

Increasing localisation to drive growth...

About the stock: Timken India Ltd is engaged in the manufacturing, distribution and sale of anti-friction bearings, components, accessories and mechanical power transmission products for the customer base across different sectors

- FY23 revenue mix: Railways ~15%, Mobility ~21%, Process Industries ~15%, Exports ~27% and After-market & others ~16%
- Consolidated revenue of the company has grown by 20.2% CAGR during the period FY20-23 while EBITDA and PAT have grown by 15.5% and 16.7% CAGR respectively over the same period

Investment Rationale:

- **Demand remains strong from key domestic segments:** Timken India has been witnessing strong demand from its key domestic segments like railways (including both freight and passenger), process industries (like cement, steel, renewable power etc), led by buoyant capex scenario. Company derives ~30% of its revenues each from these two segments. The company is already a leading player in Indian railway freight segment with a market share of more than 50%. Going ahead, company is focused on further gaining market share in these segments led by new technology (like sealing solutions). Moreover, exports (~27% of total) has also been healthy in railways segment (~50% of total exports). Company also expect pick-up in demand from mobility segment (which includes MHCVs and off-highways) in the coming period
- **Commissioning of new capacity to aid further growth in domestic segments and exports:** With the commissioning of new plant at Baruch, company would be able to increase production of spherical roller bearings (SRBs) and cylindrical roller bearings (CRBs) substantially, which would help company in increasing localisation of products for industrial segments like cement, mining, power, paper, metals etc (current company meeting demand through importing from parent Timken). Moreover, with increasing localisation, company is focused on increasing its share in industrial after-market segment (which is growing relatively better than auto after-market) and exports with more product offerings and expanding reach into new geographies

Rating and Target Price

- We believe that Timken India is strongly positioned to benefit from the buoyant capex outlay in its key domestic segments including railways and process industries. Increase in manufacturing capacity would help increasing localisation of products and further growth in both domestic markets and exports. We estimate revenue, EBITDA and PAT to grow at ~15%, ~22% and ~23% CAGR respectively over FY24E-26E
- We maintain our BUY on Timken India with a target price of ₹ 3950 per share (based on 55x FY26E EPS)

TIMKEN

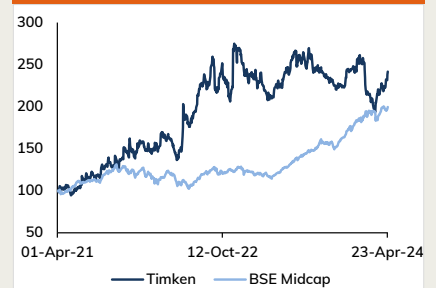
Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	23,807
FY23 Debt (Rs Crore)	29
FY23 Cash (Rs Crore)	162
EV (Rs Crore)	23,674
52 Week H/L (Rs)	3576 / 2490
Equity Capital (Rs Crore)	75.2
Face Value	10

Shareholding pattern

	Jun-23	Sep-23	Dec-23	Mar-24
Promoters	57.7	57.7	57.7	57.7
FII	6.6	6.7	7.1	7.2
DII	19.1	19.7	22.6	23.6
Others	16.6	15.9	12.6	11.5

Price Chart



Key risks

- Slowdown in domestic industrial segments and exports
- Availability and prices of raw materials
- Adoption of new technologies

Research Analyst

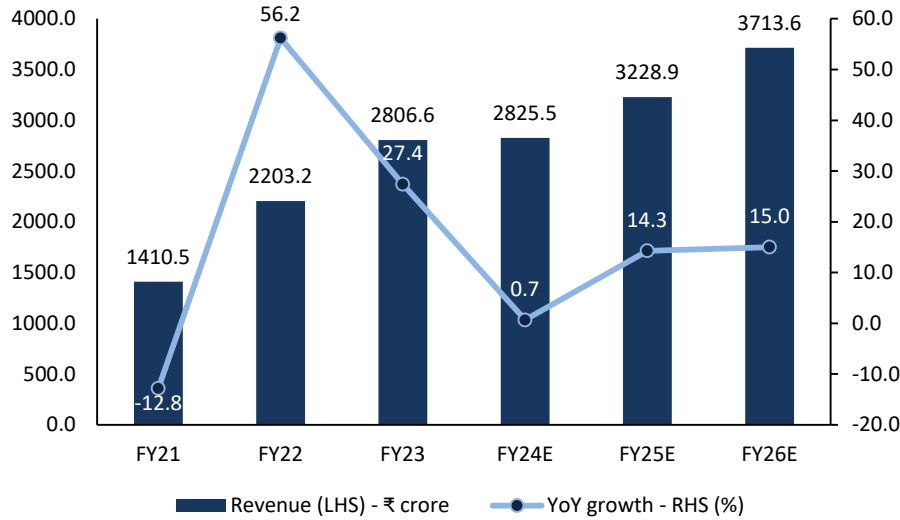
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Key Financial Summary

(Rs Crore)	FY20	FY21	FY22	FY23	3 Year CAGR (FY20-23)	FY24E	FY25E	FY26E	2 Year CAGR (FY24E-26E)
Net Sales	1,617.8	1,410.5	2,203.2	2,806.6	20.2	2,825.5	3,228.9	3,713.6	14.6
EBITDA	363.3	251.8	510.6	560.4	15.5	527.6	652.2	781.7	21.7
EBITDA margin (%)	22.5	17.9	23.2	20.0		18.7	20.2	21.1	
Net Profit	246.1	143.2	327.1	390.7	16.7	356.2	436.4	540.6	23.2
EPS (Rs)	32.7	19.0	43.5	51.9		47.4	58.0	71.9	
P/E (x)	96.7	166.3	72.8	60.9		66.8	54.5	44.0	
EV/EBITDA (x)	64.4	94.2	46.6	42.2		44.8	8.5	7.2	
RoCE (%)	18.6	13.7	25.4	25.0		19.7	20.6	21.6	
RoE (%)	15.6	10.7	19.7	19.2		15.0	15.6	16.3	

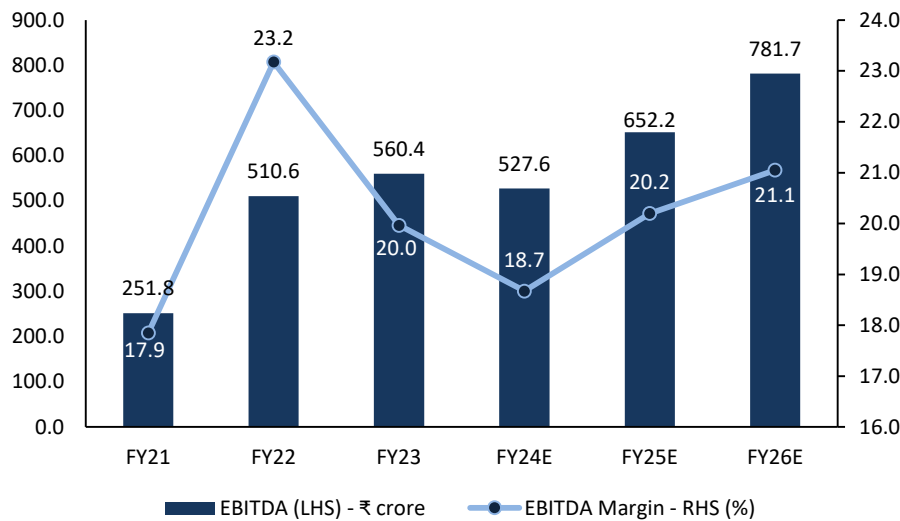
Exhibit 1: Revenue expected to grow 14.6% CAGR over FY24E-26E



We estimate revenue CAGR at 14.6% over FY24E-26E, led by buoyant capex scenario in segments like railways (including exports) & domestic process industries, pick-up in mobility segment and increasing share in after-market

Source: Company, ICICI Direct Research

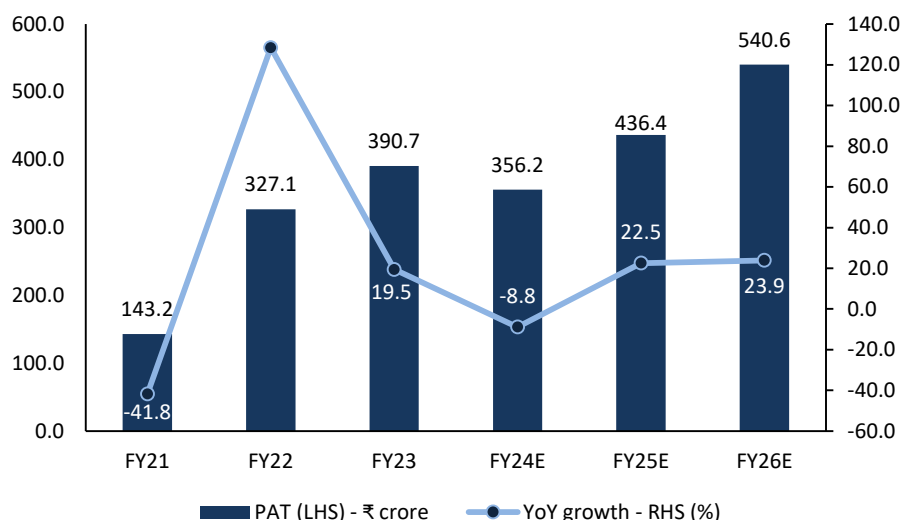
Exhibit 2: EBITDA expected to improve considerably over FY25E-26E



We estimate EBITDA margin to improve considerably in FY25E and FY26E, led by increasing localization and improving share in margin-accretive after-market segment

Source: Company, ICICI Direct Research

Exhibit 3: PAT estimated to grow at ~23% CAGR over FY24E-26E



Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement					₹ crore
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Net Sales	2,807	2,825	3,229	3,714	
Total Operating Income	2,807	2,825	3,229	3,714	
% Growth (Operating Income)	27.4	0.7	14.3	15.0	
Other Income	53.2	40.6	57.0	80.0	
Total Revenue	2,860	2,866	3,286	3,794	
Cost of materials consumed	922	923	888	1,040	
Purchase of stock-in-trade	743	880	1,001	1,151	
Change in inventories	(6)	(128)	-	-	
Employee cost	159	167	184	199	
Other Expenses	427	457	504	542	
Total expenditure	2,246	2,298	2,577	2,932	
EBITDA	560	528	652	782	
% Growth (EBITDA)	9.7	(5.8)	23.6	19.9	
Interest	2.8	3.6	3.5	3.5	
PBDT	611	565	706	858	
Depreciation	87	84	118	130	
PBT	524	480	588	729	
Tax	133	124	152	188	
PAT	391	356	436	541	
% Growth (PAT)	19.5	(8.8)	22.5	23.9	
EPS	51.9	47.4	58.0	71.9	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement					₹ crore
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Profit after Tax	391	356	436	541	
Depreciation	87	84	118	130	
Interest	3	4	4	4	
Other income	(53)	(41)	(57)	(80)	
Prov for Taxation	133	124	152	188	
Change in Working Capital	(218)	36	(162)	(177)	
Taxes Paid	(140)	(124)	(152)	(188)	
CF from Op activities	202	440	339	416	
(Purchase)/Sale of Fixed Assets	(80)	(450)	(180)	(150)	
(Purchase)/Sale of Investments	(18)	(1)	(16)	(19)	
Other Income	53	41	57	80	
CF from Inv activities	(45)	(410)	(139)	(89)	
Changes in Networth	1	(0)	0	0	
Interest	(3)	(4)	(4)	(4)	
Dividend paid	(11)	(11)	(15)	(19)	
CF from Fin activities	(13)	(15)	(19)	(22)	
Changes in Cash	144	15	182	305	
Opening Cash/Cash Equivalent	18	162	176	358	
Closing Cash/Cash Equivalent	162	176	358	663	

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet					₹ crore
(Year-end March)	FY23	FY24E	FY25E	FY26E	
Share Capital	75	75	75	75	
Reserves & Surplus	1,962	2,307	2,728	3,250	
Total Shareholders fund	2,037	2,382	2,803	3,325	
Goodwill	181	181	181	181	
Total debt	29	29	29	29	
Other liabilities	42	42	42	42	
Total Liabilities	2,108	2,453	2,875	3,397	
Gross Block	1,095	1,348	1,728	1,878	
Acc. Depreciation	493	577	694	824	
Net Block	602	771	1,034	1,054	
Capital WIP	53	250	50	50	
Investments	108	109	124	143	
Inventory	569	581	663	763	
Sundry debtors	576	579	678	780	
Cash	162	176	358	663	
Loans & Advances	4	4	4	5	
Inv+Other current assets	301	283	323	371	
CL& Prov.	448	480	541	614	
Net Current Assets	1,164	1,142	1,486	1,968	
Total Assets	2,108	2,453	2,875	3,397	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY23	FY24E	FY25E	FY26E
Per Share Data				
EPS	51.9	47.4	58.0	71.9
Cash EPS	63.5	58.6	73.6	89.1
BV	270.8	316.7	372.7	442.1
DPS	1.5	1.5	2.0	2.5
Cash Per Share	65.5	76.7	92.3	109.6
Operating Ratios(%)				
EBITDA Margin	20.0	18.7	20.2	21.1
PBT / Net Sales	16.9	15.7	16.6	17.6
PAT Margin	13.9	12.6	13.5	14.6
Inventory days	72.6	72.1	63.1	54.9
Debtor days	70.1	69.6	60.9	53.0
Creditor days	59.6	59.2	51.8	45.1
Return Ratios(%)				
RoE	19.2	15.0	15.6	16.3
RoCE	25.0	19.7	20.6	21.6
RoIC	38.0	31.4	31.9	38.4
Valuation Ratio(%)				
P/E	60.9	66.8	54.5	44.0
EV / EBITDA	42.2	44.8	36.0	29.6
EV / Net Sales	8.4	8.4	7.3	6.2
Market Cap / Sales	8.5	8.4	7.4	6.4
Price to Book Value	11.7	10.0	8.5	7.2
Solvency Ratio(%)				
Current Ratio	2.4	2.4	2.4	2.4
Quick Ratio	1.2	1.2	1.2	1.2

Source: Company, ICICI Direct Research

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Sell: <-15%



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