

16th August 2023

₹3,218.75/-

View – **ACCUMULATE**

Q1FY24 Result Highlights

- **Revenue grew 2.6% YoY but declined ~31% QoQ to ₹7.18bn** – Revenues grew by 2.6% YoY but declined ~31% QoQ to ₹7.18bn likely due to double-digit QoQ decline in the CV segment and continued weakness in exports, partly offset by continued growth momentum in the railway segment. Over the past few quarters, the export segment has remained weak, amid the global economic slowdown; however, the export segment is likely to witness recovery in the coming quarters, as demand recovers in developed geographies. EBITDA came in at ₹1.36bn, a decline of ~21% YoY and 11.25 QoQ with EBITDA margin at 18.9% (decline 563 bps YoY and 14 bps QoQ). The margin decline can be attributed to negative operating leverage and an increase in traded good mix, partly offset by RM tailwinds. Gross margin expanded 270 bps QoQ, mainly driven by commodity tailwinds. Net profit declined ~24% YoY and ~14% QoQ to ₹901mn.
- The company will be setting up a new manufacturing facility to manufacture spherical and cylindrical roller bearings, which will aid revenue growth beyond FY25 as the domestic CV segment will likely to have steady growth over the next two years, aided by steady demand trends in the replacement segment and fleet operators' profitability.
- The management expects strong traction from railways to continue led by shift to higher capacity bearings in railways due to commissioning of DFC and addition of 90,000 freight wagons over 3 years
- Exports are likely to show gradual improvement on the back of strong order book.
- The management expects orders from the process industries segment to aid revenue growth in coming quarters.
- The company is sitting on strong cash of ₹1.6bn and is open for inorganic growth opportunities to further strengthen product portfolio and supply chain in India.

View

Timken India Q1FY24 performance was impacted by the sustained weakness in the export market and inferior product mix (higher mix of the railway segment and lower mix of the export segment). Medium-term growth prospects remain strong. Given the cyclical nature of end-product segments (35-40% of its revenue comes from the CV segment) and the expected improvement in exports in coming quarters, **we continue to view it as ACCUMULATE stock trading at P/E 40.7x FY25E EPS ₹77.1.**

Important Statistics

MCAP (₹bn)	236.2
52 Week H/L (₹)	3761/2626
NSE Code	TIMKEN
BSE Code	522113

Shareholding Pattern	Jun'23 (%)
Promoters	57.7
DII's	19.1
FII's	6.6
Public	16.6

Financials

Particulars	FY20	FY21	FY22
Revenue	16,178	14,105	22,032
EBITDA	3,633	2,518	5,106
EBITDA Margin (%)	22.5	17.9	23.2
Net Profit	2,461	1,432	3,271
EPS (₹)	32.7	19.0	43.5
DPS (₹)	50.0	1.5	1.5
RoE (%)	15.6	10.7	19.7
RoCE (%)	14.5	9.4	19.4
P/E (x)	96.0	164.9	72.2
EV/EBITDA (x)	64.0	93.2	46.3
P/BV (x)	15.0	17.6	14.3

Particulars	FY23	FY24E	FY25E
Revenue	28,066	31,987	37,673
EBITDA	5,604	6,753	8,337
EBITDA Margin (%)	20.0	21.1	22.1
Net Profit	3,907	4,704	5,796
EPS (₹)	52.0	62.5	77.1
DPS (₹)	1.5	2.0	2.5
RoE (%)	19.2	20.8	21.4
RoCE (%)	18.5	22.9	24.1
P/E (x)	60.4	50.2	40.7
EV/EBITDA (x)	41.9	34.8	27.7
P/BV (x)	11.6	9.5	7.8

Source: Company, Way2wealth

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 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY23	FY22	YoY (%)
Revenue	7,176	6,992	2.6	8,025	(10.6)	28,066	22,032	27.4
Cost of Matl	2,440	2,247	8.6	2,417	0.9	9,224	7,343	25.6
Stock Purchases	2,049	1,667	22.9	1,783	14.9	7,430	5,856	26.9
Inventories Changes	(270)	(125)	116.3	737	(136.7)	(56)	(1,259)	(95.6)
Employee Exps	419	397	5.6	392	7.0	1590.89	1406	13.2
Other Exps	1,181	1,090	8.4	1,167	1.2	4273.84	3580	19.4
EBITDA	1,357	1,716	(20.9)	1,529	(11.2)	5,604	5,106	9.7
EBITDA Margin (%)	18.9	24.5	(563)	19.1	(14)	20.0	23.2	(321)
Other Income	93.5	106	(11.8)	66.8	40.0	531.75	143	271.9
Depreciation	213	218	(2.1)	213	0.1	871.99	843	3.4
Finance Cost	9	4	132.8	14	(32.2)	28.13	24	17.2
PBT	1,228	1,600	(23.2)	1,369	(10.3)	5,235	4,382	19.5
Tax Exps	327	419	(22.0)	324	0.9	1,328	1,111	19.5
Net Profit	901	1,181	(23.7)	1,045	(13.8)	3,907	3,271	19.5
EPS (₹)	12.0	15.7	(23.7)	13.9	(13.8)	52.0	43.5	19.5

As % of Sales	Q1FY24	Q1FY23	YoY (BPS)	Q4FY23	QoQ(BPS)	FY23	FY22	YoY (BPS)
Raw Mat Cost	58.8	54.2	459	61.5	(274)	59.1	54.2	494
Gross Profit	41.2	45.8	(459)	38.5	274	40.9	45.8	(494)
Employee Exps	5.8	5.7	16	4.9	96	5.7	6.4	(71)
Other Exps	16.5	15.6	87	14.5	192	15.2	16.2	(102)

Source: Company, Way2Wealth

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 View – **ACCUMULATE**
FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	11,172	12,518	16,644	16,178	14,105	22,032	28,066	31,987	37,673
YoY Growth (%)	5.2	12.0	33.0	(2.8)	(12.8)	56.2	27.4	14.0	17.8
EBITDA	1,580	1,633	2,886	3,633	2,518	5,106	5,604	6,753	8,337
EBITDA Margin (%)	14.1	13.0	17.3	22.5	17.9	23.2	20.0	21.1	22.1
Net Profit	972	920	1,486	2,461	1,432	3,271	3,907	4,704	5,796
YoY Growth (%)	5.8	(5.4)	61.6	65.6	(41.8)	128.4	19.5	20.4	23.2
EPS (₹)	12.9	12.2	19.8	32.7	19.0	43.5	52.0	62.5	77.1
DPS (₹)	1.0	1.0	1.0	50.0	1.5	1.5	1.5	2.0	2.5
RoE (%)	15.7	13.1	11.1	15.6	10.7	19.7	19.2	20.8	21.4
RoCE (%)	14.7	12.3	11.8	14.5	9.4	19.4	18.5	22.9	24.1
Debtor Days	63	65	66	66	96	89	75	79	73
Inventory Days	110	123	125	66	95	93	125	116	102
Creditor Days	92	99	92	63	106	71	76	72	71
Cash Balances	184	268	240	4,167	1,742	182	1,617	4,981	5,117
FCF	331	(334)	1,314	2,406	1,104	(474)	2,791	934	3,976
P/E (x)	243.0	256.7	158.9	96.0	164.9	72.2	60.4	50.2	40.7
EV/EBITDA (x)	149.7	144.8	81.9	64.0	93.2	46.3	41.9	34.8	27.7
P/BV (x)	38.2	33.6	17.6	15.0	17.6	14.3	11.6	9.5	7.8
Net Debt/Equity (x)	0.1	0.0	0.0	(0.2)	(0.1)	0.0	(0.1)	(0.1)	(0.2)

Source: Company, Way2Wealth

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Disclosure of Interest Statement TIMKEN (INDIA) LTD as on 16 August 2023

Name of the Security	TIMKEN (INDIA) LTD
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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