

India

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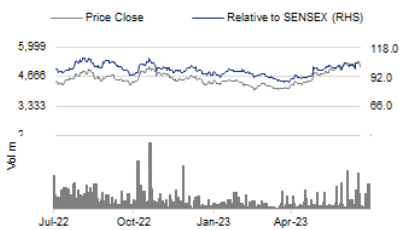
Consensus ratings*: Buy 7 Hold 2 Sell 1

Current price:	Rs5,148
Target price:	Rs5,302
Previous target:	Rs5,302
Up/downside:	3.0%
InCred Research / Consensus:	10.8%
Reuters:	
Bloomberg:	SKF IN
Market cap:	US\$3,505m
	Rs254,519m
Average daily turnover:	US\$1.8m
	Rs132.5m
Current shares o/s:	49.4m
Free float:	47.4%

*Source: Bloomberg

Key financial forecast

	Mar-24F	Mar-25F
Net Profit (Rsm)	6,625	7,578
Core EPS (Rs)	134.01	153.27
Core EPS Growth	20.2%	14.4%
FD Core P/E	38.42	33.59
Recurring ROE	22.6%	21.1%
P/BV (x)	8.70	7.10
DPS (Rs)	18.00	20.00
Dividend Yield	0.35%	0.39%



SOURCE: BLOOMBERG

Price performance	1M	3M	12M
Absolute (%)	2.9	24.6	19.1
Relative (%)	3.3	17.9	6.4

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

Analyst(s)

Pramod AMTHE
 T (91) 22 4161 1541
 E pramod.amthe@incredcapital.com

SKF India Ltd

Starts FY24 with strong 1Q EPS growth

- SKF India's 1QFY24 EPS growth of 26% qoq and 20% yoy was driven by the industrial division's sales growth while margin expansion was in line.
- We maintain our FY24F estimate as 1Q EPS constituted 23% of our full-year estimate. The localization drive and railway sales growth are upside risks.
- We reiterate ADD rating as the stock trades at +1SD above the mean level.

1QFY24 PAT growth of 20% yoy in line with our estimate

- SKF India's 1QFY24 sales growth of 9% yoy and 5% qoq to Rs11.5bn was driven by strong growth of 15% yoy in the industrial division, especially the railway segment.
- EBITDA rose by 10% yoy and 21% qoq to Rs2bn, driven by a 230bp EBITDA margin expansion to 17.6%, aided by lower other expenses. Purchased goods remained elevated at 38%.
- Higher other income and a lower tax rate led to a 26% qoq rise in PAT to Rs1.54bn.

Management conference-call highlights

- Management indicated that in the company's sales mix, the industrial division accounted for 51%, the automotive division 41% and exports 9%. It has given guidance of Rs1.5bn capex for FY24F, of which a major portion is for the industrial division.
- The purchased goods eased to 42% of sales in 1Q vs. 45% in FY23, as localization in the industrial division is being pursued by the company's management while the automotive division's localization is already at 95%.
- The localization focus is on the industrial division where the company plans to increase it from 35% currently to 50% in the coming years in order to reduce supply chain time and, in turn, gain market share.
- Indian Railways has approved its bearings for freight wagons which, management believes, accounts for 35% of the market segment where it can improve market share from the single-digit level to mid-double digits, as in case of passenger coaches.
- In the two-wheeler segment, which forms 11% of its sales, the company expects the electric two-wheeler or E2W drive to be revenue-neutral, as higher-priced less number of bearings are used in E2Ws vs. ICE-engine vehicles.

Maintain ADD rating on the stock with a target price of Rs5,302

- We maintain our earnings estimates as 1Q EPS formed 23% of our FY24F estimate.
- SKF India trades at +1SD above the mean level. We retain our ADD rating on it, as the strong growth in the industrial division and localization benefits will drive profitability. Key downside risks are slowdown in exports and a rise in traded goods denting profitability.

Figure 1: Results review

YE March (Rs m)	1QFY24	1QFY23	yoy % chg	4QFY23	qoq % chg
Total Revenue	11,496	10,547	9.0%	10,947	5.0%
Less:					
Net Raw Material consumed	6,919	6,415	7.9%	6,713	3.1%
Other Expenses	1,680	1,518	10.7%	1,806	-7.0%
Personnel	868	777	11.8%	758	14.5%
Total Expenditure	9,467	8,710	8.7%	9,277	2.1%
EBITDA	2,029	1,837	10.4%	1,670	21.5%
Less: Depreciation	175	161	9.0%	169	3.8%
EBIT	1,853	1,676	10.6%	1,501	23.5%
Less: Interest paid	3	5	-39.6%	3	-9.4%
Non-operating Income	225	89	153.0%	198	14.0%
Profit Before Tax	2,076	1,761	17.9%	1,696	22.4%
Profit Before Tax Excl. extra-ordinaries	2,076	1,761	17.9%	1,696	22.4%
Less: Total Tax	531	469	13.2%	467	13.6%
Normalised PAT	1,544	1,291	19.6%	1,229	25.6%
Normalised EPS (Rs.)	31	26.1	19.6%	24.9	25.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Profit & Loss

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

Balance Sheet

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

Cash Flow

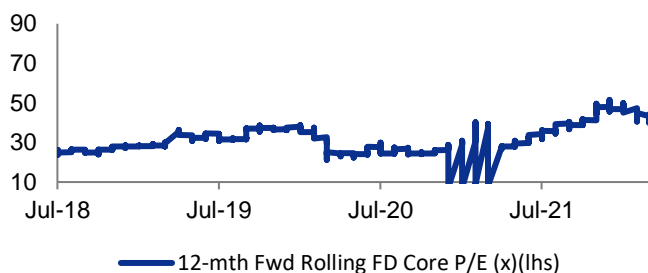
(Rs mn)	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	5,557	7,869	8,992	10,232
Cash Flow from Invt. & Assoc.	(248)	(216)	(87)	(47)
Change In Working Capital	(3,614)	(1,498)	(1,165)	(1,504)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	571	654	744	862
Other Operating Cashflow	(209)	(456)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

Key Ratios

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

12-mth Fwd Rolling FD Core P/E

(x)



Key Drivers

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

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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