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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 21 February, 2024. 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**

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Engineered Bearings | Mechanical Power Transmission Products | Industrial Services



“Timken India Limited Q3 FY24 Earnings Conference
Call”

February 21, 2024



MANAGEMENT: **MR. SANJAY KOUL – CHAIRMAN & MANAGING
DIRECTOR, TIMKEN INDIA LIMITED**
**MR. AVISHRANT KESHAVA – CHIEF FINANCIAL
OFFICER & WHOLETIME DIRECTOR, TIMKEN INDIA
LIMITED**

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

Moderator: Ladies and gentlemen, good day and welcome to Timken India Q3 FY24 Earnings Conference Call hosted by Aventus Spark.

This conference call may contain forward-looking statements about the company which are based on belief, opinion and expectation of the company as on the date of this call. These statements are not 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mukesh Sharaf from Aventus Spark. Thank you and over to you, sir.

Mukesh Saraf: Thank you, Yusuf. Good afternoon. Mukesh Saraf here from Aventus Spark. Appreciate everybody logging in. I am pleased to host Mr. Sanjay Koul - Chairman and Managing Director of Timken India and Mr. Avishrant Keshava - CFO and Wholetime Director of Timken India.

We will start with some brief opening remarks from Mr. Koul and then follow it up with the Q&A. Over to you, sir.

Sanjay Koul: Okay. Thanks, Mukesh. So, I will give a little bit of commentary which might help with the questions itself.

Our Financial Performance for Q3 '23-24 versus Q2 '23-24, the immediate previous quarter and our sales was around Rs. 612 crores, which was almost down by 10% compared to the previous quarter. And this is only the operational sales. It does not have any other gains in it. So, intercompany sales actually intercompany is what we do the exports etc., that contracted by 6.6% compared to the previous quarter and this was the external market conditions, global economic factors etc. Domestic sales, though rail went up, but overall, there was a decline, which was in other FEUs like trucks and in off-highways etc.

The other margin compared to the previous quarter was down by 3%, almost 3.2%, major reason was obviously unfavorable product mix and then we could not leverage the volume. So, the cost versus the volume leverage, so we lost almost 2.2% on that. And EBITDA was at 18.5 compared to immediate previous quarter down 2.8% and this is in line with the same unfavorable mix and not leveraging the volume.

And if you come to Q3'2022-23, sales was Rs. 609 crores whereas in Q3'2023-24, sales was Rs. 612 crores, up by almost 45 basis points. However, the intercompany was the contraction during compared to the same quarter last year by 12% and that is the global economical factor and domestic sales compared to that quarter last year were up by 13%. PBT was at 14.9%, which

was down by 70 basis points to the quarter last year. EBITDA was at 18.5 down by 90 basis points compared to the same time and last year compared to that quarter, we had some currency gains other income, so that was not in this quarter.

And then if you see 9 months performance 23-24 versus 22-23, our sales are up slightly. We are at Rs. 2,011 crores, which is up by 38 basis points. However, the exports are down in this period of 9 months by 10%. So, you can see that exports were down by 10% and our domestic sales in this 9 to 9 months was up by 10%. PBT margin is at 16.8 down 2.5%. Last year, we got a currency gain and one time Jharkhand incentive which was not there and then there was this little bit of unfavorable product mix and EBITDA stood 9 months to 9 months, 20% versus 22%.

So, that is in general the summation of these quarter comparisons and I am now okay to take the questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Mr. Mukesh Saraf from Avendus Spark. Please proceed.

Mukesh Saraf:

As the question queue builds, I will just start off with some of the I think more hygiene question. So, obviously exports is one important area and I think last quarter also you had commented that things are weak, but I think the expectation was that things would start kind of showing some signs of improvement. But seems like again sequential decline. So, could you give us some more color how much is more of an inventory correction, how much is an actual end market demand weakness and how should we look at exports going forward given that we have a lot of the parent as such is obviously continue to look at Timken India as very favorably, so could you kind of give more sense there?

Sanjay Koul:

In general, because of this Red Sea issue, there is a little bit of lower demand because now more inventory will be on water. So, there will be more demand for some time which is a short-term kind of corrective demand, but overall in US the markets are especially the areas where we are working in export is the heavy truck market and the other is rail. The rail market is pretty much okay. The rail market, if you see today, Brazil is booming, really booming and North America is also not that bad. Indian market is booming, the Indonesia rail, etc., companies like that are also not bad. So, on one side, as you know that 50% of our exports is rail and 50% is the smaller bearing. The rail is pretty much robust condition. The demand in Brazil is very good, and America is also pretty much okay. But on the heavy truck, the market is not really up and running, so there is this discussion that H2 in US might look better and there is also a camp saying that it might revive in '25, so that we cannot do, but what I see currently is that the rail order books for exports, the markets are pretty much okay. India is also pretty much, domestic side is pretty much okay. If not exactly the heavy truck market, the rest of the stuff including rail is okay. The wind market in China is down. So, that is a piece which also kind of connects to the global stuff. China is down, so it has an impact on global supply chain. It is not directly to us, but if there be, there are impacts etc., so all said and done, I would say that export from rail pretty much okay, heavy truck still hazy. Hopefully it comes back in second-half of this year, first half doesn't look to be okay and Indian market is, I would say, pretty much okay.

Moderator: Thank you. Next question is from the line of Mr. Chintan Chheda from Quest Investment Advisors Private Limited. Please proceed.

Chintan Chheda: Sir, I have got one question basically from this China Plus One kind of opportunity, right? So, in the North American Railroad segment, what is the opportunity from a strategic point of view over the next three to five years are we seeing?

Sanjay Koul: One thing I can tell you, I lived in China for 5-odd years and we have the sister company, The Timken Company has footprints in China and we are a North American-owned majority stake company, so all said and done, Americans are looking at China Plus One seriously. So, risk mitigation of global supply chains are heavily involved, but these supply chains are very much dependent on China and this is a huge work. It is not an overnight thing, but we can already see that the impacts are slowly coming and now coming back to Timken, as you know that the Timken has good footprints in China, and they are seriously looking at the strategic direction of risk mitigation of supply chains and that is obviously not an overnight thing. We are putting the SRB plant which I call the phase one after we complete the phase one and then we will discuss and see what will happen to phase two. So, the work in progress is happening on not only for Timken, but most of the companies which I see also as part of the American Chamber of Commerce. China Plus One is seriously taking shape. Now, the Chinese companies are also not sitting idle. Chinese companies are seeing that China Plus One is happening. So, you see the Chinese companies are investing in ASEAN, they are investing in India. They are though India might not be major takers, but still they are trying hard to like, I will say that Nanjing High Speed, the largest gear wind gear making company is setting up shop in India in Chennai, **then there is SANY**. So, Chinese companies are also going out and setting up shop in backyard of North America as well. So, while China Plus One is happening, China itself is risk mitigating themselves by putting investments outside China and their plants these days are not loaded. So, they are doing their best to put plants in Indonesia, in Vietnam. They are trying their best to risk mitigate themselves by spreading out their investments outside China. So, this is an interesting juncture. But what I can say is that India is sitting on a very nice point of time because of the fact that, a, India investment is going to happen the infra build up is happening, the rail has to go a long way and similarly the infrastructure connected to the marine, connected to airports, all this will keep on coming and then India is destined to take a nice pie, a piece on this China Plus One. Obviously, Government of India will have to do their best that we become very tax friendly and all those things continue the way it has been happening in last 10 years. I think India will see next 10 years as the best period, nobody can stop that, unless something catastrophic happens other way. So, Timken is also on the China Plus One. I can say that we have a heavy investment on China. We are committed to China that is The Timken Company. It is the local market; has a huge installed base, but at the same time, given the global supply chain risk mitigation, so Timken company is also working on that.

Moderator: Thank you. Next question is from the line of Abhishek from DSP. Please go ahead.

- Abhishek:** Sir, just in terms of the revenue mix for the quarter, would you be able to give some light or maybe on YTD basis in terms of railways, process, exports, mobile and distribution, any thoughts?
- Sanjay Koul:** So, if you see the breakup of our last quarter, which was Q3 '23-24 out of the total pie, 18% was rail and mobile, as we call it, which covers both off highway and heavy truck of 22%, distribution is 17% and process industry is 21% and our export was 20%. So, that was the percentage breakup.
- Abhishek:** So, sir, two key segments, if I look at both exports and distribution, which inherently should be higher gross margins segment for you, both are down on a Q-on-Q basis, is that the reason for lower profitability in the current quarter, any thought, sir?
- Sanjay Koul:** If I compare the PBT margin of Q3 versus Q2 say in financial year, 1% was attributed to the product mix and export that was certainly 1% down there and another 2% went to where you cannot leverage your fixed cost and the plants are not loaded well and in India, you can't flex the labor, you can't lay them off. So, that 2% loss is due to the suboptimal leverage in cost for significant volume reduction.
- Abhishek:** Sir, just in terms of these five segments, railways, you spoke about that there is a strong demand which is kind of coming through both in India as well as overseas, so how should one look at this piece? Is it like a more like team's growth that one should expect in the domestic railway business, given the overall outlay that we are seeing and there is so much of new trends which are coming up, any thoughts sir on that?
- Sanjay Koul:** Yes, rail demand issue, divide the rail demand domestic is freight, obviously freight is growing. The passenger is also growing which is the Vande Bharat or these fast trains and then the metros are also growing. Metro is a very small portion of it. So, it is growing. Not that many locomotives, but the major chunk of Indian Railway domestic is freight, followed by the passengers. So, that is certainly growing. So, the consumption is growing there. Though, it is not at a very high CAGR, but it is growing, every month, every year is better than the previous year, if you would like it that way. On the export side, the freight in Brazil is booming currently as I said earlier. So, obviously they need freight bearings as well. So that gives a good capacity utilization for rail assets for us here in Jamshedpur which means that you can leverage volume further and as you guys know that bearings are very CAPEX intensive, fixed cost is there, we have put new lines, depreciation is there and if you can leverage these capacities well, they certainly help us greatly on the cost. And then the backend of the supply chain also if you are sourcing more and more of the same part numbers obviously that helps a little bit more on the cost side, so more consumption of the rail lines gives you a cost advantage, and similarly when you don't leverage them, like on our truck side, if you don't leverage them, same thing works the other way around is that you have assets which are dependent on volume and you can't get the gain as the volume might be low and that also impact the previous supply chain because forging is a heavy duty equipment making process where the setups are larger and if you run smaller

batch sizes, the rates for a 5000 piece run and a 50,000 piece run is almost similar for the backend of the supply chain has those impacts.

Abhishek: Sir, just in terms of exports, did mention briefly, but would it be fair to assume 50% is trucks and 50% would be railways for the exports?

Sanjay Koul: Roughly, that has been, but some time 45-55, but overall, 50-50 and currently rail markets are attracting more. We have installed one more double cup line which is the outer line so that we can produce a little bit more. So, we are working, as we speak, 6 days, 3 shifts and also installing one more line on that.

Abhishek: So, 50% of the export market is growing for you, it is the rest 50%, which has seen a sharp decline and the overall export pie has come down from a 35% to 20%. That is the way to look at it?

Sanjay Koul: That is absolutely right. And of the truck market, this is a big camp saying that the H2 this year that is American H2 that is calendar year should start picking up. So, let us hope if it picks up. In the meantime, Indian truck market as you guys know better than me, so we will have to see how the Indian truck market also picks up or not picks up as we come closer to the election time.

Abhishek: Sir, whenever this overseas CV, it will be largely classic trucks which will drive growth for the export?

Sanjay Koul: Yes.

Abhishek: So, your expectation is whenever it comes back, it should come back pretty sharp because the decline has been also sharp?

Sanjay Koul: That is the beauty of the demand. It falls like a rock and come back like a Gujarati kite; kite means *Patang* not the animal kite.

Abhishek: Sir, the other aspect is also on the process part of it. Now what I understand is you are little more on the heavier on the steel side of the business and that is a piece which we see lot of capacity addition happening. So, how should one look at this process part of the industry and any thoughts on that, Sir?

Sanjay Koul: So, largely process is connected to core sectors, so steel which is metal making, cement and power generation. Now if you talk to steel, so steel is becoming more attractive. Last year also, obviously when the capacity is announced, it is a 2-3-year term to get the installed base coming, the mills getting installed. So, this is happening as we talk pretty nicely. More steel installed means more bearings and which means more steel getting produced and furthermore consumption of bearing taking place and we have a product offering in the metal industry which is second to none. So, obviously that helps the cause as most of the application on papers have been designed generally around Timken Technology. So, we are looking pretty much bullish on

the metal side and we are the only company in India which are running 25 shops inside these steel companies. You name the steel maker in India, we are inside the shops and what we do is that we ourselves mount the bearings, we choke, dechoke and maintain those so that the customers also get the better yield on the life of the bearing. So, we know the trends, we know the mills and we are deeply entrenched through the service model as well. So, steel is pretty good. On the energy side, as we are also part of pulverizer business, but as the solar business is picking up in India and now you see that in India especially Tata Solar and FTH, now they are coming up with these solar panels which will rotate. So, Timken India has already started working on it through our company in US called Cone Drive, which also owns the company called H-Fang in China. So, we have started producing some slew drives ourselves in Bharuch, still at a very nascent stage. These are small components, but these are effectively helping the solar panels to move around as per the direction of the sun. And wind as the Government of India is very bullish on putting up wind mills, the target they have set for themselves is pretty heavy and we see that local wind market, currently the wind market in India was more gearboxes getting exported out of **ZF, Siemens, etc.** and now there is a very nice chance driven by Government of India and Adani Green and all these guys are putting up and in the process of putting up windmills in Saurashtra, in Kuchh area etc.. So you know wind also looks pretty good, the metal looks also good and then on the cement side, we do have the product offering, but they are all imported. So, as soon as we complete our Baruch plants by the end of this year, then we will start producing SRB of certain range. It won't be the whole of our CRB of the range, which will start catering into the cement business or paper business or the sugar business as well. So, we are looking very happy with the steel market currently with the investments coming up and with our knowledge of steel, should help us on the solar, which is a new thing. Only Timken in the bearing companies have this product offering. So, we started doing that. It is small but it can become big as China Plus One issue of tariffs. So, importing those cylinders out of China into US versus importing them out of the India is another sunrise market. We will see as it comes into being. Can't predict what will happen, but the direction is being set towards that area and then in the local wind market of three megawatts, 5 megawatts, Adani Power and companies like that starts getting pretty good on that. So, that would be another sunrise in coming months and years.

Abhishek: So, just one question on the solar part of it. You are developing the product for rotating solar panels towards the sun and maybe those bearings and other things will be required. Does your peer already have a product, or it is a new product innovation that will happen in the future?

Sanjay Koul: Parent has the product for last 30 years.

Abhishek: Okay, so peer has the product, you have to develop it.

Sanjay Koul: So, let me clarify this statement. our Parent has taken over a company called Cone Drive, which has this product for the last 30 years.

- Abhishek:** Sir, just lastly on the distribution part of the business, how are you focusing on that? Because that's again a very lucrative business in our understanding. How should one look at that aspect?
- Sanjay Koul:** Now let us divide distribution into two pieces. One is the industrial distribution, and the other is the auto distribution. The auto distribution is the heavy truck bearing change, which is mostly, largely wheel end. Wheel end bearing gets changed; differential, pinion generally does not get changed. So, that is one piece of distribution which has this growth, but we see that our premium competitors are leveraging their brand, and they are using in the auto aftermarket, they are getting into windshield wipers, oils and things like that. So, that is one part of distribution which we are limiting to bearings and grease. We have been selling grease in India under our chemistry for last 20 years. So, we are limiting that to our bearings and to grease and adding a related party to that, but not going to the extreme of producing windshield cleaners and things like that. But on the industrial side, we've been growing CAGR double digit. Obviously, steel is an important piece of that, which is a strong MRO requirement. But beyond steel, we are now getting into MRO of the general industry, where we were lacking A, product offering, and B, the reach. So, we are augmenting our reach and the product offering as well importing from other companies of Timken and enhancing our reach into towns and areas where they are getting consumed. So, general industry is a sunrise area for us and we are investing heavily into our distribution channels to get into those areas.
- Moderator:** Thank you. Next question is from the line of Kunal Vora from White Whale Partners. Please proceed.
- Kunal Vora:** I wanted to get some color on the railway side of the business. You see a lot of the wagon manufacturers as well as some of the competitors have reported very robust kind of growth numbers here. So, can you just give us some color on how you're seeing our business grow and whether we are losing any market share to them?
- Sanjay Koul:** So, on the rail side, so on the freight side, we are the leading player in the Indian rail freight market. And when we say freight, this freight over the years has changed itself a little bit. One is that once upon a time, Railway Board used to buy it all themselves and then what they used to call it as a free supply given to the wagon builders. So, they have changed it. Now they are asking the wagon builders who quote for the wagon to buy everything themselves. So, this is wagon builder now on one side and they have heavy warranty guarantee commitments to back to the Indian Railways. So, that is one piece of it. And second is that these wagons, when purchased by the Indian Railways go into circulation, then every four years they go through what we call the POH etc. That means that all the bearings will get stripped and then they will have to be, if they're old, discarded (), So there are two kinds of buying on freight. One is the buy from the Indian workshops which is done by the Railways Board after consolidation. And then there is also now the buy by the wagon builders. So, wagon builders have to rely very well on really established players because of the fact that if they have one derailment, government of India and Indian railways will really wipe their pockets away because of the heavy warranty clauses they have. So, Timken is an established player. We do all our mountings on these wagons ourselves. We ensure high quality, we ensure mounting is done well, and we have a relationship

with the leading wagon builders like Titagarh, Texmaco, Jupiter, Braithwaite, etc. for a number of decades. Our team was their interest Timken has the right capacity in place, and we have developed the supply chains over the years, and we are bringing in new technology in terms of sealing solutions etc. And then government of India on the freight side is also slowly working on dedicated freight corridors, class K, which is a little bit of heavier bearing than the normal freight bearing. So, we are well entrenched in this game, we are the leading suppliers, and we had, the competition was always there. It is not that the competition was not there. It was there always and we remain always there. And we are using technology to make sure that we remain ahead of the game. We are also using special maintenance practices, which ensure that the Indian railways get bit of time on these bearings. And then we are also doing the refurbishment of bearings, which means that when they strip the bearing off, we do the refurbishment, and we are also looking at getting more nearer to the workshop. We already have a heavy footprint in Jamshedpur and we are building in other cities in India as well. So, freight, we have a strong position, and we intend to keep that position pretty well using technology, using service, using our brand equities with these wagon builders and the relationship as well. So, that is where the freight is and freight is obviously, you know, government of India, India Railways has 300,000 wagons on circulation. There are the rolling stock needs to get changed and at some point of time they need to put more wagons on dedicated freight corridor, which is class K. And this market as India produces more and more so you can understand that with our roads being congested, rail freight business should be better, though the roads are coming up very well as well. So, I think freight business is going to remain nice and long. We are nowhere close to what China used to consume or still is consuming. The biggest market of rail freight is America, followed by China, Russia, India is the fourth largest market of rail freight business. So, if we have to, if our economy becomes 10 trillion, so obviously you can understand that 10 trillion and out of which 25% is manufacturing, so 2.5 trillion worth of goods to be transported. So, you know, a lot of bearings will get consumed on the freight side.

Kunal Vora: What would be our market share railway side?

Sanjay Koul: More than 50% currently.

Kunal Vora: Is it fair to say that we're not losing any market share?

Sanjay Koul: No, we are gaining market share.

Kunal Vora: So, is there lag higher now than it was before in terms of, you know, when the wagon manufacturers kind of win the order?

Sanjay Koul: So, we were a miniscule market share. In the last 20 years from a miniscule market share, when we started Tata Timken, the first thing we started assembling was rail bearing, we had zero market share in 1990 at Indian Railways. Today, more than 50% and the pie is growing, obviously, the wagon's build is going up. And this item gets consumed.

- Kunal Vora:** But like you mentioned that the ordering is now done through the wagon manufacturers as well. So, is the lag higher in terms of when they win the orders versus when you deliver to them versus what it was earlier when you would deliver directly to the railways?
- Sanjay Koul:** I would say earlier the process was that the Railway Board will buy the bearings, they will tender the wagons to different guys, and then the free supply will go through CMMBI to them. That was a highly complicated and complex procedure. So, you know, by the time we got the order from Railway Board and then allocation from CMMBI supplies to wagon builder, from builder, we will get the GRN and put it FMCO at CO6, CO7 and get the payment. It was highly complicated, though we had mastered the art. Currently, it is a direct relation. They have the forecast. Once they win the tender, they make their production plans. They have the forecast in place. And it is pretty much now more into a kind of a symmetrical. As soon as they get the order, they start. You say somebody got 20,000 wagon order or 10,000. So, he plans it out and then gives us the order and the forecast. So, now it is more seamless as compared to before.
- Kunal Vora:** So, do you have strong visibility than of the order book as to how you see the railway side of business?
- Sanjay Koul:** We do have visibility of the order book at least for 6 months to 9 months currently.
- Kunal Vora:** And sir how do u expect this part of the business to grow?
- Sanjay Koul:** Yes, things are moving, things are in motion, more tender are coming out and things are shaping up well.
- Kunal Vora:** When tender is won by the Wagon manufacturer, after how long do you actually supply the bearings?
- Sanjay Koul:** So, basically, what happens is every year there is a wagon order, every year they are winning tenders and they take time to complete that. So, if I call today, every month the supplies are on. So, they might themselves get delayed because of other reasons to complete a tender within a time span of 12 months, they might go into 14 months or 15 months, complete the complete order by the time they have the new order. So, for us now it's a running machine. Three years back there were the slow, the start bumps and all that. Now it is a complete running machine. So, every wagon builder has a, if I say today has a slight backlog. So, they need components, not only bearings, they need other components - bogies, castings, things like that.
- Kunal Vora:** And when they have to deliver the wagons, do the bearings go on there last in terms of when you're actually supplying the bearings?
- Sanjay Koul:** Bearing has to go first because first the wheel came, so the wheel is the first. Wheel gets mounted on the journal and then the bearing gets on bogie and then the fabrication is done.

Kunal Vora: The other question was on wheel set localization and what sort of opportunity that would mean for us?

Sanjay Koul: So, very good question. So, there are two kinds of wheel sets which are used in India. One is the cast wheel, which is like old technology and other is the forged wheel sets. Now, forged wheel set as you make more wagons and you do not import them, we use, wheel and axle factory here in Bangalore was the largest supplier once upon a time. And we used to import, when I say we, Indian Railways, we used to import from China, from Spain, etc. So, localization of wheel is on a very high priority of government of India, Indian Railways, obviously because of the fact that they want more wagons and make in India is part of it. So, as you know, we have now, Ramakrishna has already started that, and a couple of other guys are also there. And I can't discuss it now, but it is a good thing where there is some further technology and further changes can happen as we localize more wheels, and they can come as an assembly and things like that. So, that localization is a good move, and will help us certainly in bringing more value to the railways through the wagon builders.

Kunal Vora: How far are we from actually supplying?

Sanjay Koul: I cannot give you any further details on this yet, please.

Kunal Vora: But is it like a year away? Is it two years away?

Sanjay Koul: I can't tell you anything on this.

Kunal Vora: Last question was regarding the Bharuch plant. And can you just give us some colors to what we can expect from that going forward?

Sanjay Koul: So, Bharuch plant, as we speak, the pillars and columns are coming up. So, we should be able to hit the timeline, which is by the end of this year. All the machines are already at the port. We are getting machines from different parts of the world. Obviously, these are going to be state of art robotics, and things like that. So, machines are already either on the ship, some of them are on our Nhava Sheva. So, we should have both of the assets inside our buildings in Bharuch. We got a separate storage buildings available. So, they should be there from already some of them are in, you know, transit towards Baruch. So, between now and the next two or three months all the assets will be there. The building should be completed by July. That means that when I say completed means that we can move the assets in position. And hopefully by end of this year, we should be starting to move the PPAP. So, as soon as we are ready by the end of this year, the markets which we'll go after is connected to spherical roller bearings and cylindrical roller bearings and we'll start producing for the domestic market, which is material handling market, for example, and then also the cement industry. And there's a very nice area of export in the ASEAN region where people use a lot of spherical bearings in the palm oil business etc. So, hopefully next year by this time we will be supplying to the Indian customers out of that plant, supplying to experts as well out of this plant. So, that is how the timelines are. We are pretty much pleased and hopefully next year when we inaugurate the plant, we will have the chance to

get some of you to see the state of the plant. It will be one of the best in this part of the world. And we are pleased with the performance currently. We are going all hands on the deck building the plant.

Moderator: Thank you. Next question is from the line of Mayank Bhandari from Asian Market Securities. Please go ahead.

Mayank Bhandari: My first question is on total revenue has been flattish in nine months. Can you break it down in terms of volume, degrowth or growth and then pricing?

Sanjay Koul: So, if you see our nine month performance, 23-24 versus 22-23, the intercompany which is exports is down by 10%. We had a sale of Rs. 2,011 crore which was slightly up. And if you see, if you want the, a little bit deeper color, our rail was, nine months to nine months, was up by 3%. Mobile & others were up by 1.6%. Distribution was up by 1.1%. Process was up by 5%. Inter-company as I said was down by 10%. So, against Rs. 1,989 crore rupees say in 2022-23, we are at 2007 roughly. So, the breakup as I said. Rail up, mobile up, distribution up, process up, obviously, rail was three and processor was five up again, but intercompany was down by 10%.

Mayank Bhandari: I am checking on the organic growth I mean the volume part volume growth. So, you are talking this, always volume growth?

Sanjay Koul: I am saying organic only.

Mayank Bhandari: Okay, because you see in the parents, Timken parent's, recent calls they have highlighted that this year of CY 24 is going to be a decline, organic decline of 4% to 5% because they are expected very bad.

Sanjay Koul: I cannot comment on the parent. Obviously, we are looking at the globe. And in globe there is China and China everybody knows is big time down. So, obviously that is connected to that. I did not hear the call, but I read it. So, you must have seen the India piece from our global CEO there. So, India organic export is declined, but organic is pretty much okay. And for global, China is definitely down, definitely down for all the companies. So, you know, that is a big piece and China was obviously a big piece and in China really was a big piece. So, that is why it is coming.

Mayank Bhandari: I think their expectation of first half decline of 40% in China, I mean I think definitely it impacts our business also as what I understand. So, first two quarters, next two quarters, how do you see the export?

Sanjay Koul: I cannot comment on the global things, and I am not authorized to speak about that, but for India as I said the domestic organic growth is there very much and our exports are down, which are connected to that global piece.

Mayank Bhandari: Secondly, the company, the parent company has done almost six acquisitions last year. Just wanted to understand, does any of the acquisition impact our business anyway in India?

Sanjay Koul: None of these acquisitions have, these M&A's, they don't have any factory per se in India. There is a company called GGB which has some sales in India, I think around Rs. 50 crore sales in India, And then there's another company called DesCase, which is again a North American company. They have a sale in India, less than a million. So, these takeovers, Rollon for example, they have taken over Nadella. Nadella has a sale in India.

This is part of, you know, obviously global technology, global take-offs and things like that. For us, it has certainly a long-term strategy. You know, had there been a factory in India and we could have kind of, you know, then thought about it differently. But certainly, if you see globally, India is one of, one is China Plus One, the other is obviously the importance of India's cost-quality-delivery piece of it. So, you know, as forgetting that any big company in the engineering space as they take over companies, wherever they take them in the world and they have footprints in India. It is matter of time those supply chain models will start from India. For example, Indians can make chains, Indians can make belts, Indians can make filters. And then if there is technology available, at some point of time those gaps will get bridged and will become nicer business case. So, to your original question, none of these six companies which they took over globally, they don't have any manufacturing footprints in India etc. They do have in China, they do have in North America, and certainly Europe. But then India has a sweet spot for future of becoming part of these global supply chains. So, if they have the technology, the manufacturing base can be created in India, which is again a nice work in progress for the Timken India Limited. How do we leverage these technologies, how do we create these operations, obviously, you know, investments would be required or M&As would be required. So, we are always continuously evaluating them. Even last week, I was around India visiting different companies, looking at possibilities, things like that, but nothing concrete yet, work in progress.

Mayank Bhandari: Okay, and also we understand that globally there is a lot of consolidation, headcount reductions in some of the facilities being consolidation. So, is that kind of limited to global or not impacting Indian business?

Sanjay Koul: Not impacting India. So, there are two pieces of it. One is obviously the cost control the global companies do when there is a chance of a recession. In India, we are currently running both our plants pretty well and we are investing heavily in our distribution channels and things like that. So, we are not looking at any contraction per se, but cost has to be, efficiency is always required in a manufacturing company. So, more robotics and more process automation which can make things better than this, you do more jobs with less people. So, that fight keeps on evolving in manufacturing companies, but per se that reduction we are not looking at in India at all.

Mayank Bhandari: Okay, and sir, just on this railways part, you highlighted North America railways is doing good and Brazil particularly is doing good. So, within export, how much it is would have been grown in nine months within exports?

- Sanjay Koul:** For us, exports and rail and this both together, so, they are down. As I said, they are down 9 months by 10%. And now as I speak, to the previous question, currently the rail market in North America and the Americas is going up. So, that should impact our future manufacturing and inter- export sales. So, these are not nine months, in last nine months it was not at that level. Now past nine months those exports of rail compared to the forward looking, the forward looking is a lot better than the regression.
- Mayank Bhandari:** Just last question, Sir, just wanted to understand how much in last year Indian bearings industry would have grown in your view, last nine months or last year's?
- Sanjay Koul:** So, Indian bearing industry is still at \$2 billion industry. So, it is not a very big industry compared to say China used to be \$20 billion and out of this \$2 billion industry, which is a bearing industry, half of it is ball bearing and half is industrial. So, industrial is going at a double digit CAGR and will keep on growing because 2 billion is too small. And out of that, 2 billion, half is ball bearing which goes into two-wheelers, three-wheelers, and all small passenger car as such. As we become more mature as an economy, generally the bearing distribution should be 50% mobile, 50% stationary equipment. In India, it's still 65% is mobile and 35% is stationary. So, the 35% has to become 50, and it is growing, the industrial piece I'm saying is growing double digit. Now, the ball bearings we don't track, so I cannot comment on that piece. But it's a small market which has to grow a lot on the industrial side.
- Moderator:** Thank you. We'll take the last question from the line of Vipulkumar Shah from Sumangal Investment. Please proceed.
- Vipulkumar Shah:** Sir, within rail, what is the freight contribution and so that figure I missed. So, can you repeat it please?
- Sanjay Koul:** Yes, roughly 60% is freight.
- Vipulkumar Shah:** And lastly, what additional turnover we can expect from our Bharuch plant in the next financial year, 2024-25 or it will be in 25-26 only?
- Sanjay Koul:** So, I would say that, this financial year it will be small, I think it is to be fair to the whole thing. 2025-26 will be really the volumes and will be there. There will be a small one but, you know, it might be Rs. 20 crores - Rs. 30 crores or Rs. 50 crores. We want to do faster, obviously. But its real game would be 25-26.
- Moderator:** Ladies and gentlemen, on behalf of Avendus Spark that concludes this conference, thank you all for joining us and you may now disconnect your lines.