Timken India

Operator: Ladies and gentlemen, good day and welcome to the Timken India Ltd. Q2 FY27 earnings conference call, hosted by Avendus. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kripashankar. Thank you, and over to you, sir.

Kripashankar – Avendus: Good evening. We appreciate everyone joining the Q2 FY27 conference call of {? Timken India Ltd. ?}. We have with us Mr. Sanjay Koul, Chairman and Managing Director, and Mr. Sujit Kumar Patnaik, the CFO of the company. I will now hand over the call to them for their opening remarks.

Sanjay Koul – Chairman & Managing Director: Thank you very much, Kripashankar. Good afternoon, and thank you for joining this conference call today. I formally welcome you to the Timken India Ltd. investor call to discuss the financial results for the second quarter and half year ended September 30, 2026.

When we entered FY27, it was on a positive note, as you know, and I am pleased to report that the momentum continued into the second quarter as well. During Q2, we delivered strong double-digit revenue growth, accompanied by modest growth in profitability. The performance reflects continued demand across all the key end markets, a little bit of a delay in the rail contribution, the contribution from our expanded capacity, and disciplined execution across both domestic and export businesses.

An update on Q2 FY27 standalone: revenue from operations stood at 969 crore, representing growth of 25.4% over the corresponding quarter last year. Compared to the last quarter, the quarter was 25%. Revenue also grew by almost 4.3% over Q1 '27.

PBT for the quarter stood at 156 crore compared to 120 crore in Q2 '26, representing growth of almost 29.5%. PBT margin for the quarter stood at 16.1% compared with 15.6% in the corresponding quarter last year. That is a 50-basis-point improvement.

Net profit after tax for the quarter stood at 116 crore compared with 89 crore in Q2, representing growth of 29.7%. EBITDA margin for the quarter was close to 19.2%. I think the improvement in profitability is encouraging for the company.

There are obviously cost pressures in the background, but we have a direct impact. Depreciation is there, the cost of fuel has gone up, and gas has gone up, and against that, this is pretty encouraging.

Quickly, on the half-year performance, for the first half of FY27 standalone, revenue from operations stood at 1,894 million, an increase of almost 20% year-on-year. Profit before tax was almost 306 crore, while profit after tax was 231 crore, an increase of 19%.

Quickly, on the consolidated numbers, revenue for the quarter stood at 986 crore compared to 786 crore in Q2 FY26. PBT was 162 million, 162.9 million, so 162 crore, while profit after tax was 120

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crore, an approximate increase of 29% year-on-year. For the first half of FY27, consolidated revenues were 1,929 crore, while consolidated net profit after tax stood at 240 crore.

Overall, our new Bharuch facility continues to progress through its ramp-up phase. With the lines capitalized, we are focused on improving utilization. I am sure that would be a question, but we are progressing on that. We are increasing utilization.

Our investments toward rail expansion at Jamshedpur and spherical roller bearings at Bharuch are on target. Very soon, we should be able to commission them and start the PPAPs and related activities.

Also, the amalgamation of Timken GGB Technology Private Limited with Timken India Ltd. is progressing smoothly. The regulatory process is ongoing. The proposed integration is aimed at driving synergies, efficiencies, and synergies across the overall structure.

On the cost side, costs are going up, so that is a focus area. We are working on cost reduction and related initiatives. As you know, costs are going to be a challenge in the coming months and years as well.

The external environment remains mixed. Global industrial activity continues to be influenced by geopolitics. That is a challenge, as we all know. Trade-related uncertainties are very much present, and supply chain realignments are happening with every passing week.

We are connected to our customers, while at the same time, demand from our key customer segments is acceptable. We continue to monitor developments. I would say that domestically, we should be quite comfortable, as demand looks very solid.

Execution remains the key. Overall, I would say it is a fairly positive picture as we move into the next quarter as well. With that, I will open the line for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Raghunandhan N.L. from Nuvama Research Private Limited. Please go ahead.

Raghunandhan N.L. – Nuvama Research: Thank you, sir, for the opportunity. Congratulations on the strong, all-round performance. Sir, can you please share the segment-wise revenue for Q2, which you generally do?

Sanjay Koul – Chairman & Managing Director: Yes, sure, why not? On a segment-wise basis for Q2 FY27, rail was at 156.7 crore. That was 16% of the pie. Mobile and others was 204 crore, which was 21% of the pie. Distribution remained at 148.8 crore, which was 15% of the pie. Process stood at 190.9 crore, which was 20% of the pie. Exports were at 262.7 crore, which was 27%. Then we had some export incentives. That is how the Q2 revenue of 969.3 crore was spread out.

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Raghunandhan N.L. – Nuvama Research: Got it, sir. Thank you so much for that. With regard to the Bharuch plant, can you indicate the revenue and utilization for Q2? How do you see the ramp-up going ahead? Have we reached 70% as of now, which was the earlier target for September?

Sanjay Koul – Chairman & Managing Director: Yes, the work is in full bloom, and capacity utilization is not yet at 70%. However, the certification and MOCs, because they were served from different plants, are pretty much dependent on the sales side, which is the customer side. We are roughly at—Sujit, what are we currently at?

Sujit Kumar Patnaik – CFO: Overall, if you look at the plant, we are close to, I would say, 60%—

Sanjay Koul – Chairman & Managing Director: 60%.

Sujit Kumar Patnaik – CFO: —but if you look specifically at the SRB plant, which, as the Chairman told you in the last meeting, has slightly higher capacity than our CRB line, we have already reached 70% for the quarter, as we promised in the last quarter. CRB lines are still below 60%, I would say. On average, it is at 60%, and from a revenue perspective, revenue for this quarter was very close to 75 crore.

Raghunandhan N.L. – Nuvama Research: Got it, sir. That is a good improvement compared to Q1, and—

Sanjay Koul – Chairman & Managing Director: Yes, yes.

Raghunandhan N.L. – Nuvama Research: —Q3 should be much better.

Sanjay Koul – Chairman & Managing Director: Yes. The SRB lines are getting more traction.

Raghunandhan N.L. – Nuvama Research: Got it, sir. Exports have seen very strong growth of 60% year-on-year and 30% quarter-on-quarter. Can you indicate how the traction is developing and in which regions? Would the US be the key driver of growth, and how do you see the momentum continuing?

Sanjay Koul – Chairman & Managing Director: I think the momentum is going to remain quite healthy in the coming quarters. Very soon, with the North American rail market also getting aligned and Timken Company getting aligned with the buying behavior of those customers, I think better days in terms of exports are going to be there.

The rail business should gain more traction in the coming quarters. It is only in the early stages of the coming quarters, but overall, the bearings business is going to remain quite healthy.

Raghunandhan N.L. – Nuvama Research: Okay, good to hear that, sir. Just a final question on cost inflation: can you indicate how much the impact was in Q2? We can see that raw material cost quarter-on-quarter has gone up by 130 basis points as a percentage of revenue, and other costs such as fuel and gas have also gone up. Would the entire cost be passed on to customers? Would there be some negotiation? Would some absorption be expected, especially with non-auto customers?

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Sanjay Koul – Chairman & Managing Director: I will ask Sujit to reply, but generally, costs are going up and will continue to go up, and nobody can absorb them. The bearing industry cannot absorb them. They might absorb them for a quarter or so, but overall, they have to pass them on.

The endeavor is actually to pass them on. That is the job of the salespeople in the bearing industry because this is not a one-time cost or a small cost. Carbides have gone up by 200%, steel is going up, gases have already gone up, and if you look at labor, labor is going up. You name the area, and the cost is going up and only going up.

You can only do so much in terms of CI improvement. It has to be passed on. Our endeavor is to pass it on, and we will continuously work on that.

For both auto and non-auto, the industry cannot absorb it, let alone Timken India Ltd. Everybody has to pass it on for the sake of survival. Our major customers understand it. They are passing it on, but automotive takes some delays here and there. Otherwise, the industrial segment is improving. Over to Sujit for a little more of the mathematical equation.

Sujit Kumar Patnaik – CFO: One additional point on the 130 basis points that you mentioned: I think you are talking about the gross-margin impact. That is not necessarily entirely due to input-cost inflation. We also have a little bit of an unfavorable mix playing a role, basically the mix between spherical and cylindrical bearings.

There is a little bit of input-cost inflation, which we are continuously working to pass on to customers. We will always have a timing gap between cost and price, but there is also an unfavorable mix playing a role. Broadly, I would say it is 50%-50%: 50% is because of the unfavorable mix, and 50% is because of the input gap, the input-cost difference between price and cost, and the timing difference.

Raghunandhan N.L. – Nuvama Research: That is very helpful, sir. Just a clarification: does unfavorable mix refer to a lower share of rail and distribution?

Sanjay Koul – Chairman & Managing Director: Correct. Rail was low in the quarter. That is the unfavorable mix because the global rail tender was delayed.

Raghunandhan N.L. – Nuvama Research: Got it, sir. Thank you so much. I will fall back in the queue. Very helpful, sir.

Sanjay Koul – Chairman & Managing Director: You are welcome. Thanks.

Operator: Thank you. The next question is from the line of Varun Ginodia from Dolat Capital Private Limited. Please go ahead.

Varun Ginodia – Dolat Capital: Hi, sir. Good evening. I have a couple of questions. My first question is, in this quarter, your depreciation declined to 289 million from 314 million in Q1, while your capital work-in-progress increased and almost doubled. Why is that?

Sanjay Koul – Chairman & Managing Director: Very good question. If I had a Nobel Prize for a question, I would give it to you. Sujit?

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Sujit Kumar Patnaik – CFO: That depreciation is a little bit of accounting noise, I would say. There was a reclassification between the last quarter and the current quarter, between other expenses and depreciation, so that has been trued up in this quarter. There is no structural reduction in depreciation. It was more of an accounting reclassification from other expenses to depreciation, very close to 1.3 crore.

Varun Ginodia – Dolat Capital: Okay, got it, sir. My other questions are on Bharuch. What was the Bharuch revenue in this quarter, and what margins are we realizing on CRB and SRB versus what we get on TRBs?

Sujit Kumar Patnaik – CFO: In terms of revenue, 75 crore—

Sanjay Koul – Chairman & Managing Director: Yes.

Sujit Kumar Patnaik – CFO: —revenue is 75 crore. We do not disclose separate margins at the plant level. We do not monitor that. It is still one segment. From a revenue perspective, it is 75 crore.

The plant is ramping up, so as we move forward and capacity utilization improves quarter-on-quarter, that will definitely improve.

Sanjay Koul – Chairman & Managing Director: Yes. But generally, the [trails off]

Management: SRB and CRB generally go to the industrial segment. The industrial segment is always better than the automotive segment in terms of overall margin behavior.

Varun Ginodia – Dolat Capital: Yes, yes, sir. I understand directionally that they are higher-margin, but is the difference around 300-500 basis points, or is it more than that?

Management: We obviously do not state that, so I will just tell you directionally.

Varun Ginodia – Dolat Capital: Sure, sir. My second question is also [crosstalk]

Management: Yes. Go ahead.

Varun Ginodia – Dolat Capital: Yes.

Management: Hello?

Varun Ginodia – Dolat Capital: Yes, sir. Please go ahead.

Management: Please go ahead, yes. Sorry, we lost you. Hello?

Varun Ginodia – Dolat Capital: Hello.

Management: Yes, please go ahead.

Varun Ginodia – Dolat Capital: Yes, sir. My other question was regarding the railway expansion of 120 crore. Is it still expected to start commercial production by December? Secondly, there were railway tenders that were delayed. Have they now started converting into orders?

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Management: The new line would start trial runs at the end of November or in December. Then the PPAP will start, and then we will qualify those lines. That is all on track as per the target.

As far as the tender is concerned, the tender was delayed, and hopefully it should get converted into a POA because the committee has not yet been set. The committee will be set, and all that activity will happen in the next 2-3 weeks.

In the meantime, some interim orders have been placed by wagon builders. The movement and traction for wagons and the tender are now very much in full swing. The tenders will take another three weeks, and those matters will materialize into orders.

Varun Ginodia - Dolat Capital: Okay, sir, got it. Just the last one, sir [crosstalk]

Operator: Sorry to interrupt, sir. I would request you to fall back to the queue for more follow-up questions.

Varun Ginodia - Dolat Capital: Sure.

Operator: The next question is from the line of Rishi Vora from Kotak Securities Private Limited. Please go ahead.

Rishi Vora - Kotak Securities: Hi, sir. Thank you for the opportunity. My first question is regarding SRB and CRB. While you said that 75 crore was the quarterly contribution, what would be the mix between domestic and exports in this business?

Management: Currently, it is heavily tilted toward exports, and the domestic endeavor is ongoing because those PPAPs and other activities are taking place. However, this quarter's sales are more tilted toward intercompany exports.

Rishi Vora - Kotak Securities: Understood. How should we think about year-end utilization levels? Should it reach 80%-85% by the end of this financial year?

Management: When we talk about the last quarter, when we have the investor call after the last quarter of the financial year is over, currently CRBs are roughly at 50%-60% and SRBs are at 70%. I would say overall plant utilization will be between 70% and 75%.

Rishi Vora - Kotak Securities: Understood. In terms of what you said about industrials generally making better margins, when this reaches a certain utilization level, will the margin overall be accretive to our business, or will it also depend on the domestic and export mix at that point? I am assuming that exports would be accretive at this point compared to domestic business.

Management: Directionally, industrials are always better than automotive. As we reach critical mass, you will see a positive effect. How much that will be, time will tell us. Overall, it will be positive. Sujit, do you want to comment?

Sujit Kumar Patnaik - CFO: One additional comment there for the last quarter or the fifth quarter [crosstalk]

Operator: Sorry to interrupt, sir. You sound very distant from the microphone.

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Management: I was just saying—one minute, one minute. Sujit is coming closer to the phone.

Sujit Kumar Patnaik – CFO: I was saying that one additional point is that, since we are in the third quarter of the financial year, we also have the year-end. Generally, the seasonality for the last quarter of the calendar year is a little softer because of exports and the December year-end of clients, and so forth. That also has to be considered while calculating capacity utilization and other shipments.

Rishi Vora – Kotak Securities: Understood. My second question is on process industries, excluding CRB and SRB. Can you give us some color on which segment did well during the quarter and what the outlook is for some of the key segments within process industries?

Management: Within process industries, wind is doing very well.

Rishi Vora – Kotak Securities: Sorry, sir?

Management: Wind.

Rishi Vora – Kotak Securities: Wind, wind. Okay. How should we think about the growth rates going forward for this business, excluding CRB and SRB?

Management: It will be fairly stable. It is currently in a very good position. The Chinese and others are moving a lot of gearbox production into India, and we are in a good position there.

Rishi Vora – Kotak Securities: Okay, sir. Thank you. I will get back in the queue.

Management: Thank you, Rishi.

Operator: Thank you. The next question is from the line of Ashish from {? Lucky Capital Limited ?}. Please go ahead.

Ashish – {? Lucky Capital Limited ?}: Congratulations on the good set of numbers. I have two questions. The first question is: how is the overall global demand environment for various parts of the bearing business? Is demand likely to continue to be strong over the next few years, and which segments are seeing the maximum demand momentum? That would be my first question.

Management: One point is that domestic demand is going to remain robust. GDP is at 7%, infrastructure is still in full swing, and steel was a little down last quarter in terms of production. Overall, however, I would say that domestic demand in the coming years is going to be quite good.

Geopolitics is present, so nobody can predict what impact those things will have. Otherwise, the American market is also in a good position.

For us, the attractive markets in the months and years to come, both domestically and in exports, will definitely include rail, followed by the heavy-truck segment across the board. The off-highway segment is also performing well globally and in India.

I would say that demand looks strong globally. Indian GDP is at 7%, while the US would be at 2%, although its base is huge. All of that is very much present. ASEAN GDP growth is at 4%, and so on.

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I would say that domestic demand would be the kingmaker, but overall, the difficult days for exports are slowly coming to an end.

Ashish – {? Lucky Capital Limited ?}: Got it. Secondly, how does the cost of production compare between Indian operations and global manufacturing in Europe and other parts of the world? Is India really cost-competitive?

Management: Yes. The short answer is yes.

Ashish – {? Lucky Capital Limited ?}: By how much would that be quantified?

Management: It is in a good position, I can tell you with a lot of confidence.

Ashish – {? Lucky Capital Limited ?}: All right. Good enough. Thank you.

Management: You should also look, not only at Timken India Ltd., but at the general situation. You should look not only at cost. When you conduct global export business, you have to look at capability, cost, and delivery together.

It is not only about cost. You can have the best cost, but then have the worst quality. You can have the best cost, but your delivery may not be right. All of that has to be considered together. In that respect, India scores over many countries.

Ashish – {? Lucky Capital Limited ?}: Sir, thank you. Thank you.

Management: Okay. Thanks.

Operator: Thank you. The next question is from the line of Rakesh from Axis Asset Management Company. Please go ahead.

Rakesh – Axis Asset Management Company: Hi, team. First, congratulations on the excellent profitability in this environment. My first question is on the wind business, a fairly new business that we have been executing. If you can elaborate, how should we think about our market share in the wind business, either in the domestic or export market, going forward? Also, what kind of capacity expansion would you require perhaps three years out?

Management: On the wind business, domestic wind consumption was actually very sluggish, so all the begets and the slenders of the world were making gearboxes mostly for export.

The good news is that the domestic wind market is now also picking up, and domestic Indian wind companies are also picking up. This market is going to be quite relevant in India for some more years, given that we want to reduce the conversion of electricity through thermal power.

The need for power is only going to go up and up. As you see data centers and other activities coming up, the need for power is going to increase, and the need for clean energy is also going to increase, which is no surprise.

The local wind market for local production and consumption is going to increase. That is quite positive.

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Timken India Ltd. does not manufacture wind bearings. We buy them from sister concerns, and the sister concerns are investing in large capacities domestically.

Rakesh – Axis Asset Management Company: Could you elaborate on that and tell us what segment or sub-segment we are addressing today? The reason I ask is that one of your competitors recently commented that they are being very selective about the markets they are choosing for wind because there is a lot of low-margin business.

Management: Whoever made that comment made a valid point. We are also involved in gearboxes and generally not in the main shaft. If we can make money on the main shaft, then we pursue it. That is somewhat commoditized. However, gearboxes are what we have always been serving, and we will continue to serve them.

Rakesh – Axis Asset Management Company: Are there any plans to localize this bearing in the future?

Management: Timken India Ltd. is not localizing it, but another Timken entity in India is localizing it. They are already producing certain size ranges and are doing further work on it, and we are buying and selling them.

Rakesh – Axis Asset Management Company: Got it. Got it. Thank you, sir.

Management: Okay. We can take the last question. We have 2 minutes left. Any last question, please?

Operator: Yes, sir. The last question is from the line of Nikhil from ithought PMS. Please go ahead.

Nikhil – ithought PMS: Thanks for the opportunity. I have a couple of questions. The first is on wind-turbine upsizing. Indian OEMs are moving from 2-3 megawatt to 4-5 megawatt platforms. At these sizes, gearbox makers are using hydrodynamic plain bearings instead of roller bearings, and many of them are also making them in-house.

How is Timken's bearing content per megawatt changing as the turbines increase in size? Are you seeing any substitution of your TRBs or CRBs in gearboxes made in India?

Management: India used to be a sub-megawatt market, and then it started making 3-megawatt turbines. There is no 4-megawatt market in India, but 5 megawatts is coming into the picture. Globally, it has gone up to 14-15 megawatts, and 8 megawatts is also quite common.

In India, I think 3 and 5 megawatts are going to be common for a long time. On the gearbox, there are many stages. At the initial stage, where the bearing content is lower, there is a plain bearing.

A plain bearing can be made out of brass, like a sleeve, and has no technology in it. However, if you have a technology in which an alternative material can be used, that is called Generation 3 or Generation 4. Timken has a company called GGB, which is investing heavily in research in this area globally.

That market can become somewhat different from the current plain bearing, which is nothing more than a sleeve and does not provide the optimum result from the gearbox.

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When you move to the carrier bearings, taper roller bearings cannot be replaced with the current technology available. As the turbines become 5 and 6 megawatts, larger gearboxes and larger taper roller bearings will be needed.

The lower stage might use, and is being made with, plain bearings. As you rightly said, one listed company is making plain bearings, and some wind companies are making these plain sleeves themselves.

However, there is a technological intervention in that area through which companies such as Timken India Ltd. may be able to sell an alternative. Currently, we are concentrating on the upper-stage carrier taper bearings, which are going to remain.

The plain bearing at the lower stage, which was previously a taper roller bearing, has become a sleeve and can in the future become a GGB alternative. Therefore, there is further opportunity in that area.

Nikhil – ithought PMS: Thanks for such a detailed answer. That was very helpful. Just one more question: has GGB currently won or qualified any orders in this space?

Management: We have not yet capitalized the machines. The machines are here, but we still have to run them, and we are in the process of doing that. However, we are already winning orders and supplying [cut off]

Management: We are buying our GGB line from our overseas Vibrant [sic] operations. Very soon, it will be produced here. There will be a combination of selling imported GGB products and products produced in India at our Bharuch facility.

Nikhil – ithought PMS: What kind of share do you expect from the wind sector versus distribution and process once Bharuch reaches full utilization?

Management: I did not understand the question. Is this regarding Bharuch?

Nikhil – ithought PMS: Once Bharuch reaches full utilization, how much of the overall revenue potential will be fulfilled by wind compared with your other segments?

Management: [off-mic discussion]

Management: If your question is specific to GGB today, I think our segment is very close to 70–75 crore. Regarding the Bharuch investments for GGB, for both FRC and metal polymer put together, I think the investments are 35 crore and 35 crore, totaling 70 crore. Asset turnover is anywhere from 1.5 to 2. You can do the math.

I think those are the numbers that will come out of the investment that has been approved and is ongoing as we speak.

Nikhil – ithought PMS: Okay, got it. Thank you very much. All the best.

Management: Okay, all right. Thank you.

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Operator: Thank you. We take that as the last question for today. I now hand the conference over to the management for closing comments.

Management: Thank you very much for joining us today. It was a pleasure hosting this call for Q2 of this financial year. We will connect again for the next quarter. Thank you.

Operator: Thank you. On behalf of {? Avendus ?}, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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