

## Q3FY23 Result Highlights

- **Revenue declined 12.4% QoQ** – Revenues declined 12% QoQ (+19.5% YoY) to ₹6.1bn possibly due to slowdown in export market, double-digit QoQ decline in replacement segment, and single-digit QoQ decline in CV segment revenues, partly offset by sequential recovery in railway segment revenues. The Export segment remains under pressure amid the global economic slowdown in Q3FY23. EBITDA margin came in at 17% (-536 bps YoY/-198 bps QoQ), possibly driven by weaker segment mix (lower mix of exports segment and higher mix of railway segment), weaker product mix, and decline in margins in the traded good segment. Gross margin declined 14 bps YoY in Q3FY23.
- **Revenue likely to show good growth in next 3-4 yrs** as railways revenues shift to higher capacity bearings in railways due to commissioning of DFC and addition of 90,000 freight wagons over 3 years, growth in M&HCV, led by uptick in the CV cycle, growth in exports due to strong order book and process industries segment. The company will be setting up a new manufacturing facility to manufacture spherical and cylindrical roller bearings, which will aid revenue growth beyond FY25.

## View

Timken India Q3FY23 result impacted due to likely weaker-than-expected revenue print, and inferior product mix. Though near-term may remain challenging due to slowdown in exports market, long-term growth prospects remain strong due to a pickup in railway segment demand and parent entity's focus to improve exports out of India. The company is likely to gain from a cyclical recovery in its key segments over FY23-24, driven by large tender of 90,000 wagons by Indian Railways, with additional volumes for DFC corridor and high speed rail rolling stock, cyclical uptick in CV volumes and shift in production lines by parent company to India in order to enjoy low cost benefits. **Hence, we view it as ACCUMULATE stock trading at 37.1x FY25E EPS ₹82.6.**

## Important Statistics

<b>MCAP (₹ bn)</b>	230.3
<b>52 Week H/L (₹)</b>	3761/1715
<b>NSE Code</b>	TIMKEN
<b>BSE Code</b>	522113
<b>Shareholding Pattern Dec'22 (%)</b>	
<b>Promoters</b>	67.8
<b>DIIs</b>	12.1
<b>FIIIs</b>	4.3
<b>Public</b>	15.8

## Financials

(₹ mn)				
Particulars	FY19	FY20	FY21	FY22
<b>Revenue</b>	<b>16,644</b>	<b>16,178</b>	<b>14,105</b>	<b>22,032</b>
<b>EBITDA</b>	<b>2,886</b>	<b>3,633</b>	<b>2,518</b>	<b>5,106</b>
<b>EBITDA Margin (%)</b>	<b>17.3</b>	<b>22.5</b>	<b>17.9</b>	<b>23.2</b>
<b>Net Profit</b>	<b>1,486</b>	<b>2,461</b>	<b>1,432</b>	<b>3,271</b>
<b>EPS (₹)</b>	19.8	32.7	19.0	43.5
<b>DPS (₹)</b>	1.0	50.0	1.5	1.5
<b>RoE (%)</b>	11.1	15.6	10.7	19.7
<b>RoCE (%)</b>	11.8	14.5	9.4	19.4
<b>P/E (x)</b>	154.9	93.6	160.8	70.4
<b>EV/EBITDA (x)</b>	79.9	62.4	90.9	45.1
<b>P/BV (x)</b>	17.2	14.6	17.1	13.9

Particulars	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>26,598</b>	<b>30,987</b>	<b>36,211</b>
<b>EBITDA</b>	<b>5,392</b>	<b>7,383</b>	<b>8,958</b>
<b>EBITDA Margin (%)</b>	<b>20.3</b>	<b>23.8</b>	<b>24.7</b>
<b>Net Profit</b>	<b>3,799</b>	<b>5,039</b>	<b>6,212</b>
<b>EPS (₹)</b>	50.5	67.0	82.6
<b>DPS (₹)</b>	2.0	2.5	2.5
<b>RoE (%)</b>	20.9	22.8	23.4
<b>RoCE (%)</b>	19.8	23.1	24.2
<b>P/E (x)</b>	60.6	45.7	37.1
<b>EV/EBITDA (x)</b>	47.8	34.6	28.6
<b>P/BV (x)</b>	11.7	9.6	7.9

Source: Company, Way2wealth

3rd February 2023

CMP – ₹3061.8/-

View – ACCUMULATE

## FINANCIAL PERFORMANCE

(₹ mn)								
Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Revenue	6,094	5,100	19.5	6,954	(12.4)	20,040	15,358	30.5
Cost of Matl	2,156	1,938	11.2	2,967	(27.3)	6,806	5,371	26.7
Stock Purchases	2,051	1,289	59.1	1,365	50.3	5,647	4,215	34.0
Inventories Changes	(522)	(478)	9.2	(146)	257.5	(793)	(1,135)	(30.1)
Employee Exps	418	345	21.2	384	8.9	1,199	1,042	15.1
Other Exps	954	865	10.3	1,063	(10.3)	3,107	2,557	21.5
EBITDA	1,037	1,141	(9.1)	1,321	(21.5)	4,074	3,308	23.2
EBITDA Margin (%)	17.0	22.4	(536)	19.0	(198)	20.3	21.5	(121)
Other Income	144	28	414.3	215	(33.0)	465	94	394.7
Depreciation	224	216	3.7	217	3.2	659	619	6.5
Finance Cost	5	3	66.7	5	-	14	11	27.3
PBT	952	950	0.2	1,314	(27.5)	3,866	2,772	39.5
Tax Exps	246	252	(2.4)	338	(27.2)	1,003	714	40.5
Net Profit	706	698	1.1	976	(27.7)	2,863	2,058	39.1
EPS (₹)	9.4	9.3	1.1	13.0	(27.7)	38.1	27.4	39.1

As % of Sales	Q3FY23	Q3FY22	YoY (BPS)	Q2FY23	QoQ (BPS)	9MFY23	9MFY22	YoY (BPS)
Raw Mat Cost	60.5	53.9	12.2	60.2	0.5	58.2	55.0	5.7
Gross Profit	39.5	46.1	(14.2)	39.8	(0.7)	41.8	45.0	(7.0)
Employee Exps	6.9	6.8	1.4	5.5	24.2	6.0	6.8	(11.8)
Other Exps	15.7	17.0	(7.7)	15.3	2.4	15.5	16.6	(6.9)

Source: Company, Way2Wealth

## FINANCIALS &amp; VALUATIONS

(₹ mn)									
Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	11,172	12,518	16,644	16,178	14,105	22,032	26,598	30,987	36,211
YoY Growth (%)	5.2	12.0	33.0	(2.8)	(12.8)	56.2	20.7	16.5	16.9
EBITDA	1,580	1,633	2,886	3,633	2,518	5,106	5,392	7,383	8,958
EBITDA Margin (%)	14.1	13.0	17.3	22.5	17.9	23.2	20.3	23.8	24.7
Net Profit	972	920	1,486	2,461	1,432	3,271	3,799	5,039	6,212
YoY Growth (%)	5.8	(5.4)	61.6	65.6	(41.8)	128.4	16.1	32.6	23.3
EPS (₹)	12.9	12.2	19.8	32.7	19.0	43.5	50.5	67.0	82.6
DPS (₹)	1.0	1.0	1.0	50.0	1.5	1.5	2.0	2.5	3.0
RoE (%)	15.7	13.1	11.1	15.6	10.7	19.7	20.9	22.8	23.4
RoCE (%)	14.7	12.3	11.8	14.5	9.4	19.4	19.8	23.1	24.2
Debtor Days	63	65	66	66	96	89	91	89	85
Inventory Days	110	123	125	66	95	93	91	88	84
Creditor Days	92	99	92	63	106	71	77	82	79
Cash Balances	184	268	240	4,167	1,742	182	1,291	4,233	5,091
FCF	331	(334)	1,314	2,406	1,104	(474)	1,419	1,935	3,491
P/E (x)	236.9	250.3	154.9	93.6	160.8	70.4	60.6	45.7	37.1
EV/EBITDA (x)	146.0	141.2	79.9	62.4	90.9	45.1	47.8	34.6	28.6
P/BV (x)	37.3	32.8	17.2	14.6	17.1	13.9	11.7	9.6	7.9
Net Debt/Equity (x)	0.1	0.0	0.0	(0.2)	(0.1)	0.0	(0.1)	(0.1)	(0.1)

Source: Company, Way2Wealth

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