locations amidst restrictions.

The Timken Company, our parent company, has been building its engineered bearings leadership by adding adjacent power transmission offerings to better serve our global customers' industrial motion needs. In India, we have been introducing products manufactured by those acquired companies and plan to do so in future as well. For our aftermarket business, we introduced Wheel-Pac repair kit for the first time and revamped the grease range.

We continued investing in capacity expansions at our Jamshedpur and Bharuch facilities. At Jamshedpur plant, we made the state-of-the-art Roller facility operational and enabled the Rail facility with automation technology to serve the high-speed rail market. Rail bearing services were also made operational along with all related utilities at the plant.

Our Bharuch facility made tremendous progress to qualify for producing Timken® products. The plant successfully implemented integration of vital internal systems to align itself with Timken processes. All our facilities exceeded their targets for making our operations more sustainable and environment friendly and reducing carbon footprint. We recorded our lowest ever scrap at Jamshedpur owing to several Lean initiatives and process improvements and achieved zero liquid discharge at both manufacturing locations.

We continue to leverage the engineering & design skills of our global engineering center in Bangalore to forge stronger relationships with our customers, by offering them support that goes beyond products. Our broad range of product offering along with diverse application of products continues to give us the required lead in the market.

Our parent company, The Timken Company, was recognized as one of the World's Most Ethical Companies for 11th consecutive year by Ethisphere® Institute, a global leader in defining and advancing the standards of ethical business practices. We are driven by same ethics, best corporate governance practices, and a strong sense of purpose at the Company.

We continued our efforts to help the communities where we operate. Our CSR efforts were concerted to provide education, skill development, clean drinking water, sanitation, and medical care to the underprivileged.

Timken's excellence is based on the agility of its business and the strength of its diversified portfolio across geographies, product categories, and channels. The new normal catalyzed to expand Timken's business approach to new technologies and the Company was quick to get introduced to the approaching opportunities and adapt new excellence measures.

As we move forward, we anticipate continued uncertainty, changing consumer behaviors and a volatile economic environment. As we embrace this new normal, agility in adopting new technologies, a robust and resilient business model, and strong financials will keep

propelling us forward on our path to sustainable growth. Your Company is well positioned to navigate the challenges ahead and take advantage of opportunities arising out of rapidly evolving markets.

I would like to thank Board of Directors for their continuous guidance and wisdom, which played an instrumental role in steering the Company through this global pandemic. I would like to thank all our stakeholders for their enduring trust, confidence, and support. I would also like to thank the entire Timken team for their unflinching commitment and herculean efforts during these challenging times. I am confident that with the support of all our associates, channel partners and suppliers, and your encouragement, we will build on our successes and improve your Company's profitability and provide enhanced value to our customers and shareholders while mitigating the risks posed by the pandemic.

Sincerely,

Sd/-

Sanjay Koul

Chairman & Managing Director

DIN: 05159352

Board's Report

To the Members,

The Board of Directors has pleasure in presenting 34th Annual Report of the Company for the year ended 31 March, 2021.

Financial Summary

(₹ in million)

| Particulars | Financial Year ended 31 March, 2021 | Financial Year ended 31 March, 2020 |
|----------------------------------------|----------------------------------------|----------------------------------------|
| Revenue from Operations | 14,105.20 | 16,168.70 |
| Add: Other Income | 196.04 | 234.02 |
| Total Income | 14,301.24 | 16,402.72 |
| Less: Total Expenses | 12,350.61 | 13,339.15 |
| Profit before tax (PBT) | 1,950.63 | 3,063.57 |
| Less: Tax expenses | 518.84 | 602.58 |
| Net Profit after tax (PAT) | 1,431.79 | 2,460.99 |
| Add: Other Comprehensive Income | (3.11) | (6.86) |
| Total Comprehensive Income | 1,428.68 | 2,454.13 |

During FY 2020-21, the Company's revenue was down by 13% Y-o-Y, as operations of the Company were impacted during the first quarter due to lockdown, imposed by the Government in view of COVID-19 pandemic, however the Company has shown strong growth for rest of the year despite challenging economic environment. Total expenses decreased by 7% during the same period. The PBT is 14% for FY 2020-21 as against 19% in FY 2019-20. Decrease in PBT can be attributed to increase in raw material price, absorption of fixed overheads partially offset with better leverage of variable overheads.

The said Financial Statements for FY 2020-21 have been prepared in accordance with Indian Accounting Standards ("Ind-AS").

Financial Position

The Company continues to remain debt free and generated adequate cash flow to meet its working capital needs. Trade receivables increased by ₹ 798.63 million in line with the increased revenue during the last quarter of FY 2020-21 compared to last quarter of FY 2019-20. Cash and cash equivalents as at March 31, 2021 were ₹ 1,704.04 million as compared to ₹ 4,146.51 million as at March 31, 2020. The reduction was primarily due to payment of dividend, which was partially offset with positive cash generation. For more details on financial position, please refer Management Discussion and Analysis.

The business of the Company has not undergone any change in the financial year under review.

Post Balance sheet event

There is no other reportable event comprising material changes and commitments between the date of financial year end and the date of this report affecting the financial position of the Company.

Reserves

The Board of Directors of the Company did not propose to transfer any amount to reserves during the financial year under review.

Dividend

The Board of Directors, based on Dividend Distribution Policy of the Company, recommends dividend of Rs. 1.50/- per equity share of Rs. 10/- each fully-paid up (15%) for the year ended 31 March, 2021. The dividend payable is subject to approval of members at ensuing Annual General Meeting ('AGM') of the Company. Dividend, if declared at AGM, will be paid within 30 days from conclusion of AGM subject to deduction of TDS, wherever applicable. Dividend Distribution Policy is available on the website of the Company and can be accessed at <https://www.timken.com/en-in/investors/policies/>

Corporate Governance

Corporate Governance philosophy of the Company is based on core value of ethics and integrity. Your Company strongly believes that it can become a strong leader only by way of maintaining good and high level of Corporate Governance structure. Good Corporate Governance practices followed by the Company *inter-alia* include strong and independent Board, transparency and accountability, robust policies and regulatory compliance framework, strong internal controls and monitoring of such controls, empowerment of employees/various stakeholders and timely disclosures. Pursuant to Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), Corporate Governance Report along with Compliance Certificate from Practicing Company Secretary is attached as **Annexure - I**.

Directors and Key Managerial Personnel

During the year under review, appointment of Mrs. N S Rama (DIN: 06720033) as an Independent Director and Mr. Douglas Smith (DIN: 02454618) as Director of the Company was approved by the members at 33rd AGM of the Company. Mr. Avishrant Keshava (DIN: 07292484) was re-appointed as a Business Controller – India, CFO & Whole-time Director of the Company for a further period of 5 years w.e.f. 30 September, 2020.

Mrs. N S Rama's (DIN: 06720033) current term as an Independent Director will come to an end on 24 October, 2021. Based on recommendation of the Nomination and Remuneration Committee, it is proposed to re-appoint Mrs. Rama as an Independent Director of the Company for a further period of 2 years w.e.f. 25 October, 2021 at the forthcoming AGM. In the opinion of the Board, Mrs. Rama possesses requisite expertise, integrity and experience and her association will be beneficial to the Company. In this connection, the Company has received following documents from Mrs. Rama:

- a. Consent in Form DIR-2
- b. Intimation in Form DIR-8 and
- c. Declaration of Independence

The Company is also in receipt of a Notice from a shareholder proposing the candidature of Mrs. Rama for re-appointment as an Independent Director of the Company at forthcoming AGM.

Mr. Douglas Smith (DIN: 02454618), Non-Executive Director retires by rotation and being eligible, offers himself for re-appointment. A resolution seeking members' approval for his re-appointment has been included in 34th AGM Notice.

Pursuant to Section 203 of the Companies Act, 2013 (the 'Act'), Mr. Sanjay Koul as Managing Director, Mr. Avishrant Keshava as Chief Financial Officer and Mr. Mandar Vasmatkar as Company Secretary serve as whole-time Key Managerial Personnel ('KMP'). During the year under review, there has been no change in KMP.

Directors' Responsibility Statement

In pursuance of Section 134 (5) of the Act, the Directors hereby confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departures have been made;
- (b) they 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 financial year and of the profit and loss of the Company for that period;
- (c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) they have prepared the annual accounts on a going concern basis;
- (e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Annual Declarations from Independent Directors

The Company has received necessary declarations from all Independent Directors of the Company confirming that each of them has met with criteria of independence laid down in Section 149 of the Act and Regulation 16 of Listing Regulations. All the Independent Directors have confirmed that their name has been included in the databank of Independent Directors maintained by Indian Institute of Corporate Affairs (IICA).

Meetings of the Board and its Committees

The Board and Audit Committee have met four times during FY 2020-21. The gap between two consecutive Board Meetings and two consecutive Audit Committee Meetings was within timeline prescribed under the Act and Listing Regulations. The Board of Directors of the Company has accepted all recommendations put forward to it by the Audit Committee. The Nomination and Remuneration Committee and Stakeholders Relationship Committee met once while the Risk Management Committee met twice during FY 2020-21. Approval from the Corporate Social Responsibility Committee was obtained through resolution by way of circulation. Details relating to composition of the Board and its Committees along with its meetings held during FY 2020-21 are given in Corporate Governance Report which is attached as **Annexure - I**.

Independent Directors Meeting

One meeting of the Independent Directors was held on 22 February, 2021 which was attended by all the Independent Directors without participation of Non-Independent Directors and members of management.

Nomination and Remuneration Policy

Based on recommendation of the Nomination and Remuneration Committee, the Board has laid down a Policy for remuneration of Directors, KMPs and other employees. The salient features of the Policy are as follows:

- It lays down role of the Nomination and Remuneration Committee in line with Section 178 of the Act and Listing Regulations.
- It specifies aspects that need to be considered for appointment of a Director.
- It lays down terms and conditions that need to be considered for appointment of Directors, KMPs and Senior Management Personnel including tenure of appointment, removal and retirement.
- It also lays down parameters for payment of remuneration to Executive Directors, Non- Executive/ Independent Directors, KMPs and Senior Management Personnel.

During the year under review, no change was made in the Nomination and Remuneration Policy. This Policy is disclosed on the Company's website at <https://www.timken.com/en-in/investors/policies/>.

Ratio of Remuneration

Pursuant to Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended from time to time, applicable details are given in specified format which is attached as **Annexure - II**.

Information required under Section 197(12) of the Act read with Rules 5(2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended from time to time, is annexed to this report. However, this Report and the Financial Statements are being sent to the shareholders of the Company excluding the aforesaid information. Any shareholder, interested in obtaining such information may write to the Company Secretary at the Registered Office of the Company. The said information is also available for inspection at the Registered Office during working hours up to the date of AGM.

Formal Annual Evaluation of the Board of Directors, its Committees and individual Directors

As specified by the Nomination and Remuneration Committee of the Board, performance evaluation of the Board of Directors as a whole, various Committees of the Board and individual Directors was carried out by the Board of Directors based on performance evaluation criteria. Each Director has provided feedback in writing to Chairman about the Board as a whole, various Committees and individual Directors. Further, Independent Directors in their separate meeting held on 22 February, 2021 has evaluated performance of Non-Independent Directors, Chairman and the Board as a whole.

Risk Management

The Board of Directors of the Company has constituted Risk Management Committee which *inter-alia* is responsible for assessment of risks, establishment of framework for monitoring risks and developing strategy for mitigation of various risks.

The Board of Directors of the Company has adopted a Risk Management Policy for the Company. The Policy has identified certain categories of risks that the Company may face in areas such as strategic, operational, financial, compliance and information technology. The Company undertakes efforts once in a year to evaluate risk profile of the Company. The Company has put in place adequate mechanism to identify and mitigate various risks and the Board is apprised on the same. The Management has taken appropriate measures from time to time to reduce adverse impact of Covid-19 on business which has yielded positive results. The Board is satisfied with risk controls put in place by the Company.

Vigil Mechanism

The Company believes that being ethical does not just mean doing the right thing by how we treat others, do our jobs or make decisions but it also means speaking up when we become aware that something is not right. The Company encourages everyone to act if they have an ethical question or are in a situation that they think threatens core value of ethics and integrity of the Company. The Company has adopted a Whistle Blower Policy in terms of which the Directors, associates of the Company have access to "Timken Helpline", a toll free phone number that any associate can call and choose not to disclose his identity, if he has any concern or question, which he is not willing

to discuss face to face with his Supervisor, Manager, member of the Human Resource Team or Senior Management. Other Stakeholders including customers, vendors, contractors can also raise their concern through Timken Helpline. The Company investigates all reports promptly, thoroughly and fairly and takes appropriate actions whenever necessary.

The Company follows Open-door Policy and adequately safeguards against victimization of reporting person. The Company does not tolerate acts of retaliation against anyone who makes report in good faith. This Vigil Mechanism enables the Company to better uphold its values and fulfill its commitments towards shareholders, customers, suppliers and the community. The Whistle Blower Policy of the Company is disclosed on the Company's website at <https://www.timken.com/en-in/investors/policies/>.

Corporate Social Responsibility

The Corporate Social Responsibility ('CSR') Committee of the Board is responsible for evaluation and implementation of CSR Projects. Based on recommendation of the CSR Committee, the Board has approved and spent Rs. 4,47,30,430/- on CSR activities during FY 2020-21 in line with CSR Policy of the Company. CSR Policy is available on Company's website at <https://www.timken.com/en-in/investors/policies/>

Salient features of the CSR Policy are as follows:

- It lays down CSR Philosophy, Vision and Commitment of the Company.
- It specifies guidelines for implementation of CSR Projects through CSR Partners including eligibility criteria for CSR Partners.
- It also lays down roles and responsibilities of the CSR Committee.

Annual Report on CSR Activities is attached to this Report as **Annexure - III**.

Statutory Audit

Pursuant to Section 139 of the Act, M/s Deloitte Haskins & Sells LLP, Chartered Accountants (Registration No. 117366W/W100018) have been appointed as the Statutory Auditors of the Company for a period of 5 years from conclusion of 30th AGM till 35th AGM. The Independent Auditor's Report for FY 2020-21 do not contain any qualification or adverse remark. During the year under review, there were no frauds reported by the Auditors to the Audit Committee/ Board under Section 143(12) of the Act.

Secretarial Audit

Pursuant to Section 204 of the Act, Mr. Nagarjunn Y G, (ACS: 52406 & CP No: 19301), Company Secretary in Practice was appointed by the Board of Directors as a Secretarial Auditor to carry out Secretarial Audit of the Company for FY 2020-21. Mr. Nagarjunn Y G, has submitted the Secretarial Audit Report which is attached as **Annexure - IV**. There are no qualifications or adverse remark made by the Secretarial Auditor. The Company has complied with norms of applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

Cost Audit

The Board of Directors, on recommendation of the Audit Committee, has appointed M/s Shome and Banerjee (Firm Registration No. 000001) as Cost Auditors for FY 2021-22. In terms of Section 148 of the Act read along with Rules made thereunder, remuneration payable to Cost Auditors is required to be ratified by members of the Company. Accordingly, appropriate resolution for ratification of remuneration payable to Cost Auditors for FY 2021-22 has been inserted in the Notice convening 34th AGM. The Board requests members to approve/ratify remuneration of Rs. 4,40,000/-plus applicable taxes and out of pocket expenses payable to Cost Auditors for FY 2021-22.

In terms of Section 148 of the Act, the Company is required to maintain cost records and have its records audited by Cost Accountant. The Company has maintained the cost records for FY 2020-21 as required under Section 148 of the Act. The Cost Audit Report of the Company for FY 2019-20 was filed on 23 November, 2020 (within the stipulated due date).

Internal Audit

M/s KPMG Assurance and Consulting Services LLP (formerly known as KPMG) acted as Internal Auditors for FY 2020-21. They conducted periodical audits and submitted their reports to the Audit Committee. Their reports have been reviewed by the Audit Committee.

Internal Financial Controls

The Company has a system of internal controls commensurate with the nature of its business and the size and complexity of its operations. The Company has adequately documented policies, procedures and authorization matrix aligned with the level of responsibility which is designed to provide reasonable assurance on recording of transactions, effectiveness, and efficiency of operations, providing reliable financial information and safeguarding of assets. The Company has developed and implemented a framework for ensuring internal controls over financial reporting. The Company has carried out evaluation of design and effectiveness of these controls and noted no significant material weaknesses or deficiencies which can impact financial reporting.

Related Party Transactions

The Company is committed to uphold the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related

party transactions can present a risk of actual or apparent conflicts of interest. The Company has adopted Related Party Transactions Policy and all its transactions in normal course of business are entered in accordance with the said Policy. Related Party Transactions Policy is available on the website of the Company at <https://www.timken.com/en-in/investors/policies/>. All related party transactions entered into by the Company during FY 2020-21 are disclosed in Financial Statements for the year ended 31 March, 2021. In terms of Section 134 of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014, a summary of material related party transactions in the ordinary course of business and on arm's length basis is given in Form AOC-2, attached to this Report marked as **Annexure - V**.

Listing with Stock Exchanges

The Company confirms that it has paid Annual Listing Fees for FY 2021-22 to National Stock Exchange of India Limited and BSE Limited where the Company's shares are listed.

Annual Return

A copy of Annual Return as on 31 March, 2020 filed during FY 2020-21 pursuant to Section 92 of the Act is placed on the Company's website at www.timken.com/en-in. Draft Annual Return as on 31 March, 2021 is available on website of the Company at www.timken.com/en-in

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

| Sl. No | Particulars | Remarks | |
|--------|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| (A) | Conservation of energy: | | |
| | 1. Steps taken / impact on conservation of energy | Both Jamshedpur and Bharuch plant of the Company are in compliance with ISO 50001 (Energy Management Systems). Following are some steps taken for energy conservation by the Company at Jamshedpur and Bharuch plant: i) implementation of energy management system (EnMS) ii) Reduction in idle time for running of motors through M/C interlocking to save power iii) Reduction in use of compressed air by modification of pipeline & proper management of valve operation iv) Installation of motion sensors for auto switching off for AC and lights in Conference rooms, cabins and washrooms v) Improved energy conservation through carb efficiency improvement through CHTH reduction. | |
| | 2. Steps taken by the company for utilizing alternate sources of energy | The Company had installed roof top solar panels in Jamshedpur plant with a potential of 1267 kWp. Further, the Company operates Wind Farm in the State of Gujarat. Energy generated by windmills is passed on to the Distribution Company through grid and the Company gets credit for such energy generated and supplied to grid. | |
| | 3. Capital investment on energy conservation equipments | ₹ 22.85 Lakhs | |
| (B) | Technology absorption: | | |
| | 1. Efforts, in brief, made towards technology absorption | The Timken Company, ultimate Parent Company of your Company, conducts research and development activities and focuses on development of new products and technologies. The Timken Company passes on newly developed products and technologies to all its group companies in the world from time to time. | |
| | 2. Benefits derived because of the above efforts, e.g., product improvement, cost reduction, product development, import substitution | Your Company has received technology from The Timken Company from time to time starting from FY 1991 -92 mainly in the area of machining, heat treatment and finishing to make further improvements in the manufacturing process, product quality and production output and related activities for manufacturing of bearings and components. This has helped the Company not only to develop new part numbers but also to manufacture products at lower cost and time. Technology transfer is continuous process and the Company has been utilizing technology transferred by The Timken Company to fullest extent possible. | |
| | 3. In case of imported technology (imported during the last 3 years reckoned from the beginning of the financial year): | | |
| | a. Details of technology imported | | |
| | b. Year of import | | |
| | c. Whether the technology been fully absorbed | | |
| | d. If not fully absorbed, areas where absorption has not taken place, and the reasons thereof | | |
| | 4. Expenditure incurred on Research and Development | | |
| (C) | Foreign exchange earnings and outgo | | |
| | | FY 2020-21 (₹ in million) | FY 2019-20 (₹ in million) |
| (i) | Foreign Exchange Earnings | 3,171 | 3,975 |
| (ii) | Foreign Exchange Outgo | 3,140 | 3,657 |

Investor Education and Protection Fund

Pursuant to Section 124 the Act and Rules made thereunder:

- (i) the Company has transferred following unclaimed dividend amounts to Investor Education and Protection Fund ('IEPF') during FY 2020-21:

| Particulars | Amount (in ₹) |
|-----------------------------------------------------------------------------------------------|---------------|
| Dividend paid by erstwhile ABC Bearings Limited (Amalgamated with the Company) for FY 2012-13 | 3,83,925/- |
| Dividend paid by the Company for FY 2012-13 | 25,24,724/- |
| Interim dividend paid by the Company for FY 2013-14 | 75,49,308/- |
| Dividend paid by the Company for FY 2019-20 against shares already transferred to IEPF | 3,15,35,807/- |

- (ii) During FY 2020-21, the Company also transferred 1,55,940 equity shares to IEPF.
- (iii) Unpaid dividend for FY 2013-14 relating to ABC Bearings Limited (amalgamated) and unpaid dividend for FY 2014-15 (Interim Dividend) relating to the Company are due for transfer to IEPF in the month of August, 2021 and December, 2021 respectively.

Financial Performance of any Subsidiary / Associate / Joint Venture Company

The Company does not have any Subsidiary, Associate or Joint Venture Company.

Deposits

The Company has not accepted Deposit, as defined in the Act and Rules framed thereunder.

Particulars of Loans, Guarantees or Investments

Particulars about investments made by the Company during the year are disclosed in the Financial Statements. During the year under review, the Company did not give any loans except to its employees as part of the conditions of the service. Also, the Company did not give any guarantee or extended any securities in connection with any loan.

Significant and/or material orders passed by the Regulators

No significant and/or material order was passed by any Regulator, any Court in India or any Tribunal, impacting going concern status and the Company's operations in future.

Other Reports/Annexures

Pursuant to the Act and Listing Regulations, following reports form part of this report:

1. Management Discussion and Analysis - **Annexure - VI**
2. Declaration regarding Compliance with Code of Conduct - **Annexure - VII**
3. Business Responsibility Report - **Annexure - VIII**

Disclosures under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company does not tolerate discrimination, sexual harassment or any other harassment whether engaged in by management or associates or other individual with whom associates come into contact during work. The Company has adopted Anti-Sexual Harassment Policy in line with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has constituted Internal Complaints Committee to redress complaints received regarding sexual harassment as required by aforesaid Act. During the year under review, the Company has not received any sexual harassment complaint.

Other Disclosures

| | |
|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Sweat Equity Share | The Company has not issued any Sweat Equity Share and therefore, disclosure norms are not applicable to the Company. |
| Shares with differential Rights | The Company has not issued any Share with differential rights and therefore, disclosure norms are not applicable to the Company. |

| | |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Shares under Employees Stock Option Scheme | The Company does not have any stock option scheme and therefore, disclosure norms are not applicable to the Company. |
| Purchase by Company or giving of loans by it for purchase of its shares | The Company has not purchased or given any loan to purchase its Equity Share and therefore, disclosure norms are not applicable to the Company. |
| Buy Back of Shares | The Company has not bought back any Equity Share and therefore, disclosure norms are not applicable to the Company. |
| Demat Suspense and Unclaimed Account | Not applicable. |
| Settlement with Banks/Financial Institutions | Not applicable. |
| Proceedings pending under Insolvency and Bankruptcy Code, 2016 | Not applicable. |

Acknowledgment

We wish to place on record sincere thanks for all our stakeholders including customers, vendors, investors, bankers for all their support during this challenging year. We thank and appreciate our employees for their ongoing dedication and support because of which we are well positioned during these challenging times to enter into new decade of possibilities.

For and on behalf of the Board of Directors

Sd/-

Sanjay Koul

Chairman & Managing Director

DIN: 05159352

Place : Bengaluru
Date : 18 June, 2021

Corporate Governance Report

CORPORATE GOVERNANCE PHILOSOPHY

Corporate Governance philosophy of the Company is based on core value of ethics and integrity. The Company has long-standing reputation as an ethical company. The Company's Code of Conduct, the Standards of Business Ethics Policy is an important tool in conducting business in a way that is consistent with its values and reinforces its commitments to one another, its customers, its suppliers and in the communities where the Company operates. Code of Conduct is a framework for Turning Ethics into Action. This means that each Associate, Director, our Suppliers and everyone with whom we deal must uphold four principles namely Honesty, Respect, Fairness and Responsibility, which define our core value of ethics and integrity. The foundation of core value of ethics and integrity is the expectation to do what is right, regardless of whether or not a specific situation is covered in the Standard of Business Ethics Policy.

Timken's mission, vision and core values guide the Company and this direction keeps the Company successfully working together, so as to enable us to make the world a more productive place and deliver value to our stakeholders. The Vision Statement of the Company expresses its aspiration to be the global leader in bearings and mechanical power transmission, continually improving performance, reliability and efficiency. The Company strongly believes that it can become a strong leader only by way of maintaining good and sound Corporate Governance structures. Good Corporate Governance practices followed by the Company *inter-alia* include strong and independent Board, transparency and accountability, robust policies and regulatory compliance framework, strong internal controls and monitoring of such controls, empowerment of employees/various Stakeholders and timely disclosures. The Company continuously monitors market trends and reviews changing legal requirements and wherever required fine-tunes its procedures, structures, systems so as to comply with applicable legal and regulatory requirements.

BOARD OF DIRECTORS

Details relating to composition of the Board, attendance of Directors at Board Meetings and at the Annual General Meeting ('AGM') and other relevant details are given below:











| Name of Director | Category | No. of Board Meetings attended during FY ended 31 March, 2021 | Whether attended AGM held on 20 August, 2020 | No. of Directorships in other companies* | No. of Committee positions held in other companies** | |
|------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------|----------------------------------------------|------------------------------------------|------------------------------------------------------|--------|
| | | | | | Chairman/Chairperson | Member |
| Mr. Sanjay Koul (DIN: 05159352) | Promoter Director Executive, Non-Independent | 4 | Yes | - | - | - |
| Mr. P S Dasgupta (DIN: 00012552) | Non-Executive, Independent | 3 | Yes | 16 | 3 | 3 |
| Mrs. N S Rama (DIN: 06720033) | Non-Executive, Independent | 4 | Yes | 1 | 1 | 1 |
| Mr. Bushen Lal Raina (DIN:00182160) | Non-Executive, Independent | 4 | Yes | - | - | - |
| Mr. Douglas Smith (DIN: 02454618) | Promoter Director Non-Executive, Non-Independent | 4 | No | - | - | - |
| Mr. Avishrant Keshava (DIN: 07292484) | Promoter Director Executive, Non-Independent | 4 | Yes | - | - | - |

* Includes private companies and Section 8 companies as per the Companies Act, 2013 (the 'Act')

** As per Regulation 26 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations')

No Director of the Company serves as an Independent Director in more than seven listed companies and no Director serving as a Whole-time Director in any listed company, serves as an Independent Director in more than three listed companies. The Company has received necessary declaration from all Independent Directors of the Company confirming that each of them has met with criteria of independence laid down in Section 149 of the Act and Regulation 16 of Listing Regulations. Mrs. N S Rama is also an Independent Director of Xchanging Solutions Limited and Mr. P S Dasgupta is also an Independent Director of five listed companies namely Cummins India Limited, Bhilwara Technical Textiles Limited, Maral Overseas Limited, RSWM Limited and Ester Industries Limited.

The Board has identified core skills/expertise/competencies required in the context of business of the Company. Details regarding Directors who possess such skills/expertise/competencies are provided in the table below:

| Core skills/ expertise/competencies | Availability with Board | Name of Directors |
|------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------------------------|
| Financial Management  | Yes | Sanjay Koul, Avishrant Keshava, P S Dasgupta |
| Leadership  | Yes | All the Directors |
| Technology  | Yes | Sanjay Koul, N S Rama, Douglas Smith |
| Production and Engineering  | Yes | Sanjay Koul, Bushen Lal Raina, Douglas Smith |
| Legal and Tax  | Yes | P S Dasgupta, Avishrant Keshava |
| Human Resource  | Yes | All the Directors |
| Board and Corporate Governance  | Yes | All the Directors |
| Sales and Marketing  | Yes | Sanjay Koul, Bushen Lal Raina |
| Mergers and Acquisitions  | Yes | Sanjay Koul, P S Dasgupta, Avishrant Keshava |
| Business Strategy and System  | Yes | All the Directors |

Tenure of Independent Directors of the Company is within the time limit as prescribed under the Act. No Director of the Company is a member of more than ten committees or acts as Chairman/Chairperson of more than five committees across all companies in which he/she is a Director. Necessary disclosures regarding committee positions have been made by all the Directors. The Company has disclosed terms and conditions of appointment of Independent Directors on its website at <https://www.timken.com/en-in/investors/statutory-compliances/>. It is hereby confirmed that in the opinion of the Board, Independent Directors fulfil the conditions specified in Section 149 of the Act and Regulation 16 of Listing Regulations and are independent of the management.

During the financial year ended 31 March, 2021, four Board Meetings were held on 5 June, 2020, 13 August, 2020, 12 November, 2020 and 12 February, 2021 respectively and the gap between two consecutive meetings did not exceed 120 days. One meeting of the Independent Directors without participation of Non-Independent Directors and any management personnel was also held on 22 February, 2021.

Information as required under PART-A of Schedule II of Listing Regulations has been made available to the Board. During the year, the Board of Directors accepted all the recommendations made by the Committees of the Board.

DISCLOSURE OF RELATIONSHIP BETWEEN DIRECTORS INTER-SE

No Director of the Company is related to another Director inter-se.

DIRECTORS' SHAREHOLDING

Mr. P S Dasgupta holds 1 equity share, Mr. Avishrant Keshava holds 2 equity shares and Mr. Bushen Lal Raina holds 150 equity shares of the Company. Other Directors do not hold any share of the Company. The Company has not issued any convertible instrument.

FAMILIARIZATION PROGRAM

The Company conducted a Familiarization Program during FY 2020-21 relating to IT Security Systems of the Company which was attended by all Directors. Familiarization programmes conducted for Independent Directors so far have been disclosed on the Company's website and can be seen at <https://www.timken.com/en-in/investors/statutory-compliances/>.

AUDIT COMMITTEE

The Board has constituted Audit Committee comprising 4 Directors out of which 3 are Independent Directors. Mr. P S Dasgupta, Independent Director acted as the Chairman of the Audit Committee during the year ended 31 March, 2021 and he was present at the 33rd AGM of the Company held on 20 August, 2020.

During the financial year ended 31 March, 2021, four Audit Committee Meetings were held on 5 June, 2020, 13 August, 2020, 12 November, 2020 and 12 February, 2021 respectively. Relevant details regarding Audit Committee Meetings held during FY 2020-21 are given below:

| Name of the Director | Designation | Category | No. of Meetings attended |
|----------------------|-------------|----------------------------|--------------------------|
| Mr. P S Dasgupta | Chairman | Non-Executive, Independent | 4 |
| Mr. Sanjay Koul | Member | Executive, Non-Independent | 4 |
| Mr. Bushen Lal Raina | Member | Non-Executive, Independent | 4 |
| Mrs. N S Rama | Member | Non-Executive, Independent | 4 |

Audit Committee Meetings were also attended by the representatives of Internal Auditors and Statutory Auditors. The Audit Committee enjoys all the powers as mentioned in Regulation 18 of Listing Regulations. The role of the Audit Committee is as per what is stated in Part C (A) of Schedule II of Listing Regulations read with Section 177 of the Act and Rules framed thereunder. The Audit Committee mandatorily reviewed the information prescribed in Schedule II, Part C (B) of Listing Regulations.

NOMINATION AND REMUNERATION COMMITTEE

The Board has constituted Nomination and Remuneration Committee comprising 4 Directors out of which 3 are Independent Directors. Mrs. N S Rama, Independent Director acted as the Chairperson of the Nomination and Remuneration Committee during the year ended 31 March, 2021 and she was present at the 33rd AGM of the Company held on 20 August, 2020. During the year ended 31 March, 2021, one meeting of the Nomination and Remuneration Committee was held on 5 June, 2020. Relevant details regarding Nomination and Remuneration Committee Meeting held during FY2020-21 are given below:

| Name of the Director | Designation | Category | Attendance (5 June, 2020) |
|----------------------|-------------|---------------------------------|---------------------------|
| Mrs. N S Rama | Chairperson | Non-Executive, Independent | Yes |
| Mr. P S Dasgupta | Member | Non-Executive, Independent | Yes |
| Mr. Bushen Lal Raina | Member | Non-Executive, Independent | Yes |
| Mr. Douglas Smith | Member | Non-Executive, Non -Independent | Yes |

The role of Nomination and Remuneration Committee is as per what is described in Part D (A) of the Schedule II of the Listing Regulations and Section 178 of the Act.

PERFORMANCE EVALUATION CRITERIA

The Nomination and Remuneration Committee of the Board has laid down following performance evaluation criteria for the Independent Directors:

1. Active participation and contribution to discussions in Board Meetings
2. Effective use of knowledge and expertise of the Directors towards the growth and betterment of the Company
3. Commitment to the highest ethical standards and values of the Company
4. Compliance with the policies of the Company and other applicable laws and regulations
5. Independence of behaviour and judgment
6. Impact and influence

Performance evaluation of the Independent Directors has been done by the entire Board of Directors excluding the evaluated Director.

REMUNERATION OF DIRECTORS

Except for sitting fees paid to the Independent Directors for attending the meetings of the Board or Committees thereof or professional fees paid to firm where Independent Director is Partner, the Company does not have any pecuniary relationship or transactions with Non-executive Directors.

As per Company's policy, Independent Directors of the Company were paid remuneration by way of sitting fees only. The Company paid remuneration by way of salary & allowances, perquisites (fixed components) and performance incentive (variable component) to the Chairman & Managing Director and Whole-time Director being executive directors on the Board of Directors of the Company, after

obtaining requisite approvals. Performance incentives (variable component) were based on performance criteria laid down at beginning of the year broadly taking into account EBIT targets set for the year under review.

Criteria for making payment to the Directors are disclosed in the Nomination and Remuneration Policy, which is available on the Company's website at <https://www.timken.com/en-in/investors/policies/>.

REMUNERATION OF DIRECTORS FOR FY 2020-21

Non-Executive Directors

| Name of the Director | Sitting Fees (₹) |
|----------------------|------------------|
| Mr. P S Dasgupta | 4,00,000 |
| Mr. Bushen Lal Raina | 4,50,000 |
| Mrs. N S Rama | 4,50,000 |
| Mr. Douglas Smith | Nil |

Executive Directors (In Rupees)

| Name of the Director | Salary & Allowances | Perquisites | Performance Incentive |
|-----------------------|---------------------|-------------|-----------------------|
| Mr. Sanjay Koul | 2,26,96,035 | 83,28,968 | 50,38,122 |
| Mr. Avishrant Keshava | 66,41,196 | 14,06,189 | 9,51,773 |

The Company does not have Stock Options Scheme. Mr. Koul and Mr. Keshava are entitled to receive stock options of the ultimate Parent Company, cost of which is included in Perquisites. Terms of appointment of the Executive Directors are governed by applicable provisions of law and such appointment is subject to termination by either party by giving three months' notice unless termination at a shorter notice is mutually agreed. As per terms of appointment, none of the Executive Directors is entitled to receive any severance fees.

RISK MANAGEMENT COMMITTEE

The Board of Directors of the Company has constituted Risk Management Committee comprising 3 Directors out of which 1 is Independent Director. Mr. Sanjay Koul acted as the Chairman of Risk Management Committee during the year ended 31 March, 2021.

During the year ended 31 March, 2021, two meetings of the Risk Management Committee were held on 22 May, 2020 and 15 October, 2020 respectively. Relevant details regarding Risk Management Committee Meetings held during FY 2020-21 are given below:

| Name of Member | Designation | Category | No. of Meetings attended |
|-----------------------------------|-------------|----------------------------|--------------------------|
| Mr. Sanjay Koul | Chairman | Executive, Non-Independent | 2 |
| Mr. Avishrant Keshava | Member | Executive, Non-Independent | 2 |
| Mr. Sivaramakrishnan ¹ | Member | - | 1 |
| Mr. Sudharsan G ² | Member | - | 1 |
| Mr. Bushen Lal Raina ³ | Member | Non-Executive, Independent | NA |

¹ Mr. Sivaramakrishnan ceased to be Member of the Committee w.e.f. 14 August, 2020.

² Mr. Sudharsan G was appointed as Member of the Committee w.e.f. 10 September, 2020 and ceased to be Member w.e.f. 9 June, 2021.

³ Mr. Bushen Lal Raina was appointed as Member of the Committee w.e.f. 9 June, 2021.

The Role of Risk Management Committee includes Roles described in Part D(C) of the Schedule II of the Listing Regulations.

STAKEHOLDERS RELATIONSHIP COMMITTEE

The Board has constituted Stakeholders Relationship Committee comprising 3 Directors out of which 2 are Non-executive Directors. Mrs. N S Rama, Independent Director acted as the Chairperson of the Stakeholders Relationship Committee during the year ended 31 March, 2021 and she was present at the 33rd AGM of the Company held on 20 August, 2020.

The Stakeholders Relationship Committee is *inter-alia* entrusted with the responsibility to consider and resolve grievances of shareholders including complaints relating to transmission of shares, non-receipt of Annual Report, non-receipt of declared dividend etc. and also to approve registration of transmission of shares in physical form, issue of duplicate/ new certificates, etc.

During the year ended 31 March, 2021, one meeting of the Stakeholders Relationship Committee was held on 12 March, 2021. Generally, approval of the members of the Stakeholders Relationship Committee is obtained through resolutions by circulation for effecting registration of transmission of shares in physical form, issue of duplicate/ new certificates and other issues involving investor services.

Relevant details regarding Stakeholders Relationship Committee Meeting held during FY 2020-21 are given below:

| Name of the Director | Designation | Category | Attendance (12 March, 2021) |
|----------------------|-------------|--------------------------------|-----------------------------|
| Mrs. N S Rama | Chairperson | Non-Executive, Independent | No |
| Mr. Sanjay Koul | Member | Executive, Non-Independent | Yes |
| Mr. Douglas Smith | Member | Non-Executive, Non-Independent | Yes |

Mr. Mandar Vasmatkar acted as compliance officer during the year under review.

Status on investors' queries/complaints during FY ended on 31 March, 2021 is given below:

| Sl. No. | Particulars | Q1 | Q2 | Q3 | Q4 | Total |
|---------|-----------------------------------------------------------------------------|----|-----|-----|-----|-------|
| 1. | Number of shareholders' queries/complaints received | 76 | 443 | 508 | 599 | 1626 |
| 2. | Number of queries/complaints not solved to the satisfaction of shareholders | 0 | 0 | 0 | 0 | 0 |
| 3. | Number of pending queries/complaints | 0 | 0 | 0 | 0 | 0 |

GENERAL BODY MEETINGS

Location, date and time of last three AGMs :

| Financial Year | Location | Date | Day | Time | No. of Special Resolutions |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------|----------|----------------------------|
| 2017-18 | Tangerine Conference Hall Lemon Tree Hotel, Plot No. 54B/55A, Hosur Main Road, Electronic City, Phase I, Bangalore - 560 100 | 10 August, 2018 | Friday | 10.00 am | 3 |
| 2018-19 | Tangerine Conference Hall Lemon Tree Hotel, Plot No. 54B/55A, Hosur Main Road, Electronic City, Phase I, Bangalore - 560 100 | 12 August, 2019 | Monday | 10.00 am | - |
| 2019-20 | Timken India Limited, 39-42, Electronic City, Phase II, Hosur Road, Bangalore - 560 100. (through VC/OAVM) | 20 August, 2020 | Thursday | 03.00 pm | - |

Note: (a) No special resolution was required to be passed in FY 2020-21 through Postal Ballot.

(b) One special resolution is proposed at ensuing AGM for re-appointment of Mrs. N S Rama as an Independent Director of the Company. Please refer AGM Notice for more details.

MEANS OF COMMUNICATION

Quarterly financial results of the Company were communicated through newspaper insertions and intimation to the Stock Exchanges and are also displayed on Company's website at <https://www.timken.com/en-in/investors/financial-report/>. Quarterly financial results were published in Financial Express (English) and Prajavani (Kannada). During FY ended 31 March, 2021, no presentation was made to Institutional Investors/analyst.

GENERAL SHAREHOLDERS INFORMATION

| | | | | | | | | |
|----|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------------|------------------|
| 1 | AGM | 23 August, 2021 through VC/OAVM | | | | | | |
| 2 | Financial Year | 1 April, 2020 to 31 March, 2021 | | | | | | |
| 3 | Dividend Payment Date | Within 30 days from declaration at 34th AGM | | | | | | |
| 4 | Stock Exchanges where Shares are listed and Listing Fees | Equity Shares of the Company are presently listed on the following Stock Exchanges: | | | | | | |
| | | The National Stock Exchange of India Limited "Exchange Plaza" Bandra Kurla Complex Bandra (E), Mumbai - 400 051 | | | BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001 | | | |
| | | The Company has paid annual listing fees to the above Stock Exchanges for FY 2021-22. | | | | | | |
| 5 | Compliance Officer | Mr. Mandar Vasmatkar | | | | | | |
| 6 | Registrar & Share Transfer Agent | CB Management Services Private Limited SEBI Registration Number : INR000003324 | | | | | | |
| 7 | Investor Relations Correspondence | Company Secretary & Chief - Compliance Timken India Limited 39-42, Electronic City, Phase II, Hosur Road, Bengaluru - 560 100 Tel. No. 080 - 41362000 e-mail: tilinvestor@timken.com | | | Registrar & Share Transfer Agent CB Management Services Private Limited P-22, Bondel Road Kolkata - 700 019 Tel. No. 033 - 40116700 e-mail: rta@cbmsl.com | | | |
| | | | | | | | | |
| 8 | Stock Code/Symbol | 522113 (BSE), TIMKEN (NSE) , ISIN : INE325A01013 | | | | | | |
| 9 | Promoter / Non-promoter shareholding as on 31 March, 2021 | Promoter : Timken Singapore Pte Limited : 67.80 % Non-promoter Public Shareholding : 32.20% Detailed shareholding pattern for every quarter is available on the website of the Company at https://www.timken.com/en-in/investors/statutory-compliances/ | | | | | | |
| 10 | Market Price Data/ Stock Performance | Month | BSE High (Rs.) | BSE Low (Rs.) | NSE High (Rs.) | NSE Low (Rs.) | BSE Sensex (Close) | Nifty 50 (Close) |
| | | Apr, 2020 | 909.00 | 778.00 | 910.00 | 774.35 | 33,717.62 | 9,859.90 |
| | | May, 2020 | 917.60 | 742.35 | 924.00 | 741.90 | 32,424.10 | 9,580.30 |
| | | Jun, 2020 | 991.45 | 845.90 | 1000.00 | 854.60 | 34,915.80 | 10,302.10 |
| | | Jul, 2020 | 1,080.45 | 934.45 | 1084.50 | 942.05 | 37,606.89 | 11,073.45 |
| | | Aug, 2020 | 1,197.00 | 930.00 | 1194.00 | 927.50 | 38,628.29 | 11,387.50 |
| | | Sep, 2020 | 1,228.90 | 1,045.00 | 1228.80 | 1041.00 | 38,067.93 | 11,247.55 |
| | | Oct, 2020 | 1,125.70 | 1,010.50 | 1127.40 | 1011.10 | 39,614.07 | 11,642.40 |
| | | Nov, 2020 | 1,213.85 | 1,055.00 | 1213.90 | 1054.00 | 44,149.72 | 12,968.95 |
| | | Dec, 2020 | 1,335.00 | 1,055.05 | 1336.00 | 1055.00 | 47,751.33 | 13,981.75 |
| | | Jan, 2021 | 1,360.65 | 1,165.00 | 1360.00 | 1160.00 | 46,285.77 | 13,634.60 |
| | | Feb, 2021 | 1,448.00 | 1,185.95 | 1450.00 | 1187.25 | 49,099.99 | 14,529.15 |
| | | Mar, 2021 | 1,336.45 | 1,208.00 | 1338.95 | 1206.00 | 49,509.15 | 14,690.70 |

| | | | | | |
|----|--------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------|--------|
| 11 | Distribution of shareholding | The distribution of shareholding as on 31 March, 2021 is given below: | | | |
| | | Range (Shares) | Accounts | Shares | % |
| | | 1 - 500 | 47484 | 4258275 | 5.66 |
| | | 501 - 1000 | 821 | 623180 | 0.83 |
| | | 1001 - 2000 | 366 | 531551 | 0.71 |
| | | 2001 - 3000 | 90 | 230854 | 0.31 |
| | | 3001 - 4000 | 59 | 206610 | 0.27 |
| | | 4001 - 5000 | 36 | 168431 | 0.22 |
| | | 5001 - 10000 | 55 | 395814 | 0.53 |
| | | 10001 and above | 148 | 68804019 | 91.47 |
| | | | 49059 | 75218734 | 100.00 |
| 12 | Securities are suspended from trading | Not Applicable | | | |
| 13 | Share Transfer System | <p>Requests for registration of transmission of shares held in physical form were processed periodically. The Stakeholders Relationship Committee is delegated with power to approve registration of transmission of equity shares.</p> <p>It may please be noted that transfer of shares held in physical form has been discontinued as per SEBI guidelines.</p> | | | |
| 15 | Dematerialisation of Shares and liquidity | The Company has arrangements with National Securities Depositories Limited ('NSDL') as well the Central Depository Services (India) Limited ('CDSL') for Demat facility. As on 31 March, 2021, 98.38% of the Company's Equity Share Capital is dematerialized. | | | |
| 16 | Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity | Not applicable | | | |
| 17 | Commodity price risk or foreign exchange risk and hedging activities | <p>The Risk Management Committee of the Board oversees various risks which may impact business of the Company which inter alia includes Financial Risk, Cyber Security Risk, etc. The Risk Management Committee has reviewed the Financial Risk Profile for FY 2021-22 and concluded that Risk Profile did not undergo much change compared to previous year.</p> <p>For detailed comments on Commodity Price Risk and Foreign Exchange Risk, please refer Note No. 38A to Financial Statements.</p> | | | |
| 18 | Plant locations | <p>The Company's Plants are located at :</p> <p>Jharkhand : Bara, P.O. Agrico, Jamshedpur - 831 009.</p> <p>Gujarat : Plot no 109A, 109B, 1 -B- C, Narmadanagar, Bharuch - 392015</p> | | | |

DISCLOSURES :**Related Party Transactions**

There was no materially significant related party transaction that may have potential conflict with the interest of the Company at large during FY 2020-21. Senior management personnel have declared that during the year ended 31 March, 2021, the Company did not enter into transaction in which they had personal interest. Details of all related party transactions including with promoter entities are disclosed separately in the Annual Report (Refer note no 36 to Financial Statements). Policy on dealing with related party transactions is disclosed on the website of the Company and can be seen at: <https://www.timken.com/en-in/investors/policies/>.

Non-compliance details

There have been no instances of non compliance of Rules and Regulations prescribed by Stock Exchanges and SEBI. No penalty or strictures has been imposed by Stock Exchanges and SEBI.

Whistle Blower Policy

The Company believes that being ethical does not just mean doing the right thing by how we treat others, do our jobs or make decisions but it also means speaking up when we become aware that something is not right. The Company encourages everyone to act if they have an ethical question or are in a situation that they think threatens core value of ethics and integrity of the Company. The Company has adopted a Whistle Blower Policy in terms of which the Directors, associates of the Company have access to "Timken Helpline", a toll free phone number that any associate can call and choose not to disclose his identity, 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 or Senior Management. Associates have also access to the Audit Committee Chairman in this regard and during the year access was not denied to any person. Other Stakeholders including customers, vendors, contractors can also raise their concern through Timken Helpline. The Company investigates all reports promptly, thoroughly and fairly and takes appropriate actions whenever necessary.

The Company follows Open-door Policy and adequately safeguards against victimization of reporting person. The Company does not tolerate acts of retaliation activity against anyone who makes report in good faith. This Vigil Mechanism enables the Company to better uphold its values and fulfill its commitments towards shareholders, customers, suppliers and the community. The Whistle Blower Policy of the Company is disclosed on the Company's website at - <https://www.timken.com/en-in/investors/policies/>.

Certificate from Company Secretary in Practice

The Company has received a Certificate from Practicing Company Secretary certifying that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as director of companies by the Board/Ministry of Corporate Affairs or any such statutory authority and same is available on the Company's website at <https://www.timken.com/en-in/investors/statutory-compliances/>.

Sexual Harassment Complaints

The Company does not tolerate any discrimination, sexual harassment or any other harassment whether engaged in by management or associates or other individual with whom associates come into contact during work. The Company has adopted Anti-Sexual Harassment Policy in line with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has constituted Internal Complaints Committee to redress complaints received regarding sexual harassment as required by aforesaid Act. During the year under review, the Company has not received any sexual harassment complaint.

Credit Rating

During the year under review, no credit rating was required to be obtained by the Company.

Utilization of Funds

Disclosure requirements regarding utilization of fund were not applicable as the Company has not received any fund through Preferential Allotment or Qualified Institutional Placements.

Auditors Fees

Total Fees paid to statutory auditors during the year is disclosed in the Annual Report separately (Refer note no. 31 to Financial Statements).

Material Subsidiary

The Company does not have any subsidiary Company and therefore, policy for determining material subsidiaries is not applicable.

Compliance Requirement of Corporate Governance Report

The compliance with Corporate Governance requirements specified in Regulations 17 to 27 and clauses (b) to (i) of Sub-regulation (2) of Regulation 46 of Listing Regulations has been disclosed in this report. The Company has complied with all the mandatory requirements in

terms of Regulation 27 and Schedule V(C) of Listing Regulations. The status on compliance with non-mandatory requirements is as below:

- Chairman of the Board – Chairman of the Board of Directors is an Executive Director under the designation Chairman & Managing Director.
- Shareholders' Rights – Quarterly/Half-yearly Financial Results are not currently sent to each of the household of Shareholders but are published in terms of Regulation 47(3) of Listing Regulations in certain newspapers and also sent to the Stock Exchanges. Besides, all the quarterly / half-yearly / annual financial results are published on the Company's website.
- Audit Qualification – The Independent Auditor's Report on the Company's Financial Statements for FY 2020-21 does not contain any qualification.
- Reporting of Internal Auditor – KPMG Assurance and Consulting Services LLP acted as the Internal Auditors for FY 2020-21 and during the tenure, they reported to the Audit Committee of the Board.

During the FY 2020-21, the Company has complied with all applicable compliance norms relating to Corporate Governance and there has been no instance of non-compliance.

For and on behalf of the Board of Directors

Place: Bengaluru
Date: 18 June, 2021

Sd/-
Sanjay Koul
Chairman & Managing Director
DIN: 05159352

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

Corporate Identity No : L29130KA1996PLC048230
Nominal Capital : Rs. 113,00,00,000/-

To
The Members of Timken India Limited,

We have examined all the relevant records of **Timken India Limited** for the purpose of certifying compliance of the conditions of the Corporate Governance under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the financial year ended March 31, 2021. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance.

This certificate neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In our opinion and to the best of our information and according to the explanations and information furnished to us, we certify that the Company has complied with all the mandatory conditions of Corporate Governance as stipulated in the said Regulations. As regards Discretionary Requirements specified in Part E of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company has complied with items C and E.

Note: Due to Covid-19 pandemic situation, we have conducted online verification and examination of records, as facilitated by the Company for the purpose of issuing this certificate.

For **V. Sreedharan & Associates**
Company Secretaries

Place: Bengaluru
Date: 18 June, 2021
UDIN Number: F007260C000486541

Sd/-
(Pradeep B. Kulkarni)
Partner
F.C.S.7260; C.P.No.7835

Ratio of Remuneration

Details as per Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are as follows:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| (i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year; | Employee to CMD Ratio : 1:21.7 Employee to WTD Ratio : 1:7.3 |
| (ii) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year; | 7% - 12% |
| (iii) the percentage increase in the median remuneration of employees in the financial year; | 6.36% |
| (iv) the number of permanent employees on the rolls of company; | 1,287 as on 31 March, 2021 (including Union & Salaried Operators) |
| (v) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration; | 8.24% There have been no exceptions made, all hikes were made as per the Company's Remuneration Policy. |
| (vi) Affirmation that the remuneration is as per the remuneration policy of the company. | Yes. |

For and on behalf of the Board of Directors

Sd/-

Sanjay Koul

Chairman & Managing Director

DIN: 05159352

Place : Bengaluru
Date : 18 June, 2021

Annual Report on CSR activities for the financial year 2020-21

| | | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Brief outline on CSR Policy of the Company | <p>Timken makes the world a better place through a combination of volunteer efforts, community leadership and financial support. The Company's CSR vision includes (i) Consult with local communities to identify needs (ii) Partnering with organizations of repute including NGOs, educational institutions and (iii) Continuously endeavor to find out ways to bring a stronger community.</p> <p>The Company wishes to focus on programs and agencies that (i) Promote lifelong learning through education; (ii) Work collaboratively to deliver health and human services; and (iii) Foster innovative ways to build a strong community. In terms of the CSR Policy, the Company is willing to take any activity covered under Schedule VII of the Act, for CSR expenditure. However, the Company focuses primarily on two broad areas namely promotion of education including enhancing vocational skills and preventive healthcare.</p> | | |
| 2. | Composition of CSR Committee as on as on 31 March, 2021: | | | |
| | Sl. No. | Name of Director | Designation / Nature of Directorship | Number of meetings of CSR Committee held during the year |
| | 1. | Mr. Sanjay Koul | Chairman/ Managing Director | During the year, approval of the Committee was obtained through resolution by way of circulation. |
| | 2. | Mr. Bushen Lal Raina | Member/ Independent Director | |
| | 3. | Mr. Avishrant Keshava | Member/ Whole-time Director | |
| 3. | Web-links where composition of CSR Committee, CSR Policy and CSR Projects approved by the Board are disclosed on the website of the Company | | | <p>CSR Committee Composition: www.timken.com/en-in/investors/</p> <p>CSR Policy: www.timken.com/en-in/investors/policies/</p> <p>CSR Projects approved by the Board www.timken.com/en-in/investors/statutory-compliances/</p> |
| 4. | Details of impact assessment of CSR Projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report) | | | Not Applicable |
| 5. | Details of amount available for set off in pursuance of sub-rule (3) of Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any | | | Nil |
| 6. | Average net profit of the Company as per section 135(5) | | | Rs. 223,37,20,268/- |
| 7. | (a) | Two percent of average net profit of the Company as per Section 135(5) | | Rs. 4,46,74,405/- |
| | (b) | Surplus arising out of the CSR Projects or Programmes or Activities of the previous financial years | | Nil |
| | (c) | Amount required to be set off for the financial year, if any | | Nil |
| | Total CSR obligation for the financial year (7a+7b-7c) | | | Rs. 4,46,74,405/- |

| | | | | | | | | | | |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------|-----------------------|---------------------------------------|-----------------------------------------------------------------------------------------------------|------------------------------------------------------|-------------------------|--|
| 8. | (a) | CSR amount spent or unspent for the financial year: | | | | | | | | |
| | | Total Amount Spent for the Financial Year (in ₹) | Amount Unspent (in ₹) | | | | | | | |
| | | | Total amount transferred to Unspent CSR Account as per Section 135(6) | | | | Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5) | | | |
| | | | Amount | Date of transfer | Amount | Date of transfer | | | | |
| | | 4,47,30,430/- | Nil | | | | Nil | | | |
| | (b) | Details of CSR amount spent against ongoing projects for the financial year: | | | | | | Nil | | |
| | (c) | Details of CSR amount spent against other than ongoing projects for the financial year: | | | | | | | | |
| (1) | (2) | (3) | (4) | (5) | | (6) | (7) | (8) | | |
| Sl. No. | Name of the Project | Item from the list of activities in Schedule VII to the Act | Local area (Yes/ No) | Location of the project. | | Amount spent for the project (in Rs.) | Mode of Implementation -Direct (Yes/No) | Mode of Implementation - through Implementing Agency | | |
| | | | | State | District | | | Name | CSR Registration number | |
| 1. | Financial support for upgradation of Infrastructure of ICDS Centre | Promoting education | Yes | Jharkhand | East Singhbhum | 9,94,500/- | No | CRY – Child Rights & You | NA | |
| 2. | Financial support to buy necessary medical equipments | Promoting healthcare including preventive health care | Yes | Karnataka | Bengaluru | 85,00,000/- | No | Human Healing Foundation | NA | |
| 3. | Financial support for purchase of 50 units of mechanical ventilators for government hospitals | Promoting healthcare including preventive healthcare | No | Tamil Nadu | Chennai & Kanchipuram | 2,25,00,000/- | No | Lions Club of Chepauk Charitable Trust | NA | |
| 4. | Financial support to government aided schools for procurement of equipments for school development | Promoting education and healthcare, including preventive healthcare making available safe drinking water | Yes | Gujarat | Bharuch | 27,30,830/- | No | Rotary Welfare Trust, Bharuch | NA | |
| 5. | Financial support for setting up Apparel Training Centre | Employment enhancing vocational skills | Yes | Jharkhand | East Singhbhum | 25,00,000/- | No | Tata Steel Foundation | NA | |
| 6. | Scholarship grants to students pursuing higher education | Promoting education | No | Pan India | Pan India | 64,60,000/- | No | Tata Institute of Social Sciences | NA | |
| | TOTAL | | | | | 4,36,85,330/- | | | | |
| | (d) | Amount spent in Administrative Overheads | | | | | Rs 10,45,100/- | | | |
| | (e) | Amount spent on Impact Assessment, if applicable | | | | | Nil | | | |
| | (f) | Total amount spent for the Financial Year (8b+8c+8d+8e) | | | | | Rs. 4,47,30,430/- | | | |
| | (g) | Excess amount for set off, if any | | | | | Rs 56,025/- | | | |
| 9. | (a) | Details of Unspent CSR amount for the preceding three financial years | | | | | | Nil | | |
| | (b) | Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s) | | | | | | Nil | | |
| 10. | In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details) | | | | | | Not Applicable | | | |
| 11. | Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per section 135(5) | | | | | | Not Applicable | | | |

For and on behalf of the Board of Directors

Sd/-

Sanjay Koul

Chairman & Managing Director
(Chairman – CSR Committee)

DIN: 05159352

Place: Bengaluru
Date: 18 June, 2021

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED: MARCH 31, 2021

[Pursuant to Sub Section (1) of Section 204 of the Companies Act, 2013 and Rule 9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
TIMKEN INDIA LIMITED

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **TIMKEN INDIA LIMITED** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's Books, Papers, Minute Books, Forms and Returns filed and other Records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the financial year ended on March 31, 2021 (the audit period) complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company during the audit period according to the provisions of:

- i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder
- iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment. The Company has not made any Overseas Direct Investment and External Commercial Borrowings during the audit period;
- v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; **(Not applicable to the Company during the audit period);**
 - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; **(Not applicable to the Company during the audit period);**
 - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not applicable to the Company during the audit period);**
 - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 **(Not applicable to the Company during the audit period);**
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 **(Not applicable to the Company during the audit Period);**
 - i. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR); and
 - j. Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;

I have relied on the representation made by the Company and its officers for systems and mechanism formed by the Company for compliances under other applicable Acts, Laws and Regulations to the Company. The major head/groups of Acts, Laws and Regulations as

applicable to the Company are (i) Industrial Laws; (ii) Labour Laws; (iii) Environmental and Prevention of Pollution Laws; (iv) Economic and Commercial Laws; (v) Legal Metrology Act, 2009 and (vi) Acts prescribed under Shops and Establishment Act of various local authorities.

I have also examined compliance with the applicable clauses of the following Secretarial Standards issued by the Institute of Company Secretaries of India:

- (i) Meetings of the Board of Directors (SS-1); and
- (ii) General Meetings (SS-2)

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc., mentioned above.

Further, we report that the Company transferred unclaimed dividend amount lying in Dividend Bank Account No. 001105024034 ('Account') as on 1 September, 2020 maintained with ICICI Bank Limited (ICICI) for the financial year 2012-2013 to Investor Education and Protection Fund ('IEPF') within due date and instructed ICICI to close the said Account. ICICI despite instructions given by the Company, did not close the Account. The Company had issued demand drafts in the month of July and August 2020 which were valid for 3 months. Some shareholders did not encash demand drafts within validity period and therefore, ICICI credited back the amount not encashed by shareholders to the Account in the month of October and November, 2020 and insisted to transfer such amount to IEPF. This resulted in the Company filing two Forms IEPF-1 for the Account with the Registrar of Companies. One Form was filed on September 10, 2020 and the second Form was filed on December 10, 2020

I have not examined compliance with applicable Financial Laws, like Direct and Indirect Tax Laws, since the same have been subject to review by statutory financial audit and other designated professionals.

I FURTHER REPORT THAT:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

I further report that based on the review of the compliance mechanism adopted by the Company and the presentations made by the concerned departments' heads at the Board Meetings, regarding compliance with the applicable laws and its adherence, there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period there were no specific events / actions like i.e., Public/Right/Preferential issue of shares / debentures/sweat Equity, etc., Redemption / buy-back of securities, Major decisions taken by the members in pursuance to Section 180 of the Companies Act, 2013, Merger / amalgamation / reconstruction, etc. and Foreign technical collaborations, having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

Date: 18 June, 2021
Place: Bengaluru
UDIN: A052406C000486532

Sd/-
Nagarjun Y G
Practicing Company Secretary
Membership No: A52406
CP: 19301
PR: 714/2020

Note: This report (i.e., Form MR-3) is to be read with our letter of even date which is annexed as Annexure-1 and forms an integral part of this report.

Annexure -1

To,
The Members
TIMKEN INDIA LIMITED

Our report of even date is to be read along with this letter:

1. Maintenance of secretarial record, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively are the responsibilities of the management of the Company. My responsibility is to express an opinion on these secretarial records, systems, standards and procedures based on the audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
7. Due to Covid-19 pandemic situation, I have conducted online verification and examination of records, as facilitated by the Company for the purpose of issuing Secretarial Audit Report (Form No. MR-3).

Date: 18 June, 2021
Place: Bengaluru
UDIN: A052406C000486532

Sd/-
Nagarjun Y G
Practicing Company Secretary
Membership No: A52406
CP: 19301
PR: 714/2020

Annexure – V

FORM NO. AOC - 2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Companies Act 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

| 1. Details of contracts or arrangements or transactions not at arm's length basis | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|--|
| During the year ended 31 March, 2021, there were no contracts or arrangements or transactions entered into by the Company which were not on arm's length basis. | | | | | | |
| 2. Details of material* contracts or arrangement or transactions at arm's length basis | | | | | | |
| Name(s) of the related party and nature of relationship | Nature of contracts / arrangements / transactions - (Value in Rs./ Millions) | Duration of the contracts / arrangements / transactions | Salient terms of the contracts or arrangements or transactions including the value, if any | Date(s) of approval by the Board, if any | Amount paid as advances, if any | |
| Timken Singapore PTE Limited (Holding Company) | Sale of Goods - 134.36 Agency Commission (Income) - 18.18 Purchase of Goods - 17.94 Expenses Receivable - 10.32 Expenses Payable - 5.41 Dividend Paid - 2,550.00 | Ongoing in nature, as and when required | Based on Transfer Pricing guidelines/ market rates | All transactions have been approved by the Audit Committee. Dividend: by Shareholder at 33 rd AGM held on 20 August, 2020 | Not applicable | |
| The Timken Corporation (Fellow Subsidiary) | Purchase of Goods - 910.07 Sale of Goods - 1,704.99 Purchase of Property, Plant & Equipment - 89.59 Agency Commission (Income) - 9.64 | Ongoing in nature, as and when required | Based on Transfer Pricing guidelines/ market rates | By Shareholders at 29 th AGM held on 10 August, 2016 | Not applicable | |

*Note : transaction with a related party is considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

For and on behalf of the Board of Directors

Sd/-
Sanjay Koul
Chairman & Managing Director
DIN: 05159352

Place: Bengaluru
Date: 18 June, 2021

Management Discussion & Analysis

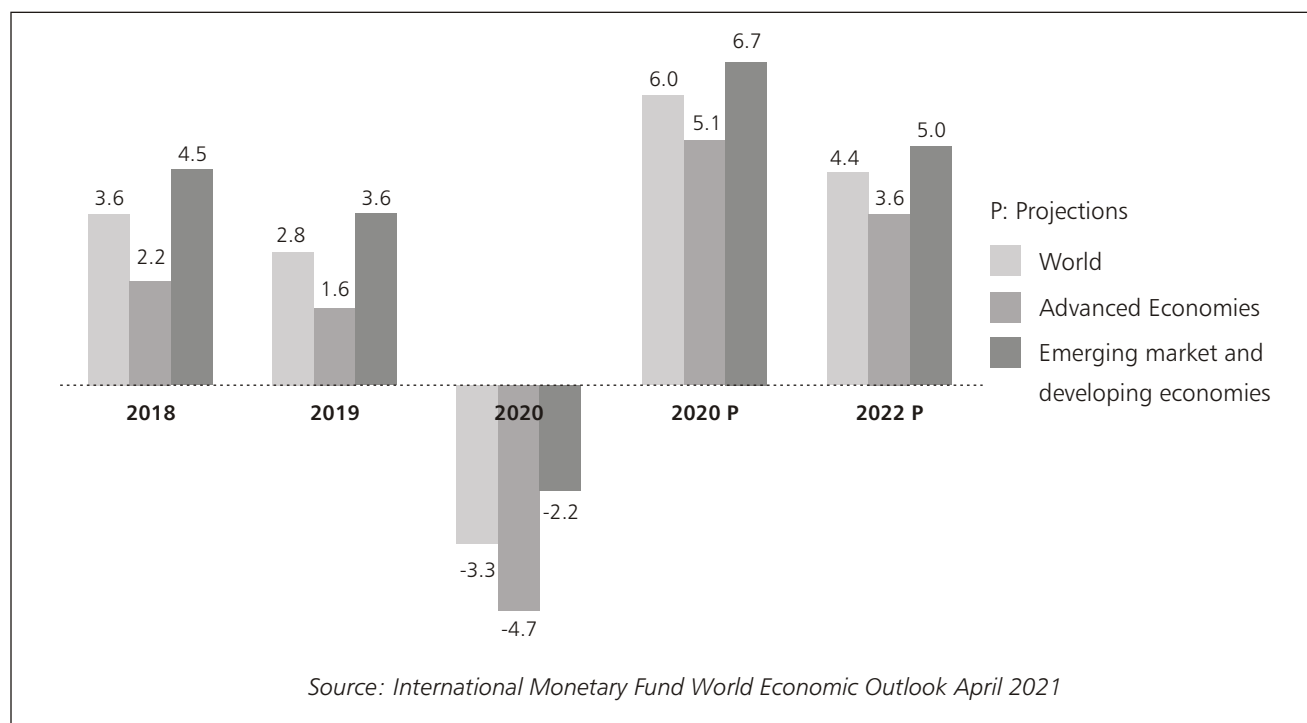
ECONOMIC OVERVIEW

Global

Present Scenario

According to the International Monetary Fund (IMF), the global economy was reeling in slowly, but steadily, after registering a modest growth of 2.9% at the close of 2019. The world was ready to usher in the new financial year with renewed hope only to witness an unprecedented setback in the initial phase of Q1 2020 due to the growing COVID-19. Inadvertent lockdowns further heightened tensions as growth rate estimates dwindled from -3% in Apr'20 to -4.9% in Jun'20. The global economy, however, observed a turn-around with measured re-opening of markets and with the international roll-out of vaccinations, the growth contraction for 2020 is at -3.3% in Mar'21, 1.1% higher than the projected forecast in Oct'20 and 0.2% higher than the forecasted value in Jan'21. (Source: *International Monetary Fund World Economic Outlook April 2021*).

Global Growth (%)



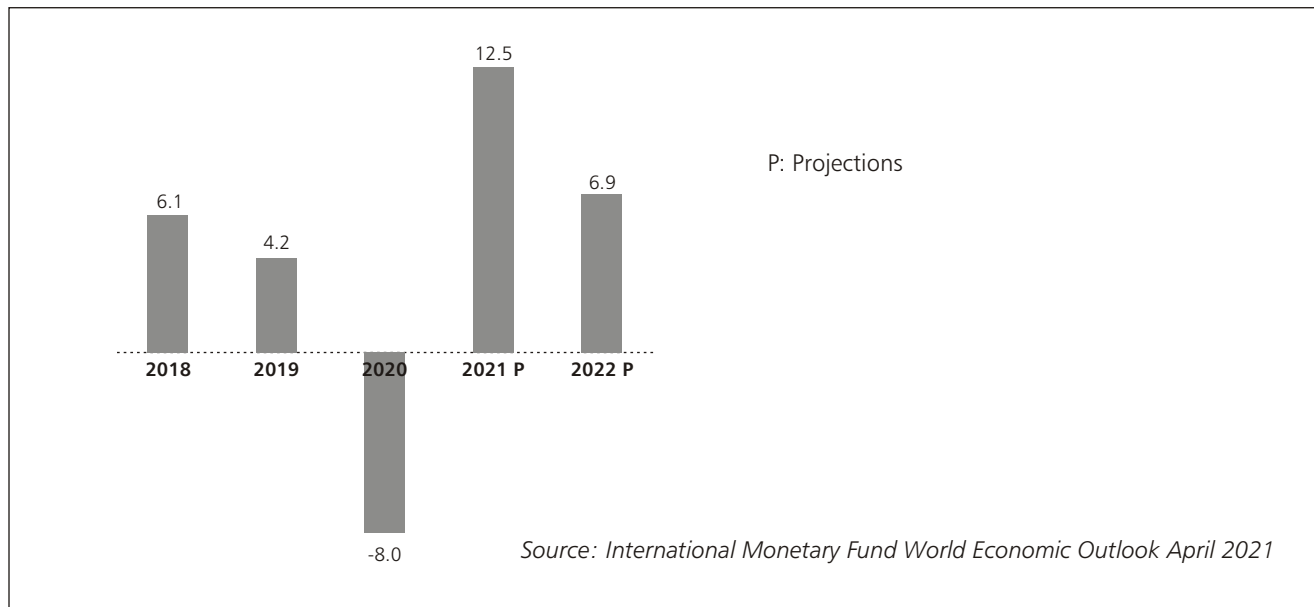
Outlook

Further to this, IMF in its *World Economic Outlook April 2021 report* has projected that global economy will grow at 6% in 2021 and 4.4% in 2022, which strongly reflects economy recovery and positive outlook for the global economic growth. The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis.

India

Present Scenario

India is one of the strongest contenders in the emerging markets and developing economies of the world. IMF in its *World Economic Outlook April 2021 report* projected that Indian economy saw a de-growth of 8% compared to previous forecast of 10.3% de-growth reported in Oct'20 wherein this deficit can be attributed to the Government imposed lockdown to contain the viral spread, sluggish manufacturing growth and restrained demand from the previous year.

India's Growth (%)**Outlook**

India's manufacturing sector activity rose to a near eight-year high in Jan'21, driven by sharp rise in new business developments amid a rebound in demand conditions that led to a rise in production and hiring activity. Purchasing Managers' Index (PMI), dropped to a seven month low 55.4 in Mar'21 from 57.5 in Feb'21 and from 57.7 in Jan'21 owing to renewed lockdowns to curtail a resurgence in COVID-19 cases which dampened domestic demand (Source: IHS Markit India Manufacturing). However, new business opportunities as a viable alternate source have projected a steady rise in GDP to 12.5% in 2021 and 6.9% in 2022 (Source: International Monetary Fund World Economic Outlook April 2021). Government of India's focus on renewable energy ensured very good growth in manufacturing of wind turbine and related aggregates during 2020-21. Indian Railways' ambitious plans of modernization, electrification and safety, apart from others, has generated significant demand for infrastructure and rolling stock build. The road to recovery for India is a challenging one, one which requires swift reforms and monetary support to boost sustainable growth.

BEARING STRUCTURE AND DEVELOPMENT

The global bearing market is projected to touch USD 186.1 billion by 2025 thereby registering a CAGR of 9.1% between 2014 and 2025 (Source: Grand View Research, Inc., Report). Bearings are an integral component of all equipments and the ever so rising demand is a derivative of its diversified application in the global manufacturing sector namely the automotive and industrial sector.

The estimated consumption of anti-friction bearings in India is about INR 95-105 billion. India is an emerging economy and the market is optimistic for a revival in GDP in the foreseeable future. The budget allocation to infrastructure will boost the demand for commercial vehicles. The Government's pledge for an Atmanirbhar Bharat has encouraged the bearing manufacturers with local manufacturing capability.

- o **Indian Automotive Industry**

The automotive sector, a major sector for consumption of bearings was approximately valued at INR 70 billion in 2019 and witnessed an acute slowdown followed by COVID-19 induced lockdowns which culminated in approx-24% decline over 2019. Vocal for Local movement has encouraged auto-ancillary manufacturers to enhance their capabilities to decrease dependencies on imports and the segment is likely to grow to 156.8 billion by 2024, registering a CAGR of 18% between 2020 and 2024. The commercial vehicle (CV) sector will soon be a witness to India's emergence as a segment leader and is expected to register a CAGR of 2.97% from 2018 to 2030.

As per flash figures published by Society of Indian Automobile Manufacturers (SIAM), production of commercial vehicle saw de-growth of 34.8% during Apr'20-Dec'20 compared to the previous year period mainly due to pandemic.

o **CV and Tractor Sales (In Thousands)**

| Sales | Apr'19- Dec'19 | Apr'20- Dec'20 | % Change |
|---------------------|-------------------|-------------------|----------|
| Commercial Vehicles | 617 | 388 | -37% |
| Tractors | 622 | 721 | 16% |

Source: SIAM Dec'20 Flash Report
Tractor Manufacturers Association

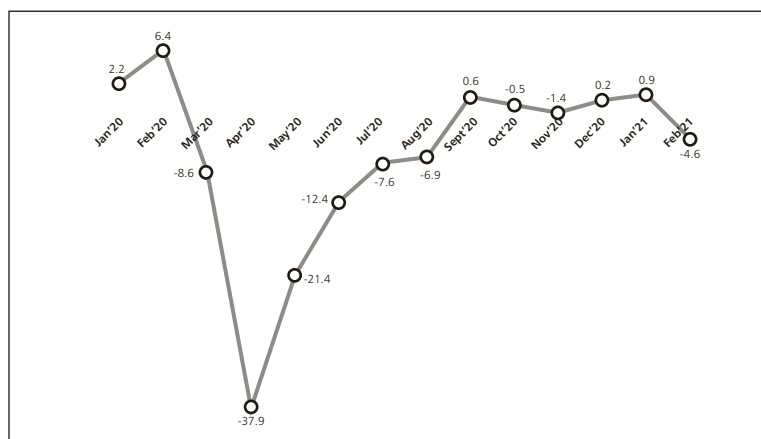
The Government of India announced a scrappage policy which aims to phase out CVs older than 15 years and certified unfit for usage. This insightful approach of phasing out old vehicles will create demand for new purchases of BSVI launches thereby supporting an ailing auto-industry and improve pollution levels. Further, manufacturing sector will benefit in terms of reduction of costs coming in the form of recycling of steel, plastic and copper.

o **Indian Industrial Sector**

The key indicator to a country's economic advancement is the growth of its industrial sector. The Government intends to solidify its Make in India foundation to energize manufacturing and increase the contribution to GDP. India's Index of Industrial Production (IIP) experienced a varied trend in 2020 owing to COVID-19 based fluctuations in the Indian Economy. In Feb'20 IIP Y-o-Y growth saw a steep rise to 6.4% but fell to -37.9% at the peak of the pandemic in Apr'20. The recovery period brought back IIP growth rate to 0.9% in Jan'21 which again dropped to -4.6% in Feb'21. The witnessed downtick in the recovery period can be attributed to resurgence of lockdown restrictions (Source: Report released by Office of the Economic Adviser)

o **Growth Rates (on Y-o-Y basis in per cent)**

The Government of India continues to provide higher thrust to the manufacturing sector in India. Besides improving the overall environment for doing business, various measures have been announced to boost investment in the sector. Multiple nation-wide projects and initiatives such as development of industrial corridors, smart cities and 'Make in India', among others, are likely to aid performance of the industrial sector over the next few years. Additionally, a host of measures are underway to strengthen India's railway infrastructure. This includes upgradation of railway stations, building and expanding metro stations and replacing older coaches. Union Budget 2021 has allocated INR 1.10 lakh crore to the Indian Railways as the transporter focuses on building more dedicated freight corridors and target of 100% broad-gauge route electrification completion by December 2023.



Source: Office of the Economic Adviser

● **Business Review**

Your Company's, active operations are in anti-friction bearings, mechanical power transmission products and related services business. A feather in the cap is the recognition of the parent organization as Timken India comes from the umbrella of a 120-year-old US-based The Timken Company which has been recognized as one of the world's most ethical companies by the Ethisphere Institute for the eleventh time.

Your Company has been increasing its customer footprint by delivering state-of-the-art products and services in India by the virtue of a future ready workforce and world-class manufacturing facilities. Your Company's expansive manufacturing product line include Tapered Roller Bearings, Cylindrical Roller Bearings, Spherical Roller Bearings and Slewing Bearings with dedicated manufacturing in Jamshedpur and Bharuch.

Your Company's expertise in the domains of metallurgy, tribology and mechanical systems enables collaboration with Original Equipment Manufacturers to design and develop solutions as per application. With about 50+ Industrial and 100+ Automotive channel partners, your Company reaches out to end-markets for its product & services and assists customers in improving the reliability and efficiency of equipment, machinery, and vehicles. Your Company with its visionary leadership, product portfolio and world-class manufacturing facilities, aims to leverage these growing opportunities and deliver value as we surge forward.

Your Company was recipient to CII National Lean Competition and BM Munjal Award for Learning and Development for Business Excellence.

In FY 20-21, your Company grew progressively in the wind energy, industrial and Indian Railway segments. Given the softening of economy and the impact on the global and Indian automotive sector, Company witnessed a de-growth of business to some extent. Your Company believes in being a strategic technology partner with customers and continues to engage in joint development, explore new markets and products while leveraging global acquisitions made by The Timken Company in order to launch these products in the Indian market.

FINANCIAL STATEMENT ANALYSIS

The Company achieved revenue of ₹ 14,105.20 million as compared to ₹16,168.70 million in the previous year, a decline of 13%. The decrease was primarily due to lower volumes caused by lockdown restrictions during first quarter of FY 2020-21. The total expenses reduced by 7% (Cost of Raw materials 9% decrease, employee benefit expenses 4% decrease, other expenses 6% decrease) compared to previous year. Effective tax rate is 27% in FY 2020-21 as compared to 20% in FY 2019-20. Deferred tax gain in previous year on account of change in tax rate was the major contributor for the lower effective tax rate in FY 2019-20. Profit after tax (PAT) stands at ₹ 1,431.79 million as compared to ₹ 2,460.99 million in the previous year. Decrease in profit is attributed to increase in raw material price, absorption of fixed overheads partially offset with better leverage of variable overheads.

Earnings per share for the year FY 2020-21 was ₹ 19.03 as against ₹ 32.72 for the previous year. During the year, the company has generated ₹ 1,887.08 million cash surplus from its operations as against ₹ 3,481.70 million during previous year primarily driven by lower revenue and unfavorable working capital change impact.

Increase in Property plant and equipment net of depreciation ₹ 657.76 million compared to previous year primarily driven by the addition of plant & equipment and expansion of buildings. Right of use assets as at March ended 2021 stands at ₹ 1,066.05 million as compared to ₹ 1,092.16 million in previous year. Capital work in progress has reduced by ₹ 590.43 million largely driven by capitalisation of projects which were in progress in the previous year end. Capital work in progress stands at ₹ 974.73 million for March ended 2021. These projects follow the project management process and are being monitored by the project management team to ensure timely completion. These projects will be capitalised as and when these assets are ready for its intended use.

One of the properties is classified as Investment property during FY 2020-21 with the carrying value ₹ 104.99 as per Ind AS 40 which was earlier part of property plant and equipment.

Inventories for the year ended March 2021 was increased by ₹ 772.98 million compared to the previous year in line with the volume increase during last quarter. Inventories are maintained at optimum levels supplemented with continuous improvement ideas.

Trade receivables increased by ₹ 798.63 in line with the increased revenue during the last quarter of FY 2020-21. Cash and cash equivalents as at March 31, 2021 was ₹ 1,704.04 as compared to ₹ 4,146.51 million as at March 31, 2020 primarily reduced on account of dividend payout. The cash balances were managed at appropriate levels as depicted in the statement of cash flow.

Borrowings represent discounted bill of exchange with respect to trade receivables. Increase of ₹ 127.29 million compared to previous year was primarily on account of volume increase of bills discounted. Trade payables were ₹ 3,354.52 million as at March 31, 2021 as compared to ₹ 2,156.89 million as at March 31, 2020. The increase was in commensurate with the increased business volume and expenses during the last quarter of the year.

Key Financial Ratios

| Parameter | For Year Ended March 31, 2021 | For Year Ended March 31, 2020 | Remarks |
|---------------------------------|----------------------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Debtors Turnover (times) | 4.26 | 5.45 | - |
| Inventory Turnover (times) | 4.10 | 5.13 | - |
| Interest coverage Ratio (times) | 188 | 140 | Reduction in finance cost in current year |
| Current Ratio (times) | 2.16 | 3.62 | Due to reduction in cash balances on account of dividend payout and changes in the working capital |
| Debt Equity Ratio (%) | 2.43% | 1.27% | Primarily on account of volume increase of bills discounted during last quarter of FY 2020-21 and reduction of equity value on account of distribution of dividend |
| Operating Profit Margin (%) | 14% | 19% | Due to rise in total expense resulted by increase in raw material price, absorption of fixed overheads during Covid-19 lockdown phase, partially offset with better leverage of variable overheads |
| Net Profit Margin (%) | 10% | 15% | Due to reduction in operating margin and one time gain in tax expense in previous year due to adoption of new tax regime |
| Return on Net Worth (%) | 11% | 16% | On account of the reduction of net profit and operating profit as explained above |

OPPORTUNITIES, THREATS AND OUTLOOK

| Strengths | Opportunities | Threats | Outlook |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ➤ Strong parentage, broad product offering and diverse application of products. ➤ localization of finished goods and indigenously sourced steel requirements. ➤ Technologies and R&D capabilities with significant design and process innovation capability. ➤ Custom application knowledge and proactive service and engineering engagement with customer to provide energy and cost-effective solutions. ➤ De-risked revenue stream with cross industry presence. | <ul style="list-style-type: none"> ➤ Leveraging the capabilities of various Acquisitions by Parent Company; providing complete offering in mechanical drive train like belts, industrial chains, couplings, clutches, lubrication systems and housed units. ➤ Well placed to capitalize on government's focus on Electrification of Indian Railways. ➤ Channel footprint strengthening to penetrate General MRO market and address regional gaps with value added services. | <ul style="list-style-type: none"> ➤ Unforeseen and sudden currency volatility and raw material prices & availability. ➤ Any adverse modifications in the industrial environment or government policymaking affecting our customers' demand. ➤ Safety and operational risks posed by low quality counterfeit or spurious products. | <ul style="list-style-type: none"> ➤ Focus on localization and improvement in indigenous components sourcing in the on-coming years. ➤ Value proposition of all Timken Associated Brands. ➤ Risk mitigation by educating customers on importance of using genuine high-quality bearings procured from authorized channel partner. |

INTERNAL CONTROLS

The Company has a system of internal control commensurate with nature of its business and size and complexity of its operations. The Company has adequately documented policies, procedures and authorization matrix aligned with the level of responsibility which is designed to provide reasonable assurance on recording of transactions, effectiveness, and efficiency of operations, providing reliable financial information and safeguarding of assets. The Company uses SAP ERP and allied IT tools as an integral part of internal control system. Emphasis is placed on automated controls within the process wherever possible to minimise deviations and exceptions. The Company believes in conducting business in a fair and ethical manner. Periodic sessions and e-learning courses are rolled out to make the employees aware of the code of conduct and related policies of the Company. The Company has centralized and standardized some of its transactional processes like invoice processing, collection monitoring, payroll etc. These robust system, policies and procedures set the tone at the top and serves as the foundation for sound internal controls.

The adequacy and effectiveness of Internal controls are continuously examined by independent Internal Auditor appointed by the Company and findings of these audits including its recommended improvements are reported to the Audit Committee of the Board. The adequacy of internal controls is also examined by Statutory Auditors as well and the Company has not received any adverse comments from them on adequacy of the internal control system. The Audit Committee of the Board reviews and determines annual internal audit plan considering the inputs from the Statutory Auditors and the Management. The Audit Committee on a periodic basis reviews significant audit finding, adequacy of internal controls and takes update on implementation of audit recommendations.

The Company has developed and implemented a framework for ensuring internal controls over financial reporting. This framework includes entity-level policies, process controls, IT General Controls and Standard Operating Procedures (SOP). These internal controls are reviewed and tested by Internal Auditors every year. The results are presented to the Audit Committee. Based on the periodical testing, the framework is strengthened, from time to time, to ensure adequacy and effectiveness of Internal Financial Controls. The Company has carried out evaluation of design and effectiveness of these controls and noted no significant material weaknesses or deficiencies which can impact financial reporting.

HR FRONT

o Performance Management System

Your Company has a robust Talent Management process, wherein the organization goals are cascaded to teams & individuals thus ensuring that individual goals are aligned to the organization goals. Company believes that performance discussions between managers & associates should happen throughout the year to ensure that any changes in the goal plan owing to role changes in the middle of the year are accommodated.

Company also follows the Continuous Feedback module which helps associates & managers to discuss & document the discussions. The Continuous Performance Management module helps the Company to be focused on the future, to be agile & flexible, to be proactive & engage associates and managers to have ongoing conversations. Performance Management System emphasizes equally on Goals & Competencies.

○ **Total Rewards**

Company's Pay for Performance philosophy is backed up by detailed market studies conducted year on year helping us to assess our positioning. The goal is to design and deliver rewards aligned with business objectives. Alongside, the Company also offers competitive benefits and long term incentive plans to senior management.

○ **Continued Learning and Trainings**

During the year under review, the Company emphasized a lot on e-learning. Almost all training needs of the year were addressed virtually. While virtual learning platform Timken University was always available for associates to take up courses as & when required, the Company also identified the certain trainings and conducted the same by leveraging internal SME's. Some of skills covered were CRM related trainings for Sales associates, MS Excel, Technical Crash course, Finance for Non-Finance etc. Due to prevalent conditions during FY 2020-21, the Company did virtual onboarding of new employees and conducted orientation programs virtually. 2-week crash course which gives associates an overview of the technical & commercial aspects of our products was conducted virtually with participants from across India & also involving some of our distributor partners.

The Company provides 10-12 weeks in-depth technical training to sales, services & application engineers which covers all technical & commercial aspects along with some soft skills as well. The training also includes a Plant tour which gives exposure to the participants to our manufacturing processes.

Associates were provided opportunities to attend a lot of open training programs conducted by different organizations including webinars hosted by many of our Learning & Development partners. The trainings so imparted received quite good feedback from across the board. The topics of these open programs ranged from managing remote work environment, managing teams remote, enhancing productivity & other leadership related topics.

○ **Associate Resource Groups**

Associate resource groups, or ARGs, are groups that are founded around a common interest or affinity. Purpose of the ARGs is to foster professional development, share best practices and promote multicultural understanding to facilitate business excellence. At present 2 ARG's are active namely Women's International Network (WIN) & Young Professional's Network (YPN).

WIN's Mission is to advance the Diversity & Inclusion Strategy of the Company by supporting and informing Company initiatives that attract, promote and engage women, offering personal & professional development opportunities for women and providing a forum and networking community. WIN celebrates the International Women's Day every year along with events which help Women at Timken to achieve their full potential both as associates of Timken & as citizens of their community. During the year under review, WIN conducted few Webinars for associates across India on Eye Care & Important dietary hacks for improving immunity which was the need of the hour during the pandemic. YPN is a group of young business associates which provides various opportunities to associates to network by encouraging participation in their various events organized like Ignite, Impromptu speech competitions etc. Both WIN & YPN collaborate on CSR & few other employee engagement initiatives. Total 1287 employees were employed by the Company as on 31 March, 2021.

CAUTIONARY STATEMENT

Certain statements made in this Report describing industry structure and development, business outlook and opportunities may be "forward looking statement" within the meaning of applicable Securities law and Regulations. Actual results could materially differ from those expressed or implied. Important factors that could make difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.

For and on behalf of the Board of Directors

Sd/-

Sanjay Koul

Chairman & Managing Director

DIN: 05159352

Place: Bengaluru

Date: 18 June, 2021

Declaration in terms of Schedule V(D) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') - 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 Members of Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ended 31 March, 2021.

For the purpose of this declaration, Senior Management Personnel means Senior Management as defined under Listing Regulations.

For and on behalf of the Board of Directors

Place: Bengaluru
Date: 18 June, 2021

Sd/-
Sanjay Koul
Chairman & Managing Director
DIN: 05159352

BUSINESS RESPONSIBILITY REPORT**SECTION A: GENERAL INFORMATION ABOUT THE COMPANY**

| | | |
|-----|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| 1. | Corporate Identity Number (CIN) of the Company | L29130KA1996PLC048230 |
| 2. | Name of the Company | Timken India Limited |
| 3. | Registered address | 39-42, Electronic City, Phase II, Hosur Road, Bengaluru - 560 100 |
| 4. | Website | www.timken.com/en-in |
| 5. | E-mail id | tilinvestor@timken.com |
| 6. | Financial Year reported | 2020-21 |
| 7. | Sector(s) that the Company is engaged in (industrial activity code-wise) | 2814 - manufacture of bearings, gears, gearing and driving elements (as per NIC 2008) |
| 8. | List three key products/services that the Company manufactures/provides (as in balance sheet) | 1. Bearings; 2. Components; and 3. Maintenance and refurbishment Services |
| 9. | Total number of locations where business activity is undertaken by the Company | |
| | (a) Number of International Locations (Provide details of major 5) | Nil |
| | (b) Number of National Locations | 1. Jamshedpur 2. Bharuch 3. Bengaluru 4. Delhi 5. Kolkata 6. Pune 7. Chennai |
| 10. | Markets served by the Company - Local / State / National / International | PAN India & International |

SECTION B: FINANCIAL DETAILS OF THE COMPANY

| | | |
|----|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| 1. | Paid up Capital (INRM) | 75,21,87,340/- |
| 2. | Total Turnover (INRM) | 14,301.24 million |
| 3. | Total profit after taxes (INRM)* | 1,431.79 million |
| 4. | Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) | 3.12 % (with respect to 3 above) |
| 5. | List of activities in which expenditure in 4 above has been incurred: | Preventive healthcare and promoting education including skill development. |

* Excluding other comprehensive income

SECTION C: OTHER DETAILS

| | | |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| 1. | Does the Company have any Subsidiary Company/ Companies? | No |
| 2. | Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s) | Not Applicable |
| 3. | Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with; participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%] | During FY 2020-21, no other entity participated in business responsibility initiatives of the Company. |

SECTION D: BR INFORMATION

| | | | | | | | | | | | | |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--|
| 1. | Details of Director/Directors responsible for BR: | | | | | | | | | | | |
| (a) | Details of the Director/Directors responsible for implementation of the BR Policy/Policies | | | | | | | | | | | |
| 1. | DIN Number | 07292484 | | | | | | | | | | |
| 2. | Name | Mr. Avishrant Keshava | | | | | | | | | | |
| 3. | Designation | Business Controller- India, CFO & Whole-time Director | | | | | | | | | | |
| (b) | Details of the BR head | | | | | | | | | | | |
| No. | Particulars | Details | | | | | | | | | | |
| 1. | DIN Number (if applicable) | 07292484 | | | | | | | | | | |
| 2. | Name | Mr. Avishrant Keshava | | | | | | | | | | |
| 3. | Designation | Business Controller- India, CFO & Whole-time Director | | | | | | | | | | |
| 4. | Telephone number | 080-41362000 | | | | | | | | | | |
| 5. | e-mail id | avishrant.keshava@timken.com | | | | | | | | | | |
| 2. | Principle-wise (as per NVGs) BR Policy/Policies | | | | | | | | | | | |
| (a) | Details of compliance (Reply in Y/N) | | | | | | | | | | | |
| No. | Questions | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 | P 9 | |
| 1 | Do you have a policy/ policies for? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | |
| 2 | Has the policy being formulated in consultation with the relevant stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | |
| 3 | Does the policy conform to any national / international standards? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | |
| 4 | Has the policy being approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | |
| 5 | Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | |
| 6 | Indicate the link for the policy to be viewed online? | http://www.timken.com/EN-IN/INVESTORS/Pages/Policies.aspx | | | | | | | | | | |
| 7 | Has the policy been formally communicated to all relevant internal and external stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | |
| 8 | Does the Company have in-house structure to implement the policy/ policies. | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | |
| 9 | Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | |
| 10 | Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y | |
| (b) | If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options) | | | | | | | | | | | |
| No. | Questions | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 | P 9 | |
| 1. | The Company has not understood the Principles | Not Applicable | | | | | | | | | | |
| 2. | The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles | | | | | | | | | | | |
| 3. | The Company does not have financial or manpower resources available for the task | | | | | | | | | | | |
| 4. | It is planned to be done within next 6 months | | | | | | | | | | | |
| 5. | It is planned to be done within the next 1 year | | | | | | | | | | | |
| 6. | Any other reason (please specify) | | | | | | | | | | | |

SECTION D: BR INFORMATION

| | | |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. | Governance related to BR | |
| (a) | Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year | Chairman & Managing Director and Whole-time Director assess various aspects of business responsibility periodically. They also inform to the Directors about major initiatives taken by the Company or by Timken Group globally from time to time. |
| (b) | Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? | Business Responsibility Report is published as part of Annual Report and it can be accessed on the website of the Company at http://www.timken.com/en-in |

SECTION E: PRINCIPLE-WISE PERFORMANCE

| | | |
|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability | | |
| 1. | Does the policy relating to ethics, bribery and corruption cover only the company? Yes/No. Does it extend to the Group/Joint Ventures / Suppliers / Contractors / NGOs / Others? | <p>The Company's code of conduct is primarily based on the code of conduct of The Timken Company, ultimate parent company, which is followed by all the entities in Timken Group worldwide.</p> <p>Code of conduct, the Standards of Business Ethics Policy, is a framework for Turning Ethics into Action. This means everyone must uphold four principles namely honesty, fairness, respect and responsibility which define core value of ethics and integrity. This code of conduct provides a roadmap for conducting business in a way that is consistent with values. Timken is committed to winning business only on the merits and integrity of its products, services and people. At Timken, we never engage or participate in corrupt business activities, including bribery. All Associates, Directors and Officers of the Company and Timken Group companies must act according to the principles set forth in code of conduct. The Company also expects everyone working on Company's behalf to adhere to ethical standards including consultants, agents, suppliers and business partners.</p> |
| 2. | How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so. | One complaint was received during FY 2020-21, which is being investigated. |

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle | | |
| 1. | List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities. | <p>The Company does not generally design products. Designing is done by The Timken Company, ultimate parent company.</p> <p>Timken not only designs products that use less energy and reduce greenhouse gas emissions, it also develops solutions to help increase the efficiency and affordability of renewable-energy options. Timken's innovative products are helping to advance solar and wind energy; increase fuel efficiency in farm equipment, trains and other vehicles and support the rising demand for electric vehicles.</p> <p>Timken has worked for decades to continuously make bearings more efficient and less energy intensive. Timken designs bearings that run on leaner, lighter, more eco-friendly lubrications. For commercial vehicles axles, Timken has developed power-dense, fuel-efficient bearing designs that are smaller and lighter than others in the market.</p> <p>For wind market, Timken has developed special turbine specific bearing to reduce wear and tear on the components that helps to keep the blades turning. For further protection against deterioration, Timken also offers wear-resistant coatings for those important parts. Innovations like these help to reduce costly maintenance and increase turbine's lifecycle. Increased reliability means greater affordability and it helps increased demand for wind as an attractive renewable energy source.</p> <p>Timken in recent past helped to build a more powerful tractor that produces lower emissions. A key part of the design required moving from a transmission</p> |

SECTION E: PRINCIPLE-WISE PERFORMANCE (Contd.)

| | | |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <p>directly mounted on the engine to a remote mounted one to improve weight distribution. To help accommodate this change, Timken developed a completely new type of coupling that combines shaft bearings and the coupling in a single assembly. This solution reduced costs by eliminating the need for a bearing housing and helped to deliver a more environmentally responsible tractor to the modern farmer.</p> <p>Timken has worked with solar industry to develop drive solutions for two common types of solar equipment:</p> <ul style="list-style-type: none"> ● Concentrated Solar Power (CSP), which uses the sun’s rays to heat water and molten salt, in turn powering electricity generating turbines ● Photovoltaic (PV), the large rectangular panels typically seen on top of houses <p>The gear drives in a CSP tower must continuously rotate thousands of tiny mirrors in sync with the sun’s movements to capture as much solar energy as possible, all while dealing with high winds and other harsh conditions. Timken is amongst very few in the world to offer this highly specialized CSP technology.</p> |
| 2. | <p>For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product</p> <p>(a) Reduction during sourcing/ production / distribution achieved since the previous year throughout the value chain?</p> <p>(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?</p> | <p>The Company aims that its products and services should have positive impact on environment and all associates work in that direction continuously. Each product is manufactured using best possible resources and overall effort is made to conserve resources to the extent possible. Both Jamshedpur and Bharuch plant of the Company are in compliance with ISO 14001 (environmental management) and 50001 (Energy Management Systems).</p> |
| 3. | <p>Does the company have procedures in place for sustainable sourcing (including transportation)?</p> <p>(a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.</p> | <p>Yes.</p> <p>It is estimated that approx. 64% of our input was sourced sustainably.</p> <p>Our Supplier Code of Conduct outlines workplace standards and business practices suppliers must ensure which inter alia includes compliance with all applicable laws, regulations including EHS laws, anti bribery regulations, prohibition of child labour, fair and equal wages, providing and maintaining safe plant and office conditions. Suppliers are required to adhere to Company's Supplier Code of Conduct. Company's manufacturing facilities in Jamshedpur and Bharuch comply with ISO Standards 45001 (occupational health and safety), 14001 (environmental management).</p> |
| 4. | <p>Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?</p> <p>(a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?</p> | <p>The Company has been focusing on localization of supply chain management to fullest extent possible. The Company procures majority of the raw material, goods, services from suppliers in India. The Company prefers to procure input materials from local suppliers based around our manufacturing facilities.</p> <p>The Company has been operating for almost 30 years in India and has developed many regular suppliers in India over the period of time. These suppliers not only supply to the Company in India but also to our group companies based out in Europe and USA. Based on product requirements, the Company identifies local suppliers and provides technical or financial assistance to them as required to scale up their business and ability to cater to requirements of the Company. The Company has dedicated Supplier Quality Development (SQD) Team which engages with suppliers all over India and ensures that supplier meets with quality expectations of the Company. During the process, SQD team provides their inputs, knowledge, experience and imparts trainings as required to suppliers to develop capacity and capability.</p> |
| 5. | <p>Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.</p> | <p>Yes, the Company has mechanism to recycle products and waste. The Company recycles less than 5 % of its products and more than 10 % in waste. Following steps are taken in this regard (i) Jamshedpur and Bharuch Plant are ZERO liquid discharge Plant (ii) product waste (scrap) is melted and reused in steel making process (iii) grinding sludge is recycled in cement Kilns (iv) wood waste is recycled to alternate applications (including new pallets making etc) (v) at Bharuch Plant, in addition to recycling of rings scrap, the Company has done significant projects using lean thinking in terms of reduction of solid waste generation / reduction of polyethene usages.</p> |

| Principle 3: Businesses should promote the wellbeing of all employees | | | |
|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------|
| 1. | Please indicate the Total number of employees | | 1287 as on 31 March, 2021 |
| 2. | Please indicate the Total number of employees hired on temporary/contractual/casual basis. | | 1443 |
| 3. | Please indicate the Number of permanent women employees. | | 27 |
| 4. | Please indicate the Number of permanent employees with disabilities | | 3 |
| 5. | Do you have an employee association that is recognized by management | | There is an employee union in Jamshedpur. |
| 6. | What percentage of your permanent employees is members of this recognized employee association? | | 17.48% |
| 7. | Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year. | | See details below |
| | No. | Category | No of complaints filed during the financial year |
| | | | No of complaints pending as on end of the financial year |
| | 1. | Child labour/forced labour/involuntary labour | - |
| | 2. | Sexual harassment | - |
| | 3. | Discriminatory employment | - |
| 8. | What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year? | | |
| | (a) | Permanent Employees | 96.2% |
| | (b) | Permanent Women Employees | 100% |
| | (c) | Casual/Temporary/Contractual Employees | 89% |
| | (d) | Employees with Disabilities | 100% |

| Principle 4: Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Has the company mapped its internal and external stakeholders? Yes/No | Yes |
| 2. | Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders? | Yes |
| 3. | Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so | Timken makes the world a better place through a combination of volunteer efforts, community leadership and financial support. The Company's CSR vision inter alia includes to consult with local communities to identify needs and to continuously endeavor to find out ways to bring a stronger community. The Company as part of its CSR activities has been focusing on programs in the area of promoting education including enhancing vocational skills and preventive healthcare. For details of CSR activities during FY 2020-21, please refer Annexure III to the Board's Report. The Company also works for empowerment of women. Timken's Women's International Network (WIN) promotes diversity by attracting, promoting and engaging women at workplace, offering personal & professional development opportunities for women and providing a forum and networking community. |

| Principle 5: Businesses should respect and promote human rights | | |
|------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others? | <p>The Company's code of conduct is primarily based on the code of conduct of The Timken Company, ultimate parent company, which is followed by all the entities in Timken group worldwide.</p> <p>At Timken, we know that people are our most valuable resources and success of business depends on attracting and retaining the best people. We value and respect our associates, treating everyone equally according to their individual qualifications, abilities, experiences. The Company does not tolerate discrimination or harassment, regardless of where it takes place. Both are prohibited on Company premises, as well as in off-hours or off-site business-related functions, such as business travel or Company events. The Company provides a work environment free from all types of discrimination and harassment. Business decisions are made solely based on merit and not due to race, religion, color, national origin, ancestry, genetic information, gender, age, sexual orientation, disability or any other basis prohibited by applicable law. The Company expects everyone working on its behalf to adhere to our ethical standards, including consultants, agents, suppliers and business partners.</p> |
| 2. | How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management? | One complaint was received and same was satisfactorily resolved. |

| Principle 6: Businesses should respect, protect and make efforts to restore the environment | | |
|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Does the policy relate to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/ NGOs/ others. | The Company follows Environmental, Health and Safety (EHS) Policy of The Timken Company, ultimate parent company. Timken's excellent health and safety performance starts with its EHS Policy with which every associate must comply. At a high level, the Policy calls on associates to comply with all EHS laws, regulations, company policies and standards, make EHS a priority in our business, always conduct activities safely and responsibly, assess and control risks and potential hazards that can impact our EHS performance, support environmental sustainability. Anyone working for or on behalf of the Company (including associates, temporary employees, contractors and suppliers) must be aware of the EHS Policy as well as EHS risks and considerations relevant to their occupation and the location. |
| 2. | Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc. | The Timken Company, ultimate parent company, takes initiatives to address global environmental issues. Efforts made by The Timken Company can be seen at https://www.timken.com/about/corporate-social-responsibility/ |
| 3. | Does the company identify and assess potential environmental risks? Y/N | Yes. Company's manufacturing facilities have implemented an effective EHS management system in accordance with corporate EHS standards and procedures, which are regularly reviewed and updated to conform with ISO Standards 45001 (occupational health and safety) and 14001 (environmental management). Critical component of EHS management system is internal targeted assessments and audits, which are conducted by Corporate EHS. Audits are completed by qualified associates using audit protocols approved by Corporate EHS. The type and scope of audits are defined during the annual business planning process and modified as necessary throughout the year. Corrective and preventive actions from audits and assessments are tracked to completion. |
| 4. | Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed? | Timken is carrying out a global initiative to drive down single-use plastic across our business, including our vendors and third-party logistics providers. The Company has almost stopped using single use plastic. The Company is preferring to use plastic which is more than 50 microns and plastic which is biodegradable. By these actions, the Company would minimize waste which is going to landfills and this would help to protect future generations. |

| Principle 6: Businesses should respect, protect and make efforts to restore the environment (Contd.) | | |
|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5. | Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc. | <p>The Company is committed for usage of clean energy or alternative energy source. In this direction, Jamshedpur plant of the Company has installed a roof top solar plant of 1267 kWp. Efforts made by the Company on energy conservation are disclosed in the Board's Report. Both Jamshedpur and Bharuch plant of the Company are in compliance with ISO 50001 (Energy Management Systems).</p> <p>Timken's growing portfolio, at global level of engineered bearings and power transmission products and technologies, advances the use of alternative energy sources worldwide. Timken globally has been expanding its footprint in wind and solar market. Timken globally works closely with Wind Turbine manufacturers. Innovative Timken bearings and related components are enabling manufacturers to design bigger and more powerful wind turbines. Timken bearings are engineered to extend the lifecycles of the largest turbines in the world and are able to take on the thrust, radial and overturning moment loads these large, powerful machines produce. At the same time, Timken's precision gears and drives are boosting prospects for solar energy.</p> |
| 6. | Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported? | Yes |
| 7. | Number of show cause/ legal notices received from CPCB/ SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year. | Nil |

| Principle 7: Businesses when engaged in influencing public and regulatory policy, should do so in a responsible manner | | |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with: | <p>The Company is member of following associations:</p> <ol style="list-style-type: none"> Confederation of Indian Industries American Chamber of Commerce in India Heavy Duty Manufacturers Association Engineering Export Promotion Council |
| 2. | Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others) | The Company participates in above Associations for advancement or improvement of public good in many areas which mainly includes sustainable business principles, corporate social responsibility, environment health and safety and quality. |

| Principle 8: Businesses should support inclusive growth and equitable development | | |
|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof. | The Company is committed to positively moving world forward for good through our products, services and actions. The Company believes in creating necessary balance between better business, cleaner environment and better lives. The Company has adopted CSR Policy according to which programs/initiatives which have positive societal impact are undertaken. The Company focuses mainly on promoting education including vocational skills and preventive healthcare. |
| 2. | Are the programmes/projects undertaken through in- house team/ own foundation/ external NGO/ government structures/any other organization? | The Company undertakes projects either directly or through Implementing Agency which includes registered NGO, Section 8 Company or registered society. For details about CSR projects undertaken during FY 2020-21, please refer Annexure III to the Board's Report. |

| Principle 8: Businesses should support inclusive growth and equitable development Contd. | | |
|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. | Have you done any impact assessment of your initiative? | The CSR Committee is assisted by Internal Core CSR Group which oversees routine activities including project monitoring, support and impact assessment, if any. Internal Core CSR Group takes updates from Implementing Agency on projects and ensures that Projects are completed on time. |
| 4. | What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken? | Please refer Annexure III to the Board's Report. |
| 5. | Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so. | As mentioned earlier, the Company monitors project implementation and also ensures its completion on time. Once Project is implemented, it would serve/benefit target audience. The Company has seen overall good response from community in most of the projects implemented by the Company. |

| Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner | | |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | What percentage of consumer cases are pending as on the end of financial year | No consumer has filed case against the Company. Customers of the Company raise quality issues as routine business process which are responded/resolved from time to time. |
| 2. | Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks(additional information) | The Company discloses information on products which is required under the Legal Metrology (Packaged Commodities) Rules, 2011 such as MRP, quantity, date of manufacturing/packing etc. Further, the Company discloses additional information on some products which contains instructions relating to use or product performance information. |
| 3. | Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so. | Nil |
| 4. | Did your company carry out any consumer survey/consumer satisfaction trends? | No |

For and on behalf of the Board of Directors

Place: Bengaluru
Date: 18 June, 2021

Sd/-
Sanjay Koul
Chairman & Managing Director
DIN: 05159352

Independent Auditor's Report

To the Members of Timken India Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Timken India Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report.

| Key Audit Matter | Auditor's Response |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Company had embarked on capacity augmentation/expansion projects at its multiple plant locations in line with approved business plans. Assets acquired under these projects which were yet to be capitalized amounted to ₹ 974.73 million and additions to Property, plant and equipment (PPE) during the year amounted to ₹ 1,440.03 million.</p> <p>Given the nature and size of the aforesaid expansion projects, the underlying assets acquired require substantial time to meet the criteria for capitalization. The assets are capitalized and depreciated once the assets are ready for use as intended by the management. Inappropriate timing of capitalization of the project and/or inappropriate classification as PPE could result in material misstatement of capital work-in-progress/ PPE balances with a consequential impact on depreciation charge and results for the year.</p> <p>Accordingly, we have considered this as a key audit matter.</p> <p>Refer note 2.7.1 for the accounting policy.</p> | <p>Principal audit procedures performed:</p> <p>We tested the design, implementation and operating effectiveness of controls in respect of review of capital work in progress, particularly in respect of timing of the capitalization and recording of additions to items of PPE with source documentation.</p> <p>We tested details of the assets capitalized under PPE and those classified as capital work in progress on a sample basis to source documentation to determine whether the expenditure is of a capital nature and has been appropriately approved.</p> <p>Our tests included validating the appropriateness of the cut-off date considered for project capitalization based on discussions with the project personnel and corroborative evidences obtained during the audit.</p> <p>We reviewed operating expenses to determine whether any assets have been inappropriately expensed.</p> |

Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's report, including the Annexures to the Board's report, Management Discussion & Analysis, Business Responsibility Report, Corporate Governance and Shareholder's information but does not include the financial statements and our auditor's report thereon.
- Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by section 143(3) of the Act, based on our audit, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act.
 - (e) On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of section 164(2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
 - (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer note 33;
 - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Sd/-
Sathya P. Koushik
Partner

Place: Bengaluru
Date: June 18, 2021

(Membership No. 206920)
(UDIN: 21206920AAAAGA7255)

ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of TIMKEN INDIA LIMITED (“the Company”) as of March 31, 2021 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the criteria for internal financial control over financial reporting established by the respective Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Place: Bengaluru
Date: June 18, 2021

Sd/-
Sathya P. Koushik
Partner
(Membership No. 206920)
(UDIN: 21206920AAAAGA7255)

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of 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) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of building constructed on leased land, based on the examination of the lease agreements, we report that the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) As explained to us, the inventories were physically verified during the year by the management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- (iv) The Company has not granted any loans, made investments or provided guarantees and hence reporting under clause (iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year and does not have any unclaimed deposits as at March 31, 2021 and therefore, the provisions of clause (v) of the Order is not applicable.
- (vi) The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, and are of the opinion that, *prima facie*, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Goods and Services Tax, cess and other material statutory dues applicable to it to the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, Goods and Services Tax, cess and other material statutory dues in arrears as at March 31, 2021 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty and Excise Duty which have not been deposited as on March 31, 2021 on account of disputes are given below:

| Name of Statute | Nature of Dues | Forum where dispute is pending | Period to which the amount relates | Amount Involved (Rs. in million) | Amount Unpaid (Rs. in million) |
|------------------------|-------------------|---------------------------------------------------|------------------------------------------------|----------------------------------|--------------------------------|
| Income Tax Act, 1961 | Income Tax | Commissioner of Income Tax (Appeals) | 2002-03 | 8.64 | 8.64 |
| Various state Tax Acts | Various Sales Tax | Various appellate authorities | 2005-06, 2008-09, 2013-14, 2014-15 and 2015-16 | 10.88 | 10.72 |
| Finance Act, 1994 | Service Tax | Central Excise and Service Tax Appellate Tribunal | 2013-14, 2015-16 | 10.96 | 10.26 |
| | | Commissioner Appeals | 2016-17 | 1.29 | 1.19 |

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to banks. The Company did not have borrowings from financial institutions and government and has not issued any debentures.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the Order is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- (xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding, subsidiary or associate company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **Deloitte Haskins & Sells LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Sd/-
Sathya P. Koushik

Partner
(Membership No. 206920)
(UDIN: 21206920AAAAGA7255)

Place: Bengaluru
Date: June 18, 2021

Balance Sheet

₹ in million

| Particulars | Note No. | As at March 31, 2021 | As at March 31, 2020 |
|----------------------------------------------------------------------------|----------|-------------------------|-------------------------|
| ASSETS | | | |
| Non-current Assets | | | |
| Property, Plant and Equipment | 3 | 4,605.02 | 3,947.26 |
| Right of use assets | 4 | 1,066.05 | 1,092.16 |
| Capital work-in-progress | | 974.73 | 1,565.16 |
| Investment Property | 5 | 104.99 | - |
| Goodwill | 6 | 1,813.11 | 1,813.11 |
| Other Intangible assets | 7 | 594.05 | 627.39 |
| Financial assets | | | |
| Investments | 8 A | 0.30 | 0.30 |
| Loans | 9 A | 90.14 | 108.54 |
| Other financial assets | 10 A | 11.96 | 0.58 |
| Non-current tax assets (net) | | 81.35 | 105.01 |
| Other non-current assets | 11 A | 93.24 | 103.86 |
| I. Total non-current assets | | 9,434.94 | 9,363.37 |
| Current assets | | | |
| Inventories | 12 | 3,687.13 | 2,914.15 |
| Financial assets | | | |
| Investments | 8 B | - | 131.67 |
| Trade receivables | 13 | 3,713.28 | 2,914.65 |
| Cash and cash equivalents | 14 A | 1,704.04 | 4,146.51 |
| Bank balances other than cash & cash equivalents mentioned above | 14 B | 38.09 | 20.69 |
| Loans | 9 B | 13.31 | 2.00 |
| Other financial assets | 10 B | 20.03 | 36.83 |
| Other current assets | 11 B | 274.07 | 274.43 |
| II. Total current assets | | 9,449.95 | 10,440.93 |
| III. Total Assets (I+II) | | 18,884.89 | 19,804.30 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Equity share capital | 15 | 752.19 | 752.08 |
| Other equity | 16 | 12,682.93 | 15,014.65 |
| IV. Total Equity | | 13,435.12 | 15,766.73 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Financial liabilities | | | |
| Lease liabilities | 17 | 17.10 | 23.40 |
| Provisions | 18 A | 503.78 | 502.27 |
| Deferred tax liabilities (Net) | 19 A | 322.94 | 377.04 |
| Other non-current liabilities | 20 A | 233.26 | 248.79 |
| V. Total non-current liabilities | | 1,077.08 | 1,151.50 |
| Current Liabilities | | | |
| Financial liabilities | | | |
| Borrowings | 21 | 326.86 | 199.57 |
| Lease liabilities | 17 | 9.54 | 13.50 |
| Trade payables | 22 | | |
| Total outstanding dues of micro and small enterprises | | 196.70 | 48.61 |
| Total outstanding dues of creditors other than micro and small enterprises | | 3,157.82 | 2,108.28 |
| Other financial liabilities | 23 | 161.88 | 110.22 |
| Other current liabilities | 20 B | 109.15 | 79.87 |
| Provisions | 18 B | 57.18 | 71.14 |
| Current tax liabilities | 24 | 353.56 | 254.88 |
| VI. Total current liabilities | | 4,372.69 | 2,886.07 |
| VII. Total Liabilities (V+VI) | | 5,449.77 | 4,037.57 |
| VIII. Total Equity and Liabilities (IV+VII) | | 18,884.89 | 19,804.30 |

See accompanying notes to the Financial Statements

As per our report of even date

For Deloitte Haskins & Sells LLP

Chartered Accountants

(Firm's Registration No. 117366W/W – 100018)

Sd/-

Sathya P. Koushik

Partner

Membership No. 206920

Bengaluru, June 18, 2021

For and on behalf of the Board of Directors of Timken India Limited

Sd/-

Sanjay Koul

Chairman & Managing Director

DIN: 05159352

Sd/-

Avishrant Keshava

Business Controller - India,

CFO & Whole-time Director

DIN: 07292484

Sd/-

Mandar Vasmatkar

Company Secretary & Chief - Compliance

Bengaluru, June 18, 2021

Statement of Profit and Loss

₹ in million

| Particulars | Note No. | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|---------------------------------------------------------------------------------------------------------------------------------------|----------|--------------------------------------|--------------------------------------|
| Income | | | |
| Revenue from Operations | 25 | 14,105.20 | 16,168.70 |
| Other Income | 26 | 196.04 | 234.02 |
| I. Total Income | | 14,301.24 | 16,402.72 |
| Expenses | | | |
| Cost of Materials Consumed | | 4,490.13 | 4,635.76 |
| Purchase of Stock-in-trade | | 4,020.94 | 3,721.67 |
| Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade | 27 | (652.92) | 237.35 |
| Employee Benefits Expenses | 28 | 1,193.31 | 1,237.88 |
| Finance costs | 29 | 14.41 | 27.51 |
| Depreciation and amortisation expense | 30 | 748.79 | 768.64 |
| Other Expenses | 31 | 2,535.95 | 2,710.34 |
| II. Total Expenses | | 12,350.61 | 13,339.15 |
| III. Profit before tax (I-II) | | 1,950.63 | 3,063.57 |
| Tax expense: | | | |
| (i) Current tax {includes net charge of ₹ 8.10 million (March 31, 2020 - reversal of ₹ 4.76million) relating to earlier years } | | 572.94 | 813.51 |
| (ii) Deferred tax | | (54.10) | (210.93) |
| IV. Total Tax Expenses | 19 B | 518.84 | 602.58 |
| V. Profit for the year (III - IV) | | 1,431.79 | 2,460.99 |
| Other Comprehensive Income | | | |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | |
| (i) Re-measurement gains/ (losses) on defined benefit plans | | (4.15) | (9.17) |
| (ii) Income tax (losses)/gains effect on above | | 1.04 | 2.31 |
| VI. Other comprehensive income for the year, net of tax | | (3.11) | (6.86) |
| VII. Total Comprehensive Income for the year (V + VI) | | 1,428.68 | 2,454.13 |
| VIII. Earnings per equity share (₹ 10 each) in INR: Basic & Diluted | 32 | 19.03 | 32.72 |

See accompanying notes to the Financial Statements

As per our report of even date

For Deloitte Haskins & Sells LLPChartered Accountants
(Firm's Registration No. 117366W/W – 100018)

Sd/-

Sathya P. KoushikPartner
Membership No. 206920
Bengaluru, June 18, 2021

For and on behalf of the Board of Directors of Timken India Limited

Sd/-

Sanjay KoulChairman & Managing Director
DIN: 05159352

Sd/-

Avishrant KeshavaBusiness Controller - India,
CFO & Whole-time Director
DIN: 07292484

Sd/-

Mandar VasmatkarCompany Secretary & Chief - Compliance
Bengaluru, June 18, 2021

Statement of Changes in Equity

A) Equity Share Capital (Refer note 15)

| | Subscribed and Fully Paid-up | | Subscribed and partly paid-up | | Total Equity share capital |
|-------------------------------|------------------------------|--------------------------|-------------------------------|--------------------------|----------------------------|
| | No. of Shares | Amount (₹ in million) | No. of Shares | Amount (₹ in million) | Amount (₹ in million) |
| As at March 31, 2019 | 75,195,034 | 751.95 | 23,700 | 0.13 | 752.08 |
| Issue of equity share capital | - | - | - | - | - |
| Receipt of call in arrears | 500 | 0.01 | (500) | (0.01) | 0.00 |
| As at March 31, 2020 | 75,195,534 | 751.96 | 23,200 | 0.12 | 752.08 |
| Receipt of call in arrears | 23,200 | 0.23 | (23,200) | (0.12) | 0.11 |
| As at March 31, 2021 | 75,218,734 | 752.19 | - | - | 752.19 |

B) Other Equity (Refer note 16)

₹ in million

| | Reserves and Surplus | | | |
|-------------------------------------------------------------|----------------------------|--------------------|-------------------|------------------|
| | Capital Redemption Reserve | Securities Premium | Retained earnings | Total |
| Balance as at March 31, 2019 | 260.00 | 5,348.67 | 7,046.68 | 12,655.35 |
| Impact of adoption of Ind AS 116 (refer note 4) | | | (4.16) | (4.16) |
| Profit for the year | | | 2,460.99 | 2,460.99 |
| Other comprehensive income/ (loss) for the year, net of tax | | | (6.86) | (6.86) |
| Total comprehensive income | | | 9,496.65 | 15,105.32 |
| Equity dividend paid for the year 2018-19 | | | (75.21) | (75.21) |
| Dividend Tax on equity dividend for the year 2018-19 | | | (15.46) | (15.46) |
| Balance as at March 31, 2020 | 260.00 | 5,348.67 | 9,405.98 | 15,014.65 |
| Profit for the year | | | 1,431.79 | 1,431.79 |
| Other comprehensive income/ (loss) for the year, net of tax | | | (3.11) | (3.11) |
| Total comprehensive income | | | 10,834.66 | 16,443.33 |
| Equity dividend paid for the year 2019-20 | | | (3,760.40) | (3,760.40) |
| Balance as at March 31, 2021 | 260.00 | 5,348.67 | 7,074.26 | 12,682.93 |

See accompanying notes to the Financial Statements

As per our report of even date

For Deloitte Haskins & Sells LLP

Chartered Accountants

(Firm's Registration No. 117366W/W – 100018)

Sd/-

Sathya P. Koushik

Partner

Membership No. 206920

Bengaluru, June 18, 2021

For and on behalf of the Board of Directors of Timken India Limited

Sd/-

Sanjay Koul

Chairman & Managing Director

DIN: 05159352

Sd/-

Mandar Vasmatkar

Company Secretary & Chief - Compliance

Bengaluru, June 18, 2021

Sd/-

Avishrant Keshava

Business Controller - India,

CFO & Whole-time Director

DIN: 07292484

Statement of Cash Flows

₹ in million

| | Year ended March 31, 2021 | | Year ended March 31, 2020 | |
|--------------------------------------------------------------------------------------------------|------------------------------|----------|------------------------------|------------|
| A. Cash Flow from Operating Activities : | | | | |
| Profit for the year | | 1,431.79 | | 2,460.99 |
| Adjustments to reconcile profit before tax to net cash flows : | | | | |
| Income tax expense recognised in profit or loss | 518.84 | | 602.58 | |
| Depreciation and amortisation expense | 748.79 | | 768.64 | |
| Interest income | (87.24) | | (30.75) | |
| Interest expense | 14.41 | | 27.51 | |
| Dividend Income | (0.45) | | (105.07) | |
| (Profit)/Loss on sale of Property, Plant & Equipment (Net) | 0.95 | | (0.44) | |
| Provision for Doubtful debts / advances | 14.31 | | 25.42 | |
| Provision no longer required written back | (60.11) | | (32.54) | |
| Deferred government grants | (35.86) | | (32.79) | |
| Unrealised foreign exchange loss / (gain) | 37.55 | | (38.65) | |
| Impairment losses | - | | 37.01 | |
| | | 1,151.19 | | 1,220.92 |
| Operating Profit before Working Capital Changes | | 2,582.98 | | 3,681.91 |
| Changes in assets and liabilities | | | | |
| (Increase) / Decrease in Trade receivable | (815.36) | | 266.11 | |
| (Increase) / Decrease in Loans & other financial assets and other assets | 21.10 | | 184.96 | |
| (Increase) / Decrease in Inventories | (772.98) | | 256.64 | |
| Increase / (Decrease) in Trade payable | 1,157.18 | | (135.28) | |
| Increase / (Decrease) of short term borrowings | 127.29 | | (31.23) | |
| Increase/(Decrease) in Other financial liabilities, other liabilities & provisions | 37.46 | | 96.47 | |
| | | (245.31) | | 637.67 |
| Cash Generated from Operations | | 2,337.67 | | 4,319.58 |
| Direct Taxes paid (net of refund) | | (450.60) | | (837.87) |
| Net Cash from Operating Activities (A) | | 1,887.07 | | 3,481.71 |
| B. Cash Flow from Investing Activities : | | | | |
| Purchase of Property, Plant & Equipment including capital work in progress and capital advances | | (782.76) | | (1,206.90) |
| Proceeds from Sale of Property, Plant & Equipment | | 7.68 | | 59.50 |
| Dividend received | | 0.45 | | 105.07 |
| Interest received | | 87.24 | | 30.90 |
| Redemption/ maturity of bank deposits (net) (having original maturity of more than three months) | | - | | (7.39) |
| Net Cash used in Investing Activities (B) | | (687.39) | | (1,018.82) |

Statement of Cash Flows

(Contd.)

₹ in million

| | Year ended March 31, 2021 | | Year ended March 31, 2020 | |
|---------------------------------------------------------------------------------------------|------------------------------|-------------------|------------------------------|-----------------|
| C. Cash Flow from Financing Activities : | | | | |
| Interest expense | | (14.41) | | (27.49) |
| Repayment of lease liabilities | | (12.66) | | (16.77) |
| Dividend paid | | (3,760.40) | | (75.21) |
| Tax on dividend distribution | | - | | (15.46) |
| Net Cash (used in)/ from Financing Activities (C) | | (3,787.47) | | (134.93) |
| Net Increase in Cash and Cash equivalents (A + B + C) | | (2,587.79) | | 2,327.96 |
| Cash and Cash equivalents - Opening Balance | | 4,278.18 | | 1,976.33 |
| Effect of exchange differences on restatement of foreign currency cash and cash equivalents | | 13.65 | | (26.11) |
| Cash and Cash equivalents - Closing Balance | | 1,704.04 | | 4,278.18 |

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 statement of cash flows comprises the following balance sheet amounts :

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|-----------------------------------------------------------|----------------------|----------------------|
| Cash on hand and balances with banks (Refer. Note 14A) | 1,704.04 | 4,146.51 |
| Short term Investments (Refer Note 8B) | - | 131.67 |
| Cash & Cash equivalents | 1,704.04 | 4,278.18 |

See accompanying notes to the Financial Statements

As per our report of even date

For Deloitte Haskins & Sells LLP

Chartered Accountants
(Firm's Registration No. 117366W/W – 100018)

Sd/-

Sathya P. Koushik

Partner
Membership No. 206920
Bengaluru, June 18, 2021

For and on behalf of the Board of Directors of Timken India Limited

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Sanjay Koul

Chairman & Managing Director
DIN: 05159352

Sd/-

Avishrant Keshava

Business Controller - India,
CFO & Whole-time Director
DIN: 07292484

Sd/-

Mandar Vasmatkar

Company Secretary & Chief - Compliance
Bengaluru, June 18, 2021

Notes to financial statements as at and for the year ended March 31, 2021

1. CORPORATE INFORMATION

Timken India Limited ('the Company') is a public limited company incorporated on 15th June 1987 under the provisions of the erstwhile Companies Act, 1956. The Company's shares are listed in National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in India. The registered office of the Company is located at 39-42, Electronics City, Phase II, Hosur Road, Bengaluru - 560 100. The Company is into manufacture, distribution and sale of anti-friction bearings primarily tapered roller bearings, other roller bearings, components, accessories, and mechanical power transmission products for diverse customer base. The Company also provides maintenance contract and refurbishment services. The Company's manufacturing plants are located at Jamshedpur in Jharkhand & Bharuch in Gujarat and distribution centers are located in various parts of the country.

These financial statements of the Company for the year ended March 31, 2021 were authorised for issue in accordance with the resolution of the Board of Directors on June 18, 2021.

2. BASIS OF PREPARATION AND PRESENTATION, SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements have been prepared in all material aspects in accordance with the Indian Accounting Standards (referred to as "Ind AS") prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules, as amended from time to time and other relevant provisions of the Act.

2.2 Basis of preparation and measurement

These financial statements have been prepared on going concern and accrual basis. The accounting policies have been followed consistently across all the periods in the financial statements. All assets and liabilities are classified as current or non-current as per Company's operating cycle and other criteria defined in the Schedule III of the Companies Act, 2013. The operating cycle of the Company is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Based on the nature of business and the time between the asset acquisition and their conversion into cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of identification of current or non-current assets and liabilities.

These Ind-AS Financial Statements have been prepared on historical cost basis, except for certain financial instruments and defined benefit plans which have been measured at fair value or amortised cost at the end of each reporting period as explained in accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.3 Functional and Presentation currency

These financial statements are prepared in Indian Rupees (₹), the functional currency of the company, which is the currency of the primary economic environment in which the Company operates (the 'functional currency').

All amounts presented in the financial statements which also includes accompanying notes have been rounded off to the nearest million as per the requirement of Schedule III to the Companies Act, 2013, unless otherwise stated.

2.4 Cash flow statement

Statement of Cash flows is prepared using indirect method as set out in Ind-AS -7 ("Statement of Cash Flows").

Notes to financial statements as at and for the year ended March 31, 2021

2.5 Use of Estimates and Judgments:

The preparation of the Company's financial statements in conformity with IND AS requires management to make judgements, estimates and assumptions in application of accounting policies that affect the reported amounts of assets, liabilities, income, expenses and accompanying disclosures. Estimates and assumptions are reviewed on an ongoing basis, based on historical experience and other factors including the expectation of the future factors that are believed to be reasonable. Revisions to accounting estimates are recognised in the period in which the estimates are revised, and future periods affected.

Information about critical judgements, estimates and assumptions that have significant effect to the carrying amount of assets and liabilities in the financial statements are included in the following notes below:

| Sl. No | Judgement, Estimates, Assumptions | Accounting Policy Reference | Note Reference |
|--------|----------------------------------------------------------------------------------|-----------------------------|----------------|
| 1 | Estimation of useful life of tangible, intangible assets and investment property | 2.7.1; 2.7.2 & 2.7.4 | 3,5 & 7 |
| 2 | Measurement of Right -of- use assets and Lease liability | 2.7.3 | 4 & 17 |
| 3 | Measurement of defined benefit obligations and key actuarial assumptions | 2.7.11 | 39 |
| 4 | Recognition of current and deferred taxes | 2.7.12 | 19 A, 24 |
| 5 | Goodwill Impairment and future cashflow projection | 2.7.6 | 6 |
| 6 | Impairment of Trade receivables: Expected credit loss | 2.7.9.1 | 13 |
| 7 | Measurement and likelihood of occurrence of contingencies | 2.7.13 | 33 |

Estimation of uncertainties related to COVID-19 impact

The spread of the COVID-19 pandemic severely impacted many economies around the globe and brought economic activity to a near-standstill during the first quarter of FY 2020-21. The Company's sales were also adversely affected during the Q1 of FY 2020-21 due to the lockdown restrictions owing to Covid-19 pandemic, which started recovering from Q2 onwards.

The uncertainties resurfaced with the emergence of a second wave of the COVID-19 pandemic during March 2021 in some parts of the country, which gradually spread across the country. This did not materially impact the Company's performance during the period. While the second wave of the pandemic is in the phase out stage the company continues to focus on people's health & safety, meeting the customer demand through effective supply chain channel, caring for the communities and protecting the business model.

The Company has considered the possible effects that may impact on carrying amount of various assets and liabilities based on internal and external information available such as future volume estimate from business, contract terms, financial strengths of partners etc. The Company has done a sensitivity analysis and having reviewed the underlying data and the related sensitivity analysis, the Company expects, the carrying amount of the assets will be recovered and there is no significant impact to liabilities accrued. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these statements and the Company will continue to closely monitor any material changes to future economic conditions.

2.6 Recent pronouncements

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. MCA has notified the Companies (Indian Accounting Standards) Amendment Rules, 2021 on 18th June 2021. These amendments are applicable to the Company for the financial year starting 1st April 2021.

On 24th March 2021, the Ministry of Corporate Affairs (MCA) through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from 1st April 2021. The Company is evaluating the effect of the amendments on its financial statements.

2.7 SIGNIFICANT ACCOUNTING POLICIES

2.7.1 Property, Plant and equipment

- Property, Plant and Equipment held for use in the production and/or supply of goods or services or for administrative purposes, are stated in the Balance Sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Free hold Land is not depreciated. Property, Plant and Equipment acquired in a business

Notes to financial statements as at and for the year ended March 31, 2021

combination are recognised at fair value at the acquisition date. Cost comprises the purchase price including import duties and non-refundable, purchase taxes (net of taxes credits wherever applicable), and erection / commissioning & any incidental expenses which are directly attributable in bringing the asset to its working condition for the intended use. The amount of asset related grants are added to the cost of respective asset with a corresponding recognition of deferred income in respect of Government grant (also refer accounting policy on Government grants in note 2.7.10). Subsequent expenditure related to an item of property, plant & equipment is included in carrying amount of the asset or recognised as a separate asset, as appropriate, only if it is probable that the future economic benefits associated with the asset will flow to the Company and it is reliably measured. All other expenses on existing property plant and equipment, including day-to-day repair and maintenance expenditure, overhaul and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

- Spares which meet the definition of property, plant and equipment are capitalised as on the date of acquisition. The corresponding old spares are de-capitalised on such date with consequent impact on the statement of Profit and Loss.
- Property, Plant and Equipment not ready for its intended use at the date of Balance Sheet are disclosed as "Capital Work in progress". Such items are classified to specific sections of the Property, Plant and equipment as and when ready for its intended use.
- Advances paid towards the acquisition of property, plant and equipment outstanding at each Balance Sheet date is classified as capital advances under "Other non-current assets". An item of property, plant and equipment is de-recognised upon its disposal or when no future economic benefits are expected from its use. Gains or losses, if any, arising from de-recognition of property, plant & equipment (measured as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in the statement of profit and loss when the asset is de-recognised. The Company identifies and determines cost of each component of an asset separately, if the component has a cost which is significant to the total cost of the asset and has useful life that is materially different from that of the useful life of the principal asset.
- **Depreciation and useful lives**
 - Depreciation is charged so as to write off cost or value of assets over their estimated useful lives and are capitalised in the books of accounts, when the assets are ready for its intended use.
 - Depreciation for an item in property plant and equipment which are derecognised are provided on proportionate basis up to the date when the asset is derecognised from the financial statement.
 - Depreciation on items of property, plant & equipment (Other than free hold land) is calculated on a straight-line basis using the rates based on the useful lives estimated by the management.
 - The identified components of an asset are depreciated separately over their useful lives; the remaining components are depreciated over the life of the principal asset.
 - The estimated useful life, residual value and the depreciation methods are reviewed at the end of each reporting period, with effect of any changes in estimate accounted on a prospective basis.
 - Estimated useful life of the assets are determined based on various technical parameters / assessments and aligned to the prescribed useful life specified under schedule II of the Companies Act, 2013. The useful economic life of buildings and plant and equipment as estimated by the management, is supported by independent assessment by professionals, are lower than those indicated in Schedule II to the Companies Act, 2013. The estimated useful lives are as below:

| Block of Assets | Useful life |
|------------------------|--------------------|
| Factory Buildings | 5 -30 Years |
| Furniture & Fixtures | 5 -10 Years |
| Plant & Equipment | 5 -20 Years |
| Computers | 3 - 6 Years |
| Vehicles | 8 Years |
| Office Equipment | 5 Years |

Notes to financial statements as at and for the year ended March 31, 2021

2.7.2 Investment Property

- Investment property is held to earn rentals or for capital appreciation or both (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured in accordance with Ind AS 16 requirements. Cost comprises the purchase price including purchase taxes (net of taxes credits wherever applicable), and erection / commissioning & any incidental expenses which are directly attributable in bringing the asset to its working condition for the intended use.
- Subsequent expenditure related to investment property is included in carrying amount of the asset, only if it is probable that the future economic benefits associated with the asset will flow to the Company and it is reliably measured. All other expenses on existing investment property, including day-to-day repair and maintenance expenditure are charged to the statement of profit and loss for the period during which such expenses are incurred.
- Depreciation on investment property is calculated on a straight-line basis using the rates based on the useful lives estimated by the management. Estimated useful life of Building classified as investment property is 7-30 years. Depreciation are determined based on various technical parameters / assessments and aligned to the prescribed useful life specified under schedule II of the Companies Act, 2013.
- Investment properties are de-recognised either upon disposal when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. On disposal of an investment property, the difference between its carrying amount and net disposal proceeds is recognised in the Statement of Profit and Loss in the period in which the property is derecognised.

2.7.3 Leases and Right of use assets

The Company has adopted Ind AS 116 - Leases effective 1st April 2019, using the modified retrospective method. The Company has applied standard to its leases with cumulative impact recognised on the date of initial application (1st April 2019). Accordingly, previous period information has not been restated.

The Company lease asset classes primarily consist of leases for land, buildings and motor vehicles. The Company, at the inception of a contract, assesses whether the contract is a lease or contain a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration.

At the date of commencement of lease, the Company recognises a right-of-use asset (ROU) and a corresponding lease liability for all lease arrangements in which it's a lessee, except for leases with a term of twelve months or less (short term leases) and leases of low value assets. For these short term and leases of low value assets, the Company recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

The ROU asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less accumulated depreciation and impairment losses if any. The ROU asset is depreciated using the straight-line method from the commencement date over the shorter of lease term and useful life of the underlying asset.

The lease liability is initially measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the discount rate implicit in the lease, if not determinable, discounted with the Company's incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Assets or liabilities recognised under IND AS 103 (Business Combinations), relating to favorable or unfavorable terms of an operating lease, acquired during business combination, the same is derecognised and appropriate ROU and lease liability is recognised on the date of transition.

ROU and lease liability are separately presented in the Balance Sheet and lease payments have been classified as financing cashflows. The Company does not have any financial leases at the end of the reporting period.

Notes to financial statements as at and for the year ended March 31, 2021

2.7.4 Intangible assets

- **Intangible assets acquired separately** are carried at cost less accumulated amortisation less accumulated impairment losses if any.
- **Internally generated intangible assets**, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in Profit and loss in the period in which the expenditure is incurred.
- **Intangible assets acquired in a business combination:**
 - Intangible assets acquired in a business combination are recognised at fair value at the acquisition date
 - Subsequent to initial recognition, the intangible assets are reported at cost less accumulated depreciation and accumulated impairment if any
- Amortisation :
 - For all finite life intangibles, amortisation is charged on straight line basis over their estimated useful economic lives.
 - The estimated useful economic life and the amortisation method are reviewed at the end of each reporting period, with effect of any changes in estimate accounted on a prospective basis.
 - The amortization expense on intangible assets with finite lives is recognized in the statement of profit and loss under the heading "Depreciation and amortisation expense"
 - Estimated useful economic life of Intangibles are as follows:

| Intangibles | Useful economic life (years) |
|-------------------------|------------------------------|
| Computer Software | 3 |
| Tradename and Trademark | 15 |
| Developed Technology | 15 |
| Customer Relationship | 20 |

- Goodwill represents the cost of acquired business as established at the date of acquisition of the business in excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities less accumulated impairment losses, if any. Goodwill is initially recognised based on the accounting policies on business combinations refer note 2.7.5 and is tested annually for impairment.

2.7.5 Business Combinations and Goodwill

The Company accounts for its business combinations under acquisition method of accounting. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognised at their fair values at the acquisition cost.

Purchase consideration paid in excess of the fair value of net assets acquired is recognised as goodwill. Where the fair value of identifiable assets and liabilities exceed the cost of acquisition, after reassessing the fair values of the net assets and contingent liabilities, the excess is recognised as capital reserve.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity of subsidiaries.

Business combinations arising from transfers of interests in entities that are under common control are accounted at historical cost. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity is recorded in shareholders' equity.

Acquisition related costs are recognised in the statement of profit and loss as incurred.

Notes to financial statements as at and for the year ended March 31, 2021

2.7.6 Impairment of Non-Financial assets

- The carrying amount of tangible, intangible and other non-financial assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on external or internal factors. If any such indication exists, the recoverable amount of the asset / Cash Generating Units (CGU) is estimated in order to determine the extent of impairment loss (if any).
- For Goodwill, an impairment test is performed as at each Balance Sheet date and whenever there is an indication that the asset may be impaired.
- An Impairment is recognised in the Statement of Profit and loss to the extent the recoverable amount of an asset or CGU is estimated to be less than its carrying amount of the asset or CGU.
- Recoverable amount represents the higher of fair value less cost to sell and their 'value in use'. In assessing the 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 for which the estimates of future cash flows have not been adjusted.
- When an impairment loss subsequently reverses, the carrying amount of the asset or a CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit and loss.

2.7.7 Inventories

Inventories are valued at the lower of cost and net realisable value after providing for obsolescence and slow-moving inventory as follows:

| Inventory Types | Valuation methodology |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Raw materials, components, stores and spares | These are valued at lower of cost and net realisable value. Cost includes cost of purchase including duties & taxes (other than the taxes, which can be taken as input tax credit) and other costs incurred in bringing the inventories to their present location and condition. 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 | These are valued at lower of cost and net realisable value. Cost includes direct materials and labour and an allocated proportion of manufacturing overheads based on normal operating capacity. Cost is determined on a weighted average basis. |
| Traded goods | Valued at lower of cost and net realisable value. Cost includes cost of purchase including duties & taxes (other than the taxes, which can be taken as input tax credit) and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis. |

Net realisable 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.

2.7.8 Cash & Cash Equivalents & Investments

- Cash and cash equivalents in the balance sheet comprise cash at banks and short-term deposits with an original maturity of three months or less

Notes to financial statements as at and for the year ended March 31, 2021

- Investments comprise of investments made in various liquid funds in mutual funds. These investments are valued at cost less impairment if any
- For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits and short-term liquid investments, as defined above.

2.7.9 Financial Instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

2.7.9.1 Financial Assets:

Company's financial assets broadly comprise the following:

- (a) Current financial assets: Investments, trade receivables, cash and cash equivalents, loans and advances, other short-term receivables
- (b) Non-current financial assets: Investments, other long-term receivables and deposits

2.7.9.1.1 Initial recognition and measurement:

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through Profit and loss) are added to the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through Profit and loss are recognised immediately in Statement of Profit and loss.

2.7.9.1.2 Subsequent measurement:

For the purpose of subsequent measurement, financial assets are classified into following categories:

(a) Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost, if both the below conditions are met:

1. These financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows
2. Contractual terms of financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these financial assets are subsequently measured using the effective interest rate (EIR) method, less impairment, if any. The amortisation of EIR and loss arising from impairment, if any, recognised in the Statement of Profit and loss. This category generally applies to trade and other receivables. For the impairment policy on financial assets measured at amortised cost, refer note no 2.7.9.1.3

(b) Financial Assets at fair value through other comprehensive Income (FVTOCI)

Financial assets are measured at fair value through other comprehensive income if both the below conditions are met:

1. These financial assets are held within business model whose objective is achieved by both collecting contractual cash flows on specified dates and selling financial assets
2. These assets contractual cash flows represent solely payments of principal and interest on the principal amount outstanding

The Company does not own any financial asset classified at FVTOCI.

(c) Financial assets at fair value through Profit and loss (FVTPL)

This is a residual category. Any financial assets which do not fall under the category of financial assets measured at amortised cost or FVTOCI are classified as FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with gain or loss arising on remeasurement recognised in statement of Profit and loss incorporates any dividend or interest earned on the financial assets and is included in other Income line item.

The Company's investment as presented in note 8A and 8B are valued at FVTPL.

Notes to financial statements as at and for the year ended March 31, 2021

2.7.9.1.3 Impairment of Financial Assets

In accordance with Ind AS 109 "Financial Instruments", the Company applies Expected Credit Loss (ECL) model for measurement and recognition of loss allowance on the following and the basis of its measurement:

- Trade Receivable - For Trade receivable and other financial assets that results from transactions that are in scope of Ind AS 115, the Company applies the simplified approach required in Ind AS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.
- Financial assets measured at amortised cost (other than trade receivable) - In case of other than trade receivable, the Company determines, if there is any significant increase in credit risk of the financial asset since initial recognition. Below methods are followed based on the credit risk changes:
 - If there are no significant changes in credit risk since initial recognition, twelve months ECL is used to provide the impairment loss
 - If there is a significant change in credit risk, lifetime ECL is measured for making the impairment loss assessment. Subsequently if there is an improvement in credit risk, the Company reverts to recognition of impairment loss based on twelve months ECL.

To make the assessment whether there is any significant change in risk, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with a risk of default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increase in credit risk since its initial recognition.

Lifetime ECL are the expected credit losses resulting from all possible default events, over the expected life of a financial assets. 12 months ECL is a portion of lifetime ECL which result from default events that are possible within 12 months from the reporting period.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (EIR).

As a practical expedient and as permitted under Ind AS 109, the Company uses a provision matrix to measure lifetime ECL on its portfolio of trade receivables. The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking information available. At each reporting date, the historically observed default rates and changes in the forward-looking information are updated.

ECL allowance recognised (or reversed) during the period is recognised as income or expense in the statement of profit and loss under the head 'Other Expenses'. If the reversal of ECL allowance related to prior financial year, these are accounted as part of other Income in the statement of profit and loss.

2.7.9.1.4 Derecognition of financial assets

- The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of profit and loss if such gain or loss would have otherwise been recognised in statement of profit and loss on disposal of that financial asset.
- On derecognition of a financial assets other than entirely, (when the Company retains an option to repurchase part of a transferred asset), the Company allocates previous carried over amount of financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of transfer.
- The difference between the carrying amount allocated to the part that is no longer recognised and the sum of consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in Profit and loss on disposal of that financial asset. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair value of those parts.

Notes to financial statements as at and for the year ended March 31, 2021

2.7.9.2 Financial liabilities and Equity instruments issued by the Company:

2.7.9.2.1 Equity Instruments:

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

2.7.9.2.2 Financial liabilities:

Company's financial liabilities broadly comprises, Short term borrowings, Trade payables, Liabilities for capital expenditure and Other long term/ short term obligations

2.7.9.2.2.1.1 Initial recognition and measurement:

- Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.
- All financial liabilities are recognised initially at Fair value. In case of loans, borrowings and payables, net of directly attributable transaction costs.
- Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL or at amortised cost as appropriate.

2.7.9.2.2.1.2 Subsequent measurement:

- Financial Liabilities at amortised cost - The carrying amounts of financial liabilities that are subsequently measured at amortised cost using the effective interest method. All the financial liabilities of the Company fall under this category.
- The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.
- Financial Liabilities at FVTPL - Financial liabilities at fair value through Profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through Profit and loss. The Company does not owe any financial liability which is classified at FVTPL

2.7.9.2.2.1.3 Derecognition of financial liabilities

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable is recognised in Statement of Profit and loss.

2.7.9.3 Offsetting financial asset and financial liability

The Company offsets a financial asset and a financial liability and report this as a net balance in the Balance sheet only when:

- There is a legally enforceable right to set off the recognised amounts and
- There is an intention to realise the asset and settle the liability simultaneously.

2.7.10 Government Grants

Government grants are recognised when there is a reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in the statement of profit and loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the balance sheet and its amortisation re-recognised in the Statement of Profit and loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in the Statement of Profit and loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Notes to financial statements as at and for the year ended March 31, 2021

2.7.11 Employee benefits

2.7.11.1 Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits generally include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

2.7.11.2 Other than short term employee benefits:

2.7.11.2.1 Defined Contribution schemes:

Contributions to defined contribution scheme such as Employee state insurance, labour welfare fund, superannuation scheme (for specific employee group) are charged as an expense based on the amount of contribution required to be made as and when services are rendered by the employees. Company's provident fund contribution, in respect of certain employees, is made to a government administrated fund and charged as an expense to the statement of profit and loss. The above benefits are classified as Defined Contribution schemes as the Company has no further defined obligations beyond the monthly contribution.

2.7.11.2.2 Defined benefit schemes:

The Company operates the following schemes which are under defined benefit plans:

- 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 done at the end of each financial year.
- The liability on account of long-term compensated absences and death benefit scheme (in respect of certain employees) 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.
- In respect of certain employees, provident fund contributions are made to a trust administrated by the Company. The interest rate payable to the members of the trust shall not be lower than the rate declared by the Central Government under Employee's Provident Fund & Miscellaneous Provisions Act, 1952 and interest shortfall, if any, on Provident Fund, which is managed through a private trust, shall be made good by the Company. The liability in respect of shortfall is provided for based on year-end actuarial valuation on projected unit credit method.

2.7.11.2.3 Re-measurements, comprising of actuarial gains and losses excluding amounts included in net interest on the net defined benefit liability and the return on plan assets, are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to statement of profit and loss in subsequent periods.

2.7.11.2.4 Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- a) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- b) Net interest expense or income

2.7.11.2.5 The current and non-current classification of gratuity, compensated absences, death benefit scheme and provident fund liabilities is based on the independent actuarial valuation reports.

2.7.12 Income Taxes

Income tax expense comprises current tax and the net change in the deferred tax asset or liability during the year and includes any adjustments related to past periods in current and/or deferred tax adjustments that may become necessary due to certain developments or review during the relevant period. Current and deferred taxes are recognised in statement of profit and loss, except when they relate to items that are recognised in other comprehensive income, in which case, the current and deferred tax are also recognised in other comprehensive income.

Notes to financial statements as at and for the year ended March 31, 2021

Current income taxes

Current tax is the expected tax payable/ receivable on the taxable income/ loss for the year using applicable tax rates for the relevant period, and any adjustment to taxes in respect of previous years in accordance with Income Tax Act, 1961 including the relevant transfer price regulations prescribed there under, read with applicable judicial precedents or interpretations wherever relevant.

Interest expenses and penalties, if any, related to income tax are included in finance cost and other expenses respectively. Interest Income, if any, related to Income tax is included in other income.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amount and there is an intention to settle the assets and liabilities on net basis.

Management periodically evaluates contingencies and position taken on uncertain tax positions in tax return with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income taxes

Deferred income tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount, except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable Profit and loss at the time of the transaction.

A deferred tax liability is recognised based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted, or substantially enacted, by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be realised or settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to income tax levied by the same taxation authority.

2.7.13 Provisions, contingent liabilities and contingent assets

2.7.13.1 Provisions

A provision is recognised when the Company 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 measured at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date.

If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used the increase in the provision due to the passage of time is recognised as a finance cost.

2.7.13.2 Contingent liabilities and contingent assets

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 arises from a past event where it is either not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount cannot be made. Such liabilities are disclosed in notes but are not recognised. Contingent assets are neither recognised nor disclosed in the financial statements.

Notes to financial statements as at and for the year ended March 31, 2021

2.7.14 Revenue Recognition

Revenue is recognised on the basis of approved contracts regarding the transfer of goods or services to a customer for an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Sale of Goods

Revenue is recognised upon transfer of control of promised products to customers and when there are no longer any unfulfillment obligations. The performance obligations in our contracts are fulfilled either at the time of dispatch, delivery or upon formal customer acceptance dependent on customer terms agreed in the contract.

Revenue is measured based on the transaction price, which is the consideration received or receivable, adjusted of any discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue excludes taxes or duties collected from customers on behalf of Government. The revenue is recognised to the extent that it is highly probable a significant reversal will not occur. No element of financing is deemed to be present as the sales are made with credit term as per the contract terms agreed with the customers, which is consistent with market practice and the industry norms, that the Company operates.

Income from Services

Income from services rendered is recognised based on agreements/arrangements with the customers as the service is performed and there are no unfulfilled obligations.

Contract Balances

Trade Receivable: A trade receivable is recognised when the control is transferred and there is no unfulfilled obligation as this is the point in time that the consideration becomes unconditional because only a passage of time is required before the payment is due.

Contract Assets: Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms. If the unbilled receivable and unbilled revenue are not material numbers, these numbers are included in revenue and trade receivable appropriately.

Contract Liabilities: Contract Liabilities, which is Company's obligation to transfer goods or services to customers for which the Company has already received the consideration. This relate mainly to advance payments from customers which are disclosed in note no 20. Contract liabilities are recognised as revenue when the Company performs under the contract.

Contracts are subject to modification to account for changes in contract specification and requirements. The Company reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation, a cumulative adjustment is accounted for.

Export Incentive Income

Export incentives are recognised 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 realisation / utilisation of such incentives.

Dividends

Dividend income on investments is recognised when the right to receive dividend is established.

Insurance claims

Claim on insurance companies and others, where quantum of accrual cannot be ascertained with reasonable certainty, are accounted for on acceptance basis.

Notes to financial statements as at and for the year ended March 31, 2021

Interest income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of a financial liability or a financial asset to their gross carrying amount.

Interest and Dividend income are included under the head "other income" in the Statement of Profit and Loss.

2.7.15 Foreign Currency Translations

In the financial statements of the Company, transactions in foreign currencies are translated into the functional currency at the exchange rates at the date of the transaction. Foreign exchange gains and losses from settlement of these transactions are recognised in the Statement of Profit and Loss at the time of settlement. Foreign currency denominated monetary assets and liabilities are translated into the functional currency at exchange rates prevailing on the reporting date. Exchange differences arising on settlement or translation of monetary items are recognised in the statement of profit and loss. Non-monetary items are measured at historical cost.

2.7.16 Earnings Per Share

Basic Earnings per share is calculated by dividing the net profit or loss before OCI attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period.

For the purpose of calculating diluted earnings per share, the net Profit and 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.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 3 : PROPERTY, PLANT AND EQUIPMENT

Refer Note 2.7.1 and 2.7.6 for accounting policy on Property, Plant and Equipment and Impairment of non-financial assets

₹ in million

| Cost | Freehold Land | Buildings | Plant & Equipment | Office Equipment | Computers Equipment | Furniture & Fixtures | Vehicles | Total |
|-------------------------------------------------|---------------|-----------------|-------------------|------------------|---------------------|----------------------|-------------|-----------------|
| Balance as at April 1, 2019 | 47.11 | 961.08 | 4,881.78 | 51.36 | 62.11 | 19.12 | 8.30 | 6,030.86 |
| Additions | - | 38.38 | 278.10 | 3.43 | 12.28 | 0.93 | 1.72 | 334.84 |
| Disposals | - | (1.81) | (163.80) | (0.93) | (18.43) | (2.19) | (0.68) | (187.84) |
| Balance as at March 31, 2020 | 47.11 | 997.65 | 4,996.08 | 53.86 | 55.96 | 17.86 | 9.34 | 6,177.86 |
| Additions | - | 617.54 | 796.81 | 9.00 | 12.93 | 3.75 | - | 1,440.03 |
| Disposals | - | (7.71) | (7.46) | (1.05) | (0.63) | (0.15) | (1.55) | (18.55) |
| Reclassification to Investment Property | (47.11) | (61.45) | - | - | - | - | - | (108.56) |
| Balance as at March 31, 2021 | - | 1,546.03 | 5,785.43 | 61.81 | 68.26 | 21.46 | 7.79 | 7,490.78 |
| Accumulated Depreciation and Impairment | Freehold Land | Buildings | Plant & Equipment | Office Equipment | Computers Equipment | Furniture & Fixtures | Vehicles | Total |
| Balance as at April 1, 2019 | - | 85.03 | 1,507.04 | 10.46 | 40.98 | 4.07 | 1.00 | 1,648.58 |
| Depreciation | - | 44.65 | 614.58 | 11.08 | 15.73 | 3.77 | 1.16 | 690.97 |
| Disposals | - | (0.34) | (119.80) | (0.87) | (21.01) | (3.57) | (0.37) | (145.96) |
| Impairment losses recognised in profit & loss | - | - | 37.01 | - | - | - | - | 37.01 |
| Balance as at March 31, 2020 | - | 129.34 | 2,038.83 | 20.67 | 35.70 | 4.27 | 1.79 | 2,230.60 |
| Depreciation | - | 50.63 | 602.10 | 0.55 | 12.18 | 2.15 | 1.06 | 668.67 |
| Disposals | - | (6.42) | (0.42) | (1.02) | (0.58) | (0.15) | (1.35) | (9.94) |
| Reclassification to Investment Property | - | (3.57) | - | - | - | - | - | (3.57) |
| Balance as at March 31, 2021 | - | 169.98 | 2,640.51 | 20.20 | 47.30 | 6.27 | 1.50 | 2,885.76 |
| Net carrying amount as at March 31, 2020 | 47.11 | 868.31 | 2,957.25 | 33.19 | 20.26 | 13.59 | 7.55 | 3,947.26 |
| Net carrying amount as at March 31, 2021 | - | 1,376.05 | 3,144.92 | 41.61 | 20.96 | 15.19 | 6.29 | 4,605.02 |

(i) Contractual commitments for the acquisition of property, plant and equipment are disclosed in Note no. 33 B

(ii) **Assessment on account of COVID-19**

Following the outbreak of COVID-19 and with the emergence of second wave of the COVID-19 pandemic, the Company reviewed with additional information from its various internal and external sources. These reviews have not given any indication for the non-recoverability of the carrying value of these assets.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 4 : RIGHT OF USE ASSETS

Refer Note 2.7.3 for accounting policy on Leases and Right of use assets

Operating Leases

₹ in million

| Cost | Land usage rights | Buildings | Vehicles | Total |
|-------------------------------------|-------------------|--------------|-------------|-----------------|
| Balance as at April 1, 2019 | - | - | - | - |
| On adoption of Ind AS 116 | 1,093.77 | 26.66 | 5.50 | 1,125.93 |
| Additions | - | 14.75 | - | 14.75 |
| Disposals | - | (0.40) | - | (0.40) |
| Balance as at March 31, 2020 | 1,093.77 | 41.01 | 5.50 | 1,140.28 |
| Additions | - | 23.45 | - | 23.45 |
| Disposals | - | (36.24) | (0.56) | (36.80) |
| Balance as at March 31, 2021 | 1,093.77 | 28.22 | 4.94 | 1,126.93 |

| Accumulated Depreciation | Land usage rights | Buildings | Vehicles | Total |
|-------------------------------------------------|-------------------|--------------|-------------|-----------------|
| Balance as at April 1, 2019 | - | - | - | - |
| On adoption of Ind AS 116 | 16.44 | - | - | 16.44 |
| Depreciation | 17.93 | 11.86 | 1.99 | 31.78 |
| Disposals | - | (0.10) | - | (0.10) |
| Balance as at March 31, 2020 | 34.37 | 11.76 | 1.99 | 48.12 |
| Depreciation | 17.93 | 9.54 | 1.79 | 29.26 |
| Disposals | - | (16.12) | (0.38) | (16.50) |
| Balance as at March 31, 2021 | 52.30 | 5.18 | 3.40 | 60.88 |
| Net carrying amount as at March 31, 2020 | 1,059.40 | 29.25 | 3.51 | 1,092.16 |
| Net carrying amount as at March 31, 2021 | 1,041.47 | 23.04 | 1.54 | 1,066.05 |

- (i) The Company has adopted Ind AS 116 "Leases" with the date of initial application being April 1, 2019. The Company has applied Ind AS 116 using the modified retrospective approach.
- (ii) The Company has no leases that were classified as finance leases
- (iii) **Assessment on account of COVID-19**

As on balance sheet date no change in the term of lease arrangements were noted that needed any consideration. There has been no assistance or grant from the Government, which requires any adjustments to the lease arrangements. There had been no trigger for any material adjustments that is required to be done to the present value of lease liabilities as on the balance sheet date.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 5 : INVESTMENT PROPERTY

Refer Note 2.7.2 and 2.7.6 for accounting policy on Investment Property and Impairment of non-financial assets

₹ in million

| Cost | Land | Buildings | Total |
|----------------------------------------------------|--------------|--------------|---------------|
| Balance as at April 1, 2020 | - | - | - |
| Additions | - | - | - |
| Disposals | - | - | - |
| Reclassification from Property plant and equipment | 47.11 | 61.45 | 108.56 |
| Balance as at March 31, 2021 | 47.11 | 61.45 | 108.56 |

| Accumulated Depreciation | Land | Buildings | Total |
|----------------------------------------------------|--------------|--------------|---------------|
| Balance as at April 1, 2020 | - | - | - |
| Depreciation | - | - | - |
| Disposals | - | - | - |
| Reclassification from Property plant and equipment | - | 3.57 | 3.57 |
| Balance as at March 31, 2021 | - | 3.57 | 3.57 |
| Net carrying amount as at March 31, 2021 | 47.11 | 57.88 | 104.99 |

Fair Value of Investment property

₹ in million

| Particulars | As at March 31, 2021 |
|-------------|-------------------------|
| Land | 48.66 |
| Building | 61.58 |

The fair value of investment property is based on a valuation carried out by an independent valuer during the financial year 2020-21, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value of the investment property has been arrived at by means of market approach. As per the said technique, fair value of investment property is arrived by considering the comparable prices of similar property at that location.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 6 : GOODWILL

Refer Note 2.7.4, 2.7.5 and 2.7.6 for accounting policy on Intangible assets, Business combinations & Goodwill and Impairment of non-financial assets

₹ in million

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|---------------------------------------------|-------------------------|-------------------------|
| Carrying value at the beginning of the year | 1,813.11 | 1,813.11 |
| Closing value as at the reporting date | 1,813.11 | 1,813.11 |

Impairment assessment of goodwill as at March 31, 2021:

The Company has performed the annual impairment assessment of the goodwill by determining the "value in use" of the Cash Generating Unit (CGU) as an aggregate of present value of cash flow projections covering a five year period and the terminal value. The Company considers a single CGU for the impairment assessment. Determination of value in use involves significant estimates and assumptions that affect the reporting CGU's expected future cash flows. These estimates and assumptions, primarily include, but not limited to, the Industry trend, the revenue growth and profitability during the forecasted period, the discount rate and the terminal growth rate. While considering these numbers, the Company has considered all possible impacts that is known at the time of preparation of this financial statement due to COVID-19.

Considering the historical performance of the CGU and based on the forward looking estimates (which considered likely impact of COVID-19), revisions were made to the cash flow projections and other key assumptions such as discount rate and the perpetual growth rate. The cash flows are discounted using a post tax discount rate of 13.5%. The terminal value of cash generating unit is arrived at by extrapolating cash flows of latest forecasted year to perpetuity considering a nil growth rate.

During the year ended March 31 2021, the testing did not result in any impairment in the carrying amount of goodwill.

Sensitivity Analysis:

The table below shows the percentage movement in key assumptions that (individually) would be required to reach the point at which the value in use approximates its carrying value.

| Assumptions | Movement |
|------------------------|------------------|
| Terminal growth rate | 24.49 % decrease |
| Post tax discount rate | 28.97 % increase |

NOTE 7 : OTHER INTANGIBLE ASSETS

Refer Note 2.7.4 and 2.7.6 for accounting policy on Intangible assets and Impairment of non-financial assets

₹ in million

| Cost | Computer Softwares | Tradename and Trademark | Developed Technology | Customer Relationship | Land usage rights | Total |
|-------------------------------------------------|--------------------|-------------------------|----------------------|-----------------------|-------------------|-----------------|
| Balance as at April 1, 2019 | 10.90 | 119.00 | 476.00 | 119.00 | 1,093.77 | 1,818.67 |
| Additions | 0.73 | - | - | - | - | 0.73 |
| Reclassification post Ind AS 116 | - | - | - | - | (1,093.77) | (1,093.77) |
| Disposals | (0.73) | - | - | - | - | (0.73) |
| Balance as at March 31, 2020 | 10.90 | 119.00 | 476.00 | 119.00 | - | 724.90 |
| Additions | 17.53 | - | - | - | - | 17.53 |
| Reclassification post Ind AS 116 | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| Balance as at March 31, 2021 | 28.43 | 119.00 | 476.00 | 119.00 | - | 742.43 |
| Accumulated Amortisation | Computer Softwares | Tradename and Trademark | Developed Technology | Customer Relationship | Land usage rights | Total |
| Balance as at April 1, 2019 | 9.85 | 7.27 | 29.09 | 5.45 | 16.44 | 68.10 |
| Amortisation | 0.28 | 7.93 | 31.73 | 5.95 | - | 45.89 |
| Reclassification post Ind AS 116 | - | - | - | - | (16.44) | (16.44) |
| Disposals | (0.03) | - | - | - | - | (0.03) |
| Balance as at March 31, 2020 | 10.10 | 15.20 | 60.82 | 11.40 | - | 97.52 |
| Amortisation | 5.25 | 7.93 | 31.73 | 5.95 | - | 50.86 |
| Reclassification post Ind AS 116 | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| Balance as at March 31, 2021 | 15.35 | 23.13 | 92.55 | 17.35 | - | 148.38 |
| Net carrying amount as at March 31, 2020 | 0.80 | 103.80 | 415.18 | 107.60 | - | 627.39 |
| Net carrying amount as at March 31, 2021 | 13.08 | 95.87 | 383.45 | 101.65 | - | 594.05 |

Assessment on account of COVID-19

Following the outbreak of COVID-19 and with the emergence of second wave of the COVID-19 pandemic, the Company reviewed with additional information from its various internal and external sources. These reviews have not given any indication for the non-recoverability of the carrying value of these assets.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 8 : INVESTMENTS

Refer Note 2.7.8 and 2.7.9.1 for accounting policy on Cash and cash equivalents & investments and Financial assets

A : NON-CURRENT INVESTMENTS

| | Face Value | Holdings as at March 31, 2021 | | Face Value | Holdings as at March 31, 2020 | |
|-----------------------------------------------------------------------------------------------------------|------------|----------------------------------|--------------|------------|----------------------------------|--------------|
| | ₹ per unit | Nos | ₹ in million | ₹ per unit | Nos | ₹ in million |
| At Fair Value Through Profit and Loss (FVTPL) Trade (Unquoted) Equity Shares fully paid up | | | | | | |
| Nicco Jubilee Park Limited | 10 | 30,000 | 0.30 | 10 | 30,000 | 0.30 |
| Total | | | 0.30 | | | 0.30 |

B : CURRENT INVESTMENTS

| | Face Value | Holdings as at March 31, 2021 | | Face Value | Holdings as at March 31, 2020 | |
|---------------------------------------------------------------------------------------------------------------|------------|----------------------------------|--------------|------------|----------------------------------|---------------|
| | ₹ per unit | Nos | ₹ in million | ₹ per unit | Nos | ₹ in million |
| At Fair Value Through Profit and Loss (FVTPL) Unquoted Instruments Investments in Mutual Funds | | | | | | |
| Aditya Birla Sun Life Liquid Fund - Daily Dividend - Regular Plan | - | - | - | 100 | 95,660 | 30.40 |
| DSP BlackRock Liquidity Fund - Institutional Plan - Daily Dividend | - | - | - | 1000 | 3,659 | 10.33 |
| Axis Liquid Fund - Daily Dividend - Regular Plan | - | - | - | 1000 | 13,859 | 30.41 |
| L & T Liquid Fund - Daily Dividend - Regular Plan | - | - | - | 1000 | 29,919 | 30.27 |
| UTI Liquid Cash Plan -DDR | - | - | - | 1000 | 29,680 | 30.26 |
| Total | | | - | | | 131.67 |

Refer note 37 for information about fair value measurement and note 38A for credit risk and market risk of the investment.

NOTE 9: LOANS

Refer Note 2.7.9.1 for accounting policy on Financial assets

A: Non current

(at amortised cost. Unsecured, considered good)

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|--------------------|-------------------------|-------------------------|
| Security Deposits | 89.49 | 108.07 |
| Loans to employees | 0.65 | 0.47 |
| Total | 90.14 | 108.54 |

B : Current

(at amortised cost. Unsecured, considered good)

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|--------------------|-------------------------|-------------------------|
| Security Deposits | 12.04 | - |
| Loans to employees | 1.27 | 2.00 |
| Total | 13.31 | 2.00 |

- (i) No loans are due from directors or other officers of the Company or any of them severally or jointly with any other person. Further, no loans are due from firms or private Companies in which any director is a partner, a director or a member.
- (ii) Refer note 38A for information about credit risk and market risk of other financial assets.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 10 : OTHER FINANCIAL ASSETS

Refer Note 2.7.9.1 for accounting policy on Financial assets

A : Non current

(at amortised cost. Unsecured, considered good)

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|--------------------------------|-------------------------|-------------------------|
| Deposits with accrued interest | 0.58 | 0.58 |
| Other receivables | 11.38 | - |
| Total | 11.96 | 0.58 |

B : Current

(at amortised cost. Unsecured, considered good)

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|----------------------------------------------------------------|-------------------------|-------------------------|
| Advances to employees | 2.36 | 10.40 |
| Other receivables | 7.03 | 8.10 |
| Reimbursements receivable from related parties (Refer Note 36) | 10.64 | 18.33 |
| Total | 20.03 | 36.83 |

- (i) Advances to employees include for March 31, 2021 ₹ 1.86 million (March 31, 2020 ₹ Nil) given to directors of the company. No other advances are due from directors or other officers of the Company or any of them either severally or jointly with any other person. Further, no advances are due from firms or private companies in which any director is a partner, a director or a member.
- (ii) Refer note 38 A for credit risks on other financial assets.

NOTE 11 : OTHER ASSETS

A : Non current

(at amortised cost. Unsecured, considered good)

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|-----------------------------|-------------------------|-------------------------|
| Capital advances | 87.45 | 89.83 |
| Deposits paid under protest | 5.79 | 14.03 |
| Total | 93.24 | 103.86 |

B : Current

(at amortised cost)

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|------------------------------------------------|-------------------------|-------------------------|
| Unsecured, considered good | | |
| Balance with Statutory/ Government authorities | 204.50 | 143.45 |
| Prepaid expenses | 13.35 | 12.51 |
| Export Benefits | 54.04 | 107.98 |
| Trade advances to suppliers | 2.18 | 10.49 |
| Unsecured, doubtful | | |
| Trade advances to suppliers | 0.95 | 0.95 |
| Allowance for doubtful advances | (0.95) | (0.95) |
| Total | 274.07 | 274.43 |

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 12 : INVENTORIES

Refer Note 2.7.7 for accounting policy on Inventories

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|--------------------------------|-------------------------|-------------------------|
| Raw materials * | 640.14 | 518.39 |
| Work - in - progress | 333.37 | 215.75 |
| Finished stock* | 758.29 | 820.75 |
| Stock-in-trade* | 1,772.96 | 1,175.20 |
| Stores and Spares * | 182.37 | 184.06 |
| Total | 3,687.13 | 2,914.15 |
| * Including goods in transit : | | |
| Raw Materials | 77.99 | 125.80 |
| Finished Stock | 380.46 | 123.46 |
| Stock-in-trade | 619.24 | 342.85 |
| Stores & Spares | 6.29 | 1.66 |

Assessment on account of COVID-19

- (i) Due to COVID 19 driven lockdown, Company's manufacturing facilities and warehouses were closed for some period during FY 2020-21. The Company has assessed that the changes to the value of inventories pursuant to unabsorbed overheads incurred in the lockdown period are not significant.
- (ii) Considering the emergence of second wave of the COVID-19 pandemic, the Company reviewed with additional information from its various internal and external sources. The Company expects full recovery of the carrying value of its inventories.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 13 : TRADE RECEIVABLES (at amortised cost)

Refer Note 2.7.9.1 for accounting policy on Financial assets

₹ in million

| | Current | |
|---------------------------------------------------------------------------|-------------------------|-------------------------|
| | As at March 31, 2021 | As at March 31, 2020 |
| Trade receivables | | |
| Secured, considered Good | 17.56 | 14.04 |
| Unsecured | | |
| - considered Good | 3,695.72 | 2,900.61 |
| - which have significant increase in Credit Risk | 42.47 | 52.24 |
| - credit impaired | 3.86 | 2.46 |
| | 3,759.61 | 2,969.35 |
| Allowance for Doubtful trade receivables (Expected credit loss allowance) | (46.33) | (54.70) |
| Total | 3,713.28 | 2,914.65 |

(i) Movement of expected credit loss allowance

| Particulars | ₹ in million |
|--------------------------------------------------|--------------|
| Expected credit loss allowance on April 1, 2019 | 109.19 |
| Change in expected credit loss allowance | (54.49) |
| Expected credit loss allowance on March 31, 2020 | 54.70 |
| Change in Expected credit loss allowance | (8.37) |
| Loss allowance on March 31, 2021 | 46.33 |

- (ii) No trade receivables are due from directors or other officers of the Company or any of them severally or jointly with any other person. Further, no loans are due from firms or private companies in which any director is a partner, a director or a member.
- (iii) Trade receivables are non-interest bearing and are generally settled on terms of credit periods agreed with the customers, which is generally in line with the industry the Company operates.
- (iv) Refer note 38A for information about credit risk and currency risk which may impact trade receivables.
- (v) Refer note 36 for trade receivables from related parties.
- (vi) The Company has determined the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. While determining this, current and future economic conditions arising from the COVID-19 pandemic event on the customer's business operations and the consequent ability to pay has been evaluated.

In computing the expected credit losses, the Company has also considered external sources of information relating to its customers' credit risk that were available in public domain to estimate the probability of default in future and has taken into account possible effects from the pandemic relating to COVID -19.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 14: CASH AND CASH EQUIVALENTS AND OTHER BANK BALANCES

Refer Note 2.7.8 for accounting policy on cash and cash equivalents and Investments

A : CASH AND CASH EQUIVALENTS

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|----------------------------------------------------------------|-------------------------|-------------------------|
| Cash and Cash Equivalents : | | |
| Balance with Banks | | |
| Current Accounts | 44.58 | 428.15 |
| Deposit Accounts with original maturity less than three months | 1,641.43 | 3,705.03 |
| Foreign Currency Account (USD) | 18.03 | 13.33 |
| Total | 1,704.04 | 4,146.51 |

There is no repatriation restriction with regard to cash and cash equivalents at the end of reporting period and prior period.

B : BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|--------------------------------------------------|-------------------------|-------------------------|
| Earmarked balances with Banks- Dividend accounts | 38.09 | 20.69 |
| Total | 38.09 | 20.69 |

Earmarked bank balances on dividend accounts represent monies that can be utilised only to pay dividend to equity shareholders against dividend warrants issued to them.

NOTE 15 : SHARE CAPITAL

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|----------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Authorised : | | |
| 87,000,000 (March 31, 2020: 87,000,000) Equity Shares of ₹ 10/- each | 870.00 | 870.00 |
| 2,600,000 (March 31, 2020: 2,600,000) 9% Cumulative Redeemable Preference Shares of ₹100/- each | 260.00 | 260.00 |
| | 1,130.00 | 1,130.00 |
| Issued : | | |
| 75,233,884 (March 31, 2020: 75,233,884) Equity Shares of ₹10/- each | 752.34 | 752.34 |
| Subscribed and fully paid-up: | | |
| 75,218,734 (March 31, 2020: 75,195,534) Equity Shares of ₹ 10/- each fully paid-up | 752.19 | 751.95 |
| Subscribed and partly paid-up: | | |
| Equity Shares of ₹ 10/- each. March 31, 2021 Nil (March 31, 2020: 23,200) | - | 0.23 |
| Less: Call in Arrears - other than directors (refer note (i) below) | - | 0.10 |
| | 752.19 | 752.08 |

- (i) Call 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 31, 2021 out of 15,150 shares of ₹ 10/- each kept in abeyance as at March 31, 1998.

Notes to financial statements as at and for the year ended March 31, 2021

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

| Equity Shares | As at March 31, 2021 | | As at March 31, 2020 | |
|------------------------------------|----------------------|--------------|----------------------|--------------|
| | No. of Shares | ₹ in million | No. of Shares | ₹ in million |
| At the beginning of the year | 75,218,734 | 752.08 | 75,218,734 | 752.08 |
| Receipt of Call in arrears | - | 0.11 | - | 0.00 |
| Outstanding at the end of the year | 75,218,734 | 752.19 | 75,218,734 | 752.08 |

b. Terms/rights attached to equity shares

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

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. Dividend details

The Company declares and pays dividends in Indian Rupees. The final dividend proposed by Board of Directors of ₹ 1.50/- per equity share (March 31, 2020 - ₹ 50/- per equity share) is subject to the approval of the shareholders in the ensuing Annual General Meeting upon which the liability will be recorded in the books.

The final dividend for the year 2019-20 proposed by the Board and approved by the shareholders at the 33rd Annual General Meeting, has been paid to the eligible shareholders during the year ended March 31, 2021.

d. Details of shareholders holding more than 5% of the aggregate shares in the Company (Refer note (i) & (ii) below)

| | As at March 31, 2021 | | | As at March 31, 2020 | | |
|------------------------------|----------------------|--------------|--------------------|----------------------|--------------|--------------------|
| | No. of Shares* | ₹ in million | % of share holding | No. of Shares* | ₹ in million | % of share holding |
| Timken Singapore PTE Limited | 50,999,988 | 510 | 67.80% | 50,999,988 | 510 | 67.80% |

* Holdings combined based on the PAN of the shareholders

- (i) Out of the total shares issued, 50,999,988 fully paid-up Equity shares of ₹10/- each are held by Timken Singapore PTE Limited. However, The Timken Company, USA is the ultimate holding company. No shares in the company are held by any subsidiary or associates of the holding company or the ultimate holding company.
- (ii) As per records of the company, including its register of shareholders/ members, the above shareholding represents legal ownership of shares.

NOTE 16 : OTHER EQUITY

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| a) Capital Redemption Reserve Capital Redemption Reserve created on redemption of preference shares in earlier years | 260.00 | 260.00 |
| b) Securities Premium Account Premium received on equity shares issued are recognised in the Securities premium account | 5,348.67 | 5,348.67 |
| c) Retained Earnings (refer (i) below) Surplus in Statement of Profit & Loss | 7,074.26 | 9,405.98 |
| Total - Other equity | 12,682.93 | 15,014.65 |

(i) Movement in Retained Earnings

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|-------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Opening Balance | 9,405.98 | 7,046.68 |
| Impact of adoption of Ind AS 116 (refer Note 4) | - | (4.16) |
| Add: Profit for the year | 1,431.79 | 2,460.99 |
| Other Comprehensive income for the year | (3.11) | (6.86) |
| Less: Appropriations | | |
| Final Equity Dividend of ₹ 50/- per equity share for FY 2019-20 (FY 2018-19 - ₹ 1/- per equity share) | (3,760.40) | (75.21) |
| Tax on Final Equity Dividend | - | (15.46) |
| Closing Balance | 7,074.26 | 9,405.98 |

The Union budget 2020-21 has abolished dividend distribution tax (DDT) payable by the Company on dividends declared on or after 1 April 2020.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 17 : LEASE LIABILITIES

(at amortised cost)

Refer Note 2.7.3 for accounting policy on Leases and Right of use assets

The following is the movement in lease liabilities:

₹ in million

| Particulars | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|----------------------------------------------------|--------------------------------------|--------------------------------------|
| Opening Balance | 36.90 | - |
| Opening lease recognised on adoption of Ind AS 116 | - | 36.31 |
| Additions | 24.02 | 14.83 |
| Deletions | (23.88) | (0.30) |
| Add : Finance cost accrued during the period | 2.26 | 2.83 |
| Less: Repayment of lease liabilities | (12.66) | (16.77) |
| Carrying amount as at 31 March 2021 | 26.64 | 36.90 |

The table below provides details regarding the contractual maturities of lease liabilities as of March 31, 2021 on an undiscounted basis:

₹ in million

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|----------------------|-------------------------|-------------------------|
| Current | | |
| Less than one year | 11.18 | 15.74 |
| Total | 11.18 | 15.74 |
| Non-current | | |
| One to five years | 14.65 | 21.80 |
| More than five years | 18.61 | 18.96 |
| Total | 33.26 | 40.76 |

The weighted average incremental borrowing rate applied to lease liabilities recognised under Ind AS 116 "Leases" was in the range of 8% .

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 18 : PROVISIONS

Refer Note 2.7.13.1 and 2.7.11 for accounting policy on Provisions and Employee benefits

A: Non-Current

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|-------------------------------------------------|-------------------------|-------------------------|
| Provision for Employee benefits : | | |
| Employees' Death Benefit Scheme (refer Note 39) | 20.59 | 16.12 |
| Employees' Provident Fund (refer Note 39) | 2.71 | 10.77 |
| Compensated absences | 110.18 | 105.08 |
| Total (a) | 133.48 | 131.97 |
| Others : | | |
| Other provisions (refer note (ii) below) | 370.30 | 370.30 |
| Total (b) | 370.30 | 370.30 |
| Total (a) + (b) | 503.78 | 502.27 |

B: Current

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|-----------------------------------------------------|-------------------------|-------------------------|
| Provision for Employee benefits : | | |
| Employees' Death Benefit Scheme (refer Note 39) | 6.79 | 4.42 |
| Employees' Provident Fund (refer Note 39) | 6.16 | 5.70 |
| Gratuity (refer Note 39) | 18.03 | 34.55 |
| Compensated absences | 13.21 | 12.44 |
| Total (a) | 44.19 | 57.11 |
| Others : | | |
| Provision for Indirect taxes (refer note (i) below) | 12.99 | 14.03 |
| Total (b) | 12.99 | 14.03 |
| Total (a) + (b) | 57.18 | 71.14 |

(i) Provision for Indirect taxes

₹ in million

| Particulars | As at March 31, 2021 | As at March 31, 2020 |
|--------------------------------------|-------------------------|-------------------------|
| Opening Balance | 14.03 | 9.62 |
| Additions during the year | - | 7.00 |
| Utilisation/Reversal during the year | (1.04) | (2.59) |
| Closing Balance | 12.99 | 14.03 |

The Company has reviewed the various liabilities/ claims relating to indirect taxes and estimated the provision for contingencies based on assessment of its probability of outflows. These provisions have not been discounted as it is not practicable for the Company to estimate the timing of the provision utilisation and cash outflows, if any, pending resolution.

- (ii) Other provision of ₹ 370.30 million represents accrual for fair value of obligations payable relating to certain transactions of acquired Company for earlier periods (i.e. prior to acquisition by the Company vide a NCLT approved scheme of amalgamation in 2018-19). The timing of utilisation of provision depends on the outcome of the decisions of the appropriate authorities and the Company's rights for future appeals.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 19 A: DEFERRED TAX LIABILITIES (net)

Refer Note 2.7.12 for accounting policy on Income taxes

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|------------------------------------------------------|-------------------------|-------------------------|
| Deferred Tax Assets | | |
| - Provision for employee benefits & other expenses | 52.16 | 37.73 |
| - Allowance of doubtful receivables and other assets | 12.31 | 14.65 |
| - Amortisation of merger expenses | 23.14 | 34.71 |
| - Other temporary differences | 0.51 | 1.02 |
| Deferred Tax Assets | 88.12 | 88.11 |
| Deferred Tax Liabilities | | |
| - Depreciation and amortisation differences | (411.06) | (465.15) |
| Deferred Tax Liabilities | (411.06) | (465.15) |
| Deferred Tax Liabilities (net) | (322.94) | (377.04) |

Significant Components of net Deferred Tax Assets and Liabilities on account of temporary differences are as follows :

₹ in million

| Particulars | 2020-2021 | | | | | Balance as at March 31, 2021 |
|----------------------------------------------------|------------------------------|------------------------------------------------|-------------------|----------------------------------|------------------------|------------------------------|
| | Balance as at March 31, 2020 | Recognised in the statement of profit and Loss | Recognised in OCI | Recognised through Balance Sheet | MAT Credit entitlement | |
| Deferred Tax Assets | | | | | | |
| Provision for employee benefits & other expenses | 37.73 | 14.43 | - | - | - | 52.16 |
| Allowance of doubtful receivables and other assets | 14.65 | (2.34) | - | - | - | 12.31 |
| Amortisation of merger expenses | 34.71 | (11.57) | - | - | - | 23.14 |
| Deferred Tax Liabilities | | | | | | |
| Depreciation and amortization differences | (464.13) | 53.58 | - | - | - | (410.55) |
| Deferred Tax Assets/ Liabilities (Net) | (377.04) | 54.10 | - | - | - | (322.94) |

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 19 A: DEFERRED TAX LIABILITIES (net) (Contd.)

₹ in million

| Particulars | 2019-2020 | | | | | |
|----------------------------------------------------|------------------------------|------------------------------------------------|-------------------|----------------------------------|------------------------|------------------------------|
| | Balance as at March 31, 2019 | Recognised in the statement of profit and Loss | Recognised in OCI | Recognised through Balance Sheet | MAT Credit entitlement | Balance as at March 31, 2020 |
| Deferred Tax Assets | | | | | | |
| Provision for employee benefits & other expenses | 48.34 | (10.61) | - | - | - | 37.73 |
| Allowance of doubtful receivables and other assets | 37.27 | (22.62) | - | - | - | 14.65 |
| Amortisation of merger expenses | 64.26 | (29.55) | - | - | - | 34.71 |
| MAT credit Entitlement | 38.48 | - | - | - | (38.48) | - |
| Deferred Tax Liabilities | | | | | | |
| Depreciation and amortization differences | (737.83) | 273.70 | - | - | - | (464.13) |
| Deferred Tax Assets/ Liabilities (Net) | (549.48) | 210.92 | - | - | (38.48) | (377.04) |

- (i) The Company has adopted new tax regime under section 115BAA during the year 2019-20. The basic tax rate under the new regime is 22% as against 30%.
- (ii) During FY 2018-19, the Company acquired ABC Bearings Limited vide a NCLT approved Scheme of amalgamation. The Company continues to apply the initial recognition exemption under Ind AS 12 in respect of recognition of deferred tax liability on Goodwill arising out of the aforesaid acquisition.
- (iii) Deferred tax assets and deferred tax liabilities have been offset wherever the Company has a legally enforceable right to set-off current tax assets against current tax liabilities and where the deferred tax assets and deferred tax liabilities relates to income tax levied by the same taxation authorities.
- (iv) The Company has done a detailed analysis of future recoverability of the Deferred Tax assets based on the internal and external information and expects, the recoverability of the Deferred Tax asset is not impacted.

NOTE 19 B : INCOME TAXES and RECONCILIATION OF STATUTORY TAX RATE AND EFFECTIVE TAX RATE

₹ in million

| | 2020-21 | 2019-20 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----------|
| Profit before Tax (a) | 1,950.63 | 3,063.57 |
| Tax Expense (b) | 518.84 | 602.58 |
| Tax rate as a % of PBT (b)/(a) | 26.60% | 19.67% |
| At India's statutory income tax rate of 25.168% (31 March 2020: 25.168%) | 490.93 | 771.04 |
| Adjustments: | | |
| Tax on Permanent Disallowances / (Exempt Income) | 12.83 | (17.18) |
| Other adjustments {includes net charge of ₹ 8.10 million (March 31, 2020 - reversal of ₹ 4.76million) relating to earlier years }(refer (i) below) | 15.08 | (151.28) |
| Income tax expense reported in the statement of profit and loss | 518.84 | 602.58 |

- (i) During March 31, 2020, the Company opted for the new regime; and pursuant to that deferred taxes have been remeasured.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 20 : OTHER LIABILITIES

A: Non-Current

Refer Note 2.7.10 for accounting policy on Government grants

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|--------------------------------------------------------------|-------------------------|-------------------------|
| Government Grants | | |
| Opening Balance | 248.79 | 201.39 |
| Received during the year | 20.33 | 80.19 |
| Released to the statement of profit and loss (refer Note 26) | (35.86) | (32.79) |
| Total | 233.26 | 248.79 |

Government grants have been received for import of certain items of Property, Plant and Equipment and capital work in progress against import licenses taken under export promotion capital goods(EPCG) scheme of Government of India. The Company has certain export obligations against such benefits availed which it would fulfil within the required time period under the scheme. In case of such commitments are not met, the Company would be required to pay the duty along with interest to the regulatory authorities.

B: Current

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|------------------------------------------------|-------------------------|-------------------------|
| Statutory liabilities | 84.81 | 58.27 |
| Contract Liabilities - Advances from Customers | 24.34 | 21.60 |
| Total | 109.15 | 79.87 |

NOTE 21 : SHORT-TERM BORROWINGS

(at amortised cost, unsecured)

Refer Note 2.7.9.2 for accounting policy on Financial liabilities

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|----------------------------|-------------------------|-------------------------|
| Bills discounted with bank | 326.86 | 199.57 |
| Total | 326.86 | 199.57 |

Bills discounted with banks are with recourse to the Company with various maturity dates ranging from 1- 3 months. Interest payable is 10% of the overdue bills.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 22 : TRADE PAYABLES

(at amortised cost)

Refer Note 2.7.9.2 for accounting policy on Financial liabilities

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Trade Payables : | | |
| a) Total outstanding dues of micro and small enterprises (refer note below) | 196.70 | 48.61 |
| b) Total outstanding dues of creditors other than micro and small enterprises (for dues to related parties refer note 36) | 3,157.82 | 2,108.28 |
| Total Trade Payables | 3,354.52 | 2,156.89 |

Trade payables are generally settled as per payment terms agreed by the Company and vendor.

Note: Information in terms of section 22 of the Micro, Small and Medium Enterprises Development Act 2006:

₹ in million

| Details of dues to Micro and small enterprises | As at and Year ended March 31, 2021 | As at and Year ended March 31, 2020 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year | | |
| Principal | 196.70 | 48.61 |
| Interest | 0.65 | 1.13 |
| 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. | - | - |
| 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. | 5.16 | 1.26 |
| The amount of interest accrued for the year and remaining unpaid at the end of each accounting year | 12.77 | 7.61 |
| 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. | - | - |

Dues to micro and small enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Company.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 23 : OTHER CURRENT FINANCIAL LIABILITIES (at amortised cost, unsecured)

Refer Note 2.7.9.2 for accounting policy on Financial liabilities

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|------------------------------------------------------------|-------------------------|-------------------------|
| Security deposits received from Customers (refer note (i)) | 26.36 | 28.74 |
| Interest accrued on Security deposit from customers | 2.07 | 2.09 |
| Unpaid dividends (refer note (ii)) | 38.09 | 20.69 |
| Capital creditors | 90.50 | 58.01 |
| Other payable | 4.86 | 0.69 |
| Total | 161.88 | 110.22 |

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

(ii) Investor Education and Protection Fund will be credited by the amount of unpaid dividends as and when due.

NOTE 24 : CURRENT TAX LIABILITIES

Refer Note 2.7.12 for accounting policy on Income taxes

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|-----------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Income tax payable (net of advance tax of ₹2,990.77 million (Mar 31, 2020 - ₹ 2,749.84 million)) | 353.56 | 254.88 |
| Total | 353.56 | 254.88 |

The Company is subject to tax assessments and ongoing proceedings from the Income Tax department. Management periodically reviews and evaluates various tax positions taken in tax returns, including unresolved tax disputes, which involves interpretation of applicable tax regulations and judicial precedents. Current tax liability and tax asset balances are presented, after recognising as appropriate, provision for taxes payable and contingencies basis management's assessment (including tax experts' based on requirement) of outcome of such ongoing proceedings and amounts that may become payable to the tax authorities. Considering the nature of such estimates and uncertainties involved, the amount of such provisions may change upon final resolution of the matters with tax authorities.

NOTE 25 : REVENUE FROM OPERATIONS

Refer Note 2.7.14 for accounting policy on Revenue recognition

₹ in million

| | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|----------------------------------------------|--------------------------------------|--------------------------------------|
| Revenue from contracts with customers | | |
| Sale of Products | 13,320.26 | 15,339.15 |
| Sale of Services | 713.45 | 659.19 |
| Other operating revenue | | |
| Export incentives (refer note (i) below) | 71.49 | 170.36 |
| Other operating income | - | - |
| Revenue from operations | 14,105.20 | 16,168.70 |

(i) Export benefits available under prevalent schemes are accrued as revenue in the year in which the goods are exported and only when there is reasonable assurance that the conditions attached to them will be complied with, and the amounts will be received.

(ii) Performance obligations and remaining performance obligations:

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognised as at the end of the reporting period and an explanation as to when the Company expects to recognise these amounts in revenue. Applying the practical expedient as given in Ind AS 115, the Company has not disclosed the remaining performance obligation related disclosures for contracts that have original expected duration of one year or less.

(iii) Refer note 36 for revenue from related parties.

Assessment on account of COVID-19

(iv) Given the current impact of COVID-19 and with available information internally and externally, the Company expects, there is no significant adjustments or disclosures required to its revenue estimation under IND AS 115 for the year ended March 31, 2021.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 26 : OTHER INCOME

Refer Note 2.7.14 for accounting policy on Revenue recognition

₹ in million

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|------------------------------------------------------------------------------|------------------------------|------------------------------|
| Interest Income recognised on Financial assets, recognised at amortised cost | 73.59 | 25.56 |
| Other Interest income | 13.65 | 5.19 |
| Dividend Income on current investments - non-trade (refer note (i) below) | 0.45 | 105.07 |
| Profit on sale of property, plant and equipment (net) | - | 0.44 |
| Gain on foreign currency transaction and translation (net) | - | 23.93 |
| Gain on termination of Lease | 2.96 | - |
| Provision no longer required written back | 60.11 | 32.54 |
| Deferred Government grant income (refer note (ii) below) | 35.86 | 32.79 |
| Miscellaneous Income | 9.42 | 8.50 |
| Total | 196.04 | 234.02 |

(i) Includes fair value gain on current investments classified as fair value through profit and loss.

(ii) Government grants on capital goods are recognised on a systematic basis over the useful life of the asset.

NOTE 27 :CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROGRESS AND STOCK- IN-TRADE

Refer Note 2.7.7 for accounting policy on Inventories

₹ in million

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---------------------------------------------|------------------------------|------------------------------|
| Opening Stock | | |
| Work in Progress | 215.75 | 222.67 |
| Finished Goods (Including in transit) | 820.75 | 1,230.57 |
| Stock-in-trade (Including in transit) | 1,175.20 | 995.81 |
| (A) | 2,211.70 | 2,449.05 |
| Closing Stock | | |
| Work in Progress | 333.37 | 215.75 |
| Finished Goods (Including in transit) | 758.29 | 820.75 |
| Stock-in-trade (Including in transit) | 1,772.96 | 1,175.20 |
| (B) | 2,864.62 | 2,211.70 |
| (Accretion)/Decretion to Inventories | (A)-(B) | 237.35 |
| | (652.92) | |

During the year ended March 31, 2021 ₹ (40.56) million (March 31, 2020 ₹17.62million) was recognised as reversal /(expenses) for inventories carried at net realisable value.

NOTE 28 : EMPLOYEE BENEFITS EXPENSES

Refer Note 2.7.11 for accounting policy on Employee benefits

₹ in million

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|-----------------------------------------------------|------------------------------|------------------------------|
| Salaries, Wages and Bonus | 986.22 | 1,014.52 |
| Contribution to provident and other funds (Note 39) | 124.11 | 119.74 |
| Staff welfare expense | 82.98 | 103.62 |
| Total | 1,193.31 | 1,237.88 |

Notes to financial statements as at and for the year ended March 31, 2020

NOTE 29 : FINANCE COSTS

₹ in million

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|------------------|------------------------------|------------------------------|
| Interest Expense | 14.41 | 27.51 |
| Total | 14.41 | 27.51 |

Includes interest expense on lease liabilities for year ended March 31, 2021 ₹ 2.26 million (March 31, 2020 ₹ 2.83 million)

NOTE 30: DEPRECIATION AND AMORTISATION EXPENSES

Refer Note 2.7.1 , 2.7.2 , 2.7.3 , 2.7.4 for accounting policy on PPE, Investment property, Right of use assets and Intangible assets

₹ in million

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|--------------------------------------------------------------|------------------------------|------------------------------|
| Depreciation on Property, plant and equipment (refer Note 3) | 668.67 | 690.97 |
| Depreciation on Right of use assets (refer Note 4) | 29.26 | 31.78 |
| Amortisation of Intangible assets (refer Note 7) | 50.86 | 45.89 |
| Total | 748.79 | 768.64 |

NOTE 31 : OTHER EXPENSES

₹ in million

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|------------------------------------------------------------|------------------------------|------------------------------|
| a) Consumption of stores and spares (refer note (i) below) | 565.76 | 562.47 |
| b) Power & Fuel | 290.30 | 301.75 |
| c) Repairs to Buildings | 5.92 | 17.51 |
| d) Repairs to Machineries | 119.68 | 89.05 |
| e) Repairs Others | 60.33 | 76.27 |
| f) Royalty | 299.10 | 290.01 |
| g) Rent | 12.80 | 20.35 |
| h) Rates and Taxes (refer note (ii) below) | 25.18 | 61.73 |
| i) Insurance | 16.85 | 15.61 |
| j) Freight, Delivery and Shipping charges | 328.60 | 346.78 |
| k) Travelling | 20.96 | 82.00 |
| l) Services outsourced | 259.67 | 281.39 |
| m) Professional Fees (refer note (iii) below) | 179.43 | 191.48 |
| n) Inter company Service Charges | 89.06 | 77.88 |
| o) ERP and other applications expenses | 54.25 | 34.38 |
| p) CSR Expenditure (refer note (iv) below) | 44.73 | 33.58 |
| q) Provision for doubtful debts, deposits & advance | 14.31 | 25.42 |
| r) Foreign Exchange Loss (net) | 21.78 | - |
| s) Impairment losses (refer Note 3) | - | 37.01 |
| t) Loss on sale of property, plant and equipment (net) | 0.95 | - |
| u) Other Expenses | 126.29 | 165.67 |
| Total | 2,535.95 | 2,710.34 |

(i) Consumption of stores and spares includes packaging cost for year ended March 31, 2021 ₹ 188.52 million (March 31, 2020 ₹ 188.87 million)

(ii) Rates & Taxes includes GST paid on stocks written off, issue of free samples/supplies, etc.

Notes to financial statements as at and for the year ended March 31, 2021 Contd.

(iii) Professional Fees include:

₹ in million

| Auditor's remuneration (exclusive of GST) | Year ended March 31, 2021 | Year ended March 31, 2020 |
|-------------------------------------------------------------------------------|------------------------------|------------------------------|
| Statutory Audit As Auditors | | |
| - For Statutory Audit (FY 2019-20 includes arrears of ₹1.1 M for FY 2018-19) | 2.70 | 3.80 |
| - For Limited Reviews | 1.50 | 1.50 |
| - For out-of-pocket expenses | 0.48 | 0.48 |
| For Other Matters | | |
| - For Tax Audit | 0.80 | 0.80 |
| - For Other Services | - | 0.51 |

(iv) Corporate Social Responsibility

As per Section 135 of the Companies Act, 2013 ("the Act"), a Company meeting the applicability threshold, need to spend at least 2% of average net profits made during immediately preceding three financial years on corporate social responsibility (CSR) activities. The areas for CSR activities are mentioned in Schedule VII of the Act. During the FY 2020-21, the Company has spent ₹ 44.73 million on CSR activities primarily covering two areas namely promoting education including vocational skills and preventive healthcare.

₹ in million

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|---------------------------------------------------------------------|------------------------------|------------------------------|
| Gross amount required to be spent by the Company during the year | 44.67 | 33.46 |
| Amount spent during the year : | | |
| i) Construction/acquisition of any asset | - | - |
| ii) On purposes of promotion of education and preventive healthcare | 44.73 | 33.58 |
| Total | 44.73 | 33.58 |

NOTE 32 : EARNINGS PER SHARE (EPS)

Refer Note 2.7.16 for accounting policy on Earnings Per Share

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|-----------------------------------------------------------------------------|------------------------------|------------------------------|
| a) Profit attributable to equity shareholders of the Company (₹ in million) | 1,431.79 | 2,460.99 |
| b) Weighted average number of equity shares outstanding @ ₹ 10/- each | 75,218,734 | 75,218,734 |
| Earnings per share - Basic & Diluted* (a)/(b)(in ₹) | 19.03 | 32.72 |

* There are no dilutive potential equity shares.

NOTE 33 : CONTINGENT LIABILITIES AND COMMITMENTS

Refer Note 2.7.13.2 for accounting policy on Contingent liabilities and contingent assets

A. CONTINGENT LIABILITIES

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|-------------------------------------------------------------|-------------------------|-------------------------|
| Claims against the Company not acknowledged as debts | | |
| a) Indirect tax matters | 23.12 | 126.01 |
| b) Direct tax matters | 8.64 | 18.04 |
| c) Other claims | 3.49 | 3.49 |

Indirect tax contingencies

The Company has outstanding disputes with Indirect tax authorities mainly relating to treatment of characterisations and classification of certain items.

Direct tax contingencies

The Company has outstanding dispute with Direct tax authorities mainly relating to tax treatment of certain expenses claimed as deductions, computation or allowances.

Other claims

The Company has outstanding disputes from various other statutes, which is consolidated for disclosure as the value is not material.

These demands are being contested by the Company based on the management evaluation and advice of consultants as appropriate. In respect of above matters, future cash outflows are determinable only on receipt of judgments/decisions, which are pending at various authorities and the Company's rights for future appeals.

The Company does not expect any reimbursements in respect of the above contingent liabilities.

The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements.

The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

Notes to financial statements as at and for the year ended March 31, 2021 Contd.

B. CAPITAL AND OTHER COMMITMENTS

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Estimated amount of contracts remaining to be executed on capital account and not provided for; (net of advance of ₹ 87.45 million (March 31, 2020 - ₹ 89.83 million)) | 328.93 | 532.33 |

NOTE 34: SEGMENT INFORMATION

Operating Segment:

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources and assessing performance. Information reported to the Chief Operating Decision Maker (CODM) for the assessment of segment performance focuses on the types of products and services delivered or provided. The Company's CODM is the Board of the Company.

The Company has only one reportable primary segment, viz. 'Bearings and allied goods & services'. Accordingly, no separate disclosure of segment information has been made.

Entity wide disclosures

- The revenue from the reportable segment 'Bearings and allied goods & services' for year ended March 31, 2021 ₹ 14,105.20 million (March 31, 2020 ₹ 16,168.70 million)
- The Company is domiciled in India. Geographical revenue is allocated based on the location of the customers. Information regarding geographical revenue is as follows:

₹ in million

| Particulars | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
|--------------------------------|--------------------------------------|--------------------------------------|
| Revenue from Operations | | |
| India | 10,661.07 | 12,146.67 |
| Outside India | | |
| - USA | 1,741.27 | 2,100.26 |
| - Others | 1,702.86 | 1,921.77 |
| | 3,444.13 | 4,022.03 |
| Total | 14,105.20 | 16,168.70 |

Geographical non-current assets (other than financial instruments and deferred tax assets) are allocated based on the location of the assets. Non-current assets includes Property plant & equipment, right of use assets, capital work in progress, investment property, goodwill, non-current tax assets and other non-current assets. Information regarding geographical non-current assets is as follows:

₹ in million

| Particulars | Year Ended March 31, 2021 | Year Ended March 31, 2020 |
|-------------------------------------------------------|------------------------------|------------------------------|
| Non-current assets other than financial assets | | |
| India | 9,332.54 | 9,253.95 |
| Outside India | - | - |
| Total | 9,332.54 | 9,253.95 |

- Revenue from one of the customer group amounted to ₹ 3,516.12 million (March 31, 2020 : ₹ 4,054.86 million) arising from sale of products & services.

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 35 : UNHEDGED FOREIGN CURRENCY EXPOSURE

Particulars of unhedged foreign currency exposure as at the reporting date

| Particulars | Currency | As at March 31, 2021 | | As at March 31, 2020 | |
|-----------------------------------------|----------|-----------------------------------------|----------------------|-----------------------------------------|----------------------|
| | | Amount in Foreign Currency (in million) | Value (₹ in million) | Amount in Foreign Currency (in million) | Value (₹ in million) |
| a) Trade Receivables | USD | 20.24 | 1,459.47 | 13.03 | 964.59 |
| | EURO | 0.05 | 4.01 | 0.05 | 4.05 |
| b) Trade Payables and capital creditors | USD | 25.64 | 1,915.05 | 13.63 | 1,044.68 |
| | EURO | 0.02 | 1.64 | 0.19 | 16.42 |
| | GBP | 0.00 | 0.10 | 0.00 | 0.01 |
| | JPY | 1.06 | 0.71 | 0.70 | 0.49 |
| c) EEFC Bank account | USD | 0.25 | 17.71 | 0.18 | 13.33 |

NOTE 36 : RELATED PARTY DISCLOSURE:

Related parties where control exists :

| | |
|--------------------------|---------------------------------|
| Holding Company | – Timken Singapore PTE. Limited |
| Ultimate Holding Company | – The Timken Company, US |

Other related parties with whom transactions have taken place during the year :

| | |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fellow subsidiaries | 1) The Timken Corporation 2) Timken UK Limited 3) Timken Do Brazil Comercial Importadora LTDA. 4) Timken Korea Limited 5) Timken South Africa (PTY) Limited 6) Timken Romania SA 7) Yantai Timken Co., Ltd. 8) Australian Timken Proprietary Limited 9) Timken Polska SP z.o.o. 10) Timken (China) Investment Co., Ltd. 11) Timken (Wuxi) Bearings Co., Ltd. 12) Timken (Shanghai) Distribution and Sales Co., Ltd 13) MPB Corporation 14) Timken PWP SRL 15) Timken Engineering and Research - India Private Limited 16) Timken De Mexico, S.A. De C.V. 17) Timken Canada LP 18) Timken Gears and Services Inc. 19) Timken (Chengdu) Aerospace and Precision Products Co., Ltd. 20) Timken (Hunan) Bearing Co., Ltd 21) Timken SMO LLC 22) Bearing Inspection, Inc. 23) Timken Italia S.r.l. 24) Cone Drive Operations Inc 25) Timken UWC LLC 26) Timken GmbH 27) Baier & Koppel GMBH & Co KG |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Key management personnel

| | |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Chairman & Managing Director | – Mr. Sanjay Koul |
| Business Controller-India, CFO & Whole-time Director | – Mr. Avishrant Keshava |
| Company Secretary & Chief of Compliance | – Mr. Mandar Vasmatkar (from 1st October 2019) – Mr. Soumitra Hazra (till 25th September 2019) |
| Non-executive director | – Mr. P.S. Dasgupta |
| Non-executive director | – Mrs. N S Rama (from 25th October 2019) – Mrs. Rupa Mahanty (till 30th September 2019) |
| Non-executive director | – Mr. Ajay Kumar Das (till 4th February 2020) |
| Non-executive director | – Mr. Douglas H Smith (from 7th February 2020) |
| Non-executive director | – Mr. Bushen Lal Raina |
| Firms where a director is a Partner | – New Delhi Law Offices |

Trusts managed by the Company

| |
|----------------------------------------|
| – Timken India Provident Fund |
| – Timken India Gratuity Fund |
| – Timken India Superannuation Fund |
| – ABC Bearings Employees Gratuity Fund |

Notes to financial statements as at and for the year ended March 31, 2021

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

₹ in million

| SI No. | Name of the Related Party | Relationship | Nature of transactions | Transaction Amount for the year ended | Outstanding as at | Transaction Amount for the year ended | Outstanding as at |
|--------|----------------------------------------------|--------------------------|-----------------------------------------|---------------------------------------|-------------------|---------------------------------------|-------------------|
| | | | | March 31, 2021 | | March 31, 2020 | |
| 1 | The Timken Company, US | Ultimate holding company | Purchase of goods | 325.64 | 125.55 | 452.05 | 118.35 |
| | | | Sale of goods | 733.92 | 289.98 | 624.12 | 141.88 |
| | | | Expense receivable | 13.34 | 7.93 | 7.74 | 0.55 |
| | | | Expense payable | 170.41 | 55.57 | 148.77 | 11.17 |
| | | | Agency Commission (Income) | 2.68 | 0.81 | 3.67 | 0.04 |
| | | | Royalty | 299.10 | 169.98 | 289.27 | 67.97 |
| | | | Purchase of Property, Plant & Equipment | 0.10 | 0.09 | - | - |
| 2 | Timken Singapore PTE. Limited | Holding company | Sale of goods | 134.36 | 3.64 | 322.21 | 13.34 |
| | | | Agency Commission (Income) | 18.18 | 8.28 | 20.68 | 1.28 |
| | | | Purchase of goods | 17.94 | 6.03 | 26.79 | 6.12 |
| | | | Expense receivable | 10.32 | 4.68 | 11.28 | 5.59 |
| | | | Expense payable | 5.41 | 4.86 | - | - |
| | | | Dividend paid | 2,550.00 | - | 51.00 | - |
| 3 | The Timken Corporation | Fellow Subsidiary | Purchase of goods | 910.07 | 380.68 | 667.11 | 201.61 |
| | | | Sale of goods | 1,704.99 | 698.84 | 2,075.28 | 533.90 |
| | | | Purchase of Property, Plant & Equipment | 89.59 | 36.68 | 194.86 | 74.24 |
| | | | Agency Commission (Income) | 9.64 | 3.34 | 19.69 | 4.35 |
| 4 | Timken UK Limited | Fellow Subsidiary | Sale of goods | 84.28 | 6.06 | 74.97 | 13.49 |
| | | | Purchase of goods | 1.28 | 0.10 | - | - |
| | | | Expense receivable | 0.50 | - | - | - |
| | | | Expense payable | 2.32 | - | 0.73 | 0.79 |
| 5 | Timken Do Brazil Comercial Importadora LTDA. | Fellow Subsidiary | Sale of goods | 121.21 | 48.27 | 162.67 | 28.87 |
| | | | Purchase of goods | - | - | 1.02 | 0.02 |
| 6 | Timken Korea Limited | Fellow Subsidiary | Agency Commission (Expense) | 1.56 | 0.49 | 1.73 | - |
| | | | Purchase of goods | 0.12 | - | - | - |
| 7 | Timken South Africa (PTY) Limited | Fellow Subsidiary | Sale of goods | 160.33 | 10.71 | 344.26 | 90.63 |
| | | | Purchase of goods | 7.83 | 1.67 | 34.15 | 12.09 |
| | | | Expense receivable | 0.96 | - | - | - |
| 8 | Timken Romania SA | Fellow Subsidiary | Purchase of goods | 417.54 | 205.73 | 152.34 | 73.75 |
| | | | Sale of goods | 0.21 | - | - | - |
| 9 | Yantai Timken Co., Ltd. | Fellow Subsidiary | Purchase of goods | 287.61 | 124.50 | 215.52 | 62.02 |
| | | | Purchase of Property, Plant & Equipment | 30.38 | 2.88 | 25.24 | 4.65 |
| | | | Expense payable | 0.37 | 0.30 | 0.16 | - |
| | | | Sale of goods | 52.60 | 11.84 | 25.69 | 30.77 |
| 10 | Australian Timken Proprietary Limited | Fellow Subsidiary | Sale of goods | 117.35 | 19.85 | 89.26 | 5.28 |
| | | | Purchase of goods | 1.37 | 1.51 | 1.21 | 0.60 |
| | | | Expense receivable | 0.86 | 0.09 | 0.88 | 0.06 |
| 11 | Timken Polska SP z.o.o | Fellow Subsidiary | Purchase of goods | 92.99 | 10.95 | 56.04 | 16.19 |
| | | | Expense payable | - | - | 0.02 | - |
| | | | Purchase of Property, Plant & Equipment | 2.00 | - | 0.27 | 0.02 |
| 12 | Timken (China) Investment Co., Ltd. | Fellow Subsidiary | Expense payable | - | - | 0.05 | - |
| | | | Expense receivable | - | - | 0.01 | - |

Notes to financial statements as at and for the year ended March 31, 2021

₹ in million

| SI No. | Name of the Related Party | Relationship | Nature of transactions | Transaction Amount for the year ended | Outstanding as at | Transaction Amount for the year ended | Outstanding as at |
|--------|-------------------------------------------------------------|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------|
| | | | | March 31, 2021 | | March 31, 2020 | |
| 13 | Timken (Wuxi) Bearings Co., Ltd. | Fellow Subsidiary | Purchase of goods Sale of goods | 1,556.69 4.97 | 724.82 1.83 | 1,002.29 3.19 | 367.73 0.14 |
| 14 | Timken (Shanghai) Distribution and Sales Co., Ltd | Fellow Subsidiary | Sale of goods Purchase of goods | 154.03 16.65 | 23.24 16.95 | 178.66 5.76 | 17.11 4.27 |
| 15 | MPB Corporation | Fellow Subsidiary | Agency Commission (Income) | - | - | 0.79 | - |
| 16 | Timken PWP SRL | Fellow Subsidiary | Expense receivable | 0.06 | 0.05 | 0.43 | - |
| 17 | Timken Engineering and Research - India Private Limited | Fellow Subsidiary | Expense receivable Expense payable Purchase of goods Sale of goods Purchase of Property, Plant & Equipment Sale of Property, Plant & Equipment Purchase of export licenses | 51.49 92.14 199.66 124.74 1.87 - 156.67 | 3.87 12.94 31.13 20.49 - - 1.41 | 59.26 108.62 833.75 97.90 - 1.25 29.71 | 11.85 11.88 38.84 10.41 - - - |
| 18 | Timken De Mexico, S.A. De C.V. | Fellow Subsidiary | Sale of goods | 86.93 | 18.52 | 8.05 | 2.83 |
| 19 | Timken Canada LP | Fellow Subsidiary | Purchase of goods Sale of goods | 0.18 0.22 | 0.19 - | 0.46 0.75 | - - |
| 20 | Timken Gears and Services Inc. | Fellow Subsidiary | Royalty Sale of Property, Plant & Equipment Sale of goods | - - - | - - - | 0.74 49.85 0.61 | - - - |
| 21 | Timken (Chengdu) Aerospace and Precision Products Co., Ltd. | Fellow Subsidiary | Purchase of goods | 1.99 | 0.29 | 0.91 | 0.01 |
| 22 | Timken (Hunan) Bearing Co., Ltd | Fellow Subsidiary | Purchase of goods | - | - | 1.63 | - |
| 23 | Timken SMO LLC | Fellow Subsidiary | Agency Commission (Income) | 0.59 | 0.07 | 1.00 | 0.18 |
| 24 | Bearing Inspection, Inc. | Fellow Subsidiary | Agency Commission (Income) | 1.02 | 0.29 | 1.35 | 0.65 |
| 25 | Timken Italia S.r.l. | Fellow Subsidiary | Sale of goods Purchase of goods Expense receivable | 3.83 0.00 0.56 | 0.35 0.00 0.46 | 0.04 - 0.47 | - - - |
| 26 | Cone Drive Operations Inc | Fellow Subsidiary | Purchase of Property, Plant & Equipment Purchase of goods | 0.95 0.22 | 0.58 0.22 | 0.64 - | - - |
| 27 | Timken UWC LLC | Fellow Subsidiary | Sale of goods | 0.04 | 0.04 | 0.04 | - |
| 28 | Timken GmbH | Fellow Subsidiary | Expense Payable | 10.75 | 1.71 | - | - |
| 29 | Baier & Koppel GMBH & Co KG | Fellow Subsidiary | Purchase of goods | 1.59 | 1.07 | - | - |
| 30 | Timken India Provident Fund | Trust managed by the Company | Provident fund expense | - | - | 13.81 | - |
| 31 | Timken India Gratuity Fund | Trust managed by the Company | Gratuity fund expense | 30.22 | - | 17.20 | - |
| 32 | Timken India Superannuation Fund | Trust managed by the Company | Superannuation fund expense | 27.13 | - | 35.75 | - |

Notes to financial statements as at and for the year ended March 31, 2021

₹ in million

| SI No. | Name of the Related Party | Relationship | Nature of transactions | Transaction Amount for the year ended | Outstanding as at | Transaction Amount for the year ended | Outstanding as at |
|--------|--------------------------------------|------------------------------------|------------------------------|---------------------------------------|-------------------|---------------------------------------|-------------------|
| | | | | March 31, 2021 | | March 31, 2020 | |
| 33 | ABC Bearings Employees Gratuity Fund | Trust managed by the Company | Gratuity fund expense | 4.33 | - | 4.33 | - |
| 34 | New Delhi Law Offices | Firm where a director is a partner | Expense Paid | 0.26 | - | 2.02 | - |
| 35 | P S Dasgupta | Key management Personnel | Sitting fees paid | 0.40 | - | 0.31 | - |
| 36 | Bushen Lal Raina | Key management Personnel | Sitting fees paid | 0.45 | - | 0.49 | - |
| 37 | N S Rama | Key management Personnel | Sitting fees paid | 0.45 | - | 0.27 | - |
| 38 | Rupa Mahanty | Key management Personnel | Sitting fees paid | - | - | 0.18 | - |
| 39 | Sanjay Koul | Key management Personnel | Short-term employee benefits | 34.63 | 1.47 | 30.43 | 1.56 |
| | | | Post-employment benefits | 0.80 | - | 0.81 | - |
| | | | Other long-term benefits | 0.64 | - | 0.64 | - |
| | | | Employee advance | 1.86 | 1.86 | - | - |
| | | | Expense paid | - | - | 0.00 | - |
| 40 | Avishrant Keshava | Key management personnel | Short-term employee benefits | 8.50 | 0.28 | 7.76 | 0.29 |
| | | | Post-employment benefits | 0.28 | - | 0.28 | - |
| | | | Other long-term benefits | 0.22 | - | 0.22 | - |
| 41 | Mandar Vasmatkar | Key management personnel | Short-term employee benefits | 2.83 | 0.10 | 1.33 | 0.10 |
| | | | Post-employment benefits | 0.12 | - | 0.06 | - |
| | | | Other long-term benefits | 0.10 | - | 0.05 | - |
| 42 | Soumitra Hazra | Key management personnel | Short-term employee benefits | - | - | 2.63 | - |
| | | | Post-employment benefits | - | - | 0.12 | - |
| | | | Other long-term benefits | - | - | 0.10 | - |
| | | | Expense paid | - | - | 0.00 | - |

₹ in million

| Total of payments made to key managerial personnel | Nature of transactions | Transaction Amount for the year ended | Outstanding as at | Transaction Amount for the year ended | Outstanding as at |
|----------------------------------------------------|------------------------------|---------------------------------------|-------------------|---------------------------------------|-------------------|
| | | March 31, 2021 | | March 31, 2020 | |
| | Sitting fees paid | 1.30 | - | 1.25 | - |
| | Short-term employee benefits | 45.95 | 1.85 | 42.15 | 1.94 |
| | Post-employment benefits | 1.20 | - | 1.26 | - |
| | Other long-term benefits | 0.96 | - | 1.01 | - |
| | Employee advance | 1.86 | 1.86 | - | - |
| | Expenses Paid | - | - | 0.00 | - |
| Total | | 51.27 | 3.71 | 45.67 | 1.94 |

Notes to financial statements as at and for the year ended March 31, 2021

NOTE 37 : CATEGORIES OF FINANCIAL INSTRUMENTS

Refer Note 2.7.9 for accounting policy on Financial instruments

₹ in million

| | As at March 31, 2021 | As at March 31, 2020 |
|----------------------------------------------------------------------------|-------------------------|-------------------------|
| Financial Assets | | |
| Break up of financial assets carried at amortised cost | | |
| Loans - non-current (refer Note 9 A) | 90.14 | 108.54 |
| Trade receivables-current (refer Note 13) | 3,713.28 | 2,914.65 |
| Cash and bank balances (refer Note 14 A & 14 B) | 1,742.13 | 4,167.20 |
| Loans - current (refer Note 9 B) | 13.31 | 2.00 |
| Other non-current financial assets (refer Note 10 A) | 11.96 | 0.58 |
| Other current financial assets (refer Note 10 B) | 20.03 | 36.83 |
| Total financial assets carried at amortised cost | 5,590.85 | 7,229.80 |
| Break up of financial assets at fair value through profit or loss | | |
| Investments (refer Note 8 A & 8 B) | | |
| Non-current | 0.30 | 0.30 |
| Current | - | 131.67 |
| Total financial assets carried at fair value through profit or loss | 0.30 | 131.97 |
| Financial Liabilities | | |
| Break up of financial liabilities carried at amortised cost | | |
| Non-current lease liabilities (refer Note 17) | 17.10 | 23.40 |
| Short term borrowings (refer Note 21) | 326.86 | 199.57 |
| Trade payables-current (refer Note 22) | 3,354.52 | 2,156.89 |
| Current lease liabilities (refer Note 17) | 9.54 | 13.50 |
| Other Current financial liabilities (refer Note 23) | 161.88 | 110.22 |
| Total financial liabilities carried at amortised cost | 3,869.90 | 2,503.58 |

The management has assessed that the carrying values of the Financial Assets and Liabilities at amortised cost approximate their fair value largely due to the short-term maturities of these instruments.

NOTE 38A : FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial assets include trade & other receivables and cash & cash equivalents that derives directly from its operations. The Company's principal financial liabilities comprise trade & other payables and short term borrowings. The main purpose of majority of these financial liabilities is to manage working capital of the Company.

The Company is exposed to credit risk, market risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The below note explains the sources of risk which the Company is exposed to and how the entity manage the risk :

| Risk | Exposure arising from | Measurement | Risk Management |
|---------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Credit Risk | Trade Receivable, Cash and cash equivalents, other financial assets, loans & deposits | Ageing Analysis Financial Analysis Credit information on need basis | 1. Review of credit limits and credit lock, secured mode of payments 2. Diversification of Short term investments |
| 2. Market Risk | | | |
| i. Commodity risk | Movement in prices of commodities mainly steel | Sensitivity Analysis | 1. Price negotiation and productivity improvement, expanding vendor base 2. Negotiation with customers for significant changes |
| ii. Foreign currency risk | Financial assets and liabilities denominated in other than functional currency | Sensitivity Analysis | 1. Periodical review of exposure limits 2. Natural hedging |
| iii. Interest rate risk | Security deposit from distributors | Sensitivity Analysis | Periodical reset of interest linked to market |
| 3. Liquidity Risk | Trade Payable, Security deposits from distributors and other financial liabilities | Maturity date analysis Rolling cash flow forecasts | 1. Preparing and monitoring forecast of cash flows 2. Maintaining optimum cash and cash equivalents 3. Availability of sanctioned credit lines and borrowing facilities |

Notes to financial statements as at and for the year ended March 31, 2021

(Contd.)

1. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, primarily cash & cash equivalents.

i. Trade receivables

Customer credit risk is managed in accordance with the Company's established policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored through credit lock and release effectively managing the exposure.

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on historical data. The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets disclosed in Note 13. The Company does not hold any collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as most of its external customers (other than related party customers) are established players in their industry or are distributors/ dealers against which the Company holds security deposit as its policy and operate in largely independent markets. All the related party receivables are from various Timken group companies where there is a minimal default risk.

The Company determines the allowance for credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The Company considered current and anticipated future economic conditions relating to industries the Company deals with and the countries where it operates. In calculating expected credit loss, the Company has also considered related credit information for its customer, that's available in public domain to estimate the probability of default in future and has taken into account estimates of possible effect from the pandemic relating to COVID-19.

ii. Cash and Cash equivalents and Other financial assets

Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy. Investment of surplus funds are made for deposit with banks and short-term liquid funds of rated mutual funds. Investments and Bank deposits are reviewed by the Board of Directors on a quarterly basis.

Credit risk arising from short term liquid fund investments, cash and cash equivalents and other balances with banks is limited and no collaterals are held against these because the counterparties are banks and recognised financial institutions. None of the financial instruments of the Company result in material exposure of credit risk as at March 31, 2021.

Other financial assets mainly include, loans and security deposits given, other receivables. There are no indications that defaults in payment obligations would occur in respect of these financial assets.

2. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to different types of market risks. For the Company, the market risk is the possibility of changes in foreign currency exchange rates and commodity prices which may affect the value of the Company's financial assets, liabilities or expected future cash flows.

i. Commodity Risk

Commodity risk for the Company is mainly related to fluctuations in steel prices which drives the prices of steel bars, tubes and wire rods. Since, steel is the primary input materials for making of rings, rollers and cages, which are used in manufacturing the final products, any fluctuation in steel prices can lead to drop in operating margin. Most of these input materials are procured from approved vendors and subject to price negotiations. In order to mitigate the risk associated with raw material and components prices, the Company manages its procurement through productivity improvements, expanding vendor base and constant pricing negotiation with vendors. The Company renegotiates the prices with its customers in case there is more than normal deviation in the prices of its major raw materials. Additionally, the processes and policies related to such risks are reviewed and controlled by senior management team.

ii. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The risk of fluctuations in foreign currency exchange rates on its financial liabilities including trade and other payables etc., which are mainly in US Dollars are mitigated through the natural hedge alignment, as Company's export sales are predominantly in US dollars and such economic exposure through trade and other receivables in US dollars provide natural alignment. Hence, a reasonable variation in the Foreign exchange rate would not have much impact on the profit or loss/equity of the Company. Net foreign currency exposure also reviewed by the Board of Directors on a quarterly basis.

Notes to financial statements as at and for the year ended March 31, 2021

(Contd.)

Foreign currency sensitivity analysis

The Company is exposed to the currencies USD, EURO, GBP and JPY on account of outstanding receivables(+) and payables(-). The Company's net exposure to foreign currency risk at the end of the reporting period expressed in respective currencies given below.

In million

| Currency | As at March 31, 2021 | As at March 31, 2020 |
|----------|-------------------------|-------------------------|
| USD | (5.16) | (0.42) |
| EURO | 0.03 | (0.14) |
| GBP | (0.00) | (0.00) |
| JPY | (1.06) | (0.70) |

The following table details the Company's sensitivity to a 10% increase and decrease in INR against the USD, EURO, GBP and JPY. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit or equity where the INR weakens 10% against the relevant currency. For a 10% strengthening of the INR against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be positive.

₹ in million

| Particulars | As at March 31, 2021 | | As at March 31, 2020 | |
|-------------|----------------------|---------|----------------------|--------|
| | Profit & Loss | Equity | Profit & Loss | Equity |
| USD | (38.54) | (38.54) | (3.19) | (3.19) |
| EURO | 0.25 | 0.25 | (1.22) | (1.22) |
| GBP | (0.01) | (0.01) | (0.00) | (0.00) |
| JPY | (0.07) | (0.07) | (0.05) | (0.05) |
| Total | (38.37) | (38.37) | (4.46) | (4.46) |

iii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risks arises primarily from security deposits from distributors. The Company has taken interest earning security deposits from the distributors as disclosed in note No. 23. An increase / decrease of 1% of interest rate, the profit for the year ended March 31, 2021 would decrease / increase by ₹ 0.28 million (Year ending March 31, 2020 ₹ 0.30 million)

3. Liquidity risk

Liquidity risk is defined as a risk that the Company will not be able to meet its obligations on time or at a reasonable price. An effective liquidity risk management takes into consideration in maintaining optimum level of cash and cash equivalents and the availability of funding through credit facilities at a reasonable cost to meet the obligation when due. The Company's treasury department drives the liquidity, funding as well as settlement management. Additionally, the processes and policies related to such risks are reviewed and controlled by senior management team. Management continuously reviews the actual cash flows and forecasts the expected cash flows to monitor the liquidity position. The Company has large investments and deposits either in short term liquid funds or in bank deposits, which can be converted to cash at a very short notice and hence carry negligible liquidity risk. All the current financial liabilities of the Company are due to be paid within twelve months from the Balance sheet date. All non-current financial liabilities are due to be paid in more than twelve months from the Balance sheet date. However the interest component of all the non-current financial liabilities if any will be payable as and when due, which may be within twelve months from the date of Balance sheet date.

Fair values

₹ in million

| (i) Class wise fair value of the Company's financial instruments: | As at March 31, 2021 | As at March 31, 2020 |
|-------------------------------------------------------------------|-------------------------|-------------------------|
| Investments (unquoted) in Equity shares | 0.30 | 0.30 |
| Investments (unquoted) in mutual funds | - | 131.67 |

Notes to financial statements as at and for the year ended March 31, 2021

(Contd.)

(ii) Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets

₹ in million

| | Fair value measurement using | | |
|---------------------------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------|-------------------------------------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2021: | | | |
| Assets measured at fair value: | | | |
| Investments in mutual funds | - | - | - |
| Investment in equity shares | - | - | 0.30 |
| Quantitative disclosures fair value measurement hierarchy for assets as at March 31, 2020: | | | |
| Assets measured at fair value: | | | |
| Investments in mutual funds | 131.67 | - | - |
| Investment in equity shares | - | - | 0.30 |

- a) The Fair value for investments in mutual funds have been determined based on the NAV of the respective funds as on balance sheet date.
 b) The Company has determined the carrying value of the investment as its fair value in the absence of any available fair value for its non-current investment which is carried at cost.

NOTE 38B: CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to maximise the shareholder value. For the purpose of the Company's capital management, capital includes issued equity capital, securities premium and all other equity reserves attributable to the equity holders of the Company. The Company's objective when managing capital are to :

- Safeguard their ability to continue as a going concern, so that the Company maximise shareholder value and provide benefits for other stakeholders and
- Maintain an optimal capital structure to reduce the weighted average cost of capital

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or sell non-core assets to reduce debts.

The Company is not subject to any externally imposed capital requirements. The Company is a Zero debt Company with no long-term borrowings. The debt as shown in the financial statements as defined in note no. 21 is on account of bills discounted with bank.

₹ in million

| | Note Reference Number | As at March 31, 2021 | As at March 31, 2020 |
|------------------|-----------------------|----------------------|----------------------|
| Total Debt | 21 | 326.86 | 199.57 |
| Total Equity | 15 and 16 | 13,435.12 | 15,766.73 |
| Debt to Equity % | | 2.43% | 1.27% |

NOTE 39 : GRATUITY AND OTHER POST-EMPLOYMENT BENEFIT PLANS

Refer Note 2.7.11 for accounting policy on Employee benefits

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 specific employee group 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 actuary has provided a valuation and determined the fund assets and obligations as at March 31, 2021. The corresponding disclosures mentioned below are to the extent of the shortfall in the interest guaranteed on the provident fund vis-a-vis the interest rate notified by the Government.

Notes to financial statements as at and for the year ended March 31, 2021

(Contd.)

The disclosures of Employee Benefits as defined in Ind AS 19 are given below:

Profit and Loss account :

Net employee benefit expense (recognised in Employee Cost)

₹ in million

| | Gratuity fund | | Employee Death Benefit scheme | | Provident fund | |
|--------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | For the year ended March 31, 2021 | For the year ended March 31, 2020 | For the year ended March 31, 2021 | For the year ended March 31, 2020 | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
| I) Expenses recognised in the Statement of Profit & Loss | | | | | | |
| 1) Current service cost | 23.67 | 21.19 | 0.47 | 0.51 | - | -- |
| 2) Interest cost | 1.11 | 0.85 | 1.19 | 1.36 | 2.44 | 1.39 |
| 3) Expected return on plan assets | - | - | - | - | - | -- |
| 4) Immediate recognition of (gains)/losses other long term employee benefits plans | - | - | - | - | - | - |
| 5) Total Expenses (disclosed part of Contribution to provident and other funds in note 28) | 24.78 | 22.04 | 1.66 | 1.87 | 2.44 | 1.39 |
| Expense recognised in OCI | | | | | | |
| 6) Net remeasurement (gain) / loss recognised in the year | 4.25 | 12.52 | 9.16 | 1.40 | (9.25) | (4.75) |
| 7) Total Expense | 29.03 | 34.56 | 10.82 | 3.27 | (6.81) | (3.36) |
| II) Net Asset/ (Liability) recognised in the Balance Sheet | | | | | | |
| 1) Present Values of Defined Benefit Obligation | 436.21 | 413.44 | 27.38 | 20.54 | 8.87 | 15.68 |
| 2) Fair value of Plan Assets | 418.18 | 378.89 | - | - | - | - |
| 3) Net Asset/ (Liability) | (18.03) | (34.55) | (27.38) | (20.54) | (8.87) | (15.68) |
| III) Change in Obligation during the year | | | | | | |
| 1) Present Value of Defined Benefit Obligation at the beginning of the year | 413.44 | 361.44 | 20.55 | 19.96 | 15.68 | 19.04 |
| 2) Current service cost/ Plan amendments | 23.67 | 21.19 | 0.47 | 0.51 | - | - |
| 3) Acquisitions (Credits) /cost | (11.00) | - | - | - | - | - |
| 4) Interest Cost | 25.86 | 25.83 | 1.19 | 1.36 | 2.44 | 1.39 |
| 5) Benefit Paid | (21.86) | (16.49) | (3.99) | (2.68) | - | - |
| 6) Net changes to other reported provisions | - | - | - | - | - | - |
| 7) Remeasurement (Gain)/ Losses | | | | | | |
| Arising from the change in experience | (0.68) | (1.20) | 8.89 | 0.67 | (9.25) | (4.75) |
| Arising from the change in financial assumptions | 6.78 | 22.67 | 0.27 | 0.72 | - | - |
| Total | 6.10 | 21.47 | 9.16 | 1.39 | (9.25) | (4.75) |
| 8) Present Values of Defined Benefit Obligation at the end of the year (disclosed in Provisions in note 18) | 436.21 | 413.44 | 27.38 | 20.54 | 8.87 | 15.68 |
| IV) Change in the Fair Value of Plan Assets | | | | | | |
| 1) Plan assets at the beginning of the year | 378.89 | 338.16 | - | - | - | - |
| 2) Expected return on plan assets | 24.75 | 24.98 | - | - | - | - |
| 3) Contribution by employer | 34.55 | 23.29 | - | - | - | - |
| 4) Actual benefit paid | (21.86) | (16.49) | - | - | - | - |
| 5) Return of Plan Assets greater/ (lesser) than discount rate | 1.85 | 8.95 | - | - | - | - |
| 6) Remeasurement (Gain)/ Losses | - | - | - | - | - | - |
| 7) Acquisition adjustments | - | - | - | - | - | - |
| 8) Plan Asset at the end of the year | 418.18 | 378.89 | - | - | - | - |

V) In FY 2021-22, the Company expects to contribute ₹ 18.03 million (FY 2020-21: ₹ 34.55 million) to gratuity fund.

Notes to financial statements as at and for the year ended March 31, 2021

(Contd.)

VI) Actuarial Assumptions

| | Gratuity fund | | Employee Death Benefit scheme | | Provident fund | |
|---------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | For the year ended March 31, 2021 | For the year ended March 31, 2020 | For the year ended March 31, 2021 | For the year ended March 31, 2020 | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
| 1) Discount Rate | 6.10% | 6.40% | 6.10% | 6.40% | 6.10% | 6.40% |
| 2) Expected rate of return on plan asset | 8.50% | 8.50% | NA | NA | 8.20% | 8.30% |
| 3) Mortality | IALM (2006-2008) (modified) Ult | IALM (2006-2008) (modified) Ult | IALM (2006-2008) (modified) Ult | IALM (2006-2008) (modified) Ult | NA | NA |
| 4) Average attained age (years) | 40 | 41 | 53 | 52 | NA | NA |
| 5) Average past service (years) | 14 | 14 | 27 | 26 | NA | NA |
| 6) Employee Turnover Rate | 0.1% - 0.5% | 0.1% - 0.5% | 0.1% - 0.5% | 0.1% - 0.5% | NA | NA |
| 7) Rate of escalation in salary (per annum) | 8.00% | 8.00% | 8.00% | 8.00% | | |

Actuarial Assumptions for leave encashment

| | Leave encashment | |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
| 1) Discount Rate | 6.10% | 6.40% |
| 2) Rate of escalation in salary (per annum) | 8.00% | 8.00% |
| 3) Mortality | IALM (2006-2008) (modified) Ult | IALM (2006-2008) (modified) Ult |
| 4) Withdrawal rate | Officers: 10% Non-officers: Ages : Rate 20 - 25 : 0.50%, 26 - 30 : 0.30%, 31 - 35 : 0.20%, 36 - 50 : 0.10%, 51 - 55 : 0.20%, 56 - 60 : 0.30%, | Officers: 10% Non-officers: Ages : Rate 20 - 25 : 0.50%, 26 - 30 : 0.30%, 31 - 35 : 0.20%, 36 - 50 : 0.10%, 51 - 55 : 0.20%, 56 - 60 : 0.30%, |

VII) Maturity Profile of the defined benefit obligation Weighted average duration of the defined benefit obligation

| | Gratuity fund | | Employee Death Benefit scheme | | Provident fund | |
|-------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | For the year ended March 31, 2021 | For the year ended March 31, 2020 | For the year ended March 31, 2021 | For the year ended March 31, 2020 | For the year ended March 31, 2021 | For the year ended March 31, 2020 |
| Not later than 1 year (₹ in million) | 7 years 31.34 | 7 years 26.92 | 6 years 6.99 | 7 years 4.57 | 7 years NA | 7 years NA |
| Later than 1 year and not later than 5 years (₹ in million) | 205.92 | 176.26 | 27.48 | 17.97 | NA | NA |
| More than 5 years (₹ in million) | 334.33 | 334.29 | 10.70 | 9.18 | NA | NA |

The estimates of rate of escalation in salary considered in actuarial valuation taken into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is as certified by the Actuary.

The expected rate of return on plan assets is determined considering several applicable factors, mainly the composition of plan assets held, assessed risks, historical results of return on plan assets and the Company's policy for plan assets management.

Each year, the Board of Trustees reviews the level of funding in the Gratuity plan. Such a review includes the asset-liability matching strategy and investment risk management policy.

Notes to financial statements as at and for the year ended March 31, 2021

(Contd.)

VIII) Amounts for the current and previous two periods are as follows:

(₹ in million)

| | Year ended March 31, 2021 | Year ended March 31, 2020 | Year ended March 31, 2019 |
|--------------------------------------------------------|------------------------------|------------------------------|------------------------------|
| 1. Gratuity | | | |
| Defined Benefit Obligation | 436.21 | 413.44 | 361.44 |
| Plan Assets | 418.18 | 378.89 | 338.15 |
| Surplus/ (Deficit) | (18.03) | (34.55) | (23.29) |
| Experience (Gain)/ loss adjustment on plan liabilities | (0.68) | (1.20) | (4.44) |
| Experience (Gain)/ loss adjustment on plan assets | - | - | - |

The Board of Trustees of Timken India Limited Provident Fund have decided to shift the management of Provident Fund to Employees Provident Fund Organisation managed by its Regional office at Jamshedpur with effect from April 1, 2018. Consequently, the Company deposits provident fund dues to the Regional Provident Fund Commissioner, Jamshedpur, Jharkhand.

A quantitative sensitivity analysis for significant assumption are as shown below:

a) Gratuity (Funded)

₹ in million

| | March 31, 2021 | | March 31, 2020 | |
|----------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Discount rate | | Discount rate | |
| | 1% increase (₹) | 1% decrease (₹) | 1% increase (₹) | 1% decrease (₹) |
| Impact on defined benefit obligation (Increase/ (decrease)) | (25.45) | 28.33 | (25.46) | 28.38 |

₹ in million

| | March 31, 2021 | | March 31, 2020 | |
|----------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Salary Growth | | Salary Growth | |
| | 1% increase (₹) | 1% decrease (₹) | 1% increase (₹) | 1% decrease (₹) |
| Impact on defined benefit obligation (Increase/ (decrease)) | 26.26 | (24.08) | 26.48 | (24.25) |

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

b) Employee Death Benefit Scheme (Unfunded)

₹ in million

| | March 31, 2021 | | March 31, 2020 | |
|------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Discount rate | | Discount rate | |
| | 1% increase (₹) | 1% decrease (₹) | 1% increase (₹) | 1% decrease (₹) |
| Impact on employee death benefits obligation (Increase/ (decrease)) | (0.74) | 0.78 | (0.63) | 0.67 |

₹ in million

| | March 31, 2021 | | March 31, 2020 | |
|------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Salary Growth | | Salary Growth | |
| | 1% increase (₹) | 1% decrease (₹) | 1% increase (₹) | 1% decrease (₹) |
| Impact on employee death benefits obligation (Increase/ (decrease)) | 0.39 | (0.37) | 0.50 | (0.47) |

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Notes to financial statements as at and for the year ended March 31, 2021

(Contd.)

c) Provident fund (Funded)

₹ in million

| | March 31, 2021 | | March 31, 2020 | |
|--|-----------------------------------------------------------------|---------------|--------------------------------|---------------|
| | Expected return on plan assets | | Expected return on plan assets | |
| | 0.5% increase | 0.5% decrease | 0.5% increase | 0.5% decrease |
| | Impact on defined benefits obligation (Increase/ (decrease)) | (32.28) | 52.45 | (29.69) |

The sensitivity analysis above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

NOTE 40 : PREVIOUS PERIOD COMPARATIVES

Previous year figures have been regrouped or reclassified wherever necessary to conform to current year's grouping or classification.

Signatures to Note 1-40 of the financial statements

As per our report of even date

For Deloitte Haskins & Sells LLP

Chartered Accountants
(Firm's Registration No. 117366W/W – 100018)

Sd/-

Sathya P. Koushik

Partner
Membership No. 206920
Bengaluru, June 18, 2021

For and on behalf of the Board of Directors of Timken India Limited

Sd/-

Sanjay Koul

Chairman & Managing Director
DIN: 05159352

Sd/-

Mandar Vasmatkar

Company Secretary & Chief - Compliance
Bengaluru, June 18, 2021

Sd/-

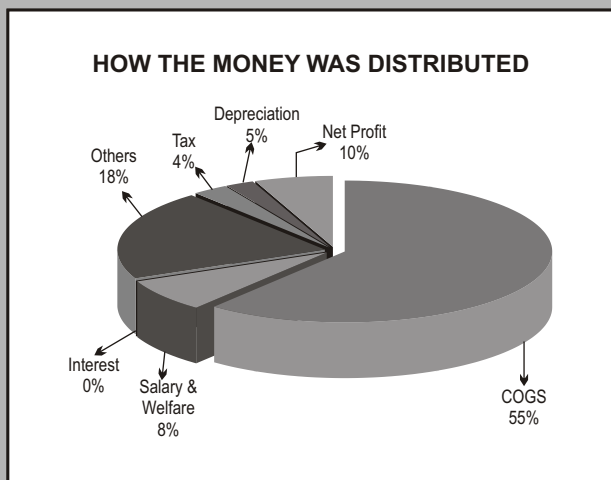
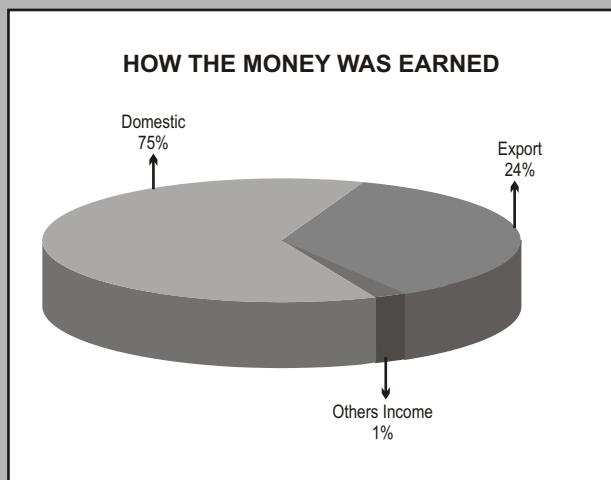
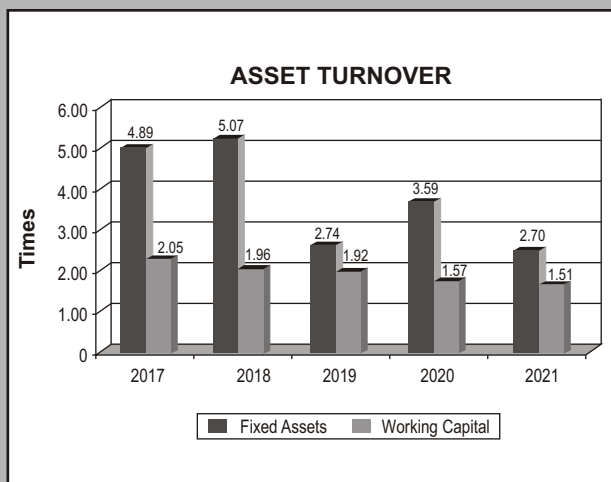
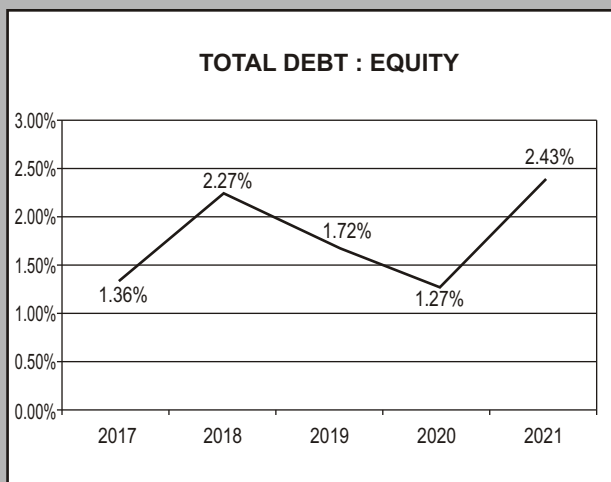
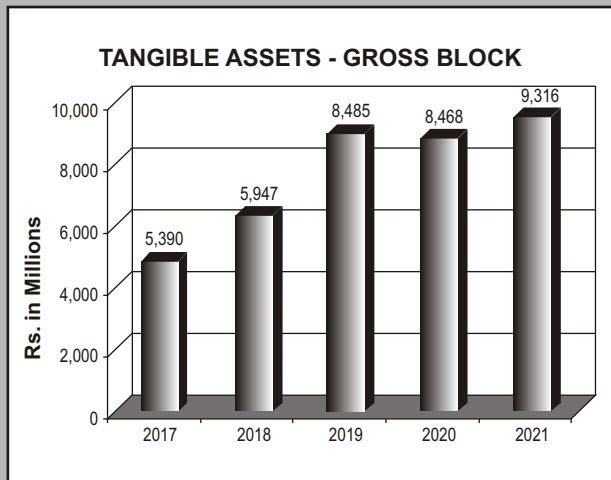
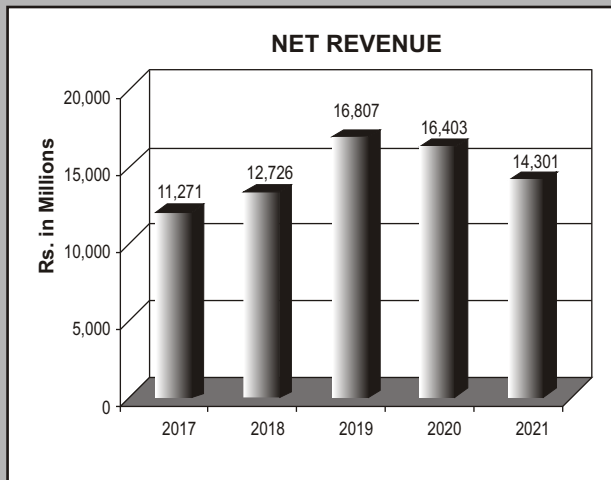
Avishrant Keshava

Business Controller - India,
CFO & Whole-time Director
DIN: 07292484

FIVE YEARS AT A GLANCE

| | Year Ended 31.03.2021 | Year Ended 31.03.2020 | Year Ended 31.03.2019 | Year Ended 31.03.2018 | Year Ended 31.03.2017 |
|-------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Production | | | | | |
| (i) Standard Roller Brgs (Equiv. Nos.) | 7,982,829 | 7,025,064 | 9,880,017 | 3,604,852 | 2,539,487 |
| (ii) Special Roller Bearings (Equiv. Nos.) | 2,329,422 | 3,249,041 | 2,633,311 | 1,557,281 | 1,430,235 |
| (iii) Components (Equiv.Nos.) | 5,559,746 | 4,970,738 | 6,788,528 | 7,239,907 | 4,445,118 |
| Rs/millions | | | | | |
| Profit & Loss Account | | | | | |
| (i) Net Income (includes other Income) | | | | | |
| (a) Domestic | 10,857 | 12,381 | 12,879 | 9,260 | 7,978 |
| (b) Export | 3,444 | 4,022 | 3,928 | 3,467 | 3,293 |
| Total (a+b) | 14,301 | 16,403 | 16,807 | 12,726 | 11,271 |
| (ii) EBITDA | 2,714 | 3,860 | 3,049 | 1,841 | 1,679 |
| (iii) Profit after Exceptional items before Tax | 1,951 | 3,064 | 2,238 | 1,397 | 1,382 |
| (iv) Profit After Tax | 1,432 | 2,461 | 1,486 | 920 | 972 |
| Balance Sheet | | | | | |
| (i) Gross Block (includes CWIP) | 9,316 | 8,468 | 8,485 | 5,947 | 5,390 |
| (ii) Net Block | 5,304 | 4,575 | 6,133 | 2,511 | 2,306 |
| (iii) Net Current Asset | 5,077 | 7,555 | 5,658 | 4,067 | 3,118 |
| (iv) Capital Employed | 14,512 | 16,918 | 14,654 | 7,376 | 6,396 |
| (v) Beginning Invested Capital (BIC) | 16,399 | 14,296 | 7,262 | 6,308 | 5,343 |
| (vi) Total Debt | 327 | 200 | 231 | 159 | 84 |
| (vii) Equity | 13,435 | 15,767 | 13,407 | 7,023 | 6,179 |
| Other Comparative Data | | | | | |
| (i) PAT to Net Sales (%) | 10% | 15% | 9% | 7% | 9% |
| (ii) EBIT / BIC (%) | 17% | 27% | 42% | 29% | 31% |
| (iii) Return on Net Worth (%) | 11% | 16% | 11% | 13% | 16% |
| (iv) E.P.S (Rs) | 19.03 | 32.72 | 19.92 | 13.53 | 14.30 |
| (v) Total Debt to Total Equity (%) | 2.43% | 1.27% | 1.72% | 2.27% | 1.36% |
| (vi) Total Debt to Total Capital (%) | 2.25% | 1.18% | 1.58% | 2.16% | 1.31% |
| (vii) Fixed Asset Turnover (times) | 2.70 | 3.59 | 2.74 | 5.07 | 4.89 |
| (viii) Working Capital Turnover (times) | 2.82 | 2.17 | 2.97 | 3.13 | 3.62 |
| (ix) Current Ratio (times) | 2.16 | 3.62 | 2.83 | 2.69 | 2.31 |
| (x) Interest Cover (times) | 188 | 140 | 173 | 151 | 201 |
| (xi) Net sales/Employee (Rs/millions) | 11 | 13 | 14 | 16 | 16 |

- 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) Fixed Asset Turnover is net sales divided by net fixed assets as at the end of the year.
- (iv) Working Capital Turnover is net sales divided by net current asset as at the end of the year.
- (v) Current ratio is current assets divided by current liabilities including current portion of long term loans, if any, repayable within one year.
- (vi) Interest Cover is profit before interest and taxation divided by net interest expenses.



TIMKEN

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