

India

REDUCE (no change)

Consensus ratings*:	Buy 9 Hold 0 Sell 1
Current price:	Rs3,153
Target price:	Rs2,838
Previous target:	Rs2,981
Up/downside:	-10.0%
InCred Research / Consensus:	-10.0%
Reuters:	TIMK.NS
Bloomberg:	TMKN IN
Market cap:	US\$2,778m Rs237,142m
Average daily turnover:	US\$5.1m Rs438.4m
Current shares o/s:	75.2m
Free float:	42.3%

*Source: Bloomberg

Key changes in this note

- FY26F-27F sales cut by 3-9%.
- FY26F-27F EBITDA cut by 12-21%.
- FY25F-26F EPS cut by 12-20%.



Price performance	1M	3M	12M
Absolute (%)	24.4	27.4	(22.4)
Relative (%)	22.8	14.7	(28.9)

Major shareholders	% held
Promoter	57.7
NIPPON LIFE INDIA TRUSTEE	3.7
HDFC TRUSTEE COMPANY LTD.	3.0

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Timken Ltd

Tepid sales momentum prolongs

- 4QFY25 EPS declined by 14% yoy to Rs16, in line with the Bloomberg consensus estimate. Tepid sales yoy growth prolongs.
- We cut FY26F-27F EPS by 12-20% to reflect the weak sales trend in 4Q, gradual ramp-up of the company's new facility and export uncertainty.
- Maintain REDUCE rating on the stock with a lower target price of Rs2,838 as its forward P/E valuation is still above the mean level.

Tepid sales growth prevailed in 4QFY25

Timken's 4QFY25 EBITDA declined by 8% yoy but up 71% qoq at Rs1.8bn, which was 3% above the Bloomberg (BB) consensus estimate. Sales were up only 2% yoy, but up 36% qoq at Rs9.1bn, adjusted for advance tax payment received (Rs275.3m), which was in line with the BB consensus estimate. Seasonally strong railway bearing supplies in 4Q helped the division to record a 15% growth in FY25. Management indicated a flat growth in exports in 4Q. The EBITDA margin fell by 216bp yoy to 20% due to the poor product mix impact. PAT was down 14% yoy at Rs1,223m, in line with the BB consensus estimate.

Management conference-call highlights

Management indicated a strong export performance in South America, South Africa, and Australia while Europe, ASEAN, and parts of North America showed weakness. The Chinese market showed early signs of recovery in Apr 2025, but the overall export outlook remains cautious due to global tariff-led uncertainty. The Bharuch facility to commence operations by Jun 2025F, with 45% capacity utilization expected by Mar 2026F, targeting a 50-50 domestic-export market split.

We cut EPS for weak exports and slow ramp-up of new plant

Considering the weak quarterly sales momentum and export uncertainty amid weakening global economic growth, we have cut sales estimates by 9% for FY26F and by 3% for FY27F. Initial lower utilization of the new plant to hit profitability and hence, we have cut EBITDA estimates by 12-21% for FY26F-27F. Building in a similar impact, we have cut EPS estimates by 12-20%.

Valuation eases but still above the seven-year mean level

The stock price correction in recent quarters has eased Timken's valuation to below +1SD of the seven-year mean level (Fig. 6). However, considering the global tariff-led uncertainty and the new plant commissioning impact in the coming quarters, we maintain our REDUCE rating on the stock with a P/E-based lower target price of Rs2,838 (Rs2,981 earlier). Upside risks: A quick recovery in exports to the US or ramp-up benefits of the new plant.

Financial Summary

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	28,957	31,478	35,644	42,760	49,898
Operating EBITDA (Rsm)	5,724	5,916	6,419	7,897	9,559
Net Profit (Rsm)	3,921	4,474	4,381	5,427	6,622
Core EPS (Rs)	52.1	59.5	58.3	72.2	88.0
Core EPS Growth	0.4%	14.1%	(2.1%)	23.9%	22.0%
FD Core P/E (x)	60.47	53.00	54.12	43.69	35.81
DPS (Rs)	2.5	36.0	3.0	3.5	4.3
Dividend Yield	0.08%	1.14%	0.10%	0.11%	0.14%
EV/EBITDA (x)	40.86	39.41	35.92	28.94	23.50
P/FCFE (x)	66.99	35.26	34.80	26.81	18.45
Net Gearing	(13.5%)	(14.0%)	(20.1%)	(22.6%)	(28.4%)
P/BV (x)	9.81	8.33	7.27	6.28	5.38
ROE	17.6%	17.0%	14.4%	15.4%	16.2%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Tepid sales momentum prolongs

Management conference-call highlights ►

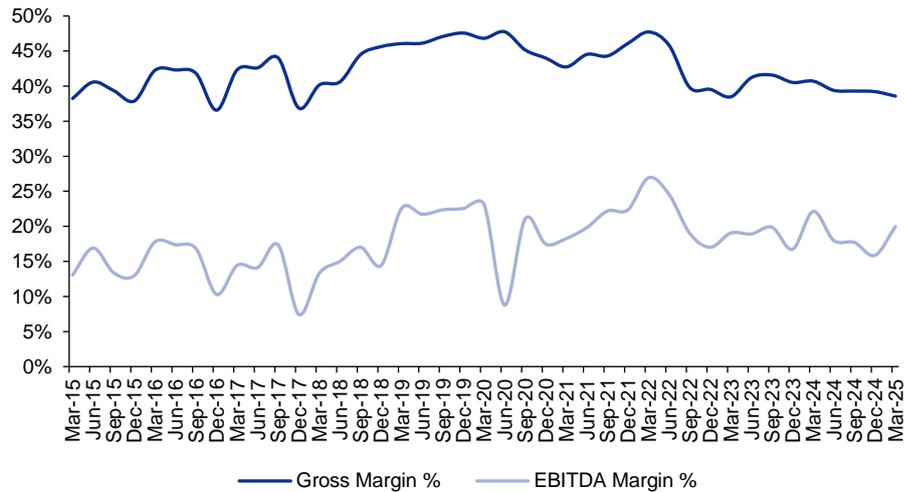
- **Revenue mix:** The rail business, which contributed 24.5% to the company's revenue, grew by 17% yoy. The process and stationary equipment segment contributed 19.3% and grew by 8%, while the distribution segment contributed 18.7% with a growth of 11%. The mobility segment contributed 18.5% but remained largely flat while exports accounted for 18.6%, growing by 2.8%. Export incentives contributed less than 1% to the revenue.
- **Rail segment:** Grew by 17% yoy, driven by steady demand in freight, locomotive, metro rail, and passenger applications. Timken maintains its leadership despite competition from three international players and one domestic player, supported by technology and supply chain strengths. The rail segment continues to perform well with a strong order book, and production is currently on six days a week in three shifts. Timken is expanding capacity with new European machinery to cater to both domestic and export markets. The company expects steady double-digit growth in the rail segment in FY26F.
- **Investment:** The company is investing in a new production line for making plain bearings (FRP composite material) following the GGB acquisition, targeting a US\$100m+ market.
- **Solar-tracking bearings:** The company has started assembling Cone Drive products at the Bharuch plant, supplying 300-400 units to Tata Solar for solar-tracking applications.
- **Manufacturing plant:** The new Bharuch facility to commence operations by Jun 2025F, with 45% capacity utilization expected by FY26F, targeting a 50-50 domestic-export market split. The existing facilities, at near-full capacity, can yield 10-15% more output through debottlenecking, with further growth requiring capex.
- **International market:** Exports remained a mixed bag, with a strong performance in South America, South Africa, and Australia while Europe, ASEAN, and parts of North America showed weakness. The Chinese market showed early signs of recovery in Apr 2025, but the overall export outlook remains cautious due to global tariff-led uncertainty.
- **Commercial vehicle industry outlook:** The commercial vehicle segment is expected to grow by 4-5% in FY26F, with strong tractor sales in Apr 2025.
- **Financial performance:** The PBT margin declined from 21% to 19% in 4QFY25, after adjusting for a one-time Rs275m advanced tax gain.

Figure 1: Results comparison

Y/E Mar (Rs m)	4QFY25	4QFY24	YoY % chg	3QFY25	QoQ % chg	FY25	FY24	YoY % chg	Comments
Total Revenue	9,123	8,978	1.6%	6,714	35.9%	22,080	20,118	9.8%	In line with Bloomberg estimate.
Net Raw Materials Consumed	5,603	5,323	5.3%	4,081	37.3%	13,401	11,844	13.1%	
RM Costs as a % of Revenue	61.4%	59.3%	214	60.8%	64	60.7%	58.9%	182	
Other Expenses	1,267	1,244	1.8%	1,137	11.4%	3,602	3,321	8.5%	
Personnel Costs	430	424	1.5%	431	(0.1%)	1,270	1,216	4.5%	
Total Expenditure	7,301	6,991	4.4%	5,650	29.2%	18,273	16,381	11.5%	
EBITDA	1,821	1,986	(8.3%)	1,065	71.1%	3,807	3,737	1.9%	3% above Bloomberg estimate.
EBIDTA Margin	20.0%	22.1%	-216	15.9%	411	17.2%	18.6%	-133	61bp above Bloomberg estimate.
Less: Depreciation	209	218	(4.2%)	211	(1.1%)	639	634	0.8%	
EBIT	1,613	1,768	(8.8%)	853	89.0%	3,168	3,103	2.1%	
Less: Interest Paid	12	11	8%	11	12.1%	31	27	15.4%	
Non-operating Income	139	108	28.9%	134	3.6%	374	300	24.6%	
Extraordinary Item	-	-	NA	-	NA	-	-	NA	
Profit Before Tax	1,739	1,865	(6.7%)	977	78.1%	3,511	3,376	4.0%	
Less: Total Tax	517	451	14.7%	234	120.9%	906	870	4.2%	
Profit After Tax	1,222	1,414	(13.6%)	742	64.6%	2,605	2,507	3.9%	In line with Bloomberg estimate.
Income Tax (Charge) / Credit Relating to These Items	646	-	-	-	-	646	1	-	
Reported PAT	1,868	1,414	32.1%	743	151.4%	4,474	3,922	14.1%	
Reported EPS-Diluted (Rs.)	16.3	18.8	(13.5%)	9.9	64.6%	34.7	33.3	4.2%	
Proforma EPS Diluted (Rs.)	24.8	18.8	32.1%	9.9	151.4%	59.7	52.1	14.4%	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Gross and EBITDA margins soften



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Earnings revision summary (Rs m)

	FY26F		FY27F	
	Old	New	Old	New
Revenue	39,182	35,644	43,936	42,760
Change (%)		-9.0%		-2.7%
EBITDA	8,079	6,419	8,974	7,897
Change (%)		-20.5%		-12.0%
EBITDA Margin	21%	18%	20%	18%
Change (bp)		-261		-196
PAT	5,493	4,381	6,161	5,427
Change (%)		-20.2%		-11.9%
EPS	73	58	82	72
Change (%)		-20.2%		-11.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Key assumptions (Rs m)

Revenue From Operations	FY23	FY24	FY25	FY26F	FY27F	FY28F
Sale of Goods (Gross)	26,410	26,937	29,111	33,093	39,961	46,771
Less: Excise Duty	-	-	-	-	-	-
Sale of Goods (Net)	26,410	26,937	29,111	33,093	39,961	46,771
yoy growth (%)	24.7	2.0	8.1	13.7	20.8	17.0
Rail	4,771	6,692	7,712	9,255	10,920	12,558
share (%)	17	23	25	26	26	25
yoy (%)	20	40	15	20	18	15
Mobility	4,210	5,819	5,855	6,323	7,082	7,790
share (%)	15	20	19	18	17	16
yoy (%)	59	38	1	8	12	10
Process	4,491	5,528	6,075	6,804	8,846	10,615
share (%)	16	19	19	19	21	21
yoy (%)	57	23	10	12	30	20
Distribution	4,771	5,237	5,886	6,593	7,911	9,494
share (%)	17	18	19	18	19	19
yoy (%)	8	10	12	12	20	20
Domestic	20,478	23,260	25,623	29,086	34,891	40,612
share (%)	73.0	79.9	81.4	81.6	81.6	81.4
yoy (%)	32	14	10	14	20	16
Exports	7,588	5,835	5,855	6,558	7,869	9,285
share (%)	27.0	20.1	18.6	18.4	18.4	18.6
yoy (%)	17	-23	0	12	20	18
ABC Bearings	2,235	-16	94	111	131	155
share (%)	8.0	-0.1	0.3	0.3	0.3	0.3
yoy growth (%)	35.9	-100.7	-681.2	18.0	18.0	18.0
Service Sales	1,586	2,088	2,297	2,481	2,729	3,056
yoy growth (%)	10.0	10.0	10.0	8.0	10.0	12.0
Gross Sales	27,996	29,025	31,408	35,574	42,690	49,828
Net Sales	27,996	29,025	31,408	35,574	42,690	49,828
yoy growth (%)	27.5	3.7	8.2	13.3	20.0	16.7

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Target price calculation methodology

	One-year forward
EPS (Rs.) (One-year forward)	74.7
P/E(x)	38.0
Target Price (Rs)	2,838

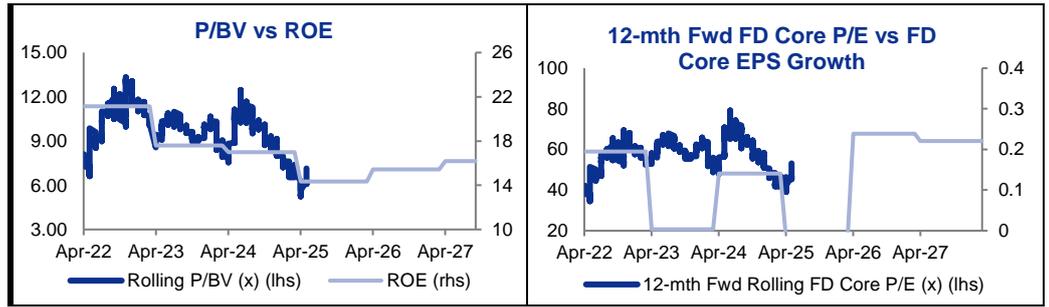
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Forward P/E valuation eases, but is still above the seven-year mean level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	29,095	31,478	35,644	42,760	49,898
Gross Profit	11,929	12,474	14,044	16,762	19,710
Operating EBITDA	5,724	5,916	6,419	7,897	9,559
Depreciation And Amortisation	(852)	(848)	(1,085)	(1,251)	(1,383)
Operating EBIT	4,872	5,068	5,335	6,646	8,175
Financial Income/(Expense)	(38)	(43)	(35)	(30)	(30)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	408	502	581	669	744
Profit Before Tax (pre-EI)	5,242	5,527	5,881	7,285	8,889
Exceptional Items					
Pre-tax Profit	5,242	5,527	5,881	7,285	8,889
Taxation	(1,321)	(1,053)	(1,500)	(1,858)	(2,267)
Exceptional Income - post-tax					
Profit After Tax	3,921	4,474	4,381	5,427	6,622
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	3,921	4,474	4,381	5,427	6,622
Recurring Net Profit	3,921	4,474	4,381	5,427	6,622
Fully Diluted Recurring Net Profit	3,921	4,474	4,381	5,427	6,622

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	5,724	5,916	6,419	7,897	9,559
Cash Flow from Invt. & Assoc.	(482)	(389)	(538)	(612)	(670)
Change In Working Capital	(1,984)	460	(1,662)	(2,816)	(2,335)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	852	848	1,085	1,251	1,383
Other Operating Cashflow	(370)	(459)	(546)	(639)	(714)
Net Interest (Paid)/Received	(38)	(43)	(35)	(30)	(30)
Tax Paid	(1,321)	(1,053)	(1,500)	(1,858)	(2,267)
Cashflow From Operations	2,382	5,280	3,222	3,193	4,927
Capex	(1,358)	(5,280)	(1,000)	(1,600)	(1,400)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	2,750	6,786	4,591	7,252	9,325
Cash Flow From Investing	1,392	1,506	3,591	5,652	7,925
Debt Raised/(repaid)	(234)	(60)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(188)	(2,708)	(226)	(263)	(323)
Preferred Dividends					
Other Financing Cashflow	(38)	(43)	(35)	(30)	(30)
Cash Flow From Financing	(460)	(2,811)	(261)	(293)	(353)
Total Cash Generated	3,314	3,975	6,553	8,551	12,498
Free Cashflow To Equity	3,540	6,726	6,813	8,845	12,852
Free Cashflow To Firm	3,811	6,829	6,848	8,875	12,882

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	3,314	3,975	6,553	8,551	12,498
Total Debtors	6,519	6,998	8,203	9,958	11,210
Inventories	6,667	6,447	7,617	9,372	11,210
Total Other Current Assets	2,098	1,514	1,880	2,255	2,631
Total Current Assets	18,598	18,934	24,252	30,136	37,550
Fixed Assets	7,757	12,190	12,105	12,454	12,471
Total Investments	1,605	1,171	1,171	1,171	1,171
Intangible Assets	1,813	1,813	1,813	1,813	1,813
Total Other Non-Current Assets					
Total Non-current Assets	11,176	15,174	15,089	15,438	15,455
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	3,857	3,970	4,687	5,389	6,152
Other Current Liabilities	1,560	1,625	1,840	2,207	2,576
Total Current Liabilities	5,417	5,595	6,528	7,596	8,728
Total Long-term Debt	60				
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	60				
Total Provisions	226	210	210	210	210
Total Liabilities	5,703	5,805	6,737	7,806	8,938
Shareholders Equity	24,173	28,449	32,604	37,768	44,067
Minority Interests					
Total Equity	24,173	28,449	32,604	37,768	44,067

Key Ratios					
	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	3.9%	8.7%	13.2%	20.0%	16.7%
Operating EBITDA Growth	2.2%	3.4%	8.5%	23.0%	21.0%
Operating EBITDA Margin	19.8%	18.8%	18.0%	18.5%	19.2%
Net Cash Per Share (Rs)	43.25	52.85	87.13	113.70	166.18
BVPS (Rs)	321.40	378.26	433.51	502.17	585.92
Gross Interest Cover	128.59	118.17	152.42	221.53	272.51
Effective Tax Rate	25.2%	19.1%	25.5%	25.5%	25.5%
Net Dividend Payout Ratio	4.8%	60.5%	5.1%	4.9%	4.9%
Accounts Receivables Days	77.01	78.37	77.83	77.51	77.42
Inventory Days	131.42	125.93	118.82	119.26	124.43
Accounts Payables Days	(77.62)	(75.17)	(73.15)	(70.73)	(69.77)
ROIC (%)	21.0%	19.0%	16.7%	19.3%	21.1%
ROCE (%)	21.5%	19.1%	17.4%	18.8%	19.9%
Return On Average Assets	14.3%	14.1%	12.0%	12.8%	13.5%

Key Drivers					
	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue growth	N/A	N/A	N/A	N/A	N/A
Rail	40	15	N/A	N/A	N/A
Mobility	38	1	N/A	N/A	N/A
Process	23	10	N/A	N/A	N/A
Distribution	10	12	N/A	N/A	N/A
Domestic	28	10	N/A	N/A	N/A
Exports	(23)	N/A	N/A	N/A	N/A
Sale of service	32	10	N/A	N/A	N/A
Total sales	14	8	N/A	N/A	N/A

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.