

TIMKEN

Mandar Vasmatkar

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The National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1,
G-Block, Bandra- Kurla Complex,
Bandra (E),
Mumbai- 400 051.

NSE Symbol- TIMKEN

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai- 400 001.

Scrip Code- 522113

Dear Sir/Madam,

Sub: Transcript of Conference Call

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we attach herewith transcript of Conference Call – held on 6 November, 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**

Mandar Vasmatkar
Company Secretary
& Chief - Compliance

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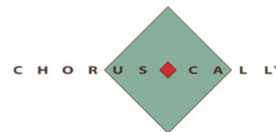
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Engineered Bearings | Mechanical Power Transmission Products | Industrial Services



“Timken India Limited
Q2 FY '25 Conference Call”
November 06, 2024



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

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

Moderator: Ladies and gentlemen, good day, and welcome to Timken India Q2 FY '25 Earnings Conference Call hosted by Avendus Spark. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation 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 the star then zero on your touch-tone 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, sir.

Mukesh Saraf: Good evening. Mukesh here from Avendus Spark. I appreciate everybody logging in. I'm pleased to be hosting Mr. Sanjay Koul, Chairman and Managing Director, Timken India; and Mr. Avishrant Keshava, Whole-Time Director and CFO, Timken India. We'll start with a brief opening remarks from Mr. Koul, and then follow it up with the Q&A. Also, this will be a 45-minute call. Sir, over to you.

Sanjay Koul: Thank you, Mukesh, thank you very much. Thanks, everybody, for joining. So, I'll make my opening remarks quick so that we have enough time for questions. So generally, the Q2 '24-'25 performance highlights where we got the best September quarter with INR 753 crores, which was a 10% Y-o-Y growth comparing to the same quarter last year. Demand was largely driven by the domestic, so -- which was the plus and in exports were minus.

So that was the plus for the domestic and minus for the exports. They were subdued. But if you compare to the previous quarter, the domestic was less by 4%. And largely, that was rails -- because of, obviously, we had the monsoons and all the stuff cyclical. And then overall, I can say that obviously, there is geopolitical situations, and there are uncertainties across multiple end markets. US market has been subdued.

China is down, so which -- China is down, mining is down, Australia is down, we export to these markets -- America. Though October retail showed some positiveness in US. Hopefully, from today onwards, it shows better. But in the bygone quarter, it was not a great sales or revenue growth there. Our PBT margin was 16.4% compared to 18% in the prior year period, and last quarter was 16.6. Rigid margin performance in the quarter despite unfavourable product mix. Obviously, rail was down so that impacts the product mix a lot.

And overall, our balance sheet is debt free. Cash flow is robust. We are continuing strategic investments. And as we have spoken before, the Bharuch project is in full swing. And as we speak, the shop floor -- the building is up, shop floor utilities are up and under construction. The -- air conditioning, the whole plant will be, obviously air conditioned. HVAC is getting in place. LP is getting in place. All the coolant systems are getting in place. We are putting up a 66 kVA line, getting directly from the GETCO substation.

Not 33 we're going for a 66 kVA, looking at future and everything. Still work is progressing STP, ETP. Solar work is in progress. Fabrication work is in swing. The machines are already -- the box machines we received from Italy, Switzerland, Japan, etcetera. So -- and more machines are coming in. So overall, Bharuch facility is in full swing. Though last 2, 3 months, we have had a big challenge. Heavy rains, Baroda was under water, crocodiles on the street.

All that is now behind us. So that obviously had an impact on the construction. So that is the general highlights. And with that, I would turn it over back to you guys so that we can directly go into the Q&A. And as it is only of 45 minutes and we are already gone 6 minutes, so 39 minutes left. So let us jump into the questions, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abhishek Jain from Alfaccurate Advisors. Please go ahead.

Abhishek Jain: Sir, how was the revenue mix segment wise?

Sanjay Koul: So Mr. Jain, the revenue mix for the Q2 '24-'25, this quarter was out of the total pie, the rail was 22%, mobile was 18%, distribution was 19%, process was 21% and exports were 19%.

Abhishek Jain: And in the railway segment, how do you see the growth going ahead? Basically, in the fourth quarter, the number was very much strong. From there onwards, we see some sort of moderation in the revenue. So...

Sanjay Koul: Your voice cracked a little bit. Can you repeat, please?

Abhishek Jain: Sir, how is the outlook for this railway segment? Basically, in the fourth quarter, revenue was very much strong. And from there onwards, we have seen some moderation in the revenue. So how do you see the revenue growth in this railway segment for the next -- for FY '25 and '26? And what would be the growth figure?

Sanjay Koul: Generally, the rail, always the last quarter is generally best because the wagon industry pushes the wagon manufacturing, they have to complete their contracts. So if you see all years, in the last 5, 10 years, the last quarter of the fiscal year is always the best, and there will be no change to that, that will remain there. Overall, the wagon build is pretty healthy and also the rail passenger, Vande Bharat, all that is pretty okay. Metros are also chipping in.

And as I have been always saying, it will be always steady growth in rail, and it will keep on growing, and that is how it is happening and it will continue to grow, though not like a hockey stick, but that will keep on going. Obviously, the wagon production capacity is slowly enhancing. It is not enhancing at a very breakneck speed. And the buying is also going through its own challenge.

So the last quarter of every of fiscal year for people doing business in railway is always the strongest, so it will not change. I think it is a slow, steady, solid growth pattern. Last year's fiscal last quarter was very good. Again, I think, this fiscal last quarter will be good. And more and more wagons are obviously getting made. There is -- I don't think there is a -- it is not a hockey stick. There is no dearth of orders as well.

Obviously, some quarters will be low, some quarters will be exceedingly well. But overall, year-on-year, there will be slow, steady growth. That is how it will remain. The metro push is there, but obviously, metros are a small number of cars, but that will also remain there. Vande Bharat is having traction. So, I would say that it's nice for rails, it is nice overall as an industry, nice steady growth. And that momentum will keep on happening.

Abhishek Jain: And exports side, how's the outlook ahead? From last 2 to 3 quarters, there was a weakness. And most probably that as you mentioned that there will be some recovery expected from the U.S. market. So, what is your outlook for the H2 and FY '26 in export terms?

Sanjay Koul: So US market, I would say, Americas, not only US, Americas, both North, South; obviously, North is important. So Americas overall, rail had its pluses this year. And I think that even next year, the rail in the Americas will be decent. –The class 8, the heavy truck segment has its weakness. And hopefully, with the election results -- October was a better month compared to the rest of the months, slightly better.

So I am expecting that there might be a possible recovery in the US markets, especially on the single TSL, which is the heavy-truck side. I am hoping that everybody is having their views there, but I think with the election getting over and steady political will coming back. And October was -- October is an early indication. It might be better than what everybody is expecting that might take. But the rail side of Americas will remain okay -- next year.

Moderator: The next question is from the line of Chandrakant from Ericsson. Please go ahead.

Chandrakant: Yes, my question was regarding the parent portfolio besides bearings. Will they be launching that portfolio in India through Timken India? Or is it not yet clear?

Sanjay Koul: No, it is very clear that anything which we are selling in India is through Timken India Limited. That is what we have been doing always. Now the major multibillion or multimillion dollar question is that the parent has taken over good companies, a lot of technology companies, which is part of the powertrain, whether it is belts, chains, pulleys, et cetera, and also in the area of robotics and linear motion, etcetera. So these are all European, American companies. So they are high on tech.

Now the question is that we are obviously, in bits and pieces, here and there importing and selling, like, for example, we recently did the Pune Metro lubrication system, which we got from one of our sister companies, TIL sold it to the Pune Metro guys. But the real essence is whether we have a solid business case to use the technology and do something in India, either in terms of M&A or a greenfield or something like that or supply chain. Those are the business evaluations we are continuously doing and looking at.

Definitely, the technology is available, some great companies have been acquired by the Timken. And how do we leverage them in India, both for the domestic market and for the export? So this is continuous evaluation and discussion also at TIL Board level and also within our company in the leadership here, how do we leverage that? But it is very clear it will be sold through TIL, so that is very clear. Now how do we procure it at the right cost using their technology, like, say,

for example, in the case of Timken India Limited, we have the technology from there and we have the local sourcing and local manufacturing, and we have a good combination.

So on those which we call internally industrial motion components, whether it is belts, chains, lubrication, etcetera. So how do we leverage that technology and use India base and India cost to serve the Indian customers and also use it for export. So those discussions are on. There's an interesting company, which Timken has taken over some time back called H Fang, which is Cone Drive, which is into the solar market, and which is into slew drive.

So the slew drives are optimizing -- are very important, if you want to graduate from the fixed panel in solar to rotating panel so that you get the best of sun energy, get the best of the rays of the sun and produce optimum level of -- so we are looking at that.

We just won a small order from Tata Solar, and we did some assembly and TIL sold some -- just kind of pilot. So it is a great opportunity. We are looking at the best model, which will provide growth for Timken India Limited. But one thing is clear, it will be sold through TIL. Now how do we do it? Because if these -- both technology and a local manufacturing base or local cost base, so that we are evaluating.

Chandrakant: Okay. That's great to know, sir. My second question is regarding the holding of the parent in Timken India, that's reduced to 52%. Are there any plans to increase it so that the investor confidence is also increased?

Sanjay Koul: The parent is currently at 51.05%. And currently, we are at 51.05%. And that is it. I have no further information on that. Neither going down, neither going up. No information available with us.

Moderator: The next question is from the line of Saurabh Patwa from Quest Investment. Please go ahead.

Saurabh Patwa: Sir, first question, sir, with the new plant commissioning possibly happening in sometime in FY '25. How do you see it impacting our revenue growth and margin? And also, the second question is on -- with the change in leadership at the global level, how do you see India -- are any discussions on for India gaining more share in exports with the new plant? And any more plans of incremental capex happening in India?

Sanjay Koul: Okay. Thanks, Saurabh, for asking one great question and one tough questions. So let me answer the first question in terms of the new project which we are doing in Bharuch. So just to put this question in context, Timken India currently has a plant in the Jamshedpur and has a plant in Bharuch, and we are manufacturing tapered roller bearings, generally on 0 to 8-inch, which largely go to heavy trucks, both pinion-differential and wheels and also goes into tractor, similar application, and goes into off-highway, the excavators, backhoes, things like that.

And then we also produce the rail bearings, which go into passenger trains, locomotive, etcetera, etcetera. So these are what we term largely as the mobile equipment, which in simple language is whatever has a wheel on it, is mobile and whether it's off-highway or on-highway, that is what we are producing largely in India at Bharuch and at Jamshedpur, whether it is rail or whether it is tractor or whether it is a truck.

Now India also is a growing bearing market. Apart from the mobile, there is also a lot of stationary equipment. Stationary equipment means, the equipment which goes into steel making, which goes into cement making, goes into power generation, goes into aggregates, material handling systems. So, these are the area where you use bearings, which they use tapered roller bearings, of course, but they also use spherical roller bearings, they will use cylindrical roller bearings, they use different forms and sizes of the bearings.

And these have a large growing market in India. So that is what we are currently importing. And TIL buys it from its sister companies and sells in India. So, we looked at the market size, looked at all aspects and then obviously went to the Board and came to the conclusion that we should start producing cylindrical roller bearings and spherical roller bearings, which has a large demand in India.

And these bearings are also used in similar equipment in every part of the world. So for example, in Malaysia, in Indonesia, they are largely heavily used in the palm oil market, which is the growing market. They are used in cement and steel industry. So with that, we had the business case which got approved and we started investing in our project in Bharuch, which will start making the spherical roller bearings and cylindrical roller bearings, which are going to cater to the Indian market, that we were importing, and now we have a chance to localize it, and we have the chance to export it.

So obviously, it's going to be a revenue mover because of the fact that with the right cost, local supply chain, strategic customers. And these are the customers where we have been traditionally importing tapered roller bearings and supplying them for years and they have been always asking that, hey, why not the other portfolio? The basket is available, why not try that? So we started it importing and testing the market, and finally we have started -- we will start making these bearings from next year and start supplying them.

So it is certainly going to be revenue positive as Timken has a heavy knowledge on supply chain. Our knowledge on material science, we have created a nice supply chain. So given our previous record, so I'm sure that this would create with Timken technology world-class bearings with the right cost and the market is growing in the stationary equipment, and that should fetch us not only our top line betterment, it will also do better addition to our bottom line.

So that is the whole idea of the business case, and we are committed to execute that. So it would be positive-positive. Now how much positive? Only time will say, but the business case is meant for positive top line and positive bottom line. So that was the good question.

Now the tough question is that with the new CEO, Mr. Tarak Mehta, how do you see the new growth? How does it impact India? So obviously, Timken Company -- now I'm speaking of Timken Company is a global company. Obviously, they are the large promoters for TIL, and we celebrate 125 years this year. So it's a large, old manufacturing company. Mr. Mehta comes with tons of experience, previously from ABB.

He has been on ABB India Board. He knows India pretty well, though he has not spent much time in India, I think he left India when he was 17 or 18, and has lived in America and Europe

most of the time. He is a very, very great business leader, proved business leader in ABB. Has done many M&As in his time with ABB. And yesterday was his first investor call as well. And he has come on Board to lift Timken Company to the next level.

So obviously, our previous CEO, Richard Kyle as a CEO was for more than 10 years, and he's done a fantastic job of transforming the company from only bearings to a complete solution provider in the powertrain and now the next level obviously has been initiated. I think certainly, as he has been on the ABB India Board, has been working on ABB China, etcetera -- understands Asia very well. And Asia definitely has a strength. India has a super strength of cost, quality, delivery.

And our quality is -- in general in industry, mechanical industry, good company. Top quality and great cost and also quick delivery. So I'm pretty much hopeful that any great business leader will leverage India. And now there is China Plus One, and all those things on one side. But just looking at India where itself currently, your \$5 trillion economy has 12%, 13% manufacturing. Every day, the economy is increasing as it becomes 7 trillion, 8 trillion, and manufacturing becomes 25% of the pie, obviously you need a lot of manufacturing in India and then India can easily become the workshop for the world.

So Mr. Mehta is an astute business leader, understands Asia very well, understands America very well. And definitely, he has been hired to take the company to the next level. So obviously, markets are currently down. There is -- there has been America [inaudible 0:22:34] but they run in cycles, and I'm pretty much sure that he is bound to lead the company to the next level. And nobody can ignore India. It is a great home market and a great manufacturing base. So it is how do you leverage well, and when somebody knows that region very well, obviously, it will be leveraged very well.

Saurabh Patwa: Great, sir. Great, sir. Can I add 1 more question, if you allow, sir?

Sanjay Koul: Sorry?

Saurabh Patwa: Sorry, if you allow, can I add just 1 more question? Or...

Sanjay Koul: Yes, please.

Saurabh Patwa: So going by your comment on the previous question, would it be safe to assume that the second half would be much better than the first half? And in terms of both growth as well as mix improvement and should lead to a better EBITDA margin as well?

Sanjay Koul: So I cannot tell you about -- I can't give direction on the margins, obviously, whether it will be better or worse. So in general, I will tell you, in general -- there are 2, 3 things which I can tell you in general, as I told previously. Rail generally in the last quarter for the industry is good. Rail as a mix is good. And with the American President election getting over, I'm sure there is going to be a direction there. And October was pretty giving some good kind of indication. India after Diwali is generally good. So I don't see any reason to be pessimistic as I look for the October to March, 2 quarters in general. I think people who run business should be optimistic. And there is no cause of being pessimistic in approach. That would be my limited answer.

Moderator: Thank you. The next question is from the line of Ankur Sharma from HDFC Life. Please go ahead.

Ankur Sharma: Just 3 questions. One was on the process industry, steel, cement, how are you seeing demand over there? Also, if you can talk about wind one of your peers talking of a reasonably good revival on the wind market as well. So -- yes.

Sanjay Koul: Thanks, Ankush. And so let us take wind first. So in general, you have now a lot of wind companies making gearboxes in India. So I'm first looking at the bucket, which is the export bucket. So look at ZF, Flender, Gamesa or even NGC, they are looking at India for the right reasons to do the job here to serve markets in and out. And that is pretty much optimistic in nature current -- so that is on one side. On the other side is that the Indian domestic use of wind is gathering momentum differently, especially with the Adanis especially, they have the solar plant. Even Suzlon is pretty much robust in nature.

The consumption -- India was always sub-megawatt. And now even 2 megawatt is very small. So, Adanis looking 3 and 5, so which is pretty significant good -- wind. I would say that with the push from the Government of India on wind, although we have strong solar shaping up as well, but with the vision where they wanted for strategic reasons as well, the Kutch and that area. So, wind for domestic use is picking up definitely. And we see Suzlon, Adani for Indian market doing a good job.

And then we see on export, though obviously, there has been the Chinese wind market definitely is down if you compare it to what it was, say, last year, it was definitely down. But the manufacturing of the gearboxes in India for the ZFs of the world or the Flenders of the world is okay. Even NGC has started doing okay here, and domestic is okay. So I would concur with the fact that wind is not going to be a pessimistic. It is definitely going to be a good guy, if I can use the term for the next year, but all these take time.

Wind is, again, a market when, say, for example, Adani is coming, they have to test a windmill and install a windmill. Then obviously, then they will go with a lot of strength to do the rest of the stuff. So it will be good and will take time. Like railways, it is heavy infra, so it will be nice and steady, if not slow and steady, but nice and steady. So definitely, wind is there. On the steel side, I would say that we currently, definitely are not using steel production in India to capacity utilization.

That is not happening. But as the export markets pick up, I think that will have a positive impact on the consumption of steel, especially alloy steel, which is more kind of near-growth -- but in general, steel currently is not full capacity, but it is not in a bad shape. But as exports out of India pick up, there was a bit -- but as they pick up, definitely more steel will be used. On infra, because of the election, there was a slowdown on infra a little bit.

You guys know it better than me. But now, however, the traction has started. So the traction has certainly started on that. And if Mr. Gadkari remains committed to use cement because he keeps on talking about alternate technology, , but as long as he uses a lot of cement in infra built and bridges and other related areas and as new steel gather more traction, which is still not gathering

that traction. So cement is also going to remain, and you can see the stock price of all these steel companies. So overall, I would say that wind, steel -- wind followed by cement followed by steel that would be, if I have to say, number one, number two, number three.

Ankur Sharma: Okay. Got that. And then a related question, sir, on the CV market as well. What are you hearing from some of your key customers, given, as you said, elections are over. I know Q2 also some heavy rainfall, etcetera. The government spending too was a little weak. But are you seeing initial signs of a pickup on the overall government spends, and maybe that trickling down to better numbers on the CV making?

Sanjay Koul: obviously, if we see some good quarter-over-quarter, it will be the last quarter, the CV to be better. Obviously, last year for the excavators, though the number was great, then it went down because of the election and all that. So that has come up again and definitely will come up again. That by 2030, the construction equipment market is going to be easily USD10 billion market. So that is going to have traction. On CV, particularly, I think, January, February, March might be a lot better than the previous 2, 3 quarters.

Ankur Sharma: Got it. Okay. And just a last question, sir, on the margins itself, when we look at gross margin/material margin, we used to do about 41%, 42% earlier, maybe last year, even before that. Now we are in that 39% range last two quarters. So is it more to do with the mix where we have lower share of exports? Or is it also that we're not able to completely pass on, I don't know, maybe higher RM prices. So just trying to understand, when do you see gross margins going back into that range?

Sanjay Koul: Obviously, my boss is asking the same question. So it is sort of a mix of everything. It is a mix of inflation, it is partly because of the mix, partly because of inflation, energy cost, labour cost, and then steel is going up and down here and there. So it's a mix of everything. Our endeavour certainly is to make sure that whatever can be passed on, if not the price, the cost escalation has to be passed on.

So that battle, especially the automotive industry is legendary. It will always be fought and at the same time, customer is a customer. But overall, I would say, currently, there were combination of inflation, combination of mix, which included the export etcetera. So the endeavour is to have the right balance, optimize the supply chains and things like that. But on the passing the price in automotive stuff, I don't see that, though the endeavour is continuous, but it is huge resistance. And obviously, the industry is competitive.

So there, I see it not getting a lot of traction just on pricing, but we are trying to improve our mix, trying to further optimize wherever we can, as much as solar to bring down the electricity cost because of all those endeavours are on. But passing the cost in totality is battle which sometimes we win and sometimes we lose, but the battle is on.

Ankur Sharma: Got that, thank you.

Moderator: Thank you. The next question is from the line of Deepesh Agarwal from UTI Asset Management.

Deepesh Agarwal: So, first question is, what would be the split of exports in terms of railway exports and auto? And how is the European railways doing right now?

Sanjay Koul: So generally, when everything in Americas goes well, it is generally 50-50. That is generally the mix which is the heavy truck and the rail. This time down, rail is more skewed, so it is almost 70-30 or 68-32. Generally, it is 55, but this time more rail and less TS from the heavy truck. On the rail side in Europe, Europe is not having much freight. Russia is generally out because of the various reasons they have there. But the European market is not a heavy freight market.

So rail freight in Europe is almost minimal. And their passenger is also very, very minimal and mostly running on spherical. And we are in India, mostly making tapers for the passenger. They are slowly converting to tapers and might be a market for us tomorrow. So rail market in Europe is a small market, is a niche market. We do export to the leading rail, but it is small. They have no large freight. So obviously, the large freight markets of the world is America, China, Russia, India and South Africa, followed by Australia. So these are the large freight markets in the rail segment.

Deepesh Agarwal: Currently, what would be geography-wise split for us in exports, U.S., Europe?

Sanjay Koul: Largely our exports are North America. We export to Australia. We export to even China. But largely it is US followed by Europe and followed by India and rest of...

Deepesh Agarwal: US would be more like 60%, 70%. Is that understanding correct?

Sanjay Koul: America would be, yes, 50%, 60% only. You're right.

Deepesh Agarwal: Okay, sure. Sir, on the CRB, SRB, I believe the capex was originally INR600 crores. If I look at your balance sheet, CWIP is INR290 crores. So it seems still a large chunk of the capex is pending. So is there any delays in terms of timelines for the Bharuch plant?

Sanjay Koul: So obviously we have INR600 crores approved, and we have obviously paid the advances. Then we have to run off the machine. Final payments will be done of the machines. These are imported into India. And then civil construction, you pay only after finishing. Then 10% still there and all that. So we will be obviously consuming the capex, every order is placed, machines are coming.

You don't pay them until you don't run off them all. Then our 66 KVA is to be energized in next 10 days. After that, we pay the electricity guys, which is a tiny sum. So all that is in motion. I can't show you the picture, but building is up. Machines, major machine boxes are inside the plant, we are waiting for the final lap on the 66 KVA. Coolant systems and all air conditioning is getting fitted by but obviously, all payments will be done after complete installation, testing, etcetera. But we are not delaying as such the project. But there would be natural delays because this time Bharuch was lot of rains, etcetera.

Deepesh Agarwal: So this should be commissioned by January, right?

Sanjay Koul: So we are working towards as fast as possible, some months here and there, but endeavour is first quarter-ish, somewhere like that.

- Deepesh Agarwal:** Sir, lastly, if you can share what is the quantum of CRB, SRB you are currently buying from the group company?
- Sanjay Koul:** So, we are not buying a large. It might be INR60 crores, INR70 crores. So obviously, we are importing that from Romania, we are importing them from US, but it is not a huge sum, but as our competitors are making them mostly in India. So we have the chance to take it up. But generally, it would be currently if my math says INR70 crores, INR80 crores, not more than that in the total pie. And it is all obviously we imported into India, it is part of our distribution sales.
- Deepesh Agarwal:** Thank you and all the best.
- Moderator:** The next question is from the line of Bharat Sheth from Quest Investment.
- Bharat Sheth:** Thanks for the opportunity. My question is related to this new plant, which we are building. And since we don't have much, I mean, presence on the CRB and energy side in the India, so how much time will it take really to ramp up our production, and getting the client confidence on our bearings of CRB and SRB? Really, if you can give, I mean, 2, 3 years' time kind of, I mean visibly, reasonably okay?
- Sanjay Koul:** So I would say that Timken has been selling CRBs and SRBs for the last 20-plus years. So as you know that most of the equipment, which is either in the paper industry or in the cement industry, or it is in the steelmaking industry or mostly having their own, for example, Danieli, you know Italian company. So, they are all already exposed to the Timken sphericals & cylindricals and so it is not that something is going to be completely new.
- We could have sold a lot more if I was not margin centric, but we have to balance everything. So the clients, say, for example, if I can name middle-handing, Metsos of the world or similarly in steelmaking, John Cockerill or steelmakers like Tata Steel, they all know Timken SRBs and CRBs. And for us, globally, quality is the same. Our material specs are same, steelmaking technologies are same. So if we don't sell, it will be our sales failure. It won't be failure because the customer doesn't know Timken, or the technology is not there, or the product quality is not there.
- We are using the best of the best equipment for this. So, obviously, it is always when there is a new plant, first of all, Timken will do a brand approval on it. That is a process which goes through rig testing and things like that. Then the customers will start doing the PPAP and they will also have their own paperwork. So that is the time which is mandatory to be taken. Let me also add this little thing, we started assembling these bearings by getting the components from our sister companies, have already started testing and selling and all that stuff. So we are on the job.
- And I think that it should be between the first month of production to, say, 18 months of production, during that period we should be established with most of our customers supplying from this plant.
- Bharat Sheth:** Fair, sir. Is it possible to get the quantity, how much are we assembling and selling it.

Sanjay Koul: So we are currently, I think assembling and selling value is not huge, but maybe a 1,000 bearings, so it is just to kind of starter, first movers and all that. So that is more of testing rather than the revenue. But as we start producing out of the Bharuch plant and start shipping. Already, as any business would do, our customers are aware. We are keeping them fully aware of what is happening, what kind of machines we are getting in, what kind of process will be taking place.

So I don't think the flow of order would be a challenge. Challenge will be to do the paperwork, management of change, PPAPs and things like that. And obviously, we have to compete and win more and more orders. And all these major customers are already exposed to our SRB, CRB, which we have imported and are supplying to them. Now the quantities and the customer base would increase.

Bharat Sheth: Great, sir. On railway, how do we see our market share? And you said that there is some kind of a delay in procurement of wagon and all, which you expect that to start picking up from Q4 and Vande Bharat. If you can give some colour, is there any delay?

Sanjay Koul: Yes. So obviously, the last quarter of every fiscal year is always the best for the railway companies, all the railway companies do very well. That is because they have to complete their order book. And monsoons are over and all Diwalis and the Dussheras, those things are over. So, obviously those are the best lap of the race. So no-brainer, industry of rail, last quarter of the fiscal year is very good.

As far as our market share is concerned, it's a competitive market and we compete. We have created a world-class supply chain, and we got depreciated a good asset base in Jamshedpur. On freight, we are the market leaders in India. On passengers, we are the market leaders, and we intend not to lose any ground to anybody. So we are as lean as the market goes. We are committed to serve our customers in rail, and not give a push. But at the same time, we continuously work on technology.

We continuously work on enhancing the product features. And that is the way we have been ahead in India. When we have time now, I can explain how we have brought newer technology every 3, 4 years into India, and railway has benefited, and we have always been ahead. And when the first Train 18 was flagged by Mr. Narendra Modi ji, it had Timken bearings on it. So we are always with RDSO on the drawing board. We've been working closely with railways for last 30, 40 years on design aspects, improving the safety aspects.

And it is not only supply chain or optimization, it is also enhancing the futures of the bearing and getting let us say, for example, Class K for the DFC. And then as they also want more safety features and Timken will play its role there. So all that in together, we will work hard. And we know everybody else in the market working hard to keep our position intact on railways. And railways in India for the next 15, 20 years is going to be a market. It will be slow and steady, better every year, but not a hockey stick, as I always say. So that would be my answer Bharat bhai.

Moderator: The last question is from the line of Priya Ranjan from HDFC Management.

Priya Ranjan: Thank you Sir. Happy Diwali and Happy New Year. So just one thing, how much bearing-wise we are selling to the sensorized bearing, etcetera and what is the status of the rolling mill contract we used to get? I mean last year; I think we have been around 12 or 14 sites we were operating. So if you can throw some light on that.

Sanjay Koul: So, you're really asking a really tough technical question. Did you visit my office today morning or what? So you are asking about sensorized bearing. So obviously, let me take it out of this question, the easy part one. We are operating 28 MILLTEC sites in India. So, we are winning more sites in India, and we intend to promote that model not only in steel, we want to take it from MILLTEC to Caster-Tech to Power-Tech to Cement-Tech. So it is a tough journey, but we are on that path. So that is the path we are walking.

And to get better experience for our customers, better residual life out of our world-class bearings, which are produced with a lot of care. And we want to make sure they are mounted right, they are run right, and we are increasing our sites. So as I said, we have already 26, 27 sites there, and we're increasing by the day. And this last month, we have won the caster maintenance site at Bellary, and Vijayanagara here in Karnataka.

And now on the sensorized bearing, Timken supplies sensors bearing to Ford for many, many years. We produce a railway sensorized bearing. I gave a presentation to Railways 30 years back or 25 years back. So Timken has the technology of how we do you use sensors in the bearings, which are largely used for calculating or measuring the heat, temperature and the vibration. And this is meant to be as a safety device, temperature is high, that means there is some problem so that you can stop the bearing, so that the derailment does not happen. And vibration again, the same call, safety.

So obviously, we have the technology. We obviously can do that. Now the question is that, is the customer ready for it? Does he ask for it? So Priya Ranjan when you were driving a Fiat car 15 years back, you had no technology in the car. Now when you are buying a new car, you will not buy a car without the technology. Now Priyan Ranjan sir is ready to pay money for the technology in his car. Similarly, now railways is ready to explore and pay for extra safety in the rail. And we have the technology both on sensorized, wireless, wired and we've been doing it in North America for many, many, many years for Ford and for other aspects.

I remember back in the day; we had a bearing which could generate electricity. Who knows the freight market, there used to be a guard train called Caboose. In the Caboose, there was a lantern. The lantern was not for that film song. It was because there was no electricity in the last car which was in the Caboose. So, Timken had a bearing called generator which would cause electricity generation through the bearing and can light tool lamps for the guard. So long story short, we have the tech. We want to make sure that the railway and the industry is ready to accept it and pay. And then we are ready to introduce that to the market. But obviously, the customer should say yes to it. So by the way, I was discussing this with my technology team today morning only.

Priya Ranjan: Great to hear that. So just lastly, if I can squeeze one. So if I'm not wrong, you said around 18 months to ramp-up of the production of the new Bharuch facility. So in 18 months' timeline, I

mean what kind of capacity utilization we can think of? Like, typically, we have always operated at 80-plus capacity.

Sanjay Koul: I would say that in order to reach 80%, in 18 months, every asset, every machine has to be ramped up and all that should take me 18 months. But for your question which goes beyond the ramp-up of this capacity utilization, I would say, it will take us at least 3 years to reach the mark of use at least 80%, 85%, which is our intent. Sooner the better, but I would say that new plant, new technology, PPAPs, certifications, ISOs, everything, we would ramp up nicely by 18 months and capacity utilization by 24 to 30 months would be my take.

Priya Ranjan: Ok sir, all the best.

Sanjay Koul: Thank you very much. You all have a good evening. Thank you very much. Back to you guys.

Moderator: On behalf of Avendus Spark, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.