

Timken India Ltd

Timken India (TIL) is primarily into the manufacture and distribution of tapered roller bearings, components and accessories for the automotive sector and the railway industry. It also provides maintenance contract services and refurbishment services. Timken enjoys a market share of 45% in its sector. TIL has performed consistently with a 5 year CAGR of 18.3% in sales and 26.7% in profits.

With increased freight market share through dedicated freight corridor (DFC), passenger coach modernization, introduction of Bullet train and rapid urban mobility enhancement, Timken India is likely to outperform its peers. Further, the management said that investments in new manufacturing line for bearing parts for US\$11mn and ramp up of Bharuch factory (utilisation levels to move from 50%to 60%) to increase localization. Also, multiple factors like qualification of Bharuch factory in Timken Circle R supply chain and commencement of supplies to Russian Rail is likely to increase share of exports to 50% of sales over next 3-4 years vs 25-30% in past 2 years.

On the financial health front, the company is virtually debt-free, which makes the balance sheet strong. The operating cash flow is also seen increasing year after year. Currently, the stock trades at 32x of its earnings and delivers 21.7% RoCE. It also pays an average annual dividend of 20%. Hence, recommend BUY on the stock.

BUY

CMP ₹1034

Stock Info

Sector	Auto Ancillary
Market Cap (₹ cr)	7,780
Beta	0.8
52 Week High / Low	1099/520
Avg. Daily Volume	4,443
Face Value (₹)	10
BSE Sensex	40,894
Nifty	11,993
Reuters Code	TIMK.BO
Bloomberg Code	TMKN IN

Shareholding Pattern (%)

Promoters	67.8
MF / Banks / Indian FIs	9.0
FII / NRIs / OCBs	2.3
Indian Public / Others	20.8

Abs. (%)	3m	1yr	3yr
Sensex	1.5	15.2	41.5
TIMKEN	19.1	101.4	69.5

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Disclosure of Interest Statement

Timken India

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)