

India

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Overweight (no change)

Highlighted Companies

Schaeffler India Ltd

ADD, TP Rs3110, Rs2705 close

New product launches/businesses, market penetration, export focus and localization would, in our view, continue to aid earnings traction.

SKF India Ltd

ADD, TP Rs5340, Rs4677 close

Sustaining end-market demand in FY23F, increasing market penetration, focus on aftermarket, and a continuous recovery in gross margin, in our view, gel well for earnings growth.

Timken Ltd

HOLD, TP Rs3500, Rs3130 close

We feel capacity constraints must be tackled for near-term growth. Diversifying into new product lines, in our view, to provide growth opportunities from FY26F.

Summary Valuation Metrics

P/E (x)	Mar22-A	Mar23-F	Mar24-F
Schaeffler India Ltd	67.21	48.65	42.14
SKF India Ltd	58.52	39.39	34.8
Timken Ltd	71.97	50.82	42.48
P/BV (x)	Mar22-A	Mar23-F	Mar24-F
Schaeffler India Ltd	11.57	9.9	8.46
SKF India Ltd	12.26	9.68	7.8
Timken Ltd	14.21	11.18	8.92
Dividend Yield	Mar22-A	Mar23-F	Mar24-F
Schaeffler India Ltd	0.28%	0.59%	0.67%
SKF India Ltd	0.31%	0.36%	0.38%
Timken Ltd	0.05%	0.06%	0.08%

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Industrial - Overall

Auto expo takeaways for bearing companies

- Our discussions at the expo indicate that India's PV bearing technology is at par with the global level, while CV lags by a decade due to high price sensitivity.
- Many players displayed the Hub3 bearings, sensor-integrated bearings, EV bearings, hydro pneumatic actuators, unitized tapered roller bearings, etc.
- Portfolio expansion with high-tech products support our Overweight rating on the sector. We prefer Schaeffler India & SKF India, assigning them ADD rating.

Schaeffler India

- Schaeffler India showcased its aftermarket automotive bearings and components, including its upcoming two-wheeler lead acid batteries that will be launched soon.
- On display were also its steering and suspension products, clutches, dual mass fly wheel, front-end auxiliary drive, hydraulic lash adjuster and roller finger follower, wheel bearings generation 1, 2 and 3, pulleys, wipers and the lubricant range (Tru Power).

NRB Bearings

- NRB Bearings displayed a wide range of needle roller bearings along with other products such as rocker arm bearings, crank pin bearings, cylindrical roller bearings & hub pin kit.

NBC Bearings (a brand of National Engineering Industries)

- NBC Bearings showcased a vast array of products including sensor-integrated bearings for 2W hub, unitized tapered roller bearings, wheel hub bearings, high speed EMB (electric motor bearings), clutch release, water pumps and pulleys.
- Displayed class C bearings for the railways & aerospace bearings (yet to be launched).

Texspin Bearings

- Texspin Bearings, which is ~Rs4-5bn topline company from Gujarat, is contemplating fund-raising options including an initial public offer or IPO. A major portion of its revenue comes from automotive clutch bearings for commercial vehicles (CVs).
- It also had other product segments on display: wheel bearings, transmission bearings, suspension bearings, steering bearings, and two-wheeler & three-wheeler bearings.
- EV-focused bearings, industrial bearings, and premium grease are the newer segments.

Delux/Fersa Bearings

- Having recently acquired a majority stake in Delux Bearings, the Fersa Group jointly displayed high technology products: wind and industrial bearings, dual mass flywheel ball bearings, viscous fan clutch ball bearings, aluminum hub & smart mobility solutions.

Bearing suppliers

- Not much on display by them including listed ones - Harsha Engineers & SKP Bearings.

Others

- There were also a few companies based in Gujarat (mainly Rajkot) focused on supplying tapered roller bearings, especially for the global market.

Figure 1: Financial snapshot of a few bearing manufacturers

Bearing companies (FY22/CY21) (In Rs m)	Market Cap	Revenues	EBITDA	EBITDA Margin %	PAT
Schaeffler India	4,21,238	55,605	9,715	17.5%	6,291
SKF India	2,26,503	36,659	5,557	15.2%	3,951
Timken India	2,36,992	22,032	5,107	23.2%	3,271
NRB Bearings	14,921	9,442	1,465	15.5%	795
National Engineering Industries (FY21)	Unlisted	23,568	3,267	13.9%	1,470
Texspin Bearings (FY21)	Unlisted	4,083	578	14.2%	288
Delux Bearings (FY21)	Unlisted	1,258	153	12.2%	90

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Schaeffler India: Front-end auxiliary drive (LHS) and dry double clutch repset (RHS)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Schaeffler India: 2W lead acid batteries that will be launched soon



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: NRB Bearings: Various needle roller bearings



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: NBC Bearings (anticlockwise): Sensor-integrated bearings for 2W wheel hub, class C bearings for the railways, aerospace bearings, and unitized taper roller bearings



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Texspin Bearings, which specializes in the clutch segment, recently diversified its product base and has launched industrial products for the aftermarket segment



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Fersa/Delux Bearings (anticlockwise): Wind and industrial bearings, smart mobility wheel bearings, power-dense bearings for CVT transmission, powertrac actuators for tractors, and HCV wheel-end technology



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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