

21st November 2023

CMP – ₹2,945.0

View – **ACCUMULATE**

Q2FY24 Result Highlights

- **Drop in topline due to seasonality and exports weakness** – Revenues declined by 2% YoY and 5% QoQ to ₹6.82bn due to seasonality and continued weakness in exports, partly offset by growth in price realisation and lower input cost especially steel resulted in EBITDA growth of 2.6% YoY to ₹1.36bn. EBITDA margin was at 19.9%, +87 bps YoY and +96bps QoQ. Q2FY24 Revenue Mix (%) – Rail:Mobile (Agri+Trucks):Distribution:Process Equipment: Exports- 15:25:20:15:25. As per the management, domestic market decline was due to shrinkage in Rail wagon orders and is likely to remain slow in Q3FY24 with improvement starting from Jan'24. The export market declined by 9% YoY with slowdown in North American and ASEAN markets.As per the management the Chinese market especially the Wind energy was flattishalong with the Australian and European markets.Gross margin expanded 177 bps YoY, mainly driven by commodity tailwinds. Net profit declined ~5% YoY and +3.2% QoQ to ₹930mn.
- The foundation work for the new Greenfield facility at Bharuch has been laid with orders for equipment been placed. From Jan'25 onwards the order ramp up likely to take place.The facility will 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.
- Indian Railways wagons orderbook looks robust. As per the management, Indian railways would require 80,000 bearings (not Class-K) for 10,000 wagons in the near future and with further 30,000 wagons in pipeline. It expects strong traction to continue led by shift to higher capacity bearings in railways due to commissioning of DFC over 3 years.
- The management expects improvement in export markets with demand from Heavy haulage trucks reaching normal level by May'24. As demand from Tippers and Heavy haulage trucks improves realisation tends to be better at aggregate levels.
- Currently Rail and MHCV has equal revenue share in exports.The management targets exports to be 35% of overall revenues from the current 23% as on 30 September 2023.
- The company is developing more distributors to enhance channel management in India.

View

Timken India Q2FY24 performance was impacted by the sustained weakness in the export market and slowdown in wagons demand by Indian railways which is seasonal during this time of the year. 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 and domestic markets in coming quarters, **we continue to view it as ACCUMULATE stock trading at P/E 41.1x FY25E EPS ₹71.7.**

Important Statistics

Nifty	19,769
Sensex	65,895
MCAP (₹ bn)	221.5
52 Week H/L (₹)	3761/2659
NSE Code	TIMKEN
BSE Code	522113
Bloomberg Code	TMKN:IN

Shareholding Pattern	Sep'23 (%)
Promoters	57.7
DIIs	19.1
FIIIs	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)	90.0	154.7	67.7
EV/EBITDA (x)	60.0	87.4	43.4
P/BV (x)	14.0	16.5	13.4

Particulars	FY23	FY24E	FY25E
Revenue	28,066	29,765	34,568
EBITDA	5,604	5,591	7,985
EBITDA Margin (%)	20.0	18.8	23.1
Net Profit	3,907	3,749	5,389
EPS (₹)	52.0	49.8	71.7
DPS (₹)	1.5	2.0	2.5
RoE (%)	19.2	18.7	20.5
RoCE (%)	18.5	20.8	22.8
P/E (x)	56.7	59.1	41.1
EV/EBITDA (x)	39.3	32.6	26.0
P/BV (x)	10.9	8.9	7.3

Return (%)	1 Yr	3Yr	5 Yr
Timken	(18.4)	154.4	498.0
Nifty 50	8.9	52.9	86.5
Sensex	7.8	49.5	87.2

Source: Company, Way2wealth Research

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 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Revenue	6,820	6,954	(1.9)	7,176	(5.0)	13,996	13,946	0.4
Cost of Matl	2,024	2,967	(31.8)	2,440	(17.0)	4,464	5,214	(14.4)
Stock Purchases	2,249	1,365	64.8	2,049	9.8	4,298	3,032	41.7
Inventories Changes	(289)	(146)	97.6	(270)	6.7	(559)	(271)	106.2
Employee Exps	412	384	7.3	419	(1.7)	831	781	6.4
Other Exps	1,068	1,063	0.5	1,181	(9.6)	2,249	2,153	4.5
EBITDA	1,355	1,321	2.6	1,357	(0.2)	2,712	3,037	(10.7)
EBITDA Margin (%)	19.9	19.0	87	18.9	96	19.4	21.8	(240)
Other Income	101	215	(53.1)	93.5	7.9	194.3	321.0	(39.5)
Depreciation	211	217	(2.9)	213	(1.2)	424	435	(2.5)
Finance Cost	9	5	80.6	9	(3.0)	18	9	103.8
PBT	1,236	1,314	(5.9)	1,228	0.7	2,464	2,914	(15.4)
Tax Exps	306	338	(9.5)	327	(6.4)	633	757	(16.4)
Net Profit	930	976	(4.7)	901	3.2	1,832	2,157	(15.1)
EPS (₹)	12.4	13.0	(4.7)	12.0	3.2	24.4	28.7	(15.1)

As % of Sales	Q2FY24	Q2FY23	YoY (BPS)	Q1FY24	QoQ(BPS)	1HFY24	1HFY23	YoY (BPS)
Raw Mat Cost	58.4	60.2	(177)	58.8	(36)	58.6	57.2	142
Gross Profit	41.6	39.8	177	41.2	36	41.4	42.8	(142)
Employee Exps	6.0	5.5	52	5.8	20	5.9	5.6	34
Other Exps	15.7	15.3	38	16.5	(80)	16.1	15.4	63

Source: Company, Way2Wealth Research

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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	29,765	34,568
YoY Growth (%)	5.2	12.0	33.0	(2.8)	(12.8)	56.2	27.4	6.1	16.1
EBITDA	1,580	1,633	2,886	3,633	2,518	5,106	5,604	5,591	7,985
EBITDA Margin (%)	14.1	13.0	17.3	22.5	17.9	23.2	20.0	18.8	23.1
Net Profit	972	920	1,486	2,461	1,432	3,271	3,907	3,749	5,389
YoY Growth (%)	5.8	(5.4)	61.6	65.6	(41.8)	128.4	19.5	(4.1)	43.7
EPS (₹)	12.9	12.2	19.8	32.7	19.0	43.5	52.0	49.8	71.7
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	18.7	20.5
RoCE (%)	14.7	12.3	11.8	14.5	9.4	19.4	18.5	20.8	22.8
Debtor Days	63	65	66	66	96	89	75	80	75
Inventory Days	110	123	125	66	95	93	125	118	104
Creditor Days	92	99	92	63	106	71	76	74	73
Cash Balances	184	268	240	4,167	1,742	182	1,617	4,629	4,997
FCF	331	(334)	1,314	2,406	1,104	(474)	2,791	699	3,348
P/E (x)	240.8	149.0	90.0	154.7	67.7	56.7	59.1	41.1	240.8
EV/EBITDA (x)	135.8	76.8	60.0	87.4	43.4	39.3	32.6	26.0	135.8
P/BV (x)	31.5	16.5	14.0	16.5	13.4	10.9	8.9	7.3	31.5
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 Research

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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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