

India

Overweight (no change)

Highlighted Companies

Schaeffler India Ltd

ADD, TP Rs3538, Rs2933 close

Good progress on the relocation program and rising content per vehicle augurs well for the company. These benefits will accrue over the medium term, and the near-term earnings don't capture the full benefits. Hence, we raise our target P/E multiple to 45x (from 40x earlier).

SKF India Ltd

ADD, TP Rs5302, Rs4514 close

Though SKF India's REP segment and higher growth in the aftermarket segment should increase its margins in the medium term, the transition to electric vehicle or EV wheel bearings could negate some of these benefits initially. With a gradual margin growth of ~200bp over FY24F & FY25F each, we retain ADD rating on the stock with a 35x P/E multiple.

Timken Ltd

HOLD, TP Rs3222, Rs2965 close

Timken India's localization plan is moving gradually while it indicated a weak European order book. We cut EBITDA estimates by 5-14% over FY23F-25F to account for the last quarter's 33% EBITDA miss and export uncertainty in FY24F.

Summary Valuation Metrics

P/E (x)	Mar22-A	Mar23-F	Mar24-F
Schaeffler India Ltd	72.87	52.15	45.31
SKF India Ltd	56.48	40.5	33.68
Timken Ltd	68.16	56.42	44.53
P/BV (x)	Mar22-A	Mar23-F	Mar24-F
Schaeffler India Ltd	12.55	10.7	9.43
SKF India Ltd	11.83	9.49	7.63
Timken Ltd	13.46	10.94	8.85
Dividend Yield	Mar22-A	Mar23-F	Mar24-F
Schaeffler India Ltd	0.55%	0.82%	0.95%
SKF India Ltd	0.32%	0.38%	0.4%
Timken Ltd	0.05%	0.07%	0.08%

Industrial - Overall

Bearings sector 3QFY23 results review

- 3Q results were a mixed bag, with Schaeffler beating our estimate driven by exports while SKF & Timken missed our estimates led by adverse product mix.
- Near-term export headwinds are a cause of concern, but the medium-term business potential to provide another inflection point to bearing manufacturers.
- Retain ADD rating on Schaeffler & SKF, and HOLD on Timken, raising target P/E multiple of Schaeffler to 45x (40x earlier) to factor in medium-term benefits.

3QFY23 results were a mixed bag

Sales were largely in line, except for Timken India, which missed our estimate by 12% and Bloomberg consensus estimate (BCE) by 14%. EBITDA beat vs. our estimate was in Schaeffler India (5%) while the miss was in SKF India (-5%) and Timken India or TIL (-33%). Schaeffler India's beat was led by the increase in export mix, while the miss in SKF India and Timken India was due to an adverse product mix as traded goods (as a percentage of sales) rose (+355bp qoq) for SKF India and for Timken India (+1,403bp qoq).

Near-term export growth headwinds are real

Managements of bearing companies have cautioned on the near-term export growth headwinds as they are witnessing a slight demand slowdown. TIL's exports (~30% of overall revenue) could be more at risk, followed by SKF India's exports (~10% of overall revenue) and lastly Schaeffler India's exports (~17% of overall revenue). Schaeffler India could be impacted to a lesser extent as its global parent's relocation program is on track and should cushion some of the impact. TIL's exports may have already started getting impacted as we observed an adverse product mix in 3QFY23, with higher traded goods.

Medium-term business potential is huge

The key drivers for medium-term business potential are rising localization (including the supply chain), relocation of some manufacturing operations from Europe to India, higher export opportunity, entry into newer segments like food & beverage and defence, & higher M&A deals of global parents over the last few years could provide the access to more products and technologies. This, we feel, would provide the path to meaningful revenue growth over the medium term and sticky margin expansion.

Valuations are reasonable considering the growth story going ahead

We raise our EBITDA estimates for Schaeffler India by 3-6% over CY23F-24F to factor in the rising export mix led by good progress of the global parent's relocation program. We raise our target P/E multiple to 45x (40x earlier) as most of the localization and the increase in content per vehicle (via adding electric vehicle or EV components) benefits may not get captured in the near-term earnings. For SKF India and Timken India, we retain our 35x and 40x target P/E multiple, respectively. We retain ADD rating on Schaeffler India and SKF India, and HOLD rating on Timken India.

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Building Resilience
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Analyst(s)

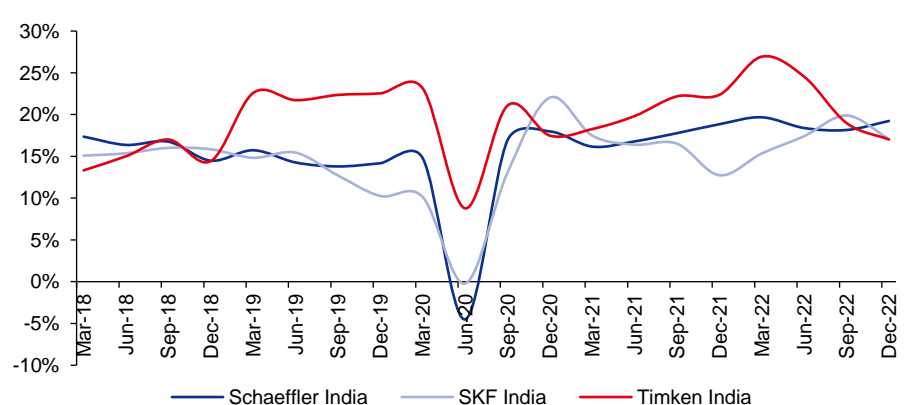
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Figure 1: EBITDA margin more stable for Schaeffler India vs. SKF India & Timken India



SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

ADD (no change)

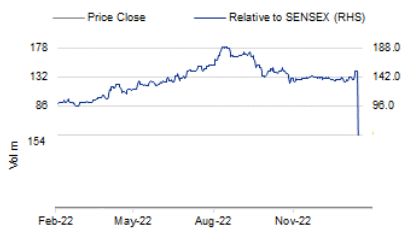
Consensus ratings*: Buy 3 Hold 3 Sell 1

Current price:	Rs2,933
Target price: ▲	Rs3,538
Previous target:	Rs3,110
Up/downside:	20.6%
InCred Research / Consensus:	14.8%
Reuters:	
Bloomberg:	SCHFL IN
Market cap:	US\$6,314m Rs458,470m
Average daily turnover:	US\$7.3m Rs528.0m
Current shares o/s:	156.3m
Free float:	25.9%

*Source: Bloomberg

Key changes in this note

- Revenue raised by 1-3% for CY23F-24F.
- EBITDA raised by 3-6% for CY23F-24F.
- PAT raised by 1-2% for CY23F-24F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.1	(0.3)	62.8
Relative (%)	10.9	4.4	52.9

Major shareholders	% held
Promoter	74.1
Kotak Mutual Fund	3.4
SBI Mutual Fund	2.2

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Schaeffler India Ltd

Improved medium-term growth visibility

- 4Q exports traction is good as relocation program on track. EV foray improves visibility on increasing the content per vehicle by >50% over the medium term.
- Growth to be supported by higher capex of Rs15bn over three years from Rs10bn earlier. EV localization plan and PLI win are other key tailwinds.
- As the next stage of growth is not captured in the near-term earnings, we raise our target P/E multiple to 45x (from 40x) for a higher target price of Rs3,538.

4QCY22 EBITDA beat of 5% led by increase in export mix to 18.5%

Schaeffler India's 4QCY22 revenue of Rs17.95bn was in line with our estimate but 4% above Bloomberg consensus estimate (BCE). The export segment's growth (+55% yoy) covered the weak performance of the domestic industrial segment (flattish yoy), which was let down by the wind segment (10-12% of overall revenue) as the business from wind energy customers slowed due to sanctions in Europe. EBITDA at Rs3.45bn was above our estimate (+5%) & BCE (+3%). The margin beat was led by a favourable sales mix, with exports forming 18.5% of total sales (+447bp yoy and +242bp qoq). PAT at Rs2.31bn was above our estimate (+5%) & BCE (+8%). Dividend per share was Rs24 (43% payout ratio).

Exports progress well, although management cautious in near term

Exports have picked up on the back of good progress of the global parent's relocation program for India. Schaeffler India (SIL) warned that it is witnessing slack demand in the export market due to global macroeconomic challenges, but it expects the parent's relocation program to cushion some of this impact. The industrials segment saw demand slowdown in the wind energy segment, although cushioned by a good performance from steel, cement and mining verticals. In the railway segment (4-5% of overall revenue), SIL got some business from Vande Bharat trains and LHB (Linke Hofmann Busch) coaches.

Content per vehicle & exports are major medium-term growth drivers

Schaeffler India (SIL) has started the development of its three-in-one e-axle having a power electronics unit with a major OEM in India. It will provide the motor and gearbox (traded goods) while it is partnering for power electronics. Deliveries are likely to start in 2024F. Management expects the addition of EV components to drive the increase in content per vehicle from ~€45 currently to €65-70 over the medium term. Exports to be driven by global parent's relocation program of shifting manufacturing from Europe to India, as the country develops cost competency and improved engineering, design & supply chain capabilities.

Valuation favourable in medium term

Though near-term export headwinds exist, the stage is set for SIL's next stage of growth via exports and rising content per vehicle. As this is not entirely factored in near-term earnings, we raise our target multiple to 45x (40x earlier), equivalent to +1SD of 7-year mean, to reach a higher target price of Rs3,538 (Rs3,110 earlier). Retain ADD rating on the stock. Downside risk: Extended global slowdown & slower pace of relocation program.

Financial Summary	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (Rsm)	37,618	55,605	68,674	78,604	90,362
Operating EBITDA (Rsm)	5,361	9,715	12,944	15,328	18,072
Net Profit (Rsm)	2,910	6,291	8,792	10,117	11,951
Core EPS (Rs)	18.6	40.2	55.5	64.7	76.5
Core EPS Growth	(20.9%)	116.2%	38.0%	16.6%	18.1%
FD Core P/E (x)	157.57	72.87	52.82	45.31	38.36
DPS (Rs)	7.0	16.0	24.0	28.0	32.0
Dividend Yield	0.24%	0.55%	0.82%	0.95%	1.09%
EV/EBITDA (x)	83.19	45.73	34.22	28.72	24.15
P/FCFE (x)	222.28	396.22	219.48	65.02	52.07
Net Gearing	(39.7%)	(38.7%)	(36.3%)	(37.6%)	(39.8%)
P/BV (x)	14.60	12.55	10.70	9.43	8.25
ROE	9.5%	18.5%	21.9%	22.1%	22.9%
% Change In Core EPS Estimates			1.63%	0.83%	1.82%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Improved medium-term growth visibility

Figure 2: 4QCY22 results table

YE Dec (Rs m)	4QCY22	4QCY21	yoy % chg	3QCY22	qoq % chg	CY22	CY21	yoy % chg	4QCY22E	Act vs Our Est
Total Revenue	17,947	15,232	17.8%	17,564	2.2%	68,674	55,605	23.5%	18,015	-0.4%
Less:										
Net Raw Material consumed	10,942	9,301	17.6%	11,067	(1.1%)	42,523	34,624	22.8%	11,280	-3.0%
Other Expenses	2,471	2,065	19.7%	2,216	11.5%	8,901	7,314	21.7%	2,369	4.3%
Personnel	1,082	995	8.7%	1,091	(0.9%)	4,306	3,952	8.9%	1,093	-1.0%
Total Expenditure	14,494	12,361	17.3%	14,375	0.8%	55,730	45,890	21.4%	14,741	-1.7%
EBIDTA	3,452	2,871	20.2%	3,190	8.2%	12,944	9,715	33.2%	3,274	5.4%
Less: Depreciation	530	512	3.6%	517	2.5%	2,065	1,971	4.7%	528	0.3%
EBIT	2,922	2,360	23.8%	2,673	9.3%	10,879	7,744	40.5%	2,746	6.4%
Less: Interest paid	9	9	6.9%	9	9.4%	36	37	(3.3%)	10.50	-11.4%
Non-operating Income	183	218	(16.2%)	232	(21.1%)	777	724	7.3%	237	-23.1%
Extraordinary Income										
Extraordinary Expense										
Profit Before Tax	3,096	2,569	20.5%	2,896	6.9%	11,770	8,431	39.6%	2,973	
Profit Before Tax Excl. extra-ordinaries	3,096	2,569	20.5%	2,896	6.9%	11,621	8,431	37.8%	2,973	4.1%
Less: Total Tax	786	662	18.6%	742	5.9%	2,978	2,140	39.2%	764	
Profit After Tax	2,310	1,906	21.2%	2,154	7.3%	8,792	6,291	39.8%	2,209	
Reported PAT	2,310	1,906	21.2%	2,154	7.3%	8,792	6,291	39.8%	2,209	4.6%
Profit After Tax Excl. extra-ordinaries	2,310	1,906	21.2%	2,154	7.3%	8,680	6,291	38.0%	2,209	4.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

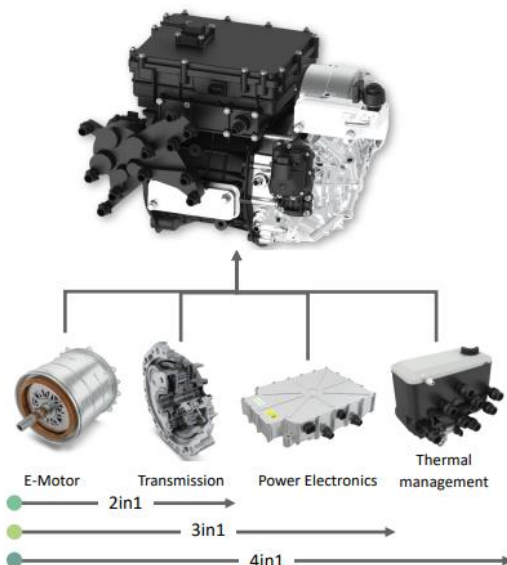
Figure 3: Export growth momentum continues

Segmental Analysis (Rs m)	4QCY22	4QCY21	yoy % chg	3QCY22	qoq % chg	CY22	CY21	yoy % chg
Automotive Technologies	7,005	5,672	23.5%	7,171	(2.3%)	27,065	21,861	23.8%
Automotive Aftermarket	1,691	1,522	11.1%	1,506	12.3%	5,936	5,019	18.3%
Industrial	5,925	5,897	0.5%	6,059	(2.2%)	24,247	21,566	12.4%
Exports & Others	3,325	2,141	55.3%	2,829	17.5%	11,427	7,160	59.6%
Total	17,947	15,232	17.8%	17,564	2.2%	68,674	55,605	23.5%

Sales Mix (%)	4QCY22	4QCY21	yoy bp chg	3QCY22	qoq bp chg	CY22	CY21	yoy bp chg
Automotive Technologies (%)	39.0	37.2	179.6	40.8	(179.0)	39.4	39.3	9.7
Automotive Aftermarket (%)	9.4	10.0	(57.1)	8.6	84.7	8.6	9.0	(38.2)
Industrial (%)	33.0	38.7	(569.6)	34.5	(147.9)	35.3	38.8	(347.8)
Exports & Others (%)	18.5	14.1	447.1	16.1	242.1	16.6	12.9	376.3

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Schaeffler AG's progress in e-mobility components (it has won e-mobility component orders worth €4.7bn in 9MCY22)



SOURCE: SCHAEFFLER AG, INCRED RESEARCH, COMPANY REPORTS

Figure 5: Schaeffler AG's presence in the e-mobility aftermarket segment



Key aspects

- **Repair system** for gearbox application of E-Axle (BEV/HEV)
- Pilot application for **Volkswagen e-Golf VII**
- **Unique solution** in the Aftermarket – First repair solution for E-Axles
- **Highly sustainable** – Repair instead of replace
- **Scalable solution** – Additional repair solutions already in preparation (e.g. E-motor)
- **Making the repair possible** – Rollout and garage training in preparation
- **Market availability in Q4 2022**

Setting the industry standard for E-Powertrain repair for BEVs / HEVs

SOURCE: SCHAEFFLER AG, INCRED RESEARCH, COMPANY REPORTS

The good progress made by the global parent (Schaeffler AG) in the EV components space, having won meaningful orders (€4.7bn in 9M CY22), improves the visibility on the traction that its subsidiary (Schaeffler India) can get over the medium term in this space as it picks up pace in India.

Figure 6: Schaeffler AG is also working on hydrogen fuel technology

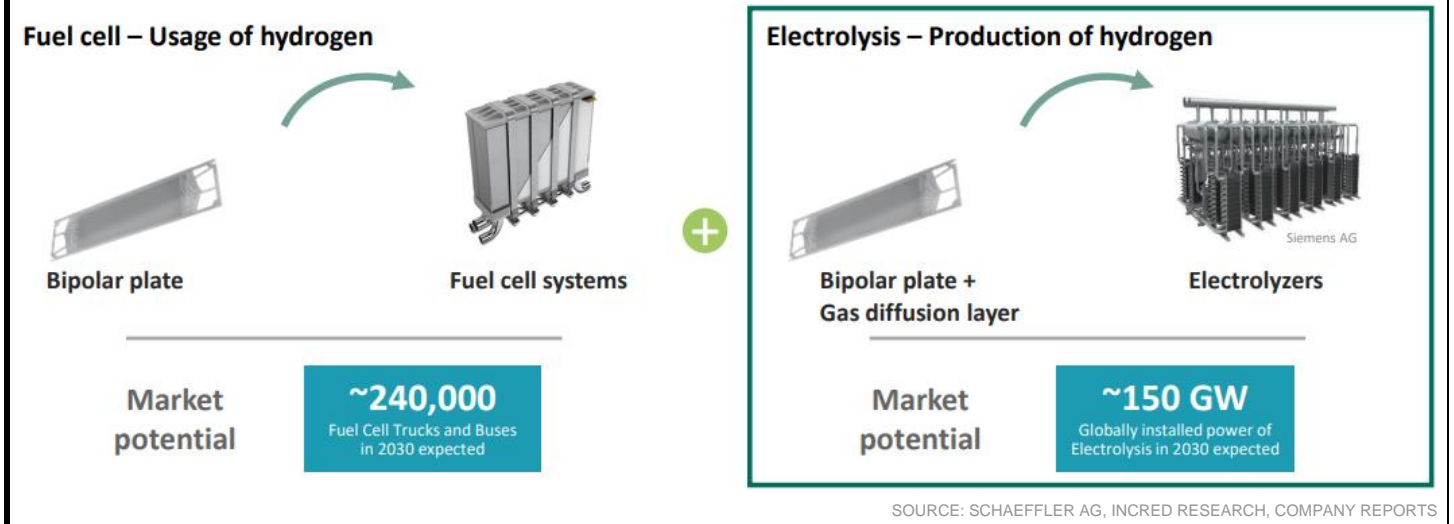
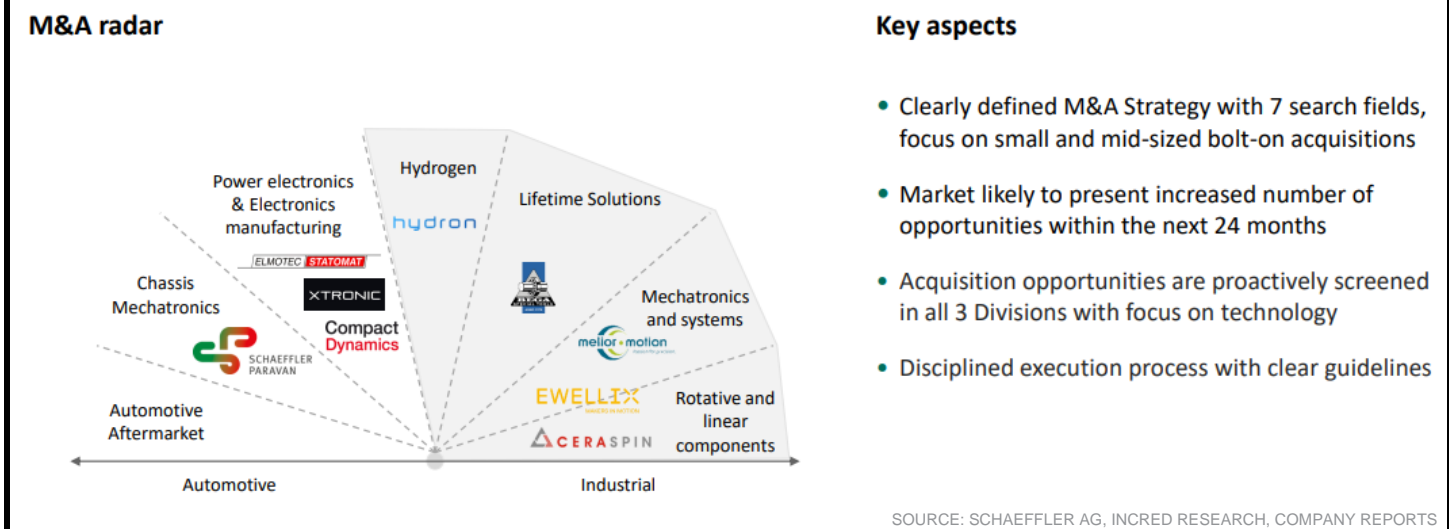


Figure 7: With the focus of Schaeffler AG on M&A, its subsidiary (Schaeffler India) could benefit from new products and technologies



Key aspects

- Clearly defined M&A Strategy with 7 search fields, focus on small and mid-sized bolt-on acquisitions
- Market likely to present increased number of opportunities within the next 24 months
- Acquisition opportunities are proactively screened in all 3 Divisions with focus on technology
- Disciplined execution process with clear guidelines

Figure 8: Our revised earnings estimates

(Rs m)	Old Estimates		New Estimates		Change	
	CY23F	CY24F	CY23F	CY24F	CY23F	CY24F
Revenue	77,976	87,808	78,604	90,362	1%	3%
EBITDA	14,816	17,035	15,328	18,072	3%	6%
PAT	10,034	11,737	10,117	11,951	1%	2%

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 9: Valuation table

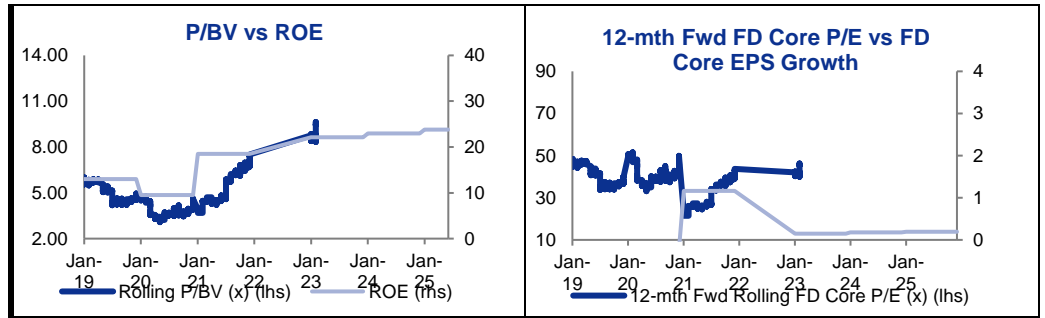
	1 year forward
EPS (Rs.) (1-year forward)	78.6
P/E(x)	45.0
Target Price (Rs)	3,538

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 10: Forward P/E valuation at +1SD of 7-year mean



BY THE NUMBERS



Profit & Loss

(Rs m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenue	37,618	55,605	68,674	78,604	90,362
Gross Profit	14,287	20,981	26,151	30,263	35,060
Operating EBITDA	5,361	9,715	12,944	15,328	18,072
Depreciation And Amortisation	(1,940)	(1,971)	(2,065)	(2,618)	(3,089)
Operating EBIT	3,422	7,744	10,879	12,710	14,984
Financial Income/(Expense)	(52)	(37)	(36)	(40)	(35)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	603	724	777	875	1,050
Profit Before Tax (pre-EI)	3,972	8,431	11,621	13,545	15,999
Exceptional Items		150			
Pre-tax Profit	3,972	8,431	11,770	13,545	15,999
Taxation	(1,062)	(2,140)	(2,978)	(3,427)	(4,048)
Exceptional Income - post-tax					
Profit After Tax	2,910	6,291	8,792	10,117	11,951
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,910	6,291	8,792	10,117	11,951
Recurring Net Profit	2,910	6,291	8,680	10,117	11,951
Fully Diluted Recurring Net Profit	2,910	6,291	8,680	10,117	11,951

Cash Flow

(Rs m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	5,361	9,715	12,944	15,328	18,072
Cash Flow from Invt. & Assoc.	(1,389)	(1,284)	(1,174)	(1,783)	(2,074)
Change In Working Capital	2,515	(3,280)	(2,459)	(1,138)	(1,599)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,940	1,971	2,065	2,618	3,089
Other Operating Cashflow	(603)	(617)	(771)	(875)	(1,050)
Net Interest (Paid)/Received	(52)	(37)	(36)	(40)	(35)
Tax Paid	(1,384)	(1,895)	(3,136)	(3,427)	(4,048)
Cashflow From Operations	6,387	4,573	7,434	10,683	12,355
Capex	(2,377)	(1,826)	(4,788)	(4,507)	(4,600)
Disposals Of FAs/subsidiaries			594		
Acq. Of Subsidiaries/investments	(2,529)	(2,127)	(1,678)		
Other Investing Cashflow	581	537	526	875	1,050
Cash Flow From Investing	(4,325)	(3,416)	(5,345)	(3,632)	(3,550)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	1,159	2,108	2,070	1,660	4,455
Preferred Dividends					
Other Financing Cashflow	(52)	(3)	(5)	40	35
Cash Flow From Financing	1,107	2,105	2,065	1,700	4,490
Total Cash Generated	3,169	3,262	4,154	8,751	13,295
Free Cashflow To Equity	2,063	1,157	2,089	7,051	8,805
Free Cashflow To Firm	2,115	1,194	2,124	7,091	8,840

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs m)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	12,459	14,157	15,545	18,260	22,098
Total Debtors	6,917	8,463	10,324	11,629	13,369
Inventories	7,136	10,865	12,434	13,998	15,844
Total Other Current Assets	146	133			
Total Current Assets	26,659	33,617	38,303	43,887	51,311
Fixed Assets	11,661	11,577	14,064	15,952	17,463
Total Investments					
Intangible Assets	2	12	6	6	6
Total Other Non-Current Assets	3,193	3,756	4,895	5,553	6,326
Total Non-current Assets	14,856	15,345	18,964	21,511	23,795
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	7,687	9,329	11,117	12,921	15,102
Other Current Liabilities	2,425	3,097	3,291	3,876	4,456
Total Current Liabilities	10,111	12,426	14,408	16,798	19,558
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities					
Total Provisions					
Total Liabilities	10,111	12,426	14,408	16,798	19,558
Shareholders' Equity	31,403	36,537	42,859	48,600	55,549
Minority Interests					
Total Equity	31,403	36,537	42,859	48,600	55,549

Key Ratios					
	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(13.7%)	47.8%	23.5%	14.5%	15.0%
Operating EBITDA Growth	(15.4%)	81.2%	33.2%	18.4%	17.9%
Operating EBITDA Margin	14.3%	17.5%	18.8%	19.5%	20.0%
Net Cash Per Share (Rs)	79.71	90.57	99.46	116.82	141.38
BVPS (Rs)	200.91	233.75	274.20	310.93	355.39
Gross Interest Cover	65.30	211.02	306.46	317.74	428.11
Effective Tax Rate	26.7%	25.4%	25.3%	25.3%	25.3%
Net Dividend Payout Ratio	37.6%	39.8%	43.4%	43.3%	41.9%
Accounts Receivables Days	64.22	50.48	49.93	50.97	50.49
Inventory Days	112.18	94.88	99.99	99.79	98.48
Accounts Payables Days	(99.17)	(89.69)	(87.75)	(90.75)	(92.48)
ROIC (%)	18.1%	34.6%	39.8%	41.9%	44.8%
ROCE (%)	11.2%	22.8%	27.4%	27.8%	28.8%
Return On Average Assets	7.6%	14.0%	16.3%	16.6%	17.1%

Key Drivers					
	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Segmental Revenue	N/A	N/A	N/A	N/A	N/A
Automotive	17,927	26,879	33,001	37,765	43,691
Industrial	15,502	21,566	24,247	28,255	31,318
Exports	4,190	7,160	11,427	12,585	15,353
Total Revenue	37,618	55,605	68,674	78,604	90,362
yoy growth (%)	N/A	N/A	N/A	N/A	N/A
Automotive	(12.5)	49.9	22.8	14.4	15.7
Industrial	(16.4)	39.1	12.4	16.5	10.8
Exports	(8.3)	70.9	59.6	10.1	22.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

ADD (no change)

Consensus ratings*: Buy 6 Hold 2 Sell 1

Current price:	Rs4,514
Target price:	Rs5,302
Previous target:	Rs5,340
Up/downside:	17.5%
InCred Research / Consensus:	9.1%
Reuters:	
Bloomberg:	SKF IN
Market cap:	US\$3,073m
	Rs223,158m
Average daily turnover:	US\$2.6m
	Rs189.9m
Current shares o/s:	49.4m
Free float:	47.4%

*Source: Bloomberg

Key changes in this note

- EBITDA raised by 1-2% for FY24F-25F.
- PAT cut by 6% for FY23F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.4	(9.7)	34.7
Relative (%)	3.2	(5.4)	26.6

Major shareholders	% held
Promoter	52.6
HDFC Mutual Fund	7.9
Mirae Mutual Fund	5.9

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SKF India Ltd

Ample growth & margin drivers going ahead

- 3Q EBITDA miss of 5% to Rs1.84bn was likely on account of adverse product mix. Unusually higher tax rate of 35.2% led to a 18% miss on PAT at Rs1.17bn.
- The growth drivers are the government's infrastructure push along with the focus on expanding the REP, railway and aftermarket businesses.
- Margins to improve by ~200bp over FY24-25F. Retain ADD rating on the stock with a target multiple of 35x, setting a slightly lower target price of Rs5,302.

EBITDA miss of 5% likely led by an adverse product mix

SKF India's 3QFY23 revenue at Rs10.77bn was 2% below our estimate but in line with Bloomberg consensus estimate (BCE), while EBITDA at Rs1.84bn was 5% below our estimate and BCE. Gross margin declined by 81bp qoq to 41.5% but was 146bp above our estimate. Other expenses as a percentage of sales rose by 248bp yoy and 306bp qoq to 18.1%, 312bp above our estimate, leading to EBITDA miss. The unusually higher tax rate of 35.2% led to PAT miss of 18% vs. our estimate and 16% below BCE at Rs1.17bn.

REP, railway and aftermarket segments to drive profitability

REP (rotating equipment performance) is a bearings diagnostic set-up with 24x7 monitoring algorithm which helps to improve uptime or reduce downtime of the client's production assets. Currently forming 5-7% of overall revenue, management has set a target at ~20% of the topline by 2025F. At that scale, it indicated that margins would be better than the bearings product line, from being EBITDA-neutral currently. Having got its Class K railway bearings approved, SKF India is well poised to benefit from the industry trend of higher wagon manufacturing and the Dedicated Freight Corridor. SKF India has a clear focus on expanding its aftermarket presence where it has penetrated 65% currently.

Focus on localization, but not on export growth

Management expects localization at SKF India to pick up, driven by the industrial segment because of the pick-up in construction and infrastructure activities which require bearings such as DGBB (deep groove ball bearing) and SRB (spherical roller bearing). It also seeks to localize the supply chain to a large extent. In similar initiatives, even the parent, AB SKF, is investing SEK250m across India and Southeast Asia. However, management has no plan to drive exports and uses the segment only as a filler when the domestic demand is low or when sister companies require the product.

Valuation favourable; maintain ADD rating

Though the REP segment and higher growth in the aftermarket segment should increase its margins in the medium term, the transition to electric vehicle or EV wheel bearings could negate some of these benefits initially. With a gradual margin growth of ~200bp over FY24F & FY25F each, we retain ADD rating on the stock with a 35x P/E multiple and a slightly lower target price of Rs5,302 (Rs5,340 earlier). Downside risk: Slow pace of localization & lower-than-expected margins in the EV wheel bearings business.

Financial Summary	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	26,329	36,036	43,184	48,882	54,998
Operating EBITDA (Rsm)	4,201	5,557	7,869	8,992	10,232
Net Profit (Rsm)	2,977	3,951	5,510	6,625	7,578
Core EPS (Rs)	60.2	79.9	111.4	134.0	153.3
Core EPS Growth	3.0%	32.7%	39.4%	20.2%	14.4%
FD Core P/E (x)	74.96	56.48	40.50	33.68	29.45
DPS (Rs)	130.0	14.5	17.0	18.0	20.0
Dividend Yield	2.88%	0.32%	0.38%	0.40%	0.44%
EV/EBITDA (x)	51.97	39.46	27.53	23.64	20.31
P/FCFE (x)	28.59	753.69	67.89	44.75	39.04
Net Gearing	(30.9%)	(20.5%)	(27.6%)	(36.3%)	(42.9%)
P/BV (x)	14.27	11.83	9.49	7.63	6.22
ROE	19.0%	21.0%	23.4%	22.6%	21.1%
% Change In Core EPS Estimates			(6.13%)	(0.29%)	0.47%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Ample growth & margin drivers going ahead

Figure 11: 3QFY23 results table

YE March (Rs m)	3QFY23	3QFY22	yoy % chg	2QFY23	qoq % chg	9MFY23	9MFY22	yoy % chg	3QFY23E	Deviation
Total Revenue	10,772	9,670	11.4%	10,783	-0.1%	32,102	26,269	22.2%	10,931	-1.5%
Less:										
Net Raw Material consumed	6,306	6,229	1.2%	6,225	1.3%	18,945	15,954	18.8%	6,558	(3.9%)
Other Expenses	1,952	1,513	29.1%	1,625	20.2%	5,095	4,251	19.9%	1,640	19.1%
Personnel	674	696	(3.2%)	788	(14.5%)	2,238	2,098	6.7%	787	(14.4%)
Total Expenditure	8,931	8,438	5.8%	8,637	3.4%	26,279	22,302	17.8%	8,985	
EBITDA	1,841	1,232	49.4%	2,146	(14.2%)	5,823	3,967	46.8%	1,946	(5.4%)
Less: Depreciation	170	156	9.2%	169	1.0%	500	419	19.2%	160	
EBIT	1,670	1,076	55.2%	1,977	(15.5%)	5,324	3,548	50.1%	1,786	
Less: Interest paid	4	5	0.0%	4	2.9%	12	14	(11.9%)	5	
Non-operating Income	130	162	(19.6%)	102	28.2%	321	319	0.8%	132	
Profit Before Tax	1,797	1,234	45.7%	2,075	(13.4%)	5,633	3,853	46.2%	1,913	(6.0%)
Profit Before Tax Excl. extra-ordinaries	1,797	1,234	45.7%	2,075	(13.4%)	5,633	3,853	46.2%	1,913	
Less: Total Tax	632	345	83.5%	516	22.6%	1,617	996	62.3%	484	
Core PAT	1,165	889	31.0%	1,558	(25.2%)	4,016	2,857	40.6%	1,429	(18.5%)
Reported PAT	1,165	889	0.0%	1,558	(25.2%)	4,016	2,857	40.6%	1,429	(18.5%)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

AB SKF (SKF India's global parent) mentioned that it has recently signed high-volume agreements for ceramic bearings with several Asian EV producers. This augurs well for SKF India's potential to provide validated EV bearing solutions to customers.

Figure 12: AB SKF's ceramic ball bearings for electric vehicles



SOURCE: AB SKF, INCRED RESEARCH, COMPANY REPORTS

Figure 13: Earnings revision table

Rs m	Old Estimates			New Estimates			Change		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Revenue	44,018	49,473	55,394	43,184	48,882	54,998	-1.9%	-1.2%	-0.7%
EBITDA	8,011	8,868	10,000	7,869	8,992	10,232	-1.8%	1.4%	2.3%
PAT	5,870	6,644	7,542	5,510	6,625	7,578	-6.1%	-0.3%	0.5%

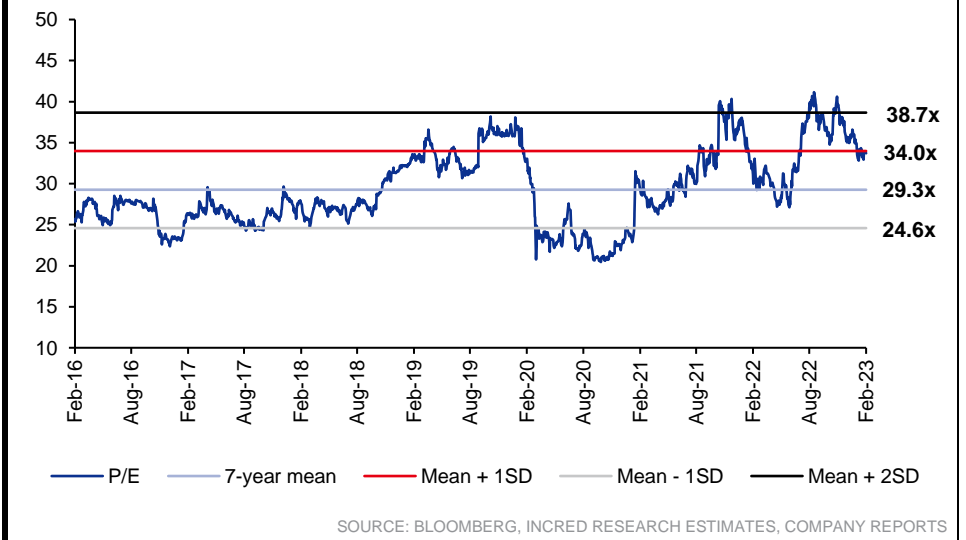
SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 14: Valuation table

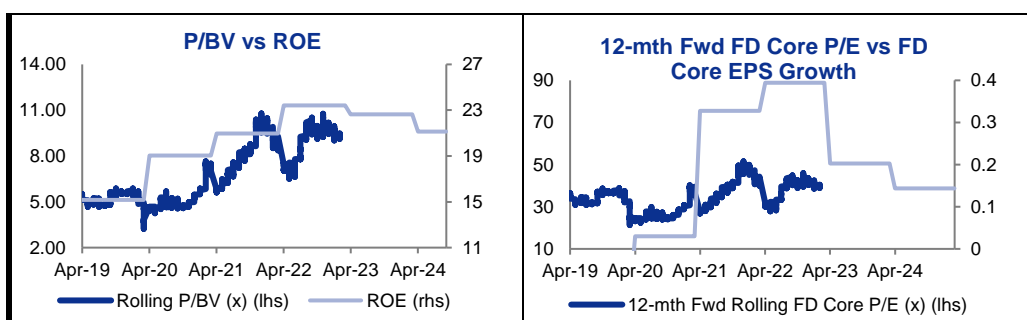
	1 year forward
EPS (Rs.) (1-year forward)	151.5
P/E(x)	35.0
Target Price (Rs)	5,302

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 15: Forward P/E valuation at +1SD of 7-year mean



BY THE NUMBERS



Profit & Loss

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenue	26,707	36,659	43,184	48,882	54,998
Gross Profit	11,095	14,207	17,705	19,699	22,329
Operating EBITDA	4,201	5,557	7,869	8,992	10,232
Depreciation And Amortisation	(580)	(571)	(654)	(744)	(862)
Operating EBIT	3,622	4,986	7,214	8,249	9,370
Financial Income/(Expense)	(21)	(21)	(18)	(18)	(18)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	362	344	456	674	833
Profit Before Tax (pre-EI)	3,963	5,310	7,653	8,905	10,185
Exceptional Items					
Pre-tax Profit	3,963	5,310	7,653	8,905	10,185
Taxation	(986)	(1,358)	(2,143)	(2,280)	(2,607)
Exceptional Income - post-tax					
Profit After Tax	2,977	3,951	5,510	6,625	7,578
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	2,977	3,951	5,510	6,625	7,578
Recurring Net Profit	2,977	3,951	5,510	6,625	7,578
Fully Diluted Recurring Net Profit	2,977	3,951	5,510	6,625	7,578

Cash Flow

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	4,201	5,557	7,869	8,992	10,232
Cash Flow from Invt. & Assoc.	(239)	(248)	(216)	(87)	(47)
Change In Working Capital	(16)	(3,614)	(1,498)	(1,165)	(1,504)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	580	571	654	744	862
Other Operating Cashflow	(231)	(209)	(456)	(674)	(833)
Net Interest (Paid)/Received	(21)	(21)	(18)	(18)	(18)
Tax Paid	(1,057)	(1,486)	(2,143)	(2,280)	(2,607)
Cashflow From Operations	3,218	550	4,192	5,512	6,084
Capex	(736)	(916)	(1,200)	(1,200)	(1,200)
Disposals Of FAs/subsidiaries	43	9			
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	5,282	654	456	674	833
Cash Flow From Investing	4,589	(254)	(744)	(526)	(367)
Debt Raised/(repaid)			(161)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(6,427)	(717)	(840)	(890)	(989)
Preferred Dividends					
Other Financing Cashflow	(21)	(21)			
Cash Flow From Financing	(6,448)	(738)	(1,001)	(890)	(989)
Total Cash Generated	1,359	(442)	2,447	4,097	4,728
Free Cashflow To Equity	7,807	296	3,287	4,986	5,717
Free Cashflow To Firm	7,828	317	3,466	5,004	5,735

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	5,003	4,019	6,505	10,620	15,366
Total Debtors	5,834	6,871	7,927	8,705	9,794
Inventories	4,680	6,768	7,973	9,025	10,154
Total Other Current Assets	3,185	3,841	4,373	4,837	5,335
Total Current Assets	18,703	21,499	26,778	33,186	40,649
Fixed Assets	4,100	4,540	5,086	5,542	5,880
Total Investments	25	25	25	25	25
Intangible Assets					
Total Other Non-Current Assets	199	222	200	200	200
Total Non-current Assets	4,324	4,787	5,311	5,767	6,105
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	5,769	5,244	6,178	6,993	7,868
Other Current Liabilities	1,444	2,023	2,382	2,697	3,034
Total Current Liabilities	7,213	7,267	8,560	9,689	10,902
Total Long-term Debt	176	161			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	176	161			
Total Provisions					
Total Liabilities	7,388	7,428	8,560	9,689	10,902
Shareholders' Equity	15,638	18,859	23,528	29,264	35,853
Minority Interests					
Total Equity	15,638	18,859	23,528	29,264	35,853

Key Ratios					
	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	(5.8%)	36.9%	19.8%	13.2%	12.5%
Operating EBITDA Growth	20.2%	32.3%	41.6%	14.3%	13.8%
Operating EBITDA Margin	16.0%	15.4%	18.2%	18.4%	18.6%
Net Cash Per Share (Rs)	97.64	78.03	131.58	214.81	310.81
BVPS (Rs)	316.30	381.45	475.90	591.91	725.17
Gross Interest Cover	170.04	239.73	400.79	458.25	520.55
Effective Tax Rate	24.9%	25.6%	28.0%	25.6%	25.6%
Net Dividend Payout Ratio	215.9%	18.1%	15.3%	13.4%	13.0%
Accounts Receivables Days	69.64	63.25	62.54	62.10	61.39
Inventory Days	107.52	93.06	105.59	106.30	107.14
Accounts Payables Days	(115.60)	(89.52)	(81.81)	(82.36)	(83.01)
ROIC (%)	33.6%	33.3%	42.4%	44.3%	45.8%
ROCE (%)	22.9%	26.2%	30.7%	28.2%	26.1%
Return On Average Assets	13.0%	15.1%	17.2%	17.1%	16.2%

Key Drivers					
	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Auto OEM	0.7%	46.0%	17.0%	12.6%	10.0%
Auto aftermarket	10.0%	27.8%	22.0%	16.0%	12.0%
Exports (largely Auto)	(33.0%)	111.7%	N/A	8.0%	10.0%
Total auto	(4.3%)	50.4%	14.6%	12.7%	10.6%
Industrial OEM	(10.0%)	45.4%	23.0%	12.0%	15.0%
Industrial after market	(6.0%)	8.0%	18.0%	16.0%	14.0%
Total Industrials	(10.0%)	45.4%	23.0%	12.0%	15.0%
Total sales	(8.0%)	26.0%	20.8%	13.7%	14.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

HOLD (no change)

Consensus ratings*: Buy 6 Hold 1 Sell 1

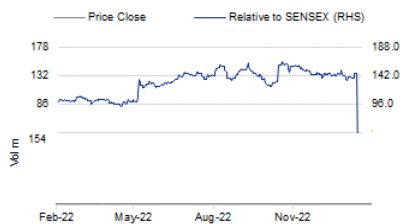
Current price:	Rs2,965
Target price:	Rs3,222
Previous target:	Rs3,500
Up/downside:	8.7%
InCred Research / Consensus:	-2.3%

Reuters:	
Bloomberg:	TMKN IN
Market cap:	US\$3,071m
	Rs222,986m
Average daily turnover:	US\$6.2m
	Rs446.6m
Current shares o/s:	75.2m
Free float:	32.2%

*Source: Bloomberg

Key changes in this note

- Revenue cut by 2-5% over FY23F-25F.
- EBITDA cut by 5-14% over FY23F-25F.
- PAT cut by 6-15% over FY23F-25F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(2.5)	(17.1)	43.8
Relative (%)	(2.7)	(13.2)	35.1

Major shareholders	% held
Promoter	67.8
SBI Mutual Fund	3.6
PGIM India Mutual Fund	1.6

Analyst(s)

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Timken Ltd

Near-term headwinds increase uncertainty

- 3QFY23 EBITDA miss of 33% at Rs.1.04bn is likely due to an adverse product mix and the possibility of a larger pipeline of high-priced steel in the inventory.
- Growth and margin drivers to be led by expansion of railway business, focus on newer segments & localization. Capacity constraints could be a challenge.
- Near-term headwinds of a weak European order book amidst export demand uncertainty led us to retain HOLD rating with a lower target price of Rs3,222.

Dismal 3QFY23 results with 33% EBITDA miss

Timken India's (TIL) 3QFY23 EBITDA miss was 33% vs. our estimate and 27% vs. Bloomberg consensus estimate (BCE) at Rs1.04bn. Sales miss was 12% vs. our estimate and 14% vs. BCE at Rs6.09bn. Its EBITDA margin at 17.0% was the lowest in the last 10 quarters, led by gross margin deterioration of -657bp yoy and -27bp qoq at 39.5%. A couple of reasons for the margin miss could be higher steel prices due to a larger pipeline of high-priced steel in the inventory and an adverse change in the product mix, which is indicated by a higher share of traded goods at 33.7% of sales (+838bp yoy and +1,403bp qoq). PAT, at Rs706m, missed our estimate by 34% and that of BCE by 47%.

Railway, wind and some new segments could be growth drivers

The railway segment has a good order book as management highlighted that the company has secured a bulk portion of the orders that are a part of the 90,000-wagon purchase plan of the Indian Railways over the next three years. In the wind segment, management mentioned that global wind gearbox manufacturers (ZF, Flender, including the makers from China) are shifting their manufacturing to India which augurs well for the company. Management has identified new sunrise sectors such as food & beverage, defence, medical equipment, etc. that can create good business opportunities for the company.

Localization efforts are on even as capacity utilization level is high

The company's plants are likely to be operating at ~75-80% of their capacity and with the growth opportunities ahead, the company may need to enhance its capacity. In a bull-case scenario, it expects to import idle machinery or the products itself from sister companies. We feel this could further impact margins and increase the lead time for the business. The company's efforts at localization continue as it is also setting up a CRB (cylindrical roller bearing) and SRB (spherical roller bearing) manufacturing facility at a capex of Rs3bn each in FY24F and FY25F, which could commence production by Dec 2025F.

Maintain HOLD rating as some headwinds remain

TIL's localization plan is moving gradually while it indicated a weak European order book. We cut EBITDA estimates by 3-14% over FY23F-25F to account for last quarter's 33% EBITDA miss and export uncertainty in FY24F. At 40x P/E, we set a target price of Rs3,222 (Rs3,500 earlier) and retain HOLD rating on TIL. Upside risk: Faster localization & stable exports. Downside risk: Higher fall in exports segment or capacity constraints.

Financial Summary	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	14,034	21,818	27,270	31,642	36,367
Operating EBITDA (Rsm)	2,518	5,107	5,638	7,302	8,664
Net Profit (Rsm)	1,432	3,271	3,952	5,007	6,170
Core EPS (Rs)	19.0	43.5	52.5	66.6	82.0
Core EPS Growth	(41.8%)	128.4%	20.8%	26.7%	23.2%
FD Core P/E (x)	155.70	68.16	56.42	44.53	36.14
DPS (Rs)	50.0	1.5	2.0	2.5	2.5
Dividend Yield	1.69%	0.05%	0.07%	0.08%	0.08%
EV/EBITDA (x)	87.98	43.68	39.15	29.74	24.51
P/FCFE (x)	193.60	(1,009.58)	88.71	59.88	44.32
Net Gearing	(10.5%)	0.7%	(11.0%)	(23.0%)	(34.1%)
P/BV (x)	16.59	13.46	10.94	8.85	7.15
ROE	9.8%	21.8%	21.4%	22.0%	21.9%
% Change In Core EPS Estimates			(14.7%)	(9.66%)	(6.08%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

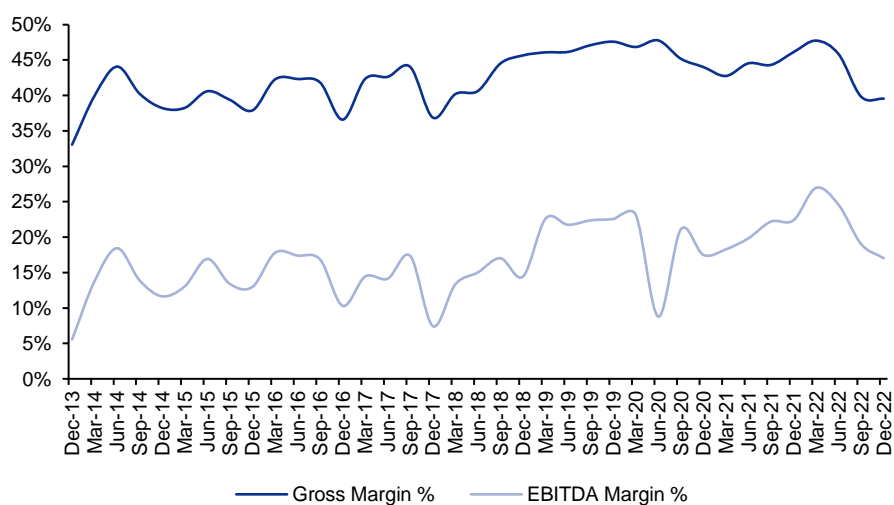
Near-term headwinds increase uncertainty

Figure 16: 3QFY23 results table

YE March (Rs m)	3QFY23	3QFY22	YoY % chg	2QFY23	QoQ % chg	9MFY23	9MFY22	YoY % chg	3QFY23E	Our Estimates vs. Actual
Total Revenue	6,094	5,100	19.5%	6,954	(12.4%)	20,040	15,358	30.5%	6,923	(12.0%)
Less:										
Net Raw Material consumed	3,685	2,749	34.0%	4,186	(12.0%)	11,660	8,453	37.9%	3,877	(4.9%)
Other Expenses	954	865	10.3%	1,063	(10.3%)	3,107	2,557	21.5%	1,108	(13.9%)
Personnel	418	345	21.2%	384	8.9%	1,199	1,042	15.1%	393	6.3%
Total Expenditure	5,057	3,959	27.7%	5,633	(10.2%)	15,966	12,051	32.5%	5,378	(6.0%)
EBIDTA	1,037	1,141	(9.1%)	1,321	(21.5%)	4,074	3,307	23.2%	1,545	(32.9%)
Less: Depreciation	224	216	3.7%	217	3.2%	659	619	6.4%	225	(0.4%)
EBIT	813	925	(12.1%)	1,104	(26.4%)	3,415	2,687	27.1%	1,320	(38.4%)
Less: Interest paid	5	3	67%	5	0.0%	14	11	28.4%	4	25.0%
Non-operating Income	144	28	414.3%	215	(33.0%)	465	95	392.1%	110	30.9%
Extra-ordinary Income	-	-	NA	-	NA	-	-	NA	-	NA
Profit Before Tax	952	950	0.2%	1,314	(27.5%)	3,866	2,771	39.5%	1,426	(33.2%)
Profit Before Tax Excl. extra-ordinaries	952	950	0.2%	1,314	(27.5%)	3,866	2,771	39.5%	1,426	(33.2%)
Less: Total Tax	246	252	(2.4%)	338	(27.2%)	1,003	714	40.5%	362	(32.1%)
Profit After Tax	706	698	1.1%	976	(27.7%)	2,863	2,057	39.2%	1,064	(33.6%)
Minority Interest										
Associates share										
Reported PAT	706	698	1.1%	976	(27.7%)	2,863	2,057	39.2%	1,064	(33.6%)
Profit After Tax Excl. extra-ordinaries	706	698	1.1%	976	(27.7%)	2,863	2,057	39.2%	1,064	(33.6%)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

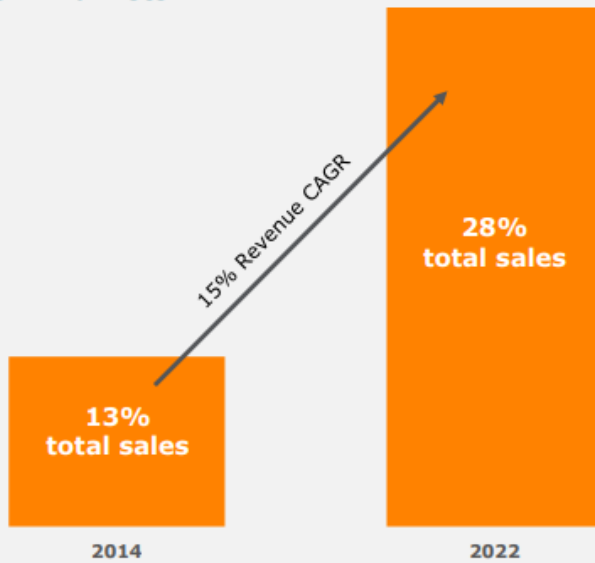
Figure 17: Gross margin and EBITDA margin declining since the last few quarters



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 18: Like the global parent's performance below, Timken India is also evaluating its expansion into 'newer' markets in India like food & beverage, defence, etc. which could have a big business potential

Tripled annual revenue to over \$1.2B in "newer" markets



"Newer" markets include:

- Renewable Energy
- Automation
- Industrial Services
- Marine
- Food & Beverage
- Passenger Rail

Attractive sectors with strong margins, secular growth and/or different cyclicity profiles

SOURCE: THE TIMKEN COMPANY, INCRED RESEARCH, COMPANY REPORTS

Figure 19: M&A traction of global parent gives Timken India easier access to these technologies and products

Over the Past 7 Years

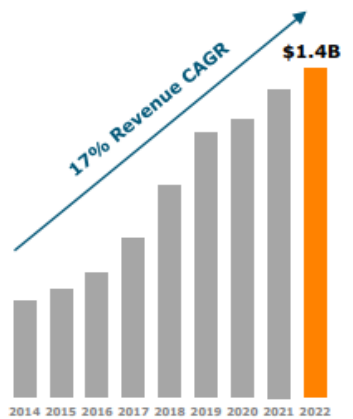
\$1.5B+ in M&A Featuring Strong Brands



Representing Attractive Product Lines

Drive Systems, Linear Motion, Lubrication Systems, Belts & Chains, Clutches & Brakes, Couplings

Industrial Motion Sales



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 20: Our revised estimates

	Old Estimates			New Estimates			Change		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Revenue	28,719	32,911	37,236	27,270	31,642	36,367	-5%	-4%	-2%
EBITDA	6,568	7,929	9,100	5,638	7,302	8,664	-14%	-8%	-5%
PAT	4,633	5,543	6,569	3,952	5,007	6,170	-15%	-10%	-6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 21: Valuation table

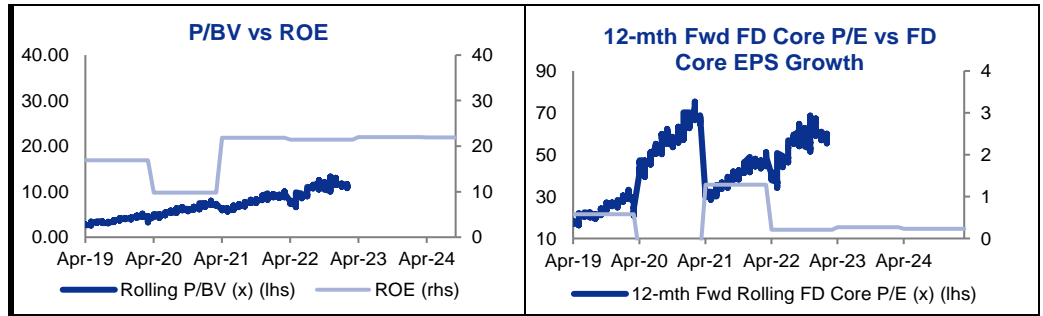
	1 year forward
EPS (Rs.) (1-year forward)	80.6
P/E(x)	40.0
Target Price (Rs)	3,222

SOURCE: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

Figure 22: Forward P/E valuation at +1SD of 7-year mean



BY THE NUMBERS



Profit & Loss

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenue	14,105	22,032	27,270	31,642	36,367
Gross Profit	6,247	10,092	11,453	14,081	16,329
Operating EBITDA	2,518	5,107	5,638	7,302	8,664
Depreciation And Amortisation	(749)	(843)	(879)	(1,030)	(1,081)
Operating EBIT	1,769	4,263	4,760	6,272	7,583
Financial Income/(Expense)	(14)	(24)	(20)	(20)	(20)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	196	143	594	469	719
Profit Before Tax (pre-EI)	1,951	4,382	5,333	6,721	8,282
Exceptional Items					
Pre-tax Profit	1,951	4,382	5,333	6,721	8,282
Taxation	(519)	(1,111)	(1,381)	(1,714)	(2,112)
Exceptional Income - post-tax					
Profit After Tax	1,432	3,271	3,952	5,007	6,170
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,432	3,271	3,952	5,007	6,170
Recurring Net Profit	1,432	3,271	3,952	5,007	6,170
Fully Diluted Recurring Net Profit	1,432	3,271	3,952	5,007	6,170

Cash Flow

(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	2,518	5,107	5,638	7,302	8,664
Cash Flow from Invt. & Assoc.	(567)	(725)	(305)	(581)	(382)
Change In Working Capital	(266)	(3,435)	(1,317)	(1,314)	(1,420)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	749	843	879	1,030	1,081
Other Operating Cashflow	(116)	(75)	(574)	(449)	(699)
Net Interest (Paid)/Received	(14)	(24)	(20)	(20)	(20)
Tax Paid	(451)	(1,140)	(1,381)	(1,714)	(2,112)
Cashflow From Operations	1,852	550	2,919	4,254	5,112
Capex	(783)	(803)	(1,000)	(1,000)	(800)
Disposals Of FAs/subsidiaries	8	4			
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	88	38	594	469	719
Cash Flow From Investing	(687)	(761)	(406)	(531)	(81)
Debt Raised/(repaid)	(13)	(10)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,760)	(113)	(150)	(188)	(188)
Preferred Dividends					
Other Financing Cashflow	(14)	(24)	(20)	(20)	(20)
Cash Flow From Financing	(3,787)	(147)	(170)	(208)	(208)
Total Cash Generated	(2,623)	(358)	2,343	3,515	4,823
Free Cashflow To Equity	1,152	(221)	2,513	3,723	5,031
Free Cashflow To Firm	1,179	(187)	2,533	3,743	5,051

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs m)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	1,742	182	2,545	6,080	10,923
Total Debtors	3,713	5,388	6,351	7,369	8,469
Inventories	3,687	5,585	6,912	8,021	9,218
Total Other Current Assets	564	607	862	1,001	1,150
Total Current Assets	9,707	11,762	16,670	22,470	29,760
Fixed Assets	7,345	7,284	7,405	7,375	7,094
Total Investments		990	990	990	990
Intangible Assets	1,813	1,813	1,813	1,813	1,813
Total Other Non-Current Assets					
Total Non-current Assets	9,158	10,087	10,208	10,178	9,897
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	3,355	3,285	4,066	4,718	5,423
Other Current Liabilities	1,445	1,505	1,863	2,162	2,485
Total Current Liabilities	4,800	4,791	5,930	6,880	7,907
Total Long-term Debt	327	298	298	298	298
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	327	298	298	298	298
Total Provisions	323	280	280	280	280
Total Liabilities	5,450	5,369	6,507	7,458	8,485
Shareholders' Equity	13,435	16,569	20,371	25,190	31,172
Minority Interests					
Total Equity	13,435	16,569	20,371	25,190	31,172

Key Ratios					
	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	(12.3%)	55.5%	25.0%	16.0%	14.9%
Operating EBITDA Growth	(30.6%)	102.8%	10.4%	29.5%	18.6%
Operating EBITDA Margin	17.9%	23.4%	20.7%	23.1%	23.8%
Net Cash Per Share (Rs)	18.82	(1.54)	29.88	76.88	141.28
BVPS (Rs)	178.66	220.31	270.86	334.93	414.47
Gross Interest Cover	122.76	174.23	237.98	313.59	379.15
Effective Tax Rate	26.6%	25.3%	25.9%	25.5%	25.5%
Net Dividend Payout Ratio	262.6%	3.4%	3.8%	3.8%	3.0%
Accounts Receivables Days	86.32	75.38	78.56	79.13	79.48
Inventory Days	153.31	141.71	144.20	155.19	157.01
Accounts Payables Days	(127.58)	(101.48)	(84.83)	(91.29)	(92.36)
ROIC (%)	10.4%	25.6%	21.3%	26.2%	29.6%
ROCE (%)	11.6%	27.3%	25.0%	26.9%	26.4%
Return On Average Assets	7.5%	16.2%	16.3%	16.9%	17.1%

Key Drivers					
	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue growth	N/A	N/A	N/A	N/A	N/A
Rail	(15)	34	15	23	14
Mobility	(29)	56	25	18	14
Process	3	56	50	18	14
Distribution	(5)	49	12	15	12
Domestic	(12)	47	23	18	13
Exports	(14)	89	26	10	18
Sale of service	8	10	10	10	10
Total sales	(12)	56	24	16	15

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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