

Q4FY24 Result Highlights

- **Revenue growth of ~12%/~47% YoY/QoQ to ₹8.98bn due rail and aftermarket segments even as export was down** – Topline grew by ~12%/47% YoY/QoQ to ₹8.98bn as Rail (65% YoY revenue growth) and Distribution (Aftermarket- 12% YoY revenue growth) demand was robust in Q4FY24 resulting in EBITDA growth of ~30%/2x QoQ to ₹1.99bn. EBITDA margin was at 22.1%, +308 bps YoY and +539bps QoQ as RM cost as % to sales declined from ~62% YoY to 59.3% YoY enabling Gross profit improvement of 224 bps YoY to 40.7%. As per the management, the export segment contribution which was on a decline in last few quarters (from 28% in FY23 to 20% in FY24) was due to the global economic slowdown and is likely to witness gradual recovery starting from Q1FY25 (peak expected from Q2FY25). It has plans to take export contribution to 25-30% in the next 2-3yrs. Declared dividend of ₹2.5 per share (F.V of ₹10/-).
- Segmental mix in FY24/FY23 – Railways – 23%/17%, Distribution – 18%/18%, Process Industries – 18%/16%, Mobility – 20%/20% and Exports – 20%/28%.
- Contribution from Rail business grew from 17% in FY23 to 23% in FY24 and the management continues to view the YoY growth momentum to continue. As per the management, Indian railways would require 300,000 * 8nos bearings (not Class-K) for 300,000 box wagons in the near future. It expects strong traction to continue led by shift to higher capacity bearings in railways with the commissioning of DFC over 3 years. Also incremental demand from Metro and Vande Bharat trains is likely to give the incremental growth going ahead. Export rail market in South America was robust while that in USA, Australia, ASEAN and China was flattish.
- The management views demand for Roller bearings from Process Industries (Steel+Cement +Power) which Timken India has expertise in manufacturing to meet the demand to be robust as steel companies are increasing capacity, continuous running of steel mills and increase demand for Green & sustainable steel.
- Distribution (Aftermarket) segment is likely to see 10-12% growth in coming years as MRO demand from Process Industries is robust while Auto Aftermarket is witnessing competition from cheap products/brands as most the products in this segment is commoditised.
- Plans to start manufacturing of Coupling chains, Belts, Pulleys, Lubrication system in India as done by its parent entity in other countries is in process with testing completed. No timeline provided by the management.
- The new Greenfield facility at Bharuch is likely to start in Q3/Q4FY25 largely to meet the CRB and SRB domestic demand, as currently most of it is imported and further increasing the penetration rate to double digits.
- The parent entity Timken is exploring sourcing more products from India depending on business environment.

View

Timken India had strong Q4FY24 performance (flat FY24) on the back of strong of rail and Aftermarket demand. The rail products demand is likely to continue with introduction of new passenger and freight trains. Medium to long term growth prospects remain strong given the cyclical nature of end-product segments, expected improvement in domestic markets in coming quarters with newer opportunities in CRB and SRB segments and parent's focus on improving sourcing from India. **Hence, we continue to view it as ACCUMULATE stock trading at P/E 45.9x FY26E EPS ₹80.5.**

Important Statistics

Nifty	22,135
Sensex	72,871
MCAP (₹ bn)	277.9
52 Week H/L (₹)	3716/2490
NSE Code	TIMKEN
BSE Code	522113
Bloomberg Code	TMKN:IN

Shareholding Pattern Mar'24 (%)

Promoters	57.7
DIIs	23.6
FIIIs	7.2
Public	11.5

Financials

Particulars	FY21	FY22	FY23
Revenue	14,105	22,032	28,066
EBITDA	2,518	5,106	5,604
EBITDA Margin (%)	17.9	23.2	20.0
Net Profit	1,432	3,271	3,907
EPS (₹)	19.0	43.5	51.9
DPS (₹)	1.5	1.5	1.5
RoE (%)	10.7	19.7	19.2
RoCE (%)	9.4	19.4	22.2
P/E (x)	194.0	84.9	71.1
EV/EBITDA (x)	109.8	54.5	49.4
P/BV (x)	20.7	16.8	13.6

Particulars	FY24P	FY25E	FY26E
Revenue	29,095	32,771	38,994
EBITDA	5,724	7,001	8,614
EBITDA Margin (%)	19.7	21.4	22.1
Net Profit	3,921	4,883	6,055
EPS (₹)	52.1	64.9	80.5
DPS (₹)	2.5	3.0	3.5
RoE (%)	16.2	18.2	18.9
RoCE (%)	19.4	20.8	22.4
P/E (x)	70.9	56.9	45.9
EV/EBITDA (x)	48.0	38.2	31.0
P/BV (x)	11.5	9.7	8.1

Return (%)	1 Yr	3Yr	5 Yr
Timken	17.3	35.6	628.6
Nifty 50	20.3	50.8	97.2
Sensex	16.9	49.5	95.3

Source: Company, Way2wealth Research

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14th May 2024

CMP – ₹3,694.5

 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Revenue	8,978	8,025	11.9	6,122	46.6	29,095	28,066	3.7
Cost of Matl	2,509	2,417	3.8	2,079	20.7	9,052	9,224	(1.9)
Stock Purchases	2,387	1,783	33.9	2,287	4.3	8,972	7,430	20.8
Inventories Changes	427	737	(42.0)	(725)	158.8	(857)	(56)	1,433.8
Employee Exps	424	392	8.2	384	10.3	1,640	1,591	3.1
Other Exps	1,244	1,167	6.6	1,072	16.1	4,566	4,274	6.8
EBITDA	1,987	1,529	29.9	1,025	93.9	5,724	5,604	2.2
EBITDA Margin (%)	22.1	19.1	308	16.7	539	19.7	20.0	(29)
Other Income	108	67	61.0	106	1.6	408	532	(23.3)
Depreciation	218	213	2.2	210	3.8	852	872	(2.3)
Finance Cost	11	14	(19.5)	9	30.0	38	28	34.7
PBT	1,866	1,369	36.3	912	104.5	5,242	5,235	0.1
Tax Exps	451	324	39.3	237	90.4	1,321	1,328	(0.5)
Net Profit	1,414	1,045	35.3	675	109.4	3,921	3,907	0.4
EPS (₹)	18.8	13.9	35.3	9.0	109.4	52.1	51.9	0.4

As % of Sales	Q4FY24	Q4FY23	YoY (BPS)	Q3FY24	QoQ(BPS)	FY24	FY23	YoY (BPS)
Raw Mat Cost	59.3	61.5	(224)	59.5	(19)	59.0	59.1	(14)
Gross Profit	40.7	38.5	224	40.5	19	41.0	40.9	14
Employee Exps	4.7	4.9	(16)	6.3	(156)	5.6	5.7	(3)
Other Exps	13.9	14.5	(68)	17.5	(364)	15.7	15.2	46

Source: Company, Way2Wealth

14th May 2024

CMP – ₹3,694.5

 View – **ACCUMULATE**
FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24P	FY25E	FY26E
Revenue	12,518	16,644	16,178	14,105	22,032	28,066	29,095	32,771	38,994
YoY Growth (%)	12.0	33.0	(2.8)	(12.8)	56.2	27.4	3.7	12.6	19.0
EBITDA	1,633	2,886	3,633	2,518	5,106	5,604	5,724	7,001	8,614
EBITDA Margin (%)	13.0	17.3	22.5	17.9	23.2	20.0	19.7	21.4	22.1
Net Profit	920	1,486	2,461	1,432	3,271	3,907	3,921	4,883	6,055
YoY Growth (%)	(5.4)	61.6	65.6	(41.8)	128.4	19.5	0.4	24.5	24.0
EPS (₹)	12.2	19.8	32.7	19.0	43.5	51.9	52.1	64.9	80.5
DPS (₹)	1.0	1.0	50.0	1.5	1.5	1.5	2.5	3.0	3.5
RoE (%)	13.1	11.1	15.6	10.7	19.7	19.2	16.2	18.2	18.9
RoCE (%)	12.3	11.8	14.5	9.4	19.4	22.2	19.4	20.8	22.4
Debtor Days	65	66	66	96	89	75	82	83	81
Inventory Days	123	125	66	95	93	125	142	146	140
Creditor Days	99	92	63	106	71	76	82	84	80
Cash Balances	268	240	4,167	1,742	182	1,617	3,314	3,765	7,691
FCF	(334)	1,314	2,406	1,104	(474)	2,791	783	1,084	4,075
P/E (x)	302.1	186.9	112.9	194.0	84.9	71.1	70.9	56.9	45.9
EV/EBITDA (x)	170.3	96.4	75.5	109.8	54.5	49.4	48.0	38.2	31.0
P/BV (x)	39.6	20.7	17.6	20.7	16.8	13.6	11.5	9.7	8.1
Net Debt/Equity (x)	0.0	0.0	(0.2)	(0.1)	0.0	(0.1)	(0.1)	(0.1)	(0.1)

Source: Company, Way2Wealth

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Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
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Receipt of Compensation	No
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