

25 August, 2023

The Secretary National Stock Exchange of India Ltd. Exchange Plaza, Plot no. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051. <u>NSE Symbol: TIMKEN</u>	The Secretary Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. <u>Scrip Code: 522113</u>
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Dear Sir/Madam,

Sub: Transcript of Conference Call

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we attach herewith transcript of Conference Call – held on 22 August, 2023. A copy of the same is also available on the website of the Company at below link:

<https://www.timken.com/en-in/investors/statutory-compliances/#analyst>

Thanking you,

Yours faithfully,

For **TIMKEN INDIA LIMITED**

Mandar Vasmatkar
Company Secretary
& Chief - Compliance

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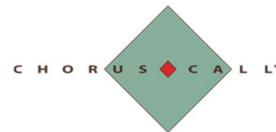
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Engineered Bearings | Mechanical Power Transmission Products | Industrial Services



“Timken India Limited
Q1 FY 23-24 Earnings Conference Call”
22 August, 2023



MANAGEMENT: **MR. SANJAY KOUL – CHAIRMAN AND MANAGING
DIRECTOR – TIMKEN INDIA LIMITED
MR. AVISHRANT KESHAVA – CHIEF FINANCIAL
OFFICER AND WHOLE-TIME DIRECTOR – TIMKEN
INDIA LIMITED**

MODERATOR: **MR. MUKESH SARAF – AVENDUS SPARK**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '24 Earnings Conference Call of Timken India Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mukesh Saraf from Avendus Spark. Thank you and over to you, Mr. Saraf.

Mukesh Saraf: Thank you, Michelle. Good afternoon. Mukesh Saraf here from Avendus Spark. Appreciate everybody logging in. I'm very pleased to be hosting Mr. Sanjay Koul, Chairman and Managing Director of Timken India; and Mr. Avishrant Keshava, CFO and Whole-Time Director of Timken India.

We'll start with brief opening remarks from Mr. Koul and follow it up with a Q&A. Over to you, sir.

Sanjay Koul: Okay. Thank you, Mukesh. I hope I'm clear. Generally, we jump into the question-and-answers quickly, but this time around, so that same questions can be answered with my opening remark. Obviously, this first quarter was one of our better quarters. If you see the seasonality, the first quarter generally is subdued, Y-o-Y it was 3% better. The last quarter of the previous fiscal year was also one of our best and we had a de-growth of 10% top line, but no de-growth on EBITDA or PBT, in fact they were slightly better.

So, I would start with telling the percentage of the pie that is how our sale pie was in Q1 '23 and '24. Rail was 20% of that, mobile, others was 26%, distribution was 16% and process was 17%, intercompany was 21%. So this was the spread of Q1 '23-'24. If you look at Q1 '22-'23, the distribution that time; rail was contributing 15%, mobile, others was 21%, distribution was 16%, process was 15% and intercompany was 33%.

So over the two quarters, Q1 '22-'23 to Q1 '23-'24; we grew in rail, we grew in mobile, we grew in distribution, we grew in process; we had a de-growth of intercompany which is the exports. But if you see with respect to the previous quarter, which was one of our best quarters if you look at the history, we had an overall de-growth of sales of almost 10%. But our, as I earlier said, PBT and EBITDA both were okay. We are holding on it. Our contribution in this quarter was 41% and the previous was only 38% and EBITDA was 19.96%, compared to 19.72% of the three months which ended in March, which was the last quarter.

So basically if you see, obviously the first quarter results were lower, top line was lower than the previous quarter and bottom line was lower if you see to the quarter which was in the previous year. But if you look at it and you slice it properly, you see the revenue expanded across most

of the front-end units. The pace was slow, but we grew in most of the front-end units compared to the previous year.

We concluded actually the best-ever first quarter numbers 3% favorable to the Y-o-Y. And as I earlier said, our Q4 was among the best in the history of the Timken India Limited so that was that. Exports revenue experienced a year-on-year decline in the midst of we know that America is -- actually end user is not slowing down that much, but the overall economic de-acceleration and those influx inventory adjustment and the safety stocks were going down, which would lead to the question that why did we shut down.

So if you see, certainly exports were down. Our last quarter of previous fiscal year was among the best. The first quarter if you see the cyclical, Y-o-Y it grew 3%. But overall, certainly there is a global slowdown, China is down. So China is down and if we are exporting bearings - - China is down, it is consuming less say, for example coal from Australia and if Australia is buying bearings from India, it has an impact. So these are complicated global supply chains.

So with that, I would pause here and start and wait for the questions.

Moderator: Thank you very much, sir. We will take the first question from the line of Hardik Doshi from White Whale Partners. Please go ahead.

Hardik Doshi: Can you give a breakup of your fourth quarter sales by channel and maybe for 1Q of '24 and 1Q '23 and maybe for 4Q as well?

Sanjay Koul: Sorry, your voice broke up a little bit. You want the Q1 '22-'23 and Q4 '22-'23?

Hardik Doshi: Q4 '22-'23.

Sanjay Koul: Okay. You want the breakup. So Q4 breakup was: rail was 23%, mobile others was 25%, distribution was 16%, process 17%, intercompany was 19%. That was the Q4 '22-'23 pie.

Hardik Doshi: Okay. So just looking at the intercompany which I assume is all the exports, that's down almost 30% year-on-year. So is that a dip in demand in the end markets or the end customers or is there a shift in production away from India and maybe Timken China or other economy is kind of doing more production and supplying to the parent?

Sanjay Koul: So you're right. So the intercompany with respect to say, Q1 '22-'23 was down by 34%. So this is primarily if you see, obviously China is not in the equation at all because of the fact that the Chinese taper landed in America draws more than 70%, 80% of import duty. So that apprehension can be put on one side. So the major, you know, as we were in March there was this discussion certainly on the heavy truck stuff and all that.

While the end user demand is not that down as you look at the quarterly results of the Timken Company also. The end user demand is not that down; but the apprehension about the de-acceleration of the economy, softening of the economy is making sure that all our customers and then intercompany Timken Company is also lowering the safety stocks. And at times global companies, global customers do some knee jerk reaction and they want to cut down inventories

quickly, want to generate more working capital and also look at the possibility of reducing the safety stock. So, this is nothing to do of moving production.

So production remains intact, customer base remains intact, but certainly is that the softening is very much there. Now the softening is at this stage -- it can change in three months' time. At this stage, the softening looks to be more of correction of inventory safety stock rather than the end user demand going drastically down. It is slightly down, but not drastic down. So there is this issue. China definitely is softening down. So if Indonesia was buying coal from China and Indonesia mining required bearing so obviously that is going down or Australian coal was going to China or Australian coal prices are down as we talked, etcetera.

Those integrate global supply chains have their effect. But to answer your question, our shifting of production is not happening. Obviously Timken India Limited has among the best cost and quality and delivery metrics in place, but it is to be the impact of the various geopolitical and market economics, etcetera. Now is it going to be two quarter down, six quarter down in America, etcetera; that is a question of debate. So that is where it stands currently.

Hardik Doshi: Okay. So I was just wanting to understand what is the break-up of our intercompany sales by geography like how much is US, Europe, Asia, Australia?

Sanjay Koul: Generally 50% of our exports, 50%, 60% are to North America and rest are scattered in ASEAN, Europe, Australia, etcetera; but the bulk goes to US.

Hardik Doshi: Got it. We announced a factory shutdown. That was also because of this weakness in export or has there been weakness in other segments as well in the current quarter?

Sanjay Koul: So obviously this question most of our colleagues will have. So, I will give a little bit of a long answer. So shut down, obviously as a very transparent company, we did not mix words saying that we are in maintenance or we are underground. We said that we are doing a week shutdown. And some of us might have questions regarding my previous investor call during which we did mention our plants are operating at good capacity and we implemented this shutdown, etcetera.

It is important to understand that the plant utilization for a specific facility does not have a direct linear correlation with the company. Obviously we are importing and we have domestic production. So our revenue is a component of domestic manufactured goods which are made in Jamshedpur and also made in Bharuch; and then we are exporting, we are trading, we are importing into India.

So our statement generally are reflective of the current prevailing situation. So economic growth or slowdown, as we say, is the contingent and it is getting complicated by the day. So many factors, geopolitics, dynamics, captive infra, etcetera. So all these intricate connections on one side, we generally will always, our declared shutdown primarily are aimed to enhance the efficiency. If I have to produce 7 lakh rings a month, should I do it in 30 days and announce no shutdown or should I do it in 21 days so that I can further enhance efficiency, undertake some preventative maintenance and obviously push the profitability by cutting cost. Say for example, seven days, six days, if we shut down the plants, we don't have -- our plants are air conditioned

in Jamshedpur as we make rail and we make differential pieces so they have temperature controlled so we shut them off, then we don't have the cost of canteen etcetera.

So these are not mega savings, but definitely saving and in this game every rupee saved is good. So the principal of shut down, if you see last 10 - 15 years, we have been doing shutdowns off and on and they are generally yielding favorable results rather than deteriorating results for our cost. Our historical performance can easily say, we don't generally obviously forecast the future. But when we see that our current demand can be compressed and looking at the future demand, we can optimize production, we will make sure that how the cost can be managed.

So certainly this shutdown is because of lack of exports to the normal median. We saw that we can produce required quantities in this number of days, shut down this number of days and save on electricity, save on leaves. For example we ask our associates to take leave, go on holidays so that it gets consumed and we optimize our manufacturing cost.

Hardik Doshi: Okay. Just one last question. How is the outlook on the railway? There has been a lot of news flow on capex in railway and a lot of wagon order, etcetera. So how are you seeing demand on railway over the next 12 months?

Sanjay Koul: I think that railway is pretty much going okay. So rail is pretty much going okay. Heavy truck, you guys know better than me. Tractor, off-highway is going okay. Steel production is also going okay. Cement is also going okay. So I think the GDP growth of 6%, 6.5% and wherever possibility of getting more penetration. So generally, except heavy truck, more or less okay and export is down. That is the general. Now export, this time -- I've been watching this for a long time. So this time the American market end user demand and the reaction of the customers does not have an equal correlation. The demand there is not falling to the level; the safety stocks and the inventories have been taken out.

Hardik Doshi: Okay. Got it. Thank you.

Moderator: Thank you. We'll take the next question from the line of Rajesh Kothari from Alfaccurate Advisors. Please go ahead.

Rajesh Kothari: My first question is when you look at from the business over the next two - three years perspective, do you see any significant change compared to what we have been talking in last 12 months or so, in terms of the capex, in terms of the potential of the opportunity into the various regions and also the significant improvement in domestic market particularly from the new growth drivers like new product launches and the new segments? If you can give little bit colour on that, that would be useful.

Sanjay Koul: Yes. So, for sure I think that if you see globally, last four - five years were a good run for the bearing companies globally. So as we look for next two to three years, India certainly is going to be a nice market to be in. Our overall GDP is growing and manufacturing pie is growing in that. We are looking at --, India is looking at putting more offshore wind mills into place. The solar system, harvesting solar power is getting more mechanized. It has started.

Rather than putting fixed panels, they want to put now rotatory panels. So India is pretty much -- as I look at the global markets for next 24 months, I see India pretty much doing well. Indonesian market going up, Korean market certainly going up strongly, Vietnam going up, America next couple of quarters will tell the real story there which is a big market, China we know is going down. For Timken India Limited, that is not a bad news.

So overall India certainly is going to be a shining star in the global game, more manufacturing is going to happen. The sustainable cost-quality-delivery out of Indian engineering companies is going to be helpful and obviously the political stability is important. Nobody can predict that. And if I assume that the political stability is there and this pace is continued so the way the infra is coming up, the way the Northeast and J&K infra they want to push it up, the way now the focus is on more wind, more green, etcetera. So this is good news.

As we speak, we are investing and building this new factory in Bharuch at very high speed. Though, we have said the production will be end of next year, but we want to do everything possible to save on days and weeks and produce quickly because that product is meant for steel, is meant for cement, energy etcetera.

So I'm not worried about the future at all. And obviously for the Indian market, it is like those two words on the Sai Baba Temple, Shraddha and Saburi. So you need patience and trust with the Indian market and this market is definitely bound to only shine and shine, not only for next 2, 3 years. If this pace remains same and stability remains same, next decade is going to be a great decade.

Obviously, there will be cyclicality, there will be bad monsoon, there will be good monsoon, there will be flood. So for example who knew Manipur would burn and then when Manipur burned, what happened in that region, there is a good auto aftermarket consumption on differential and pinion. Now all of a sudden everything stopped there. So nobody can predict those things. So barring keeping those things as high, I think India is going to remain pretty solid and growing.

Rajesh Kothari:

I see. And one line on overall profitability, any specifics in terms of raw material, of course prices are coming down. Do you see from 1Q level, there is a scope to improve the profitability?

Sanjay Koul:

So steel certainly is coming down and should hopefully come down further. But at the same time, the other costs are going up. Energy is going up definitely. You have transportation cost involved, labour cost involved though the change of labour cost is still I would say stable compared to other nations of the world. But there are inflation pressures other than the steel, other than the raw material.

So there are those pressures so obviously, say Jamshedpur, we are continuously working that from the melt of the steel to the finished bearing. The number of kilometres travelled is reduced and reduced and reduced. Obviously this is easier said than done. But still we have steel plant in Jamshedpur where we buy steel not the whole lot, but a portion of it. So within 20 miles, we produce melt to finish.

So we are working on those, one was indigenous 5 years back localization of steel. Now it is minimization of these supply chains so that the kilometres travelled by every ring is minimized

and minimized and minimized and then obviously it also helps on our overall ESG targets of reducing number of grams of CO2 for each bearing produced and then obviously those applications. So on profitability, I would say that definitely alloy prices are coming down, that will have its own bearing.

But at the same time, the other costs are going up. So our endeavour is to certainly better the profitability of the company, which is if you see compared to last quarter, though my sales came down compared to the first quarter by 10%, the profitability went little bit up actually. So that can give you an indication our work on the cost piece of it.

Rajesh Kothari:

Okay. And just last question on my side. On the railway side, can you give little bit insight and little bit more details about how do you see the railway segment growing and over next 3-5 years, do you think there is a scope for significant improvement in railway as a component of your total revenue mix?

Sanjay Koul:

So I think that certainly rail is a really strong piece of Timken India Limited and we have made these supply chains which are 30 years old. We are also improving on the product side of it. What was used on those bearings on freight say for example 10 years back is now changed. Different technology in sealing, different technology in grease and hopefully in future, this technology will also be more tuned to condition monitoring and things like that.

So rail is a stronghold of ours and we are working over time and obviously competition will be always there and it is there. It is not that the competition was not there and suddenly it's coming up. So everybody will fight with their own localization trends and improvement trends. But we at Timken India see rail remaining strong. Obviously the game is about better supply chains and better product technology. The Indian Railways deserves better product in order to become a global standard rail. And on the railway side, we obviously see that the need of mass rapid transportation is only growing so which means that we all see more metros in coming years. We have the Agra Metro, we have Indore Metro, we have all these metros are building up and more and more metros will be built up because you can only make that much road within the city.

The freight modernization plan obviously is working well so that is on. And then with the electrification, diesel locos are going to produce less, more electrical locos are being produced more. We were not much present in the electrical locomotives, but the good news is that we have recently got approval from RDSO, so we'll be producing bearings and we'll be penetrating the electrical loco market.

So overall Indian railways if you see is going to grow for next 10-15 years. Now the pace of the growth is a challenge. Can they grow double-digit CAGR say for example for our bearing every year or it will be a slow and steady growth? So this growth is bound to happen. India is a large country, large population, you have a huge population which will use trains and there is a need of dedicated freight corridors across criss-crossing India.

So all this is going to come. So barring the political will, I would say that rail is going to remain a strong development market for India and Timken globally is pretty much a leader in rails. And

in India we have one of the best manufacturing setups and great supply chain. So it will remain interesting and important for us for the coming years.

Moderator: We'll take the next question from the line of Deepesh Agarwal from UTI AMC.

Deepesh Agarwal: Can you update on the CRB and SRB capex? Is there any change in those plants given the way export market is currently?

Sanjay Koul: So the change is that we want to build it faster, so that is a positive change. Bharuch SRB/CRB project is actually progressing smoothly and is going to be better than the timelines. We want to produce it fast and complete it fast. Major equipments are ordered, civil work is currently on track. Though there was heavy monsoon in Bharuch for some time, but now currently as we talk binding is happening. We are also working with the local government, local stakeholders for hiring. So everything is moving at a pretty fast pace.

We have put up a special team which is focusing on the smooth execution of this plan. Most of the equipment is going to be coming from the best developed machine tool countries of the world, so work is on progress there. A group of operators, which are currently getting interviewed, will be sent for advanced training to different parts of the world. So this plant definitely is going to be a special world-class plant.

We are speeding it up. Though, as you said which is right, the global market has slowed down, Indian market definitely is very much there. We import and sell SRB/CRB, but not to a large extent. So given our knowledge on supply chain and manufacturing and selling tapers majorly to those customers of steel, energy, cement, etcetera. So we are very excited, we are not slowing down at all.

And hopefully in some quarters, there is -- like Indonesian market is not slowing down, Korean market is not slowing down, Australia is largely slowing down because of exports to China. So we are, actually to answer your question, speeding up the building of this new plant. Our orders have been placed for civil, that work is going on. PEB orders are in place, the floor execution is as we talked. In the other room, our supply chain folks are negotiating for the 66KV line. So work is in full swing.

Deepesh Agarwal: So expected timeline continues to be fourth quarter of FY '24, right?

Sanjay Koul: So as I said, that is our official line, all focused to speed it up.

Deepesh Agarwal: Understood. Sir, another question is on the gross margin. If I see there is a gross margin improvement in this quarter to around 41%. But if we look at the trend of Timken over last 3, 4 years, you are still at least 300 - 400 basis points lower on the gross margin. So do you think can we go back to that 44%, 45% gross margin as now the commodity inflation has actually moderated?

Sanjay Koul: Yes. So if you see our 3 months, which ended on '22 June; on 30-06-'22, our contribution was say 46%. We were at 38% on March '23 and now we are at 41%. So obviously the alloys are softening and they would soften further. But at the same time, the coal prices are going down in

Australia as I said. But at the same time, certainly we all know that we got challenges of inflation on energy cost.

There are energy cost increases happening. There are other inflation costs on say for example oils and things like that, but they are not to the tune of what one gets hit by the raw materials. So raw materials getting positive, others going a little bit up. And as I said earlier, the endeavour is to create supply chains of excellence. For example when you see Hyundai putting up a car plant, they bring the supply chain and they are all around them.

So Jamshedpur is a similar model for us if you see. We have Tata Steel pouring steel there, rolling the bars and we do lot of forging, turning, heat treat, finishing and then moving this stuff from there to Tata Motor Jamshedpur or to Indian Railways or to Calcutta. So we are trying to do that in order to compress and negate the cost. Alloys are becoming soft, but there are other inflation challenges which we cannot negate. For example, state electricity board or JUSCO power price goes up, we have to pay. There is no way out.

Deepesh Agarwal: Last question before I join the queue. Parent has a sizable industrial motion business, which is currently not there in India. As and when there is a market for this business in India, would it come through Timken India and what would be the role of Timken in those businesses?

Sanjay Koul: So the direction is very clear. Whatever we will sell in India will be always through Timken India Limited. So that is the statement which I can meet with confidence. So industrial motion, we have already started selling little bit say for example on Pune Metro the lubrication system, which Timken India Limited sold. It was a small sales, but came from Germany and came from industrial motion part. So if you see that the industrial motion is couplings, chains, belts, lubrication system; all of this have a nice market in India.

The Timken Company parent has a very good hold on the technology including Rollon, which is doing linear motion. Currently as we speak, we have developed supplier base for a machine for certain of these iron companies, which are getting exported. So it is a matter of time that with best cost sourcing out of India and then the Indian market would happen. When it will happen, I cannot say that. But certainly, whenever it happens, it will be sold through Timken India Limited.

Moderator: We'll take the next question from the line of Pramod Amthe from Incred Capital.

Pramod Amthe: So, this is with regard to the exports and especially U.S. which seems to be forming 15%, 17% of your top line. So the slowdown you see is more coming from Class 8 or you feel the non-Class 8 exports are the ones which are disappointing?

Sanjay Koul: Yes. So basically certainly the exports out of North America is definitely softening and it is across the board as we see our major customers in Ag or in off-highway are bringing down their safety stocks, they are bringing down their inventories. Even in the rail, we see everybody killing their inventory. And then the intercompany itself, the bearing companies itself also looking at better cash flow, they are also looking at minimizing the safety stock and inventory.

And then obviously when it comes back, then the bumper piece happens. But currently it is not only heavy trucks. It is across the board, people are cutting down their inventories, cutting down their safety stock including our parent.

Pramod Amthe: Looking at, considering also the intercompany one, what's the visibility for exports outlook for this year? Because last year was pretty lumpy for you? So would it be -- what type of a decline to build in for exports for full financial year FY '24?

Sanjay Koul: So if you see Q1 '22-'23, export was 33% of our pie. Now this first quarter '23-'24 it is 21%. And compared to the last quarter, which was the last quarter of last fiscal year, it is flat. So I would say that this range of 21% of the pie is the worst-case scenario and any further movement should take the graph up.

Pramod Amthe: Okay. And related to that is again the plant maintenance shutdown which you have taken. So are the capacities fungible or you feel exports can be a few more quarter phenomenon and hence you would like to reallocate your capacity for higher growth areas? Is that a possibility in the short term to do that?

Sanjay Koul: So all these capacities which we term are in Jamshedpur for example; we make 0-inch to 8-inch taper roller bearing, we make the rail bearings and we make some small amount of special bearings there. So all these are fungible. Assets remain same, the tooling get changed. For example you want to make 32213, where the board is 65 millimeters, it goes on the same line as 33019, which is a larger bearing board is closer to 100 millimeters, the tooling would change.

So these capacities are fungible and can do in this range of 0-inch to 8-inch, which is 200 millimeters, they can do across the board. So these are fungible. Similarly on rail lines, this world consumes bearings for freight, which are known as Class B, Class C, Class D, Class E, G and GG. And similarly on the passenger, they use SP-130, UIC-130 etcetera, etcetera on the taper side.

So these are all fungible. What changes is actually the tooling on those machines and then obviously the raw material which comes into it, the forging - those sizes would change. So the from melt to finish, it is fungible. That's why we call our manufacturing flexible manufacturing.

Moderator: We'll take the next question from the line of Bharat Sheth from Quest Investment Advisors Private Limited.

Bharat Sheth: Coming on to this Bharuch plant, as you said, this is largely for domestic business. Is that correct understanding? And if that will be replacing our import or it will be in addition what we are importing?

Sanjay Koul: So basically India uses thousands of different sizes. Currently we are going to make SRBs and CRBs, which we term as 0 to 400 millimeter size range, 400 millimeter means 16-inch dia size range. So these will be made both for Indian domestic market while currently we are importing a little bit. We are not -- obviously we don't have a large like tapers. We have a large share on SRB/CRB.

We don't have a large share in the market. So we will be competing in the domestic market on these and it will replace also some of the imports we do, which will obviously be helpful on the profitability and speed to the market. But still India consumes other bearings, which are 400 millimeter to say 800-millimeter cement mills and things like bigger sizes. So that would still be imported. And then at some point of time when we see that it is now the mass is tracking and we can expand the size range would be a logical expansion of these capacities.

So it would be for domestic, it would certainly get exported to the ASEAN and Australian market if not all the way to America, maybe to America also, but largely in the APU belt, these would get exported and certainly domestic market. So we are certainly going to go after domestic market. We will export because if you see our Timken penetration in Malaysia and Indonesia in palm oil is not very big. Our competitors have a large size of that. And once the Indian plant sizes, it would be a great opportunity for Timken in that region use bearing out of Bharuch to compete in the palm oil market just as an example.

Bharat Sheth: And sir, recently our parent company has announced closure of one of its plants in Carolina. So do we see that we can get benefit of exporting from India?

Sanjay Koul: So Timken has a plant in North Carolina, South Carolina. So you have heard about which plant closure?

Bharat Sheth: South Carolina?

Sanjay Koul: So generally whenever a plant in North America is closed, obviously the market is intact, market is growing. The production would move to the best cost country. Now Carolina makes taper roller bearings 0 inch to 8 inch. China cannot export to America without this big hit on the tariff.

So, obviously there would be benefits. But at the same time Timken does have a new plant in Mexico, a new plant in Mexico across the Trump wall. So, I cannot comment yet on who will get benefited, but these are tapers, the best cost country will always win.

Bharat Sheth: Sir, and coming to this rail freight side. Now this dedicated freight corridor will start bidding out for their -- and which is very high speed and where I believe it's a K Class bearing is required. If my understanding is correct or not, then you please correct it. Sir, how big the opportunity will be for us?

Sanjay Koul: So, basically currently the freight is moved through Class E and Class E is the traditional bearing used on the Indian tracks, which is not a high axle. The dedicated freight corridor can carry more load and hopefully in future can carry even further axle load because the developed world, say North America, is using Class G and GGs, which means they go up to 40 ton axle load also.

So, still the main capacity utilization of the freight is through high cap Class E, that means the improved version of Class E which Timken introduced and others followed also, and that is still the main consumption. Class K is, if I can say slowly. So, it is coming up slowly, it is not coming up very fast and eventually it has to come up very fast because say for example when you saw the accident in Orissa.

All of a sudden, the Indian Railways further understood that having freight and passenger and then on passenger using Schlieren and all that as you saw how those bogies got smashed and compressed and things like that. So Class K, dedicated freight corridor East to West or North to South, Central all the way; it all has to come. That is why the growth of the India Railways will come.

But it obviously needs land, it needs.... Making bearings and making dabbas, I would say, if Indian railway has the money, is the easiest part. Getting that basic land and the tracks in place is the tough part. So it is happening. We are making Class K. This is going to eventually replace Class Es, but it is going to take a lot of time. Currently Class E is what we produce the maximum and that is what is getting sold the maximum for rail consumption in India.

Bharat Sheth: And how big is the opportunity in this Vande Bharat?

Sanjay Koul: Vande Bharat is a pretty decent opportunity. The more the -- every dabba on Vande Bharat uses 8 bearings. So, the more the boxes, the more the dabbas they make, more bearings get sold. And obviously compared to a traditional bearing, this is high value, high price bearing. So, this is the recent announcement of more Vande Bharat cars is good news.

Traditionally, India was on what you see in Bombay in good old days on the harbour line or central line what was those EMUs, DMUs were on a bearing call 22326, 22328 was a Schlieren. So, slowly all of these Schlieren bogies will vanish and you will get similar like Fiat LHB, Vande Bharat is the Indian version of the high speed track.

So, this opportunity is only going to get bigger, bigger and bigger. Now Indian Railways has almost 300,000 freight wagons on the tracks. Lot of them needs to be modernized and be scrapped and new wagons to come and then to carry more freight, more wagons need to come.

And if you see on the passenger side, if all goes well, they have to make between 30,000 to 40,000 cars. Now that would take some time to make per year. So, it will truly go towards that, that's why I say that Indian railways for next decade, will keep on growing.

Moderator: Mr. Sheth, I am sorry to interrupt sir I would request to kindly rejoin the queue as there are several participants who are waiting for their turn. Thank you. We'll take the next question from the line of Sonal Gupta from HSBC Mutual Fund. Please go ahead.

Sonal Gupta: Just a couple of questions. One is could you give us a sense of the CRB/SRB market size in India and what sort of share do we have currently?

Sanjay Koul: So, basically SRB/CRB market is a large market and obviously the size range is from 0. When I say 0, obviously it is more than 0 -- from 0 to 800 millimeter, 900 millimeter.

Sonal Gupta: No, sorry, I meant by value.

Sanjay Koul: Are you only interested in value then I'll just give you the value.

Sonal Gupta: Okay sorry please go ahead.

Sanjay Koul: So what I'm trying to say is that I'm trying to say that the spherical roller bearing and cylindrical roller bearing have application across rail, across the off-highway excavators, it has certainly in materially handmade system, it has in metal making non-ferrous/ferrous, in energy. So why I'm saying you these applications because this market itself is now growing. So, this market is in itself growing at a nice pace.

So, what is INR1,200 crores to INR1,500 crores today is also growing at a nice CAGR because of the fact that infra is coming up, more factories are coming up, supporting material handling system is coming up. So, this CAGR is going up.

But I would say that our penetration in SRB/CRB market is very, very small in India and obviously the reason of investment is to utilize our 100 years of knowledge on metal making, grinding, heat treatment and our supply chain strength and obviously our customers have been continuously following that when you make in India CRB/SRB.

So, there is a good chance of penetrating this market. We are currently importing and selling to some extent, but it is not a large amount, I think INR50-odd crores. So, this market of INR1,500 odd crores is growing at a nice pace in India. And then obviously there is a nice market in ASEAN as well if you have the right cost-quality-delivery system in place.

Sonal Gupta: Got it, sir great and this is very helpful. And just the other question on railways was like on the DFC, when do you expect the rolling stock ordering I mean benefits for you in terms of these newer bearings, etcetera, on the freight side coming in? I mean over what time frame do you see that happening?

Sanjay Koul: So, as we talk, DFC bearings are being purchased and rolling stock is being made, but it is not at a very, very high speed. The traditional boxnl or traditional freight wagons are being made. So, this is happening, but not at a super fast pace. So that means Indian railways has not stopped buying the Class Es, which is the traditional and we were converting to all Class Ks as Mr. Shah was earlier saying.

So this is happening, but it will happen at a certain pace. In the meantime, they are pumping in more normal freight wagons. Though, there is a high cap as we say, a little bit of more capacity loading on that.

Sonal Gupta: So, just to clarify, the 80,000-odd freight wagons, which railways ordered doesn't include these or it does include?

Sanjay Koul: Yes. It is Class E purely, high cap Class E and then they come out with these small tenders for Class Ks.

Sonal Gupta: Got it sir. Okay, sir great. Thank you so much.

Sanjay Koul: Thank you.

Moderator: Thank you. We'll take the next question from the line of Saif Sohrab Gujar from ICICI Prudential Mutual Fund. Please go ahead.

Saif Sohrab Gujar: Thank you for the opportunity. So, my first question would be in continuation on the CRB and SRB stuff. So, you gave a INR50 crores amount. So to be precise, what would be the total revenue contribution for us from CRB and SRB and compared to Timken Company globally, what proportion they would have?

Sanjay Koul: So, basically we have announced an investment of INR600 crores currently and that INR600 crores would include building and machinery on a size range of 0 to 400. And generally for every dollar invested, we would be more than 2.5-ish on revenues. And obviously when you install, then you debug, then you do the MOCs and then you do the PPAPs and then you start the regular supplies.

So, globally again I think SRB, CRB is double digit, but tapers is our largest SOB. In fact, if you see our global after I take the industrial motion piece out where robotics is our number one, our wind energy tapers is the biggest front-end unit. So, globally SRB/CRB, we started with 0. Obviously we were a late entrant in this market globally. We took over a company called Torrington in 2001 if my memory serves me right and from 0 we went to double digits over the period of time.

Now obviously these bearings are sought after especially in the core sectors and in India also, our penetration is low. Obviously competing in India, importing from U.S. or Europe is not easy, unless it is a very special application. So, this is a growing market for us and we have done actually very well. I can tell you an example that in certain industry where there was a huge complaint from OE because of SRB supplied by another premium supplier.

So, Timken designed a new SRB and since then their problems vanished. So, the engineering concepts are same. The construction of the drawing is different, but the concept of material, concept of material sciences, concept of profiles, application engineering fundamentally have the same principles. So, we are excited about this.

Saif Sohrab Gujar: Okay. So for the parent company, it would be in double digit as compared to contribution to revenue, but for us it would be INR50 crores on a quarterly basis. So less than 10% of the total revenue, right?

Sanjay Koul: Yes. And then obviously there is a huge size range in this. So, if we want to go further up so further investment might be mandated for going the whole hog on the size ranges. So one step at a time.

Saif Sohrab Gujar: Sir, second question would be on other than bearing products like whatever acquisitions Timken Company has made so be it Diamond, Drives or other products? So when we are talking about selling to India so do these entities, because these are also acquisitions which the parent has made, also have entities in India like Diamond, RollOn, all those?

Sanjay Koul: So all these M&As which has happened unfortunately has no manufacturing setup in India. So, that is statement number one. So, none of them, they have many in China, many in Europe, some in America, but nothing in India. So, Diamond globally was taken over by Timken. In India there is one Diamond, which was a handshake deal between Murugappa Group and the original Diamond and they are using that TI Diamond brand here.

But most of these guys has no manufacturing presence in India and whenever we start selling and we have started selling a little bit, would be through Timken India limited. There's no manufacturing base. There is a nice market in India, lubrication market, for example, is more than 100 million in the market, coupling is a strong market.

So, now how do we integrate this, use the already existing base in India for this, all that is going to be thought, debated, and used in future. But unfortunately, none of these have a plant in India otherwise we would have kind of used that base pretty well.

Saif Sohrab Gujar: Okay. Sir, one last question would be on the wind part. So, what segment we are serving within wind? Is it the Indian wind market or is it the Indian gearboxes and turbine makers who are catering to the major markets like Europe, all those?

Sanjay Koul: So, actually India local consumption is almost minuscule. It is going to come up now. Given the fact that India has mostly some megawatt means 250 kilowatt-type windmills which had a small gearbox. So, Indian wind market is going to come up now, which means that the announcement which was done some months back that we would be using offshore for harnessing the wind.

So, that is going to come, which is great news. Currently most of the gearboxes which are made in India are generally exported and they are exported pretty well. For example, ZF, Siemens, Gamesa, etcetera, etcetera are exporting to the European markets, even to China some of them. Managing high speed is making in Chennai exporting not only to Europe, but also back to China.

So, we are currently serving those gearbox guys and looking forward as the Indian local wind consumption comes up. And if it is going to be offshore so there will be 4-megawatts, 6-megawatt, 8-megawatt, not small. So, that would be pretty good.

Saif Sohrab Gujar: Okay. Thanks and all the best.

Sanjay Koul: Yes. We can take the last question. We are nearing the 3 o'clock.

Moderator: Ladies and gentlemen, this will be the last question for today, which is from the line of Vipulkumar Shah from Sumangal Investment. Please go ahead.

Vipulkumar Shah: So, this is a question regarding this expansion at Bharuch plant. So, basically there will be manufacturing bearings, which are today imported or it will be the same production means we are just expanding the capacity. So, clarification will be...

Sanjay Koul: These are going to be bearings which we don't make in India. So, this is a new product line as far as Indian manufacturing of Timken India Limited is concerned. First time we'll be making SRBs and CRBs for Timken India Limited in India.

Currently we do import and sell. That is Timken India Limited imports and sells SRBs and CRBs in a limited manner in India. And this as we start producing by the end of next year or before, God willing, they will be used domestically and also exported. So, that is the target.

Vipulkumar Shah: Okay. Thank you sir.

- Sanjay Koul:** Thank you very much. Thanks a lot. Mr. Saraf, you want to say anything. We are close to 3. If anybody has any other question, he can send it to you and we can send him a reply through you.
- Mukesh Saraf:** Sure. I'll take it up if I get any questions. Thanks a lot for your time, sir. I think we more or less covered all the questions.
- Sanjay Koul:** Thank you. Thank you, everybody. Thanks a lot.
- Moderator:** Thank you very much, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of Timken India Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.