

India

**Overweight** (no change)

**Highlighted Companies**

**Schaeffler India Ltd**

**ADD, TP Rs3110, Rs2833 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, Rs4830 close**

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

**Timken Ltd**

**HOLD, TP Rs3500, Rs3444 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)	Mar23-F	Mar24-F
Schaeffler India Ltd	50.95	44.13
SKF India Ltd	40.68	35.94
Timken Ltd	55.92	46.74

P/BV (x)	Mar23-F	Mar24-F
Schaeffler India Ltd	10.36	8.87
SKF India Ltd	10	8.05
Timken Ltd	12.31	9.81

Dividend Yield	Mar23-F	Mar24-F
Schaeffler India Ltd	0.56%	0.64%
SKF India Ltd	0.35%	0.37%
Timken Ltd	0.06%	0.07%

# Industrial - Overall

## Bearings sector 2QFY23 results review

- Demand sustains in domestic and export markets, although there were concerns over global slowdown. Margin performance was mixed in 2QFY23.
- Stepping up investment in new products, localization, export growth, and after-market penetration gel well for the overall financials of companies in the sector.
- Valuations stay expensive. Retain ADD rating on Schaeffler India & SKF India.

### Sales largely in line while margins were a mixed bag

2QFY23 sales of Schaeffler India/SFK India/ Timken grew by 18%/12%/25% yoy and by 0.4%/2%/-0.5% qoq (showing a three-year CAGR of 14%/12%/20%), respectively, which were largely in line with estimates. The pick-up in the automotive segment, sustained growth momentum in the industrial segment (except for a pocket of weakness in wind energy and steel) and continued export growth led to yoy sales growth, although it was subdued on a qoq basis. Margin performance was mixed with SKF India delivering all-time high quarterly margins and Schaeffler India's margins being in line, while Timken disappointed on the margins front (due to high-cost inventory and an adverse product mix).

### Demand sustains, but concerns remain on global slowdown impact

Companies' commentaries suggest a strong domestic market while the export growth momentum continued, but there were concerns over export growth outlook due to a global slowdown. SKF India turned cautious considering the global slowdown's repercussions on the domestic market and, accordingly, aligned its cost structure. Relocation strategies of parent companies continue to support export growth for Schaeffler India and Timken India. New product launches and increased market penetration aided strong growth in the after-market segment for SKF India and Schaeffler India in the last few quarters.

### Increased investment in localization, new product launches

Parent companies' regionalization strategy, export push from India and new product launches led to increase in capex or investment plan for all three bearings companies. Schaeffler India's capex plan of Rs10bn in three years is ongoing for capacity expansion, exports, new products and localization. SKF India is stepping up its capex plan for localization, mainly for industrial products, following increased regionalization strategy of its parent. Timken has decided to invest Rs6bn for manufacturing cylindrical roller bearings (CRB) and spherical roller bearings (SRB), with production set to start from Dec 2024F.

### Valuations stay expensive; retain ADD on Schaeffler India, SKF India

Investment in new products, after-market penetration, export push, increased localization, and easing commodity prices to aid overall financials. We retain ADD rating on Schaeffler India (new product launches, export push, localization) and SKF India (margin expansion, after-market penetration, investment in localization) and HOLD rating on Timken (fair valuation and near-term capacity constraints need to be tackled although medium-term opportunities remain with new manufacturing plans). The downside risks are stock valuations remaining expensive, and slowdown in the domestic market.

**Analyst(s)**



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**Figure 1: Comparative valuation table**

Company	Bloomberg Ticker	Recom.	Price Rs	TP Rs (US\$ m)	Mkt cap	P/E (x)			P/BV (x)			EV/EBITDA (x)		
						FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
SKF	SKF IN	Add	4,829	5,340	2,884	41	36	32	12.7	10.0	8.1	29	26	22
Schaeffler	SCHFL IN	Add	2,832	3,110	5,272	52	44	38	12.1	10.4	8.9	34	29	25
Timken	TMKN IN	Hold	3,444	3,500	3,122	56	47	39	12.3	9.8	7.9	39	32	28

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

**ADD** (no change)

Consensus ratings\*: Buy 3 Hold 2 Sell 2

Current price:	Rs2,833
Target price: ▲	Rs3,110
Previous target:	Rs2,900
Up/downside:	9.8%
InCred Research / Consensus:	6.1%
Reuters:	
Bloomberg:	SCHFL IN
Market cap:	US\$6,098m Rs442,801m
Average daily turnover:	US\$7.0m Rs508.9m
Current shares o/s:	156.3m
Free float:	25.9%

\*Source: Bloomberg

**Key changes in this note**

- EBITDA cut by 1% for CY22F-24F.
- PAT cut by 2% for CY22F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.5	(4.8)	85.6
Relative (%)	(1.0)	(12.0)	69.6

Major shareholders	% held
Promoter	74.1
Kotak Mutual Fund	3.4
SBI Mutual Fund	2.1

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# Schaeffler India Ltd

## New products, order wins to aid growth

- New order wins and product launches across Schaeffler India's three segments support its growth outlook.
- Exports growth story intact due to the parent company's relocation strategy, despite global slowdown concerns.
- Reiterate ADD rating on the stock with a higher target price of Rs3,110.

### Minor hiccup in the industrial segment

Schaeffler India's marginal sales miss in 3QCY22 was on account of a 5% qoq decline in the industrial segment (due to weakness in wind energy and raw material sub-segments), but sales momentum was sustained in automotive, after-market and export divisions. Weakness in the wind energy market due to the European Union or EU sanctions could persist for some more time, but the company has new order wins in off-road vehicle and industrial automation segments. Gross margin pressure was impacted by product mix, although management highlighted that prices hikes have covered a major part of input cost inflation. It expects raw material cost to be flattish yoy in 4QCY22F.

### New order wins and product launches support growth

Schaeffler India won orders for double clutch systems in the commercial vehicle segment, needle roller bearings and ball bearings in passenger vehicle and two-wheeler segments and expanded as well as gained volume share in newly launched products in the automotive after-market segment. The company expects strong after-market sales in 4QCY22F. In the industrial segment, it secured orders for cylindrical rollers, spherical rollers, and taper rollers in the off-road vehicle space, large-size bearings in the energy segment and linear guides in the industrial automation segment.

### Parent's relocation strategy to aid exports despite the slowdown

The company's exports grew by 7% qoq in 3QCY22, despite the slowdown fears, and also has good order book coverage for 4QCY22F. Management expects export performance to sustain as any weakness in global demand would be offset by relocation strategy of the parent company in India due to critical mass in some products, cost-competency, and increased access to new markets like the Asia Pacific region. Capex needs for export growth are also factored in the capex plan of Rs10bn for three years apart from the capex for capacity expansion, new products and localization.

### Business well-poised; retain ADD rating with a higher TP of Rs3,110

New product launches/businesses, market penetration, export focus and localization would continue to aid earnings traction, in our view. We have marginally cut CY22F EPS by 2%. Our target price stands increased to Rs3,110 (from Rs2,900) due to rollover at a P/E of 40x (+1SD 10-year average) and reiterate ADD rating on stock. Downside risks: Slowdown in exports, and inability to sustain higher margins.

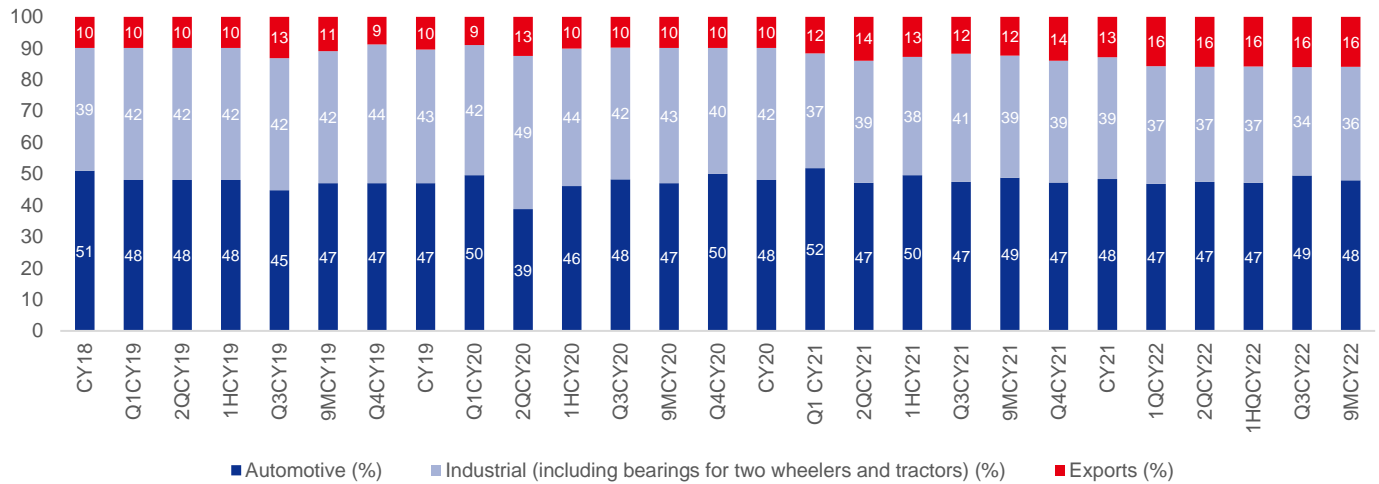
### Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (Rsm)	37,618	55,605	68,743	77,976	87,808
Operating EBITDA (Rsm)	5,361	9,715	12,766	14,816	17,035
Net Profit (Rsm)	2,910	6,291	8,691	10,034	11,737
Core EPS (Rs)	18.6	40.2	54.9	64.2	75.1
Core EPS Growth	(20.9%)	116.2%	36.4%	17.0%	17.0%
FD Core P/E (x)	152.18	70.38	51.61	44.13	37.73
DPS (Rs)	7.0	7.6	16.0	18.0	20.0
Dividend Yield	0.25%	0.27%	0.56%	0.64%	0.71%
EV/EBITDA (x)	80.27	44.12	33.45	28.53	24.42
P/FCFE (x)	214.68	382.68	106.76	63.16	45.22
Net Gearing	(39.7%)	(38.7%)	(37.1%)	(40.2%)	(45.7%)
P/BV (x)	14.10	12.12	10.36	8.87	7.56
ROE	9.5%	18.5%	21.6%	21.7%	21.6%
% Change In Core EPS Estimates			(1.69%)	(0.25%)	(0.01%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## New products, order wins to aid growth

Figure 2: Schaeffler India's sales mix breakdown



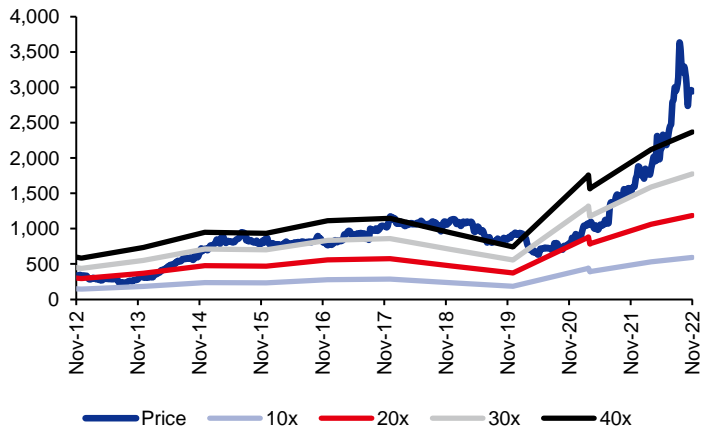
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Introduction of new products and key deal wins over the quarters

Segments	3QCY21	4QCY21	1QCY22	2QCY22	3QCY22
1. Industrial	Breakthrough order for tractor segment for transmission application	Significant win for Sealed Spherical Roller Bearings for the material handling segment	Significant win for SRBs, CRBs and TRBs for the off-road sector	New win for CRBs and SRBs in offroad segment	Key business wins for CRBs, SRBs and TRBs in our off-road segment
	Business win for high performance spindle bearings made with special alloy	Significant overseas win for Track Roller Bearings for metals segment	Key business win for Integrated Break and Slewing Ring for the industrial automation segment	Key business win for ACBBs and NRBs in engine and transmission application for the (TW1) sector	New business win for SRBs, TRBs and LSBs in our energy segment
	Won orders for linear motion guides for a large machine tool manufacturer	Key business win for the services segment for Condition Monitoring Equipment	Key business win in CRBs and SRBs for the raw material segment	Business wins for Linear Guides in the industrial automation segment	Business wins for linear guides in the industrial automation segment and DGBB and NRBs in the TW segment
2. Automotive and Technologies	Key wins in CV and PV for DCT dampers and clutches for transmission solutions	Key wins in CV and PV for DCT dampers and clutches for transmission solutions	Key wins in CVs for MHCV clutches for transmission solutions	Key wins in CVs1) for E-Axle Bearings	Key win in CVs for double clutch systems
	Business win for Gen 3 wheel bearings for PV segment	Business win for Gen 3-wheel bearings for PV segment	Business win for wheel bearings for PV segment	Business win for Gen-1 Wheel Bearings for PV segment	Business win for needle bearings and DGBBs for PV segment
	Long term business win in engine segment for hydraulic rocker arms	Business win for Hydraulic Cam Phaser solution for PV engine application	Business wins in CVs for LV clutch systems	Business wins in CVs for light vehicle clutch systems	Business wins in PVs for light vehicle clutch systems
3. Automotive Aftermarket	Increased penetration of FAG Universal Joint Cross	Introduction of new replacement clutch for LCV segment	Introduction of wipers for PV segment	Product diversification continues, launched Centre Joint Support	Volume wins for our newly launched product – center joint support
	Introduction of high performance Lithium complex grease	FEAD/ Timing Kit introduced for PV segment	Business wins for the FEAD/ Timing Kit for PV segment	Business wins for the FEAD/ Timing Kit, TRBs BS-VI PV segment	Set up our Mobile Training Center under our REXPART brand
	Introduction of anti – freeze coolant for sub-zero temperature markets	Diversification and penetration through range extension; launched shock absorbers	Diversification and penetration through range extension	Key wins for shock absorbers, lubricants and newly launched wipers	Continue to expand our market coverage for shock absorbers, lubricants and wipers

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Schaeffler India's one-year forward P/E above +1SD



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 5: Schaeffler India trades above +1SD



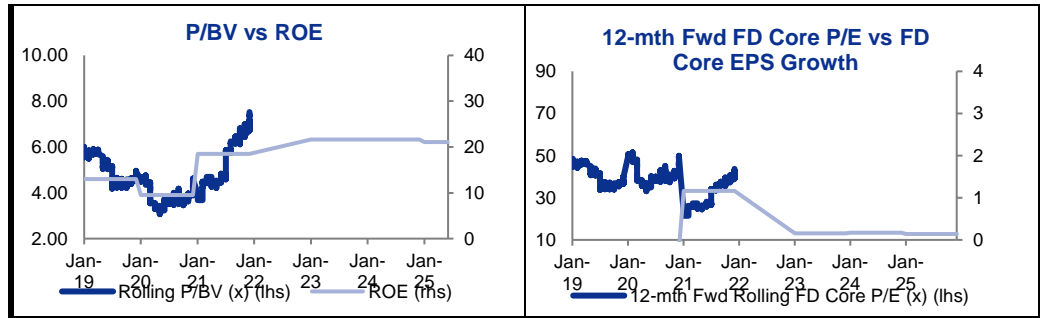
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 6: Earnings revision table

(Rs m)	Old Estimates			New Estimates			Change		
	CY22F	CY23F	CY24F	CY22F	CY23F	CY24F	CY22F	CY23F	CY24F
Revenue	68,313	77,600	87,439	68,743	77,976	87,808	1%	0%	0%
EBITDA	12,843	14,899	17,138	12,766	14,816	17,035	-1%	-1%	-1%
PAT	8,688	10,059	11,738	8,541	10,034	11,737	-2%	0%	0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>37,618</b>	<b>55,605</b>	<b>68,743</b>	<b>77,976</b>	<b>87,808</b>
<b>Gross Profit</b>	<b>14,287</b>	<b>20,981</b>	<b>25,882</b>	<b>29,631</b>	<b>33,631</b>
<b>Operating EBITDA</b>	<b>5,361</b>	<b>9,715</b>	<b>12,766</b>	<b>14,816</b>	<b>17,035</b>
Depreciation And Amortisation	(1,940)	(1,971)	(2,063)	(2,303)	(2,499)
<b>Operating EBIT</b>	<b>3,422</b>	<b>7,744</b>	<b>10,703</b>	<b>12,512</b>	<b>14,536</b>
Financial Income/(Expense)	(52)	(37)	(37)	(37)	(37)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	603	724	832	972	1,230
<b>Profit Before Tax (pre-EI)</b>	<b>3,972</b>	<b>8,431</b>	<b>11,498</b>	<b>13,448</b>	<b>15,729</b>
Exceptional Items		150			
<b>Pre-tax Profit</b>	<b>3,972</b>	<b>8,431</b>	<b>11,647</b>	<b>13,448</b>	<b>15,729</b>
Taxation	(1,062)	(2,140)	(2,957)	(3,414)	(3,993)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>2,910</b>	<b>6,291</b>	<b>8,691</b>	<b>10,034</b>	<b>11,737</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>2,910</b>	<b>6,291</b>	<b>8,691</b>	<b>10,034</b>	<b>11,737</b>
Recurring Net Profit	2,910	6,291	8,579	10,034	11,737
<b>Fully Diluted Recurring Net Profit</b>	<b>2,910</b>	<b>6,291</b>	<b>8,579</b>	<b>10,034</b>	<b>11,737</b>

Cash Flow

(Rs mn)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>EBITDA</b>	<b>5,361</b>	<b>9,715</b>	<b>12,766</b>	<b>14,816</b>	<b>17,035</b>
Cash Flow from Invt. & Assoc.	(1,389)	(1,284)	(1,118)	(1,368)	(1,305)
Change In Working Capital	2,515	(3,280)	(3,070)	(1,790)	(1,906)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,940	1,971	2,063	2,303	2,499
Other Operating Cashflow	(603)	(617)	(832)	(972)	(1,230)
Net Interest (Paid)/Received	(52)	(37)	(37)	(37)	(37)
Tax Paid	(1,384)	(1,895)	(2,957)	(3,414)	(3,993)
<b>Cashflow From Operations</b>	<b>6,387</b>	<b>4,573</b>	<b>6,816</b>	<b>9,538</b>	<b>11,063</b>
Capex	(2,377)	(1,826)	(3,500)	(3,500)	(2,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(2,529)	(2,127)			
Other Investing Cashflow	581	537	832	972	1,230
<b>Cash Flow From Investing</b>	<b>(4,325)</b>	<b>(3,416)</b>	<b>(2,668)</b>	<b>(2,528)</b>	<b>(1,270)</b>
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	1,159	2,108	2,070	3,827	8,134
Preferred Dividends					
Other Financing Cashflow	(52)	(3)	37	37	37
<b>Cash Flow From Financing</b>	<b>1,107</b>	<b>2,105</b>	<b>2,107</b>	<b>3,863</b>	<b>8,171</b>
Total Cash Generated	3,169	3,262	6,254	10,874	17,963
<b>Free Cashflow To Equity</b>	<b>2,063</b>	<b>1,157</b>	<b>4,147</b>	<b>7,011</b>	<b>9,793</b>
<b>Free Cashflow To Firm</b>	<b>2,115</b>	<b>1,194</b>	<b>4,184</b>	<b>7,047</b>	<b>9,829</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Dec-20A</b>	<b>Dec-21A</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
Total Cash And Equivalents	12,459	14,157	15,840	20,074	26,777
Total Debtors	6,917	8,463	10,924	12,391	13,953
Inventories	7,136	10,865	13,372	15,168	17,081
Total Other Current Assets	146	133	133	133	133
<b>Total Current Assets</b>	<b>26,659</b>	<b>33,617</b>	<b>40,268</b>	<b>47,766</b>	<b>57,944</b>
Fixed Assets	11,661	11,577	13,014	14,211	14,212
Total Investments					
Intangible Assets	2	12	12	12	12
Total Other Non-Current Assets	3,193	3,756	4,543	5,100	5,692
<b>Total Non-current Assets</b>	<b>14,856</b>	<b>15,345</b>	<b>17,570</b>	<b>19,323</b>	<b>19,917</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	7,687	9,329	11,533	13,082	14,732
Other Current Liabilities	2,425	3,097	3,578	4,059	4,571
<b>Total Current Liabilities</b>	<b>10,111</b>	<b>12,426</b>	<b>15,111</b>	<b>17,141</b>	<b>19,303</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>					
Total Provisions					
<b>Total Liabilities</b>	<b>10,111</b>	<b>12,426</b>	<b>15,111</b>	<b>17,141</b>	<b>19,303</b>
Shareholders Equity	31,403	36,537	42,727	49,948	58,558
Minority Interests					
<b>Total Equity</b>	<b>31,403</b>	<b>36,537</b>	<b>42,727</b>	<b>49,948</b>	<b>58,558</b>

<b>Key Ratios</b>					
	<b>Dec-20A</b>	<b>Dec-21A</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
Revenue Growth	(13.7%)	47.8%	23.6%	13.4%	12.6%
Operating EBITDA Growth	(15.4%)	81.2%	31.4%	16.1%	15.0%
Operating EBITDA Margin	14.3%	17.5%	18.6%	19.0%	19.4%
Net Cash Per Share (Rs)	79.71	90.57	101.34	128.43	171.32
BVPS (Rs)	200.91	233.75	273.36	319.55	374.64
Gross Interest Cover	65.30	211.02	291.63	340.94	396.07
Effective Tax Rate	26.7%	25.4%	25.4%	25.4%	25.4%
Net Dividend Payout Ratio	37.6%	18.9%	29.3%	28.0%	26.6%
Accounts Receivables Days	64.22	50.48	51.47	54.57	54.75
Inventory Days	112.18	94.88	103.20	107.74	108.63
Accounts Payables Days	(99.17)	(89.69)	(88.83)	(92.92)	(93.69)
ROIC (%)	18.1%	34.6%	39.8%	41.9%	45.7%
ROCE (%)	11.2%	22.8%	27.0%	27.0%	26.8%
Return On Average Assets	7.6%	14.0%	16.1%	16.1%	16.2%

<b>Key Drivers</b>					
	<b>Dec-20A</b>	<b>Dec-21A</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
Segmental Revenue					
Automotive	17,927	26,879	33,144	37,323	41,431
Industrial	15,502	21,566	24,704	28,123	32,344
Exports	4,190	7,160	10,896	12,530	14,034
Total Revenue	37,618	55,605	68,743	77,976	87,808
yoy growth (%)					
Automotive	(12.5)	49.9	23.3	12.6	11.0
Industrial	(16.4)	39.1	14.5	13.8	15.0
Exports	(8.3)	70.9	52.2	15.0	12.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS



India

**ADD** (no change)

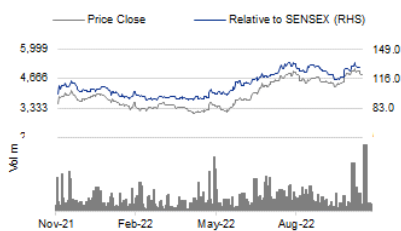
Consensus ratings\*: Buy 6 Hold 2 Sell 1

Current price:	Rs4,830
Target price: ▲	Rs5,340
Previous target:	Rs4,515
Up/downside:	10.6%
InCred Research / Consensus:	13.5%
Reuters:	
Bloomberg:	SKF IN
Market cap:	US\$3,288m Rs238,761m
Average daily turnover:	US\$3.2m Rs235.6m
Current shares o/s:	49.4m
Free float:	47.4%

\*Source: Bloomberg

**Key changes in this note**

- Revenue cut by 2% for FY23-25F.
- EBITDA raised by 1-7% for FY23-25F.
- PAT raised by 1-7% for FY23-25F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.5	0.2	35.8
Relative (%)	6.6	(7.3)	24.0

Major shareholders	% held
Promoter	52.6
HDFC Mutual Fund	7.5
Mirae Mutual Fund	6.0

**Analyst(s)**



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# SKF India Ltd

## Margins surprise positively in 1HFY23

- SKF India surprised positively on EBITDA margin front aided by a favourable mix, pricing, being selective in margin-accretive orders, and via cost measures.
- Parent's strategy to increase regional capabilities will lead to a rise in capex for localization. The increased penetration and focus on after-market gels well.
- Reiterate ADD rating on the stock with a higher target price of Rs5,340.

### Delivers strong margins in 1HFY23

SKF India delivered a positive surprise on EBITDA margin performance in the last couple of quarters led by gross margin improvement, which is unlike the performance of its peers. Margins were aided by a favourable product mix (higher manufactured goods), pricing, a selective approach towards high-margin categories, regionalization in sourcing, and cost control measures. 2QFY23 revenue grew 2% qoq on a high base with an all-time high quarterly EBITDA margin at 19.9% (+248bp qoq). Management expects stronger margins by focusing on high-margin categories.

### Management shifts to being conservative

SKF India's management indicated that a pick-up in the automotive segment and a strong order book for the industrial segment gels well for near-term revenue. It expects demand in 3QFY23F to be in line with that in 1HFY23. However, it remains cautious on global slowdown and its repercussions, and has chosen to prepare for the downturn by managing cost better. SKF India got approvals for class K and high-load bearings and expects orders from wagon-builders. It sees government capex going strong, while private capex could see an improvement in select segments considering demand slowdown in case of large customers.

### Localization and rising market penetration to support margins

Localization is likely to gain pace as SKF India is targeting higher capex by 30%-40% from its current capex of ~Rs1bn p.a. as its parent is looking at increasing regional capabilities across Asia. The company is targeting products in strong growth areas linked to infrastructure spending by the government, which mostly involve deep groove ball bearings and spherical roller bearings. Increased market penetration and new product launches to aid the after-market segment's growth.

### Maintain ADD rating with a higher target price of Rs5,340

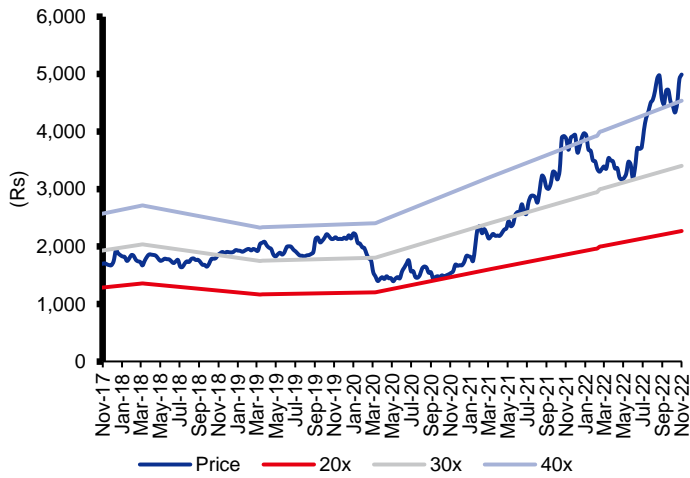
Sustaining end-market demand in FY23F, increasing market penetration, focus on rotating equipment performance (REP), and a continuous recovery in gross margin gel well for earnings growth. We raise our FY23F-25F EPS by 1-7%, factoring in higher margins, and raise target price to Rs5,340 (Rs4,515 earlier) or 35x FY25F EPS (+1SD 5-year average). Downside risks: Demand revival not sustaining, and slower-than-expected localization.

### Financial Summary

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	26,329	36,036	44,018	49,473	55,394
Operating EBITDA (Rsm)	4,201	5,557	8,011	8,868	10,000
Net Profit (Rsm)	2,977	3,951	5,870	6,644	7,542
Core EPS (Rs)	60.2	79.9	118.7	134.4	152.6
Core EPS Growth	3.0%	32.7%	48.6%	13.2%	13.5%
FD Core P/E (x)	80.20	60.43	40.68	35.94	31.66
DPS (Rs)	130.0	14.5	17.0	18.0	20.0
Dividend Yield	2.69%	0.30%	0.35%	0.37%	0.41%
EV/EBITDA (x)	55.68	42.27	28.98	25.72	22.34
P/FCFE (x)	30.58	806.38	69.84	48.08	42.70
Net Gearing	(30.9%)	(20.5%)	(27.8%)	(36.2%)	(42.4%)
P/BV (x)	15.27	12.66	10.00	8.05	6.60
ROE	19.0%	21.0%	24.6%	22.4%	20.8%
% Change In Core EPS Estimates			7.06%	2.65%	0.87%
InCred Research/Consensus EPS (x)					

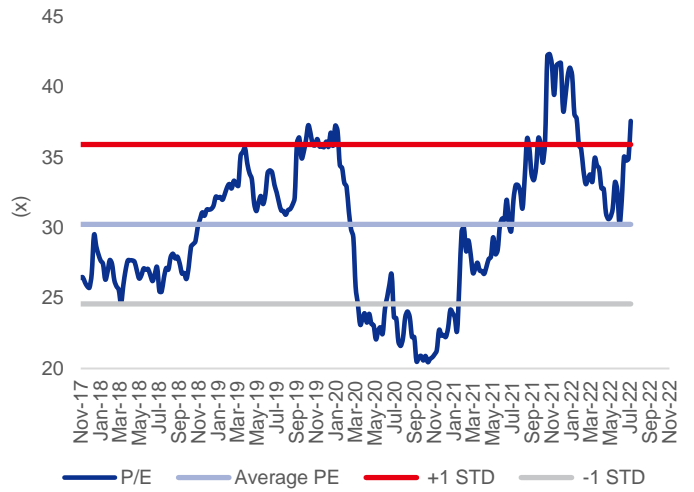
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: SKF India's one-year forward P/E



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 8: SKF India's current P/E above +1SD five-year average



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

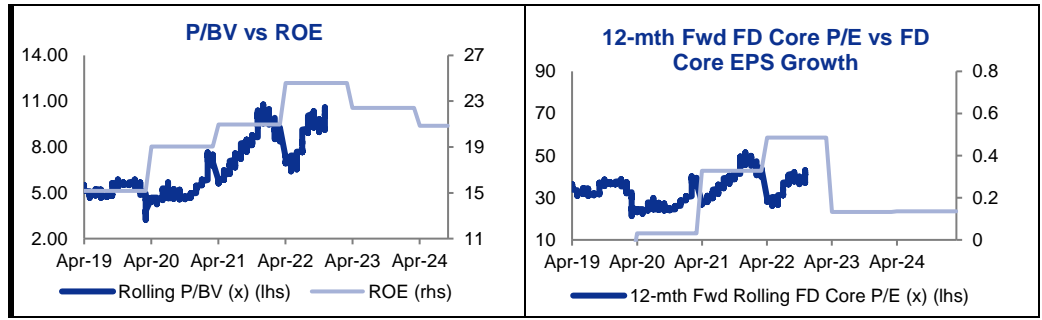
Figure 9: Earnings revision table

Rs m	Old Estimates			New Estimates			Change		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Revenue	44,720	50,282	56,305	44,018	49,473	55,394	-1.6%	-1.6%	-1.6%
EBITDA	7,490	8,637	9,912	8,011	8,868	10,000	6.9%	2.7%	0.9%
PAT	5,483	6,473	7,478	5,870	6,644	7,542	7.1%	2.6%	0.9%
EPS	111	131	151	119	134	153	7.1%	2.6%	0.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
<b>Total Net Revenues</b>	<b>26,707</b>	<b>36,659</b>	<b>44,018</b>	<b>49,473</b>	<b>55,394</b>
<b>Gross Profit</b>	<b>11,095</b>	<b>14,207</b>	<b>17,827</b>	<b>19,789</b>	<b>22,157</b>
<b>Operating EBITDA</b>	<b>4,201</b>	<b>5,557</b>	<b>8,011</b>	<b>8,868</b>	<b>10,000</b>
Depreciation And Amortisation	(580)	(571)	(638)	(643)	(727)
<b>Operating EBIT</b>	<b>3,622</b>	<b>4,986</b>	<b>7,372</b>	<b>8,225</b>	<b>9,273</b>
Financial Income/(Expense)	(21)	(21)	(21)	(21)	(21)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	362	344	536	724	883
<b>Profit Before Tax (pre-EI)</b>	<b>3,963</b>	<b>5,310</b>	<b>7,888</b>	<b>8,929</b>	<b>10,135</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>3,963</b>	<b>5,310</b>	<b>7,888</b>	<b>8,929</b>	<b>10,135</b>
Taxation	(986)	(1,358)	(2,018)	(2,284)	(2,593)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>2,977</b>	<b>3,951</b>	<b>5,870</b>	<b>6,644</b>	<b>7,542</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>2,977</b>	<b>3,951</b>	<b>5,870</b>	<b>6,644</b>	<b>7,542</b>
Recurring Net Profit	2,977	3,951	5,870	6,644	7,542
<b>Fully Diluted Recurring Net Profit</b>	<b>2,977</b>	<b>3,951</b>	<b>5,870</b>	<b>6,644</b>	<b>7,542</b>

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	4,201	5,557	8,011	8,868	10,000
Cash Flow from Invt. & Assoc.	(239)	(248)	(123)	61	136
Change In Working Capital	(16)	(3,614)	(1,708)	(1,100)	(1,456)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	580	571	638	643	727
Other Operating Cashflow	(231)	(209)	(536)	(724)	(883)
Net Interest (Paid)/Received	(21)	(21)	(21)	(21)	(21)
Tax Paid	(1,057)	(1,486)	(2,018)	(2,284)	(2,593)
<b>Cashflow From Operations</b>	<b>3,218</b>	<b>550</b>	<b>4,243</b>	<b>5,442</b>	<b>5,909</b>
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	536	724	883
<b>Cash Flow From Investing</b>	<b>4,589</b>	<b>(254)</b>	<b>(664)</b>	<b>(476)</b>	<b>(317)</b>
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)			
<b>Cash Flow From Financing</b>	<b>(6,448)</b>	<b>(738)</b>	<b>(1,001)</b>	<b>(890)</b>	<b>(989)</b>
Total Cash Generated	1,359	(442)	2,578	4,076	4,603
<b>Free Cashflow To Equity</b>	<b>7,807</b>	<b>296</b>	<b>3,419</b>	<b>4,966</b>	<b>5,592</b>
<b>Free Cashflow To Firm</b>	<b>7,828</b>	<b>317</b>	<b>3,600</b>	<b>4,987</b>	<b>5,613</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Total Cash And Equivalents	5,003	4,019	6,640	10,737	15,361
Total Debtors	5,834	6,871	8,080	8,810	9,865
Inventories	4,680	6,768	8,127	9,134	10,227
Total Other Current Assets	3,185	3,841	4,440	4,885	5,367
<b>Total Current Assets</b>	<b>18,703</b>	<b>21,499</b>	<b>27,287</b>	<b>33,566</b>	<b>40,819</b>
Fixed Assets	4,100	4,540	5,102	5,659	6,132
Total Investments	25	25	25	25	25
Intangible Assets					
Total Other Non-Current Assets	199	222	200	200	200
<b>Total Non-current Assets</b>	<b>4,324</b>	<b>4,787</b>	<b>5,327</b>	<b>5,884</b>	<b>6,357</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	5,769	5,244	6,297	7,077	7,924
Other Current Liabilities	1,444	2,023	2,429	2,729	3,056
<b>Total Current Liabilities</b>	<b>7,213</b>	<b>7,267</b>	<b>8,725</b>	<b>9,807</b>	<b>10,980</b>
Total Long-term Debt	176	161			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>176</b>	<b>161</b>			
Total Provisions					
<b>Total Liabilities</b>	<b>7,388</b>	<b>7,428</b>	<b>8,725</b>	<b>9,807</b>	<b>10,980</b>
Shareholders Equity	15,638	18,859	23,888	29,643	36,196
Minority Interests					
<b>Total Equity</b>	<b>15,638</b>	<b>18,859</b>	<b>23,888</b>	<b>29,643</b>	<b>36,196</b>

<b>Key Ratios</b>					
	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Revenue Growth	(5.8%)	36.9%	22.2%	12.4%	12.0%
Operating EBITDA Growth	20.2%	32.3%	44.1%	10.7%	12.8%
Operating EBITDA Margin	16.0%	15.4%	18.2%	17.9%	18.1%
Net Cash Per Share (Rs)	97.64	78.03	134.30	217.17	310.70
BVPS (Rs)	316.30	381.45	483.18	599.57	732.13
Gross Interest Cover	170.04	239.73	354.43	395.43	445.81
Effective Tax Rate	24.9%	25.6%	25.6%	25.6%	25.6%
Net Dividend Payout Ratio	215.9%	18.1%	14.3%	13.4%	13.1%
Accounts Receivables Days	69.64	63.25	61.99	62.31	61.53
Inventory Days	107.52	93.06	103.79	106.12	106.31
Accounts Payables Days	(115.60)	(89.52)	(80.42)	(82.22)	(82.37)
ROIC (%)	33.6%	33.3%	42.8%	43.6%	44.6%
ROCE (%)	22.9%	26.2%	30.9%	27.7%	25.6%
Return On Average Assets	13.0%	15.1%	18.1%	16.9%	16.0%

<b>Key Drivers</b>					
	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Auto OEM	0.7%	46.0%	18.0%	12.0%	10.0%
Auto aftermarket	10.0%	27.8%	23.0%	12.0%	10.0%
Exports (largely Auto)	(33.0%)	111.7%	N/A	10.0%	10.0%
Total auto	(4.3%)	50.4%	15.4%	11.6%	10.0%
Industrial OEM	(10.0%)	45.4%	35.0%	14.0%	14.0%
Industrial after market	(6.0%)	8.0%	12.0%	12.0%	14.0%
Total Industrials	(10.0%)	45.4%	35.0%	14.0%	14.0%
Total sales	(8.0%)	26.0%	24.7%	13.2%	14.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

India

**HOLD** (no change)

Consensus ratings\*: Buy 5 Hold 1 Sell 1

Current price: Rs3,444  
 Target price: ▲ Rs3,500  
 Previous target: Rs2,320  
 Up/downside: 1.6%  
 InCred Research / Consensus: 7.5%

Reuters:  
 Bloomberg: TMKN IN  
 Market cap: US\$3,568m  
 Rs259,087m  
 Average daily turnover: US\$6.4m  
 Rs463.0m  
 Current shares o/s: 75.2m  
 Free float: 32.2%

\*Source: Bloomberg

**Key changes in this note**

- Revenue raised by 10-12% for FY23F-24F.
- EBITDA raised by 6-13% for FY23F-24F.
- PAT raised by 12-15% for FY23F-24F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	18.1	16.3	89.4
Relative (%)	12.9	7.6	73.0

Major shareholders	% held
Promoter	67.8
SBI Mutual Fund	3.3
PGIM India Mutual Fund	1.6

**Analyst(s)**



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# Timken Ltd

## Diversification to aid medium-term growth

- Timken's domestic order book is strong, but some concerns remain on export growth outlook. 2QFY23 low margins, in our view, could see some recovery.
- Capacity constraints should be tackled for near-term growth. We feel diversifying into new product lines to provide growth opportunities from FY26F.
- Reiterate HOLD rating on the stock with a higher target price of Rs3,500.

### High-cost inventory and an adverse product mix hit margins

Timken's large EBITDA miss in 2QFY23 was due to lower gross margin (-449bp yoy, -601bp qoq), impacted by high-cost inventory, an adverse mix in overseas and domestic markets as well as an unfavourable forex impact. 2Q/1HFY23 product mix was similar with segments such as railways accounting for 16%, mobility 20%, distribution 17%, process 16% and exports 32% with the share of railways and distribution segments declining from FY22 levels, while increasing in case of process and export segments. Railways segment's order book is strong and is set for good growth next year, but the working capital problem needs to be sorted out.

### Capacity constraints should be tackled for growth in FY24F/25F

Timken stated that its export order book is decent except for Europe, although it acknowledged that global slowdown could impact future growth while the domestic order book is strong. Baruch and Jamshedpur plants are operating at 70% and 85-90% of their capacity, respectively, after touching lower levels in Aug-Sep 2022. The company indicated that in case of a higher demand scenario, it can cater to an additional 10-15% growth by getting some assets of sister companies shifted to India, or via product imports, or through additional new lines.

### In-house manufacturing of SRB/CRB to support growth from FY26F

Timken has decided to invest Rs6bn towards manufacturing cylindrical roller bearings (CRB) and spherical roller bearings (SRB) having market size of Rs17bn and Rs20bn, respectively, with production set to commence from Dec 2024F. Currently, Timken India imports these types of bearings and still commands decent gross margins. The company will cater to domestic as well as export markets and expects asset turnover of 2-3x on the investment in the medium- to long-term.

### Retain HOLD rating with a higher target price of Rs3,500

We raise our FY23F-24F earnings by 12-15% on higher sales and other income, raising our target price on Timken to Rs3,500 (from Rs2,320) as we roll over to 40x FY25F EPS (vs. 35x earlier, considering the medium-term growth opportunities with new investment). We maintain HOLD rating on the stock considering its fair valuation. Upside risks: Revival in margins and strong domestic demand. Downside risk: Any drop in export demand.

### Financial Summary

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	14,034	21,818	28,719	32,911	37,236
Operating EBITDA (Rsm)	2,518	5,107	6,568	7,929	9,100
Net Profit (Rsm)	1,432	3,271	4,633	5,543	6,569
Core EPS (Rs)	19.0	43.5	61.6	73.7	87.3
Core EPS Growth	(41.8%)	128.4%	41.6%	19.6%	18.5%
FD Core P/E (x)	180.91	79.19	55.92	46.74	39.43
DPS (Rs)	50.0	1.5	2.0	2.5	2.5
Dividend Yield	1.45%	0.04%	0.06%	0.07%	0.07%
EV/EBITDA (x)	102.31	50.75	39.06	31.85	27.17
P/FCFE (x)	224.94	(1,173.03)	93.91	61.44	47.57
Net Gearing	(10.5%)	0.7%	(11.8%)	(24.7%)	(35.9%)
P/BV (x)	19.28	15.63	12.31	9.81	7.90
ROE	9.8%	21.8%	24.6%	23.4%	22.2%
% Change In Core EPS Estimates			11.84%	15.05%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

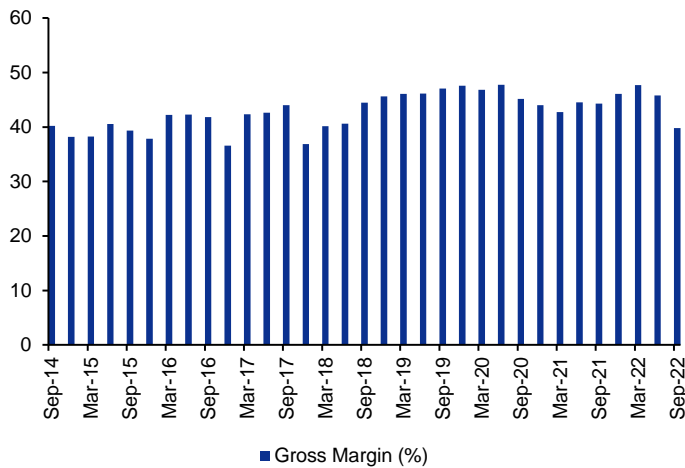
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## Diversification to aid medium-term growth

### 2QFY23 earnings call highlights

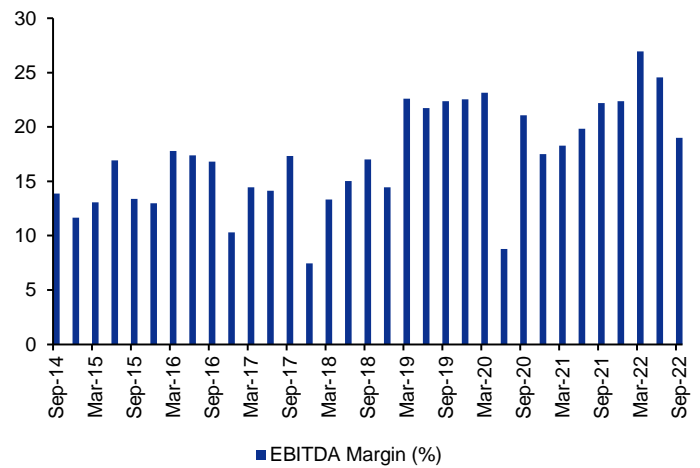
- **Capacity utilization:** Management stated that the company's Baruch and Jamshedpur plants are operating at 70% and 85-90% of their capacity, respectively. At Baruch plant, 30-35% production is towards Timken brands while the rest is for ABC. Capacity utilization levels in Aug and Sep 2022 were lower, but both the plants are now operating six days a week on a three-shift basis. Barring Dec 2022F when production is expected to be lower seasonally to adjust inventory levels, it expects close to full utilization level in 4QFY23F as well.
- **Order book:** Management indicated that the order book for India and other regions besides Europe was good and acknowledged global economic concerns. It indicated that in case of a higher demand scenario, Timken can cater to an additional 10-15% growth by getting some assets of related companies shifted to India or import the products from Timken plants globally. For the railways segment, it stated that Timken has been able to secure a bulk portion relating to 90,000 wagons tendered. However, it cautioned on the working capital requirement front and volatility in the same for wagon-builders due to untimely payment by end-users.
- **Margins impacted:** Management commented that margins in 2QFY23 were impacted due to higher steel prices because of a larger pipeline of high-priced steel in the inventory, unfavourable forex impact, and the adverse mix impact to some extent. 2Q/1HFY23 product mix was similar with segments such as railways accounting for 16%, mobility 20%, distribution 17%, process 16% and exports 32%.
- **Investment for manufacturing SRB/CRB:**
  - **Setting up manufacturing facilities:** Timken has decided to invest Rs6bn towards manufacturing of CRB (cylindrical roller bearings) and SRB (spherical roller bearings) in India as it feels that the time is right. It will be making bearings up to a range of 400mm.
  - **Market size:** Management indicated the market for SRB and CRB in India at Rs17bn and Rs20bn, respectively. SRB is used in industries like mining, power, pulp and paper, metal, wind energy, etc. It is a self-aligning bearing and useful when the application is rough. Management feels the market in India is graduating towards stationary applications, aided by the government's infrastructure push.
  - **Investment rationale:** Management feels the company has the knowledge and knowhow of the industry, supply chain, customers, etc. and can leverage that. Management mentioned that SRB/CRB business has decent gross margins, while it seeks to have a 2-3x asset turnover on the investment. It stated that there was a large opportunity for supplying these bearings to sugar and railways sectors, and for landing gear/engine refurbishment of aircraft which are sent overseas for repair and maintenance, etc. Management also stated that it will be targeting domestic as well as export markets.
  - **Timeline:** Timken expects to start supplying these bearings by the end of CY24F and will look at building a facility with modern and state-of-the art assets.
  - **Capex plan:** Management stated that there was a capex plan of Rs3bn each for FY23F and FY24F.

**Figure 10: Gross margin declined by 600bp qoq because of high-cost inventory and an adverse mix**



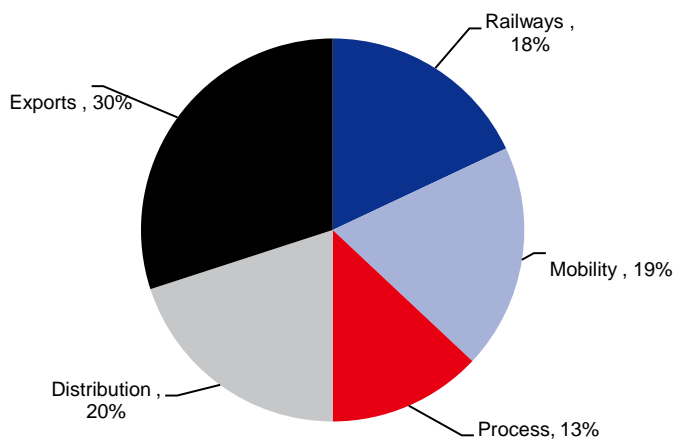
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 11: EBITDA margin declined by 550bp qoq due to lower gross margin and adverse forex impact**



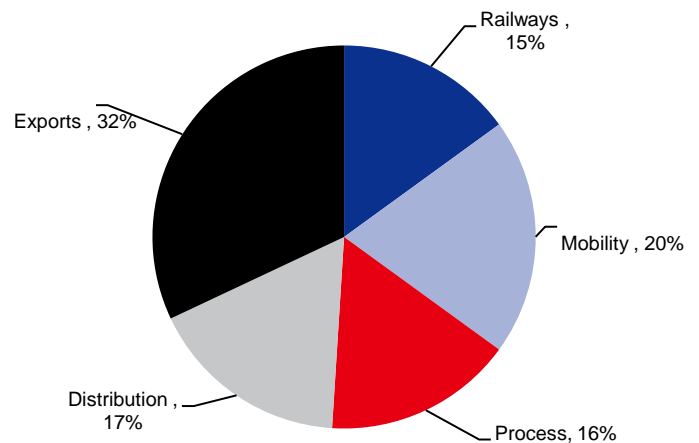
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 12: Revenue mix by segment – FY22**



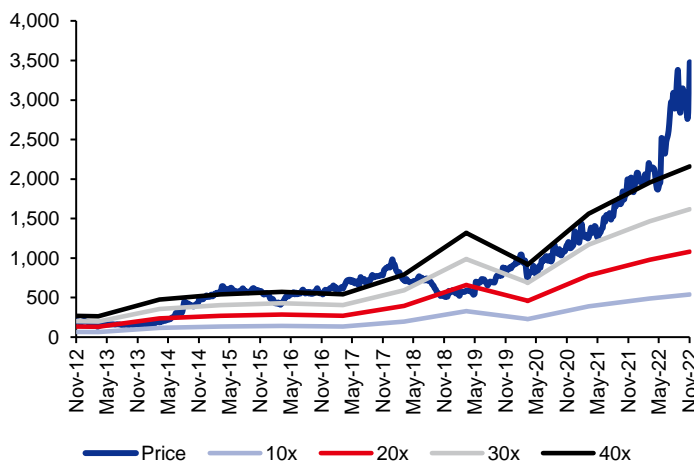
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 13: Revenue mix by segment – 1HFY23**



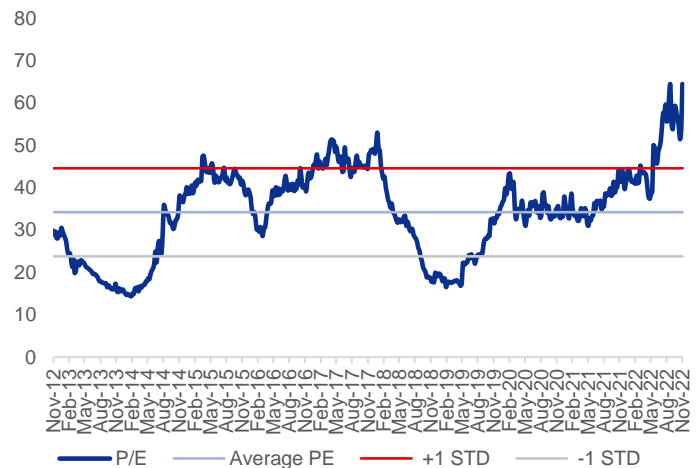
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 14: Timken's one-year forward P/E above +1SD level**



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

**Figure 15: Timken stock trades above +1SD level**



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

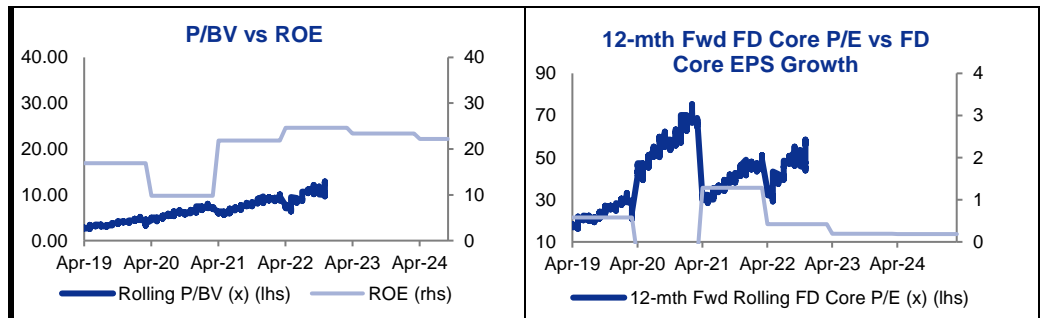
**Figure 16: Earnings revision table**

	Old Estimates		New Estimates		Change	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue	26,020	29,414	28,719	32,911	10%	12%
EBITDA	6,189	7,046	6,568	7,929	6%	13%
PAT	4,143	4,817	4,633	5,543	12%	15%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
<b>Total Net Revenues</b>	<b>14,105</b>	<b>22,032</b>	<b>28,719</b>	<b>32,911</b>	<b>37,236</b>
<b>Gross Profit</b>	<b>6,247</b>	<b>10,092</b>	<b>12,636</b>	<b>14,810</b>	<b>16,756</b>
<b>Operating EBITDA</b>	<b>2,518</b>	<b>5,107</b>	<b>6,568</b>	<b>7,929</b>	<b>9,100</b>
Depreciation And Amortisation	(749)	(843)	(879)	(933)	(977)
<b>Operating EBIT</b>	<b>1,769</b>	<b>4,263</b>	<b>5,689</b>	<b>6,995</b>	<b>8,123</b>
Financial Income/(Expense)	(14)	(24)	(24)	(24)	(24)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	196	143	554	469	719
<b>Profit Before Tax (pre-EI)</b>	<b>1,951</b>	<b>4,382</b>	<b>6,219</b>	<b>7,440</b>	<b>8,818</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>1,951</b>	<b>4,382</b>	<b>6,219</b>	<b>7,440</b>	<b>8,818</b>
Taxation	(519)	(1,111)	(1,586)	(1,897)	(2,249)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,432</b>	<b>3,271</b>	<b>4,633</b>	<b>5,543</b>	<b>6,569</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>1,432</b>	<b>3,271</b>	<b>4,633</b>	<b>5,543</b>	<b>6,569</b>
Recurring Net Profit	1,432	3,271	4,633	5,543	6,569
<b>Fully Diluted Recurring Net Profit</b>	<b>1,432</b>	<b>3,271</b>	<b>4,633</b>	<b>5,543</b>	<b>6,569</b>

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	2,518	5,107	6,568	7,929	9,100
Cash Flow from Invt. & Assoc.	(567)	(725)	(349)	(489)	(282)
Change In Working Capital	(266)	(3,435)	(1,753)	(1,260)	(1,300)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	749	843	879	933	977
Other Operating Cashflow	(116)	(75)	(529)	(445)	(695)
Net Interest (Paid)/Received	(14)	(24)	(24)	(24)	(24)
Tax Paid	(451)	(1,140)	(1,586)	(1,897)	(2,249)
<b>Cashflow From Operations</b>	<b>1,852</b>	<b>550</b>	<b>3,205</b>	<b>4,747</b>	<b>5,527</b>
Capex	(783)	(803)	(1,000)	(1,000)	(800)
Disposals Of FAs/subsidiaries	8	4			
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	88	38	554	469	719
<b>Cash Flow From Investing</b>	<b>(687)</b>	<b>(761)</b>	<b>(446)</b>	<b>(531)</b>	<b>(81)</b>
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)	(24)	(24)	(24)
<b>Cash Flow From Financing</b>	<b>(3,787)</b>	<b>(147)</b>	<b>(175)</b>	<b>(212)</b>	<b>(212)</b>
Total Cash Generated	(2,623)	(358)	2,584	4,004	5,234
<b>Free Cashflow To Equity</b>	<b>1,152</b>	<b>(221)</b>	<b>2,759</b>	<b>4,216</b>	<b>5,446</b>
<b>Free Cashflow To Firm</b>	<b>1,179</b>	<b>(187)</b>	<b>2,783</b>	<b>4,241</b>	<b>5,470</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Total Cash And Equivalents	1,742	182	2,790	6,818	12,076
Total Debtors	3,713	5,388	6,688	7,664	8,671
Inventories	3,687	5,585	7,280	8,342	9,439
Total Other Current Assets	564	607	908	1,041	1,177
<b>Total Current Assets</b>	<b>9,707</b>	<b>11,762</b>	<b>17,666</b>	<b>23,865</b>	<b>31,364</b>
Fixed Assets	7,345	7,284	7,405	7,472	7,295
Total Investments		990	990	990	990
Intangible Assets	1,813	1,813	1,813	1,813	1,813
Total Other Non-Current Assets					
<b>Total Non-current Assets</b>	<b>9,158</b>	<b>10,087</b>	<b>10,208</b>	<b>10,275</b>	<b>10,098</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	3,355	3,285	4,283	4,907	5,552
Other Current Liabilities	1,445	1,505	1,962	2,248	2,544
<b>Total Current Liabilities</b>	<b>4,800</b>	<b>4,791</b>	<b>6,245</b>	<b>7,156</b>	<b>8,096</b>
Total Long-term Debt	327	298	298	298	298
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>327</b>	<b>298</b>	<b>298</b>	<b>298</b>	<b>298</b>
Total Provisions	323	280	280	280	280
<b>Total Liabilities</b>	<b>5,450</b>	<b>5,369</b>	<b>6,822</b>	<b>7,734</b>	<b>8,674</b>
Shareholders Equity	13,435	16,569	21,052	26,406	32,788
Minority Interests					
<b>Total Equity</b>	<b>13,435</b>	<b>16,569</b>	<b>21,052</b>	<b>26,406</b>	<b>32,788</b>

<b>Key Ratios</b>					
	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Revenue Growth	(12.3%)	55.5%	31.6%	14.6%	13.1%
Operating EBITDA Growth	(30.6%)	102.8%	28.6%	20.7%	14.8%
Operating EBITDA Margin	17.9%	23.4%	22.9%	24.1%	24.4%
Net Cash Per Share (Rs)	18.82	(1.54)	33.14	86.70	156.61
BVPS (Rs)	178.66	220.31	279.91	351.10	435.95
Gross Interest Cover	122.76	174.23	232.50	285.87	331.97
Effective Tax Rate	26.6%	25.3%	25.5%	25.5%	25.5%
Net Dividend Payout Ratio	262.6%	3.4%	3.2%	3.4%	2.9%
Accounts Receivables Days	86.32	75.38	76.74	79.59	80.06
Inventory Days	153.31	141.71	145.98	157.51	158.45
Accounts Payables Days	(127.58)	(101.48)	(85.88)	(92.66)	(93.21)
ROIC (%)	10.4%	25.6%	25.8%	28.6%	30.9%
ROCE (%)	11.6%	27.3%	29.3%	28.8%	26.9%
Return On Average Assets	7.5%	16.2%	18.7%	17.9%	17.4%

<b>Key Drivers</b>					
	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Revenue growth					
Rail	(15)	34	20	20	14
Mobility	(29)	56	33	18	10
Process	3	56	55	18	16
Distribution	(5)	49	14	14	12
Domestic	(12)	47	28	17	13
Exports	(14)	92	32	8	14
Sale of service	8	10	10	10	10
Total sales	(12)	56	28	14	13

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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