

**Q1FY25 Result Highlights**

- **Revenue growth of 9.2% YoY to ₹7.84bn lead by Rail, Distribution & Process segments even as subdued exports continues** – Topline grew by ~12% YoY to ₹7.84bn driven by higher volumes across segments. Timken clocked highest ever June quarter sales. Despite subdued exports of 2% YoY (at ₹1,535mn) due to Red-sea issue, Q1FY25 performance was led by India and by the persistent growth in Rail segment (+31% YoY growth), strong Distribution growth (+29 YoY), and Process segment (+22% YoY). **Segment contribution** – Railroad: 24%, Off-road: 19%, Distribution: 19%, Process: 19% and Exports: 20%.
- Timken attributed lower margin to higher input costs, rise in transportation/energy/labour costs, and inferior product mix. Q1FY25 gross margin declined to 39.4% (-182bps YoY) largely due to Red-sea issue and 3% higher freight costs. With higher other expenses (+7%), EBITDA margins settled at 18.0% (-93bps YoY); PAT grew to 963mn, +6.8% YoY. Management indicated that despite efforts to pass these costs to customers and focus on value than price, these pressures have persisted, impacting overall profitability. The margins are likely to improve going ahead on back of backward integration/localization of components and change in revenue mix, to help maintain margins and mitigate pressure from elevated input costs.
- Company's investments in innovation, cost optimisation (robotics and automation) and introduction of higher margins in rapidly expanding sectors such as railways, wind and heavy trucks, this should assist in improving profits.
- Timken India being preferred partner, and with govt. focus on Rail/wind, these segment to help driving growth. Rail growth remains robust due rising metro expansions, Vande Bharat coach conversions, and DFC requirements. The sector will evolve with sophisticated, tech-driven solutions, ensuring steady growth over the next 20-30 years.
- The rail sector in North and South America is in a stronger position, while heavy truck volumes continued to remain muted. Business momentum continues to be driven by the rail industry, with freight and related segments outperforming heavy trucks. Management notes that an improvement in heavy truck volumes is anticipated post-election.
- The wind energy sector will see rising demand, especially along the Kutch, Gujarat coast, supported by global and domestic players. The company looks to be well-positioned to leverage its technology and market strength in both rail and wind sectors.
- Inventory challenges and rising transportation costs continued to be seen, due to challenges in container availability and longer shipping routes. Increased transit times and costs, particularly for shipments to North and South America, have added to the pressure, and these issues are expected to persist in the near term.
- During the quarter Timken Singapore promoters reduce stake by 6.6% in the company by selling 5 Mn equity shares, promoter stake at 51.05% .
- The new Greenfield facility at Bharuch is likely to start in end-FY25 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.

**Important Statistics**

<b>Nifty</b>	24,139
<b>Sensex</b>	78,956
<b>MCAP (₹ bn)</b>	285.4
<b>52 Week H/L (₹)</b>	4818/2525
<b>NSE Code</b>	TIMKEN
<b>BSE Code</b>	522113
<b>Bloomberg Code</b>	TMKN:IN

**Shareholding Pattern Jun'24(%)**

<b>Promoters</b>	51.1
<b>DIIs</b>	25.7
<b>FIIIs</b>	12.5
<b>Public</b>	10.7

**Financials**

Particulars	₹ mn		
	FY21	FY22	FY23
<b>Revenue</b>	<b>14,105</b>	<b>22,032</b>	<b>28,066</b>
<b>EBITDA</b>	<b>2,518</b>	<b>5,106</b>	<b>5,604</b>
<b>EBITDA Margin (%)</b>	<b>17.9</b>	<b>23.2</b>	<b>20.0</b>
<b>Net Profit</b>	<b>1,432</b>	<b>3,271</b>	<b>3,907</b>
<b>EPS (₹)</b>	19.0	43.5	51.9
<b>DPS (₹)</b>	1.5	1.5	1.5
<b>RoE (%)</b>	10.7	19.7	19.2
<b>RoCE (%)</b>	9.4	19.4	22.2
<b>P/E (x)</b>	199.3	87.2	73.0
<b>EV/EBITDA (x)</b>	112.8	55.9	50.7
<b>P/BV (x)</b>	21.2	17.2	14.0

Particulars	FY24	FY25E	FY26E
<b>Revenue</b>	<b>29,095</b>	<b>32,851</b>	<b>38,994</b>
<b>EBITDA</b>	<b>5,724</b>	<b>6,813</b>	<b>8,523</b>
<b>EBITDA Margin (%)</b>	<b>19.7</b>	<b>20.7</b>	<b>21.9</b>
<b>Net Profit</b>	<b>3,921</b>	<b>4,636</b>	<b>6,043</b>
<b>EPS (₹)</b>	52.1	61.6	80.3
<b>DPS (₹)</b>	2.5	3.0	3.5
<b>RoE (%)</b>	16.2	17.5	18.8
<b>RoCE (%)</b>	19.4	20.1	21.6
<b>P/E (x)</b>	72.8	61.6	47.2
<b>EV/EBITDA (x)</b>	49.3	41.1	32.8
<b>P/BV (x)</b>	11.8	10.0	8.3

Return (%)	1 Yr	3Yr	5 Yr
<b>Timken</b>	<b>18.0</b>	<b>142.3</b>	<b>465.8</b>
<b>Nifty 50</b>	24.2	45.7	118.9
<b>Sensex</b>	20.7	42.1	111.6

Source: Company, Way2wealth

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14<sup>th</sup> August 2024

CMP – ₹3,792.20

 View – **ACCUMULATE**
**View**

Timken India had strongest June quarter performance on the back of strong of rail Industrials demand. The Bharuch plant catering to SRB/CRB is on track and shall be commissioned by FY25 end which would help in diversifying the product portfolio and aid margins expansion. Contribution from exports has increased to 20% with improvement in the North American railways. Since it also has a sharp focus 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 remain robust on the back of higher industrialisation and a strong economy. **Hence, we continue to view it as ACCUMULATE stock trading at P/E 47.2x FY26E EPS ₹80.3.**

14<sup>th</sup> August 2024

CMP – ₹3,792.20

 View – **ACCUMULATE**
**FINANCIAL PERFORMANCE**

(₹ mn)

Particulars	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	FY24	FY23	YoY (%)
<b>Revenue</b>	<b>7,837</b>	<b>7,176</b>	<b>9.2</b>	<b>8,978</b>	<b>(12.7)</b>	<b>29,095</b>	<b>28,066</b>	<b>3.7</b>
Cost of Matl	2,341	2,440	(4.0)	2,509	(6.7)	9,052	9,224	(1.9)
Stock Purchases	2,076	2,049	1.3	2,387	(13.0)	8,972	7,430	20.8
Inventories Changes	332	(270)	(223.0)	427	22.1	(857)	(56)	1,433.8
Employee Exps	417	419	(0.5)	424	(1.6)	1,640	1,591	3.1
Other Exps	1,261	1,181	6.8	1,244	1.4	4,566	4,274	6.8
<b>EBITDA</b>	<b>1,409</b>	<b>1,357</b>	<b>3.8</b>	<b>1,987</b>	<b>(29.1)</b>	<b>5,724</b>	<b>5,604</b>	<b>2.2</b>
<b>EBITDA Margin (%)</b>	<b>18.0</b>	<b>18.9</b>	<b>(93)</b>	<b>22.1</b>	<b>(415)</b>	<b>19.7</b>	<b>20.0</b>	<b>(29)</b>
Other Income	119	93.5	27.3	108	10.7	408	532	(23.3)
Depreciation	219	213	2.6	218	0.6	852	872	(2.3)
Finance Cost	11	9	17.4	11	(1.1)	38	28	34.7
PBT	1,298	1,228	5.7	1,866	(30.4)	5,242	5,235	0.1
Tax Exps	335	327	2.6	451	(25.7)	1,321	1,328	(0.5)
<b>Net Profit</b>	<b>963</b>	<b>901</b>	<b>6.8</b>	<b>1,414</b>	<b>(31.9)</b>	<b>3,921</b>	<b>3,907</b>	<b>0.4</b>
EPS (₹)	12.8	12.0	6.8	18.8	(31.9)	52.1	51.9	0.4

As % of Sales	Q1FY25	Q1FY24	YoY (BPS)	Q4FY24	QoQ(BPS)	FY24	FY23	YoY (BPS)
Raw Mat Cost	60.6	58.8	182	59.3	132	59.0	59.1	(14)
Gross Profit	39.4	41.2	(182)	40.7	(132)	41.0	40.9	14
Employee Exps	5.3	5.8	(52)	4.7	60	5.6	5.7	(3)
Other Exps	16.1	16.5	(37)	13.9	223	15.7	15.2	46

Source: Company, Way2Wealth

14<sup>th</sup> August 2024

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 View – **ACCUMULATE**
**FINANCIALS & VALUATIONS**

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>12,518</b>	<b>16,644</b>	<b>16,178</b>	<b>14,105</b>	<b>22,032</b>	<b>28,066</b>	<b>29,095</b>	<b>32,851</b>	<b>38,994</b>
YoY Growth (%)	12.0	33.0	(2.8)	(12.8)	56.2	27.4	3.7	12.9	18.7
<b>EBITDA</b>	<b>1,633</b>	<b>2,886</b>	<b>3,633</b>	<b>2,518</b>	<b>5,106</b>	<b>5,604</b>	<b>5,724</b>	<b>6,813</b>	<b>8,523</b>
<b>EBITDA Margin (%)</b>	<b>13.0</b>	<b>17.3</b>	<b>22.5</b>	<b>17.9</b>	<b>23.2</b>	<b>20.0</b>	<b>19.7</b>	<b>20.7</b>	<b>21.9</b>
<b>Net Profit</b>	<b>920</b>	<b>1,486</b>	<b>2,461</b>	<b>1,432</b>	<b>3,271</b>	<b>3,907</b>	<b>3,921</b>	<b>4,636</b>	<b>6,043</b>
YoY Growth (%)	(5.4)	61.6	65.6	(41.8)	128.4	19.5	0.4	18.2	30.3
EPS (₹)	12.2	19.8	32.7	19.0	43.5	51.9	52.1	61.6	80.3
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	17.5	18.8
RoCE (%)	12.3	11.8	14.5	9.4	19.4	22.2	19.4	20.1	21.6
Debtor Days	65	66	66	96	89	75	82	82	80
Inventory Days	123	125	66	95	93	125	142	145	139
Creditor Days	99	92	63	106	71	76	82	85	81
Cash Balances	268	240	4,167	1,742	182	1,617	3,314	3,991	7,184
FCF	(334)	1,314	2,406	1,104	(474)	2,791	783	1,033	4,163
P/E (x)	310.2	192.0	116.0	199.3	87.2	73.0	72.8	61.6	47.2
EV/EBITDA (x)	175.0	99.0	77.6	112.8	55.9	50.7	49.3	41.1	32.8
P/BV (x)	40.6	21.3	18.1	21.2	17.2	14.0	11.8	10.0	8.3
Net Debt/Equity (x)	0.0	0.0	(0.2)	(0.1)	0.0	(0.1)	(0.1)	(0.1)	(0.1)
PEG	(58.0)	3.1	1.8	(4.8)	0.7	3.8	204.1	3.4	1.6

Source: Company, Way2Wealth

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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	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
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