

Timken India Ltd.

SELL

Sector: Capital Goods

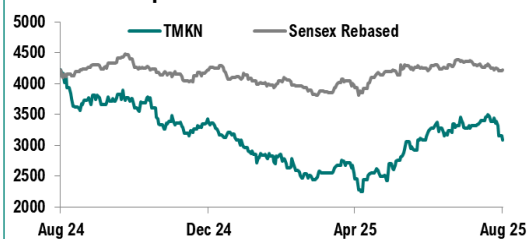
5th August 2025

Key Changes	Target	Rating	Earnings	Target	Rs.2,629
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Mid Cap	TMKN:IN	80,710	TIMKEN	522113	12 Months
				CMP	Rs.2,999
				Return	-12%

Data as of: 05-08-2025 17:00 hrs

Company Data			
Market cap. (Rs. cr)	22,555		
52 Week High — Low (Rs.)	4,290-2,200		
Enterprise Value (Rs. cr)	22,132		
Outstanding Shares (cr)	7.5		
Free Float (%)	47.6		
Dividend Yield (%)	1.2		
6m average volume (cr)	0.02		
Beta	1.1		
Face value (Rs)	10.0		
Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	51.1	51.1	51.1
FII's	13.0	10.7	9.4
MFs/Institutions	24.9	26.8	27.7
Public	11.0	11.4	11.8
Total	100	100	100
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	18.5%	11.7%	-26.9%
Absolute Sensex	0.5%	3.5%	0.0%
Relative Return	18.0%	8.2%	-26.9%

*over or under performance to benchmark index



Standalone (Rs.cr)	FY25A	FY26E	FY27E
Sales	3,148	3,491	4,007
Growth (%)	8%	11%	15%
EBITDA	592	643	782
EBITDA Margin (%)	19%	18%	20%
PAT Adjusted	447	457	564
Growth (%)	14%	2%	23%
Adjusted EPS	59.5	60.8	75.0
Growth (%)	14%	2%	23%
P/E	52.0	50.8	41.2
P/B	8.2	7.1	6.0
EV/EBITDA	38.7	35.3	28.5
ROE (%)	17.0	14.9	15.8
D/E	-0.14	-0.17	-0.27

Author: Arun Kailasan, Research Analyst

Unfavourable mix suppresses margins...

Timken India Ltd. (TMKN), manufactures and distributes anti-friction bearings, components, and mechanical power transmission products. It also offers maintenance, refurbishment, and industrial services across various sectors.

- Timken's Q1FY26 revenue grew at 3.2% YoY to Rs.808.8cr., missing the market estimates by 5% as macroeconomic uncertainties and a softer than expected demand environment impacted the topline.
- While the rail, mobile and export segments held their share in the mix, industrials and aftermarket channels exhibited weakness, with their share in the mix declining from 19% to 18%.
- Gross margins contracted 46bps YoY to 38.9% as higher cost of materials consumed and higher purchase of stock in trade led to a drag on profitability.
- Lower operating leverage due to an unfavourable mix and higher employee costs led to a 38bps YoY contraction in EBITDA margins to stand at 17.6%.
- Q1FY26 PBT was flat YoY at Rs.130.4cr. However, lower tax expenses aid in 8%YoY PAT growth to report at Rs.104.4cr., missing market estimates by 5%.

Outlook & Valuation

Management's shift to diversify its exports beyond the US is prudent given ongoing uncertainty in North American markets, which still account for 50% of exports. Focus now turns to domestic demand, led by rail, though mobility and process segments remain mixed. We expect an unfavourable revenue mix to pressure margins, with lower volume leverage impacting EBITDA. Consequently, we reduce our revenue estimates by 7%/9% for FY26E/27E and EBITDA margins by 102bps/63bps. With EPS growth at 12% CAGR and ROE tapering to 15.8%, we find the current 45x P/E stretched. Therefore, **we value the stock at 40X on 1 year blended forward EPS of Rs.66 and downgrade to SELL with a target price of ₹2,629.**

Quarterly Financials Standalone.

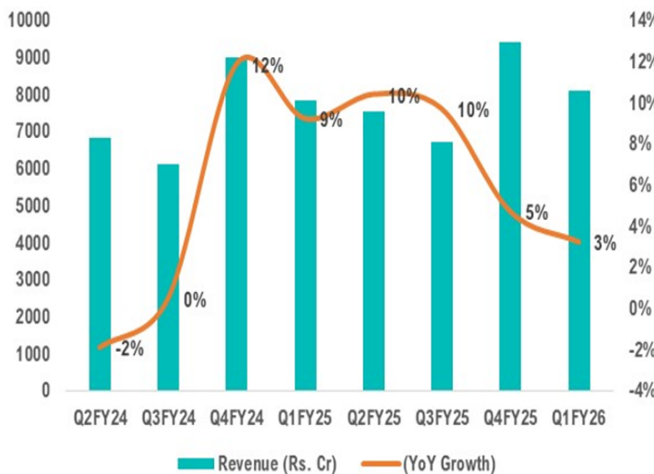
Rs.cr	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Sales	809	784	3%	940	-14%
EBITDA	142	141	1%	210	-32%
Margin (%)	18%	18%	-38bps	22%	-472bps
EBIT	141	209	-32%	140	1%
PBT	130	130	0%	202	-35%
Rep. PAT	104	96	8%	187	-44%
Adj PAT	104	96	8%	187	-44%
EPS (Rs)	13.9	12.8	8%	24.8	-44%



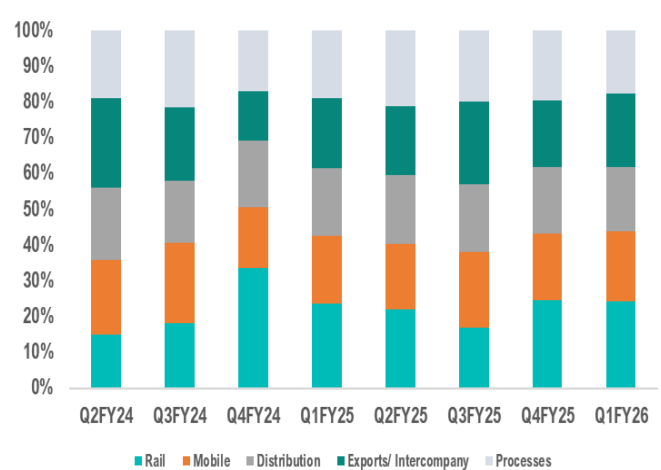
Key Highlights

- The company capitalized one CRB production line in late June, with invoicing starting in July, while spherical roller bearings are expected to be capitalized shortly.
- Additionally, Rs.120cr would be invested for enhancing TRB (tapered roller bearing) and railway component manufacturing at the Jamshedpur plant, targeting more than 2X asset turnover for this capex.
- The company expects to achieve approximately 45-50% of capacity utilization at the new facility in Bharuch by the end of FY26. The company is also moving into plain bearings and services, with the first plain bearings line at Bharuch expected to come online next year.
- Management has guided for the rail segment to grow at high single-digit growth rather than double digits. Growth is steady but cyclical and dependent on the completion of waggon builder targets and infrastructure rollouts. Process industry sales are a mixed bag, with wind energy being touted as a strong demand driver in renewable energy, while metals and cement demand could be subdued.

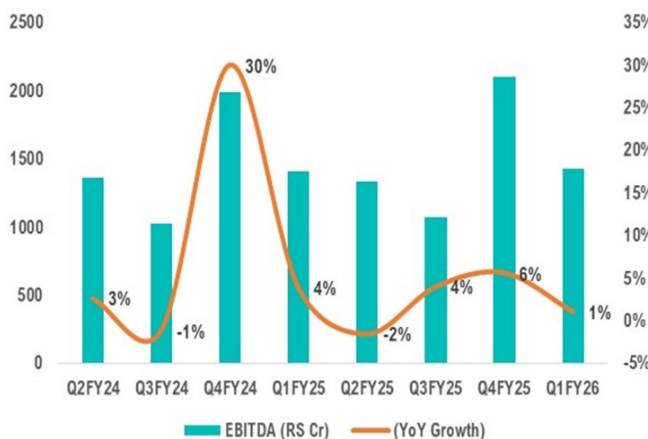
Revenue



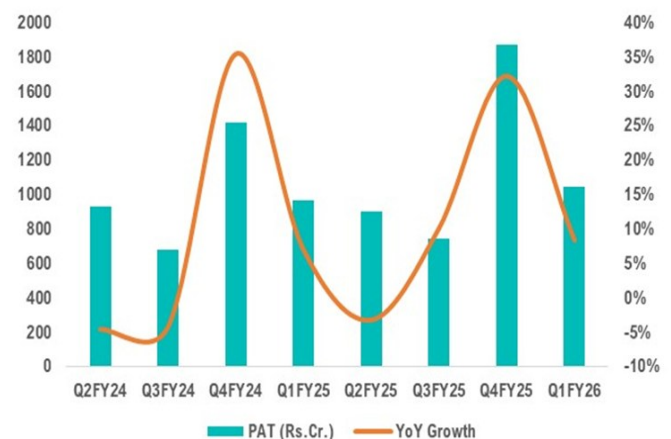
Segmental Margins



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	3,738	4,394	3,491	4,007	-7%	-9%
EBITDA	727	869	643	782	-11%	-10%
Margins (%)	19	20	18	20	-102bps	-63bps
Adj. PAT	504	610	457	564	-9%	-8%
EPS	67	81	60.8	75.0	-9%	-7%



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue	2,807	2,910	3,148	3,491	4,007
% change	27.4	3.7	8.2	10.9	14.8
EBITDA	560	572	592	643	782
% change	9.7	2.2	3.4	8.8	21.5
Depreciation	87	85	85	86	90
EBIT	473	487	507	557	692
Interest	3	4	4	5	5
Other Income	53	41	50	59	65
PBT	524	524	553	611	752
% change	19.5	0.1	5.4	10.6	23.0
Tax	133	132	105	154	188
Tax Rate (%)	25.4	25.2	19.1	25.2	25.0
Reported PAT	391	392	447	457	564
Adj*	0	0	0	0	0
Adj PAT	391	392	447	457	564
% change	19.5	0.4	14.1	2.2	23.3
No. of shares (cr)	8	8	8	8	8
Adj EPS (Rs.)	51.9	52.1	59.5	60.8	75.0
% change	19.5	0.4	14.1	2.2	23.3
DPS (Rs.)	1.5	1.5	0.6	0.6	0.7

Cash Flow

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	478	477	532	544	654
Non-cash adj.	-41	-32	-73	5	5
Changes in W.C	-96	-106	-72	-246	-127
C.F – Operation	341	340	387	303	532
Capital exp.	-62	-262	-378	-150	-50
Change in inv.	1	2	4	12	-2
Other invest.CF	15	34	40	12	-2
C.F – Investment	-47	-228	-338	-137	-51
Issue of equity	0	0	0	0	0
Issue/repay debt	-1	-2	-19	0	0
Dividends paid	-11	-11	-4	-4	-5
Other finance.CF	-3	-4	-4	-5	-5
C.F – Finance	-15	-17	-27	-9	-10
Chg. in cash	279	94	22	156	470
Closing cash	162	331	397	554	1,024

Balance Sheet

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	162	331	397	554	1,024
Accounts Receivable	576	652	700	765	933
Inventories	569	667	645	798	833
Other Cur. Assets	69	38	94	87	100
Investments	236	161	117	117	117
Gross Fixed Assets	624	612	627	587	655
Net Fixed Assets	612	627	587	655	620
CWIP	53	104	592	592	592
Intangible Assets	231	226	222	217	212
Def. Tax (Net)	16	20	14	14	14
Other Assets	32	161	59	29	32
Total Assets	2,557	2,988	3,425	3,828	4,476
Current Liabilities	393	456	501	448	533
Provisions	55	57	18	18	18
Debt Funds	31	25	17	17	17
Other Liabilities	41	33	45	48	51
Equity Capital	75	75	75	75	75
Reserves & Surplus	1,962	2,342	2,770	3,223	3,781
Shareholder's Fund	2,037	2,417	2,845	3,298	3,857
Total Liabilities	2,557	2,988	3,425	3,828	4,476
BVPS (Rs.)	271	321	378	438	513

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	20.0	19.7	18.8	18.4	19.5
EBIT margin (%)	16.9	16.7	16.1	16.0	17.3
Net profit mgn.(%)	13.9	13.5	14.2	13.1	14.1
ROE (%)	21.2	17.6	17.0	14.9	15.8
ROCE (%)	18.9	16.3	14.4	13.6	14.5
W.C & Liquidity					
Receivables (days)	72.5	77.0	78.4	76.6	77.3
Inventory (days)	124.0	131.4	125.9	124.7	124.9
Payables (days)	74.0	80.3	83.2	75.9	75.2
Current ratio (x)	3.8	3.9	3.8	5.1	5.5
Quick ratio (x)	2.4	2.5	2.6	3.3	4.0
Turnover & Leverage					
Gross asset T.O (x)	4.3	4.2	3.3	2.9	3.3
Total asset T.O (x)	1.18	1.05	0.98	0.96	0.97
Int. coverage ratio (x)	168.2	128.6	118.2	122.5	152.1
Net debt/equity (x)	-0.1	-0.1	-0.1	-0.2	-0.3
Valuation					
EV/Sales (x)	7.3	7.3	7.3	6.5	5.6
EV/EBITDA (x)	36.7	37.0	38.7	35.3	28.5
P/E (x)	53.0	54.8	52.0	50.8	41.2
P/BV (x)	10.2	8.9	8.2	7.1	6.0



Recommendation Summary (last 3 years)



Dates	Rating	Target
09.Jan.25	BUY	3,408
05.Aug.25	SELL	2,629

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


Not rated/Neutral


Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

 Upgrade

 No Change

 Downgrade

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