TIMKEN INDIA

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	3,120
12 month price target (INR)	4,378
52 Week High/Low	4,818/2,200
Market cap (INR bn/USD bn)	235/2.7
Free float (%)	19.1
Avg. daily value traded (INR mn)	591.8

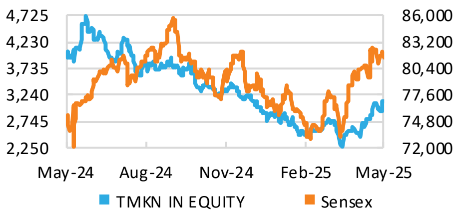
SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	51.05%	51.05%	51.05%
FII	10.68%	12.97%	13.14%
DII	26.80%	24.93%	24.80%
Pledge	0%	0%	0%

FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	31,478	37,747	45,916	56,665
EBITDA	5,916	7,552	9,808	12,413
Adjusted profit	4,474	5,423	7,158	9,171
Diluted EPS (INR)	59.5	72.1	95.2	121.9
EPS growth (%)	14.1	21.2	32.0	28.1
RoAE (%)	17.0	17.5	19.4	20.5
P/E (x)	52.5	43.3	32.8	25.6
EV/EBITDA (x)	35.0	26.3	19.8	15.2
Dividend yield (%)	1.2	0.1	0.1	0.2

PRICE PERFORMANCE



Margins improve; Bharuch key for growth

Timken India (TMKN) reported a mixed Q4FY25 showing with revenue up ~4.7% to INR9.4bn (our estimate: INR9.9bn), but EBITDA margins improved 19bp YoY to 22.32% (our estimate: 17.5%). Demand picked up in the domestic market in Q4FY25 along with a slight pickup in exports. Higher other income and lower tax provisions led PAT to surge 32% YoY to INR1.9bn. Key to watch: Bharuch plant commissioning and utilisation in FY26E.

With a strong comeback in the railway segment and upcoming sectors, Timken should benefit. Given the Bharuch plant is helping to expand the portfolio and margins, we maintain 'BUY', with a revised TP of INR4,378 (earlier INR4,072) as we roll forward to FY27E EPS.

Railways and process shine; new sectors open up

TMKN's revenue grew 4.7% YoY (up 40% QoQ) with moderate demand in domestic markets along with an uptick in the intercompany exports. The company anticipates good ordering in the railway segment across freight, locomotives, metro and passenger in the near term. During the quarter, railways contributed 32%, mobile: 17%, distribution: 19%, process: 18% and exports: 14%. The company is also investing in plain bearings with composite material (FRP) for global and local markets. It is also targeting solar sector investments and has supplied to large OEMs.

Margins improve; railways aids product mix

Gross margin contracted 34bp to 40.4%, but EBITDA margins improved 19bp YoY to 22.3%, beating our estimate. During the quarter, margins were hurt by a favourable product mix and higher share of railways. PAT however soared 32% YoY (up 151% QoQ) due to higher other income and lower tax provisions. Innovation, cost optimisation (robotics and automation) and introduction of higher margins in rapidly expanding sectors such as railways, wind and heavy trucks shall enable TMKN to enhance the bottom line.

Capex on track; margin expansion likely from FY27

The Bharuch plant (catering to SRB/CRB)—which is on track and shall start production in Jun-25—will help in diversifying the product portfolio and aid margin expansion. The company intends to keep adding lines for the first year and expects to achieve utilisation of 45% by Q4FY26. TMKN is also sharply focused on exports, owing to its strong parentage and expects it to contribute significantly to the top line. Import substitution and focus on localisation shall open the doors to newer industries. Earnings growth shall continue to stay robust on the back of higher industrialisation and a strong economy.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	9,398	8,978	4.7	6,714	40.0
EBITDA	2,097	1,987	5.6	1,065	96.9
Adjusted Profit	1,868	1,414	32.1	743	151.4
Diluted EPS (INR)	24.8	18.8	32.1	9.9	151.4

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	31,478	37,747	45,916	56,665
Gross profit	12,474	15,854	19,744	24,366
Employee costs	1,700	1,828	1,969	2,122
Other expenses	4,858	6,474	7,966	9,831
EBITDA	5,916	7,552	9,808	12,413
Depreciation	848	910	974	1,038
Less: Interest expense	43	14	14	14
Add: Other income	502	602	723	867
Profit before tax	5,527	7,231	9,543	12,228
Prov for tax	1,053	1,808	2,386	3,057
Less: Other adj	0	0	0	0
Reported profit	4,474	5,423	7,158	9,171
Less: Excp.item (net)	0	0	0	0
Adjusted profit	4,474	5,423	7,158	9,171
Diluted shares o/s	75	75	75	75
Adjusted diluted EPS	59.5	72.1	95.2	121.9
DPS (INR)	36.0	4.0	4.0	5.0
Tax rate (%)	19.1	25.0	25.0	25.0

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	752	752	752	752
Reserves	27,696	32,806	39,649	48,434
Shareholders funds	28,449	33,559	40,401	49,186
Minority interest	0	0	1	1
Borrowings	137	137	137	138
Trade payables	3,970	5,998	7,170	8,849
Other liabs & prov	1,357	1,357	1,357	1,357
Total liabilities	34,254	41,392	49,408	59,872
Net block	4,649	4,539	4,366	4,128
Intangible assets	2,216	2,216	2,216	2,216
Capital WIP	5,917	0	0	0
Total fixed assets	12,781	6,755	6,582	6,344
Non current inv	96	96	96	96
Cash/cash equivalent	5,146	13,670	18,140	23,736
Sundry debtors	6,998	8,790	10,693	13,196
Loans & advances	147	147	147	147
Other assets	7,235	10,085	11,902	14,504
Total assets	34,254	41,392	49,408	59,872

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Automotive (% of rev)	25.9	24.1	21.9	19.8
Industrials (% of rev)	49.2	51.2	52.3	53.4
Gross margin (%)	39.6	42.0	43.0	43.0
EBITDA margin (%)	18.8	20.0	21.4	21.9
Net profit margin (%)	14.2	14.4	15.6	16.2
Revenue growth (% YoY)	8.2	19.9	21.6	23.4
EBITDA growth (% YoY)	3.4	27.7	29.9	26.6
Adj. profit growth (%)	14.1	21.2	32.0	28.1

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	4,474	5,423	7,158	9,171
Add: Depreciation	848	910	974	1,038
Interest (net of tax)	43	14	14	14
Others	(415)	(602)	(723)	(867)
Less: Changes in WC	(721)	(2,614)	(2,547)	(3,427)
Operating cash flow	4,229	3,130	4,875	5,929
Less: Capex	(3,775)	5,117	(800)	(800)
Free cash flow	453	8,247	4,075	5,129

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.3	6.3	6.3	6.3
Repo rate (%)	5.0	5.0	5.0	5.0
USD/INR (average)	79.0	79.0	79.0	79.0
Railways (% YoY)	14.0	20.0	21.0	22.0
Mobility (% YoY)	9.0	10.0	11.0	12.0
Indl Aftermkt (% YoY)	7.0	8.0	9.0	10.0
Process Inds (% YoY)	7.0	35.0	36.0	37.0
Auto Aftermkt (% YoY)	8.0	8.0	9.0	10.0
Exports (% YoY)	(3.0)	15.0	30.0	31.0

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	17.0	17.5	19.4	20.5
RoCE (%)	21.0	23.3	25.7	27.2
Inventory days	126	131	142	140
Receivable days	78	76	77	77
Payable days	75	83	92	91
Working cap (% sales)	29.4	31.5	31.4	31.5
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.2)	(0.4)	(0.4)	(0.5)
Interest coverage (x)	118.2	485.1	645.1	818.6

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	52.5	43.3	32.8	25.6
Price/BV (x)	8.2	7.0	5.8	4.8
EV/EBITDA (x)	35.0	26.3	19.8	15.2
Dividend yield (%)	1.2	0.1	0.1	0.2

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	14.1	21.2	32.0	28.1
RoE (%)	17.0	17.5	19.4	20.5
EBITDA growth (%)	3.4	27.7	29.9	26.6
Payout ratio (%)	60.5	5.5	4.2	4.1

Source: Company and Nuvama estimates

Q4FY25 conference call: Key highlights

Opening remarks

- Sales for Q4: INR9.4bn (4.7% YoY).
- Regained momentum in the quarter.
- Margins improved 70bp YoY.
- GGB taken over by Timken.
- Plain bearings (FRP)- new line will be expanded.
- Railway bearings will also be expanded.

Bharuch

- Capitalise the lines by Q1FY25 (end of June).
- Installed the CRB lines and small SRB lines.
- Large SRB are in sea and should reach by June.
- PPAP sent to customer.
- Q4FY26, we should reach 45% of capacity utilisation.
- FY27, all month should see better utilisation MoM.
- Revenue from Bharuch shall be from domestic (50%) and exports (50%).

Automotive

- CV will grow at 4%.
- Off-highway and tractor had nice traction in April.

Exports

- Europe is sluggish.
- North American market is little better.
- South Africa is picking up.
- China is bouncing back.
- ASEAN is down.
- Exports wont remain very buoyant.
- Private wagon builders and Indian railways.
    - Exports market are going to remain dicey.

Railways

- Steady solid growth.
- Will keep on growing.
- Market Order-book in freight/Locomotive/Metro/Passenger is good.
- Company is expanding using state of the art European market.

Revenue breakdown by segment

Segment	FY25
Railways	24.5% (17% growth)
Mobile	18.5% (Flat growth)
Distribution	18.7% (11% growth)
Process	19.3% (8% growth)
Exports	18.6% (2.1% some export incentive)

Miscellaneous

- Plain bearings will be used in railways.
- Healthy competition from other global players.
- GGB does plain bearing using alternative material: high-tech technology: automotive, electrical.
- Supplying to Tata Solar (300 sets)- solar products to garner interest.
- Plain bearings: USD100million - application in wind (first stage gear), railways, automotive, EV.
- Current utilisation: Three shifts is ongoing.
- Maintenance has to be taken care of.
- Tax related reversal: related to old M&A.

Exhibit 1: Financial snapshot (INR mn)

Year to March	Q4FY25	Q4FY24	% change	Q3FY25	% change	FY26E
Revenues	9,398	8,978	4.7	6,714	40.0	37,747
Raw material	5,603	5,323	5.3	4,081	37.3	21,893
Staff costs	430	424	1.5	431	(0.1)	1,828
Other expenses	1,267	1,244	1.8	1,137	11.4	6,474
Total expenditure	7,301	6,991	4.4	5,649	29.2	30,194
EBITDA	2,097	1,987	5.6	1,065	96.9	7,552
Depreciation	209	218	(4.2)	211	(1.1)	910
EBIT	1,889	1,769	6.8	854		6,643
Interest	12	11	7.9	11		14
Other income	139	108	28.9	134	3.6	602
Add: Exceptional items	-	-		-		-
Profit Before Tax	2,015	1,866	8.0	977	106.2	5,683
Less: Provision for Tax	147	451	(67.4)	234	(37.2)	1,808
Reported Profit	1,868	1,414	32.1	743	151.4	3,875
Adjusted Profit	1,868	1,414	32.1	743	151.4	5,424
Equity capital (FV INR 10)	527	527	-	527	-	752
No. of Diluted shares outstanding (mn)	75	75		75		75
Adjusted Diluted EPS	24.8	18.8	32.1	9.9	151.4	72.1
Diluted P/E (x)						43
EV/EBITDA (x)						29
ROAE (%)						17
As % of net revenues						
Raw material	59.6	59.3		60.8		58.0
Staff expenses	4.6	4.7		6.4		4.8
Other expenses	13.5	13.9		16.9		17.2
EBITDA	22.3	22.1	0.19	15.9	6.45	20.0
Reported net profit	19.9	15.8		11.1		10.3

Source: Company, Nuvama Research

Exhibit 2: Segmental revenue

Segmental revenues	Q4FY25	Q4FY24	% change	Q3FY25	% change
Rail	2,990	3,052	2%	1,141	-62%
Mobile	1,601	1,526	-5%	1,410	-12%
Distribution	1,762	1,706	-3%	1,276	-28%
Process	1,694	1,526	-10%	1,343	-21%
Intercompany - all exports	1,352	1,257	-7%	1,544	14%

Source: Company, Nuvama Research

Company Description

Timken India (TMKN), a 51% subsidiary of Timken Company, started manufacturing bearings in India nearly three decades ago and today has state-of-the-art manufacturing plants in Jamshedpur and Bharuch to serve local bearing market needs and beyond. Employing the highly collaborative technical selling model for which TMKN is known, the India team works directly with large OEM customers and with end users through a network of authorized distributors to make design and application recommendations to optimize performance and reliability. The Timken Technology Centre in Bangalore, one of four such centres in the world, provides customers access to engineering expertise and the latest technological advancements. TMKN also offers a range of bearing repair and related mechanical power transmission services to customers. The company operates 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 the 120-year-old US-based Timken Company which has been recognized as one of the world's most ethical companies by the Ethisphere Institute for the eleventh time. TMKN has an expansive manufacturing product line including Tapered Roller Bearings, Cylindrical Roller Bearings, Spherical Roller Bearings and Slewing Bearings across facilities in Jamshedpur and Bharuch.

Investment Theme

Timken India (TMKN), market leader in tapered roller bearings, is best poised among Indian bearings players to capitalise on medium term demand driven by: i) strong traction in railways (leader in freight) with an expected 2x+ increase in addressable market leading to 25% sales CAGR over FY21-24; ii) cyclical uptick in MHCV leading to 29% sales CAGR; iii) strong exports given parentco's commitment, leading to a 26% sales CAGR; and iv) enhanced capacities that can meet demand.

As TMKN benefits from a late cyclical recovery and technological improvement in its end markets, we estimate the company's revenue/EBITDA/EPS would grow 18/22/24% CAGR over FY24–27.

Key Risks

- Cyclical end-user segments
- Delay in execution of projects
- Increase in royalty

Additional Data

Management

CFO & Whole-time Director	Avishrant Keshava
Company Secretary	Mandar Vasmatkar
Chairman & MD	Sanjay Koul
Director	Douglas Smith
Auditor	Deloitte Haskins & Sells LLP

Holdings – Top 10*

	% Holding		% Holding
Nippon Life AMC	4.23	Vanguard group	1.66
Republic of Sin	4.12	Investor educat	1.31
HDFC AMC	3.01	Axis AMC	1.15
SBI Funds	2.80	UTI AMC	1.09
Mirae Asset	2.13	Tata AIA Life	1.04

**Latest public data*

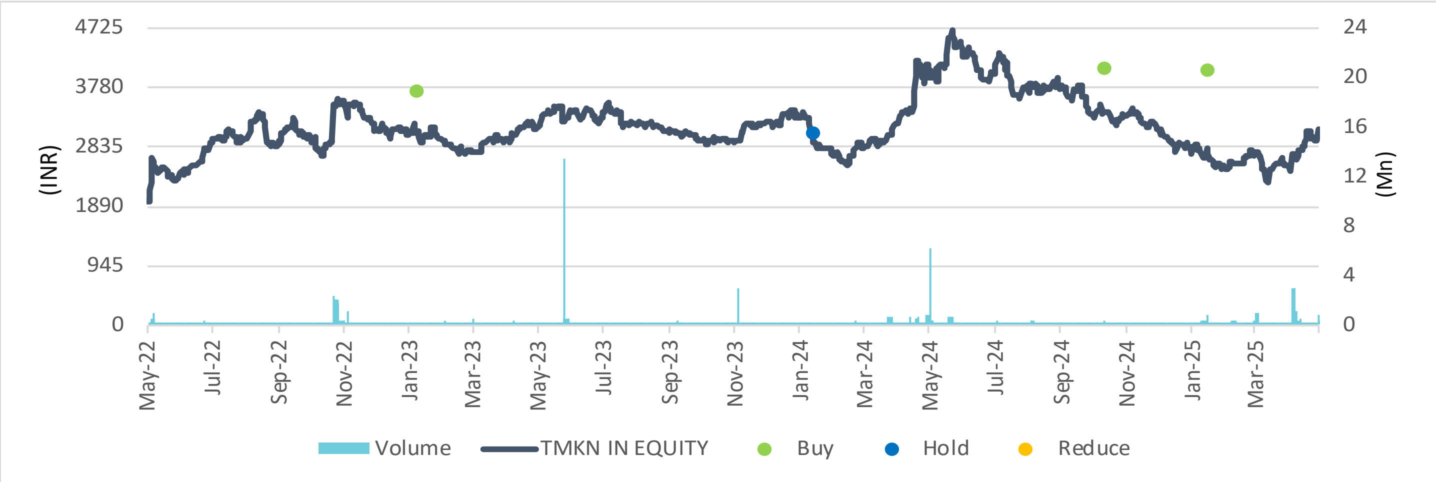
Recent Company Research

Date	Title	Price	Reco
10-Feb-25	Top line improves; margins hurt; *Result Update*	2,679	Buy
06-Nov-24	Domestic push for top line; margin stable; *Result Update*	3,372	Buy
09-Aug-24	Railways shine; exports climb up; *Result Update*	3,973	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
24-May-25	Balkrishna Industries	Entry into new segments: A challenge; *Result Update*
23-May-25	AIA Engineering	Awaiting visibility on volume growth; *Result Update*
23-May-25	Flair	Nothing to write home about; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34

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