TIMKEN

Mandar Vasmatkar
Company Secretary & Chief - Compliance
mandar.vasmatkar@timken.com

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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. **NSE Symbol: TIMKEN**	The Secretary Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, 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 9 August, 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 MOHANIRAJ VASMATKAR
Digitally signed by MANDAR MOHANIRAJ VASMATKAR
Date: 2024.08.14 12:42:51 +05'30'

Mandar Vasmatkar
Company Secretary
& Chief - Compliance

"Timken India Limited
Q1 FY '25 Earnings Conference Call"
August 09, 2024

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

MODERATOR: **MR. ANNAMALAI JAYARAJ -- BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Timken India Limited Q1 FY '25 Earnings Conference Call, hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited. Thank you and over to you, sir.

Annamalai Jayaraj: Thank you, [Mahitha]. Welcome to Timken India Limited 1Q FY '25 Post Result Conference Call. From Timken India Limited management, we have with us today Mr. Sanjay Koul, Chairman and Managing Director; and Mr. Avishrant Keshava, Whole-Time Director and CFO.

I'll now hand over the call to the management for the opening remarks to be followed by the question-and-answer session. Over to you, sir.

Sanjay Koul: Okay. Thank you. Thank you and good morning one more time. So the -- opening remarks, as we concluded our meeting yesterday, we had the best-ever June quarter revenues of INR 784 crores, so best ever first quarter. It was driven by higher volume in most of the front-ends and better in rail. Intercompany sales which is exports, was flattish. And we still have those geopolitical situation around us.

PBT margins were at 16.6% compared to 17.1% in the previous year period. So that was a deterioration, while the sales were up, and energy cost and transportation because everything is going up. We have really a big free balance sheet, strong cash reserves and which are leading to strategic investments and which will secure the future growth.

As we are in the completion phase of building our new facility, greenfield project, which is on schedule in Bharuch. As we speak, our main shop flooring is complete; PEB, which is the building and the roof sheeting is complete. Our health and development and training center is complete. Our first set of machines are already on the shop floor. Our 66 KVA substation had secured, is about to get completed. And hopefully, by the end of this year, we'll start the PPAPs and things like that and then, next year, early January, we'll start producing.

Major activities during the quarter for noting is that Timken Singapore, the promoters, reduced their stakes by 6.6% in the company by selling 5 million equity shares. So the promoters are now at 51.05 percentage. And we -- apart from that, we have some Timken wins, which are soft wins in best organization, et cetera.

With that, I would like to now move directly to the Q&A session and try to answer the questions.

Moderator: The first question is from the line of Krupashankar from Avendus Spark.

Krupashanka: The first question is a bookkeeping question first off. Can you just share the revenue breakup for the quarter, sir?

Avishrant Keshava: Yes, sure. So, Krupa, the breakup for the Q1 '24-'25 stands that rail is at 24%, which is translating to INR 185 crores. Mobile, as you know everything which is on-road, off-road with wheels, is 19%. Distribution is at 19%. Process is at 19% And the exports was 20%. That was a total breakup of INR 780 crores: rail, INR 185 crores; mobile and others, INR 145 crores; distribution, INR148 crores; process industry, INR 149 crores; exports, INR 153.5 crores.

Krupashanka: Got it, sir. So first, taking up on exports piece of it. Was there any challenges relating to the Red Sea issues given that some of the orders were delayed and due to which export growth was relatively lower? Or any such one-offs to call out this time?

Sanjay Koul: Yes, you are right. The Red Sea, certainly, is an issue which is adding to the cost, that is adding to the transportation cost and then also the containers. That challenge is also happening. So definitely, both in terms of inventory, because now the export is more containers on the sea, and the challenge of more days in transit and the cost going up.

So that has been certainly a challenge in terms of cost and delivery. So that is not going away. We don't see that going away. Recently, we see that even getting containers -- again, COVID, getting container was a challenge. Even today, now containers are becoming a little bit tight. And whoever is supplying to North America and South America, et cetera, has to take the longer route through the Cape of Good Hope, Horn et cetera, and that is adding cost and number of days as well. So that is definitely a challenge, and we don't see that going away in the near term.

Krupashanka: Sure, sir. So -- but when we were listening to the parent's commentary that the North American rail is quite optimistic, and with respect to growth prospects. And just wanted to get your sense that do you see the export piece picking up in coming quarters, primarily led by the rail volumes. And how do you see the other mobility piece of exports from India?

Sanjay Koul: So definitely, both North America and South America Rail is in a better shape. So that is definitely an uptick, and Timken India Limited is dedicated -- almost a dedicated source for North America on the rail, both on freight and also on other areas. So that is going to be better than the heavy truck. Heavy truck is still not picking up that much. And hopefully, post-elections there is more uptick on that side. But rail, definitely, as I told previously also, in the last quarter, rail is definitely better, in a better shape, both in India, both -- India is better, even ASEAN is better. North America is better. Obviously, we cannot export to Russia, so Russia is out here. And China is not a market for Indian companies generally.

But North America, South America is going to remain strong. And as we see that the cargo movement is also strong in those regions, so we see that it would carry that into the -- even going beyond this financial year, we carry into the next financial year. Million dollar question is that -- is the other markets in North America going to be coming back post-elections or not? So that is to be seen.

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

Deepesh Agarwal: Sir, my first question is if we look at the gross margin of 3, 4 years ago, you were doing gross margin in the range of 44%, 46%. Now, the gross margin has been gradually coming down. This quarter, it was below 40%. Sir, how should we think about the gross margin going ahead? Would we be seeing a kind of a bounce back as the demand revives in the exports?

Sanjay Koul: So obviously, the margins are related to both selling price and the cost. So I will tackle the cost first and then the selling price. So on the cost side, we have gone through the cycle of the steel pricing going up and then down. But if you see in the last 3 years -- the steel price if you take 3-year back story where steel pricing in India had gone up by 35%, 40%. They have come down, but not to the level that what was available in, say, 2018-'19. So the steel prices are certainly a source of making alloy steel. So steel prices are important. So that is one topic.

While steel prices are coming down. I don't see them coming down to the levels that what was there in '17-'18 timeframe. Then, the cost of transportation, like earlier Krupashankarji was asking about the issue on exports, so that geopolitical situations, container etc. These costs are obviously going up and up.

On steel, we are mostly, pushing our customers to accept like the industry is pushing the customers to accept that increase. But on general increases of energy, electricity costs throughout India have already gone up and transportation costs. And then we have to keep on paying the cost of the people. So these costs are there. And now how much productivity we are able to get and how much automation we are going to get is a question on which we are working.

So while I would say that our endeavour is always to sell value, we do not at all do commodity business. We don't indulge in price wars. We try to give value to the customers, and we are successful so far and relentlessly selling value. Cost optimization is our mantra, not the entry cost. And our customers throughout the world and especially in India, be it rail, be it metal customers, energy customers, are always who understand the application, go for the Timken value.

The cost dynamics are there, the productivity there, the labor costs there and countering by robotics, process automation, and the endeavour is going to be -- to make more profitable growth. Last quarter, we had a mix. Obviously, there is always a mix issue. The mix always plays a role. Even within rail, the mix plays a role. I will not kind of divulge what kind of mix impacts what. But within rail also, there is a mix which impacts the margin, which is obviously on the pricing side. And then the cost parameter is there.

So for cost, we are making efficient supply chains. In Jamshedpur plant, from steel melt to finish is within 20 kilometers, but then we are growing, we are making more and more, and all steel cannot be procured from one source within Jamshedpur. So transporting steel from other parts of India has a cost attached to it. And then, we value add these steel at different forms. We make forging in one area. We make heat treatment in one area. So we are trying to make, what you may call, circular supply chains and efficient supply chains so that both in terms of sustainability and cost, we get the benefit.

So we have teams working on it. And this quarter, certainly mix was one of the -- certainly one of the bad guys. The mix was not very, very favorable. And the endeavour is to better the margins, which I see with all the work which will be put should give us some better results.

Deepesh Agarwal: Sure. Sir, also, if you can share your comments on the railway and wind going ahead? In railway, last 2 years, we would have seen the wagon production going up, which would have helped us. So what is the roadmap ahead? Do you see the growth rates sustaining?

And in wind, how much of the wind market, since it's reviving in India, Timken India is able to get that opportunity? Or how much is done through the unlisted entity?

Sanjay Koul: So, whatever we sell in India, be it wind or rail, is all through Timken India Limited. The other entity produces, but we buy from them and sell to the customer. So everything is from Timken India Limited. And we buy from China. We buy from that plant in Chennai. We buy from Romania, et cetera, etcetera.

So rail is sustainable. Rail growth definitely is sustainable. Government of India is serious about rail, and they have to get more serious. And from CII, American Chamber of Commerce and other related, we are continuously pushing from trade side as well because definitely with the density of the passenger traffic and the recent accidents, which are happening, it is very important that the dedicated freight corridor gather more speed, which government is agreeing and wants to do that.

Metro, every city wants a metro. Even now small towns want metro. So with transporting a lot of people through mass rapid transportation is going to become bigger and bigger and bigger. The recent Bangalore Metro, Timken was the chosen partner as well, which we have concluded recently.

So rail is going to be sustainable for the next 20 to 30 years in India because we are not going at a very -- as I always say, it will be always better than the last year, but the growth will be steady. It won't be a hockey stick, but this is a sustainable growth for many, many years, not only in terms of just the freight or the passenger, but it is also going to be an area where automation, new-age bearings with sensors and then also some kind of robotics, then the repair facilities, all this is going to become better and better and bigger.

The pace might not be like the Chinese rail pace, but definitely, this area is going to be a growth area for India for many, many years to come. And technology is going to play a role, not only just the base bearings, but high-tech bearings, speeds going up, payloads going up. Then the service part of it is going to become very prevalent that these bearings need regular service, which in itself is going to be a big business in coming years for people which are connected to this line of business.

And then automation and then SENSOR-PACs and all this as the safety plays a big role now and Government of India is very serious about it. So you'll see this transformation -- growth and transformation and value are all coming into railway.

As far as wind is concerned, we only Timken India Limited sells in India. The wind, still, say, a couple of years back, most of the wind was actually for us and most of the guys was supplying to the gear manufacturers, who in turn were exporting it, et cetera, et cetera. So now with the push for wind energy locally, India was always sub-megawatt, which was hardly anything. Now it is becoming serious business, and you see big players now getting into it, manufacturing in

India for India. As we all know that the Gujarat's Kutch coast, et cetera, has been identified very well for growth of wind.

And Timken has the technology. We are serving globally all the major wind guys. And we have now -- even the Chinese players are making gearboxes here in India NGC, for example. And then the Indian companies, and one of the companies you see, they are hitting the circuit every other way. So you can see that this is going to be a pretty significant piece. We have the technology. We have luckily installed base in India, though not directly manufactured by TIL, but we have an easy control on buying, producing and servicing the market.

So both these markets are going to be, wind, domestic growth and still the export piece of it through the gearboxes, and domestic will be both gearboxes and main shaft bearings, which would require also larger bearings, which we don't yet produce in India, but that is an area to be explored; what can be done to service that market. We, myself and our Global President, are shortly in visiting the major Indian companies' headquarters meeting their proprietors, et cetera, et cetera, in this month itself. So this is getting serious.

And as I said, rail is definitely going to remain steady and solid and growing in India for many, many years. And also, we changed its nature and shape. It will become more sophisticated. More technology would be required and which means that the company which has the tech and the manufacturing capabilities would gain significantly.

Moderator: The next question is from the line of Abhishek Jain from AlfAccurate.

Abhishek Jain: Sir, in railway business, we have seen a very strong growth on a Y-on-Y basis, which is around 31%. But if we compare with the last quarter number, it has gone down significantly. So can we expect that going ahead that run rate will improve? And just let us know what is the order backlog right now, railway division.

Sanjay Koul: Yes, rail is down to the previous immediate quarter. But if you take an average of the whole year, you won't find it that bad. It is down to the last quarter. And you know that last quarter for all companies in India is important. They want to maximize their order execution. So generally, rail in India, which is wagon build and et cetera is always pretty decent in the last quarter of the financial year. So that is pretty much always happening. And rail generally remains strong.

But if you see, our -- this first quarter, we did INR 85 crores – INR 185 crores. And if you see the first quarter of the last year, it was only INR 144 crores. So you can understand that there is a significant jump in that. But yes, to your question, Mr. Jain, it is truly right because it -- immediate previous quarter, it is a decline. But we all know that the last quarter is generally a great quarter because everybody wants to push the limits there.

So as far as your question on the order book, I think we are working 6 days 3 shifts completely. And that remains our forecast for the whole year. As I said to the previous question of Deepesh that the outlook for rail in India, in North America remains okay. So this is going to remain strong, and it will not only remain strong, it will remain strong on for many, many years. Now, obviously, you will have to take -- you can't take rail is heavy infra, et cetera, et cetera, so you have to take the holistic view, giving a sizable timeframe. But this will remain strong over the years. And our current outlook of the forecast is pretty solid.

Abhishek Jain: So is there any impact on the last quarter because of this elections and all?

Sanjay Koul: North American elections will not have the impact on the production in India. I don't think Donald Trump...

Abhishek Jain: I'm talking about the domestic markets.

Sanjay Koul: That is what I am saying. Donald Trump will not tell Indian wagon builders not to build. I'm sure about that. He doesn't even know about them. So that impact is not here. The impact, obviously, is for companies which are exporting -- so obviously, it would be sluggish there, but not in rail. Rail, heavy infra is a little bit different to those spot buys.

But in domestic market, I don't see any impact whatsoever whether it is Democrats winning or the Republicans or the election per se. But what is important is obviously the geopolitics of our surrounding countries. God forbid India gets involved in some war, then there is a problem certainly, which I hope and pray it doesn't happen.

But the immediate geopolitical situation hopefully gets corrected, which is important for the nation and everybody involved in the manufacturing and selling business in India. But that election -- to your question, Mr. Jain, that election to the domestic market is not really impacting in the short term. Obviously, it can have a great -- different effect if somebody wins and wants to infuse lot of money in the infrastructure in North America.

Abhishek Jain: Okay. And sir, on other expenditure side, we have seen a sharp increase. Is it because of the increase in the export on a quarter-on-quarter basis and the freight cost has gone up significantly? So what is the total contribution in other expenditure of freight, unlike the cost?

Sanjay Koul: It is -- my CFO, Mr. Avishrant, is saying it is 3%. Definitely, the cost has gone up compared to, say, last year with now -- with 6 days more on the water. So that cost has certainly gone up. Overall, it is 3%. It isn't -- in the bucket of cost increases, it is one of the issues, but it is not like a big needle mover that in itself it is -- yes. And then also in exports, the customer has to pay a large, but -- booking of container, et cetera, is a cost. But the real cost -- freight cost is definitely to the end user.

Abhishek Jain: Okay. So what would be the normal other expenditure percentage on the sales in the coming quarter, sir, if the situation normalize?

Sanjay Koul: No, the expenditure for the next quarter?

Abhishek Jain: Yes, other expenditure.

Avishrant Keshava: I think it should be okay. It should be same or below.

Moderator: Next question is from the line of Mayank Bhandari from Asian Market.

Mayank Bhandari: Sir, my first question is on the import from your Chinese subsidiaries. The number in your annual report is INR 359 crores, whereas it is INR 246 crores in FY '23. And you have also mentioned that FY '25, it could be 10% of total turnover. So I'm just trying to understand if the new capacity in the Bharuch is coming online, won't this proportion of the import from the Chinese subsidiary should go down?

Sanjay Koul: So, Mayank, yes, we -- obviously, the endeavour is to produce and sell locally or produce locally export. But unfortunately or fortunately, the bearings are made from 1 mm bore, which goes into the dental surgical things, to 3.5 meters bore. So the spectrum of bearing is huge and complex, millions and millions of sizes and parts. So we are making almost everything which is needed in India for truck business, for the tractor business, for the excavator business, for the dump trucks, for the backhoe loaders, for the rail and rail with different versions in it. And then one of the other unlisted entity, makes a lot of stuff for the wind.

But still, there is a consumption in India, which is large bore, which is not produced in India and you still get a very good cost for these bearings which are not tooled up in India from our Chinese counterparts. So that is there and will remain there. And over the years, when we localize more and more as the -- just to give you an example, Indian bearing market is only USD 2 billion currently. And the Chinese bearing market is USD 20 billion when it was at the peak, and now it has shrunk.

So with USD 20 billion, you can understand how many part numbers they have tooled over the years, et cetera, et cetera, and that goes from small to the ultra large size. So Indian bearing market is slowly getting mature. And as it gets mature and consumes more bearing, people will produce more sizes, including us.

And coming back to the question on the Bharuch, as we make the CRB and SRB up to 400 millimeters there, those obviously will make here and will not be imported. Rather they will be exported to different parts of world and consumed in India. But still, I see that we'll have to keep on importing certain part numbers from China, Romania, et cetera, as the market demands. And as that critical mass becomes bigger and bigger then there is a good business case to localize that as well.

Mayank Bhandari: Okay. So, basically, wind is yet to be localized. And...

Sanjay Koul: Yes. So wind is like -- wind consumes 1 meter bearing kind of -- it consumes 300 mm, 400 mm, but right up to 1 m. And as we start installing 5-megawatt windmills in India, it will need 1.5 meter or so, but the critical mass, and that will mandate everybody to invest locally more and more as that comes up.

Mayank Bhandari: And sir, wind is part of process segment.

Sanjay Koul: That is right.

Mayank Bhandari: It is part of process segment, is it?

Sanjay Koul: Yes. Yes, yes.

Mayank Bhandari: Okay. And sir, another thing is mentioned in the annual report that we have made a JV with Cone Drive, and we have started slew drives in Bharuch. So any numbers you can give? How big is the market for slew drives in India?

Sanjay Koul: Yes. So, in India -- slew drives in China and in North America is a big market, a real big market because of the fact that they want -- they are a little bit advanced. They want to maximize the generation of this solar -- use of solar energy. So all their panels move as the sun moves. In India, because of the fact that initially we had only fixed panel, and these fixed panels were fixed in one direction. And the sun would move, as the sun would start setting, then the rays or that direction was not suitable.

So now India -- as India wants to obviously burn less and less coal, which is polluting, which is not sustainable and want to go towards more green energy, which is solar and wind. So, Indian companies have started installing and thinking about using these trackers. So this market is very nascent in India. Tata Solar is among the -- there are 2, 3 companies, which have started doing that. So this would become more mature in coming years in India. But the big ticket item is that the US market is huge, real huge market.

Now, from China, they have obviously the duty effect on America. So India will be a very nice, natural choice. But on the side of America, they have a huge, beautiful supply chain, so their costs are better there in terms of manufacturing. But duty have become a little bit of a problem for them to export to America. So Timken India has partnered, and we are already supplying, though small quantities. I think we did a couple of crore rupees or less with Tata Solar.

And we are looking at partnering with more customers in India, but the big-ticket item would be exports, certainly, as our lending duty, et cetera, is favorable. But our cost is unfavorable because India's supply chain is not yet developed for that. And we are working very hard towards that endeavour. And this market is going to be a sunrise market in coming times, but still very small in India.

Mayank Bhandari: That's fairly exhaustive and explanatory. Sir, another thing you mentioned, that 4 additional mill sites you have mentioned in FY '24, so any ballpark numbers for one mill site, what kind of revenue you realize?

Sanjay Koul: It depends on mill to mill, obviously, it is upstream, downstream, cold rolling mills, hot mills, hot rolling, et cetera. So they have obviously a different connotation to it. So it is a little bit different, and then, also depending on the customers, how much they want to offer. So our major thrust is here that we maintain the chokes, we maintain the gearing, so we de-choke, mount and dismount, grind and work around the clock in maximizing the value. So this is going to help the customer, obviously, in terms of maximizing their upkeep.

And for us, I would say that INR 3 crores to INR 4 crores – INR 3 crores to INR 5 crores, INR 3 crores to INR 6 crores, depending on the mill, would be from each mill depending on how much they want to outsource and what kind of mill it is, which is downstream or upstream. But anywhere between INR 2 crores to INR 6 crores is generally a yearly potential out of that. And this can increase as steel companies in India are becoming more mature, and they want to concentrate on their core competence and the area where they are not having the technology or needs to outsource it for better output, they are making their scope bigger and bigger.

Even Steel Authority of India has seen value in it. So we are running one of their sites. And this is going to progress more, though obviously this is slow and steady business. But this is a business where the value sell is pretty much being a name of the game.

Moderator: The next question is from the line of Bismith Nayak from RW Advisors.

Bismith Nayak: Sir, just to clarify, there was no impact of elections in the domestic business in Q1, and export is likely to be under pressure going forward for the rest of the year as well.

Sanjay Koul: So this quarter, April, May, June, was our best first quarter ever in the history of Timken India Limited. So that was what was -- sign that is, but it was our best ever quarter. And the U.S., elections in U.S. for -- if we are connecting you to the main market, I don't see there would be any direct connection. But obviously, the U.S. markets with the new regime coming in, how they invest and how much they do is to be seen. But in India, I don't see that having an impact is what I said.

Bismith Nayak: Understood, sir. And one more question on exports. So if you can talk a bit more about on how gross mix and its impact on gross margin, what happened this quarter? And how is it -- why do you feel that it will improve? How do you foresee that it improves in the coming quarters? I guess, was there any drastic change in mix or something like that?

Sanjay Koul: So, obviously, you have different customers, different playing field. Rail -- within rail, there is locomotive, there is passenger, there is metro and there is freight. All these 4 have different value-add, different technology play. And hence, the mix impact is different. For example, if you sell more to passenger then freight, it is better to the bottom line as tech is more involved there.

And similarly, if you are selling more to steel industries in, say, MRO versus cement, it might have a different impact. So these mix changes quarter-to-quarter will always be there. If you are selling more to 1 tonner, which is small bearing versus 25 tonner, which is a large truck. So the impact is different because of the fact that on a pinion or a differential of a 49-tonne truck has more value, hence has better price points, has better margins compared to a commoditized 1-ton truck, what they call, a Chota Hathi, et cetera, et cetera. So this mix will always be there. And we obviously don't play the low end of the market, which is like the 2-wheeler, 3-wheeler, passenger car unless it is a special SUV, et cetera, et cetera.

So that market would, but still within the heavy truck, it has its own combination of mix. Within the rail, it has its own combination of mix. Within distribution, it is more the MRO, is different impact on margin in terms of steel versus, say, aggregate, et cetera, et cetera. So this mix keep on changing. Sometimes we get a better mix, sometimes we get not so better mix, but it has to be seen. I think year-on-year is a better way to see it. And our endeavour always is to minimize our tail like any good company. We don't want to have a bad tail, so that work always keep on going on.

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

Deepesh Agarwal: Yes. So in the last call, you highlighted that the Jamshedpur plant is operating 6 days, 3 shifts. The Bharuch plant is also nearly full. So what is the current utilization level? And what are your plans on TRB expansion?

Sanjay Koul: Deepesh, Jamshedpur, we have the rail. We make the rail bearings. We make the 0- to 8-inch bearings, and we make a lot of rollers for export. So the rail is running 6-day, 3 shifts. The tapers are running 6-day, 3 shifts. The roller lines, which are producing for the domestic consumption, which are the bearings we make and also for export, that is underloaded. Rest of the plant is, say, if the total capacity, just to simplify, it is 100%, our 40% is rail, is fully loaded, 40% is 0 to 8-inch tapers is fully loaded. The 20%, which is say rollers, is not fully loaded because of the export piece of it.

Bharuch is also pretty much fully loaded, which is a combination of export and domestic. So that is also fully running. Now, there itself, depending on which market is better, currently, for example, if the heavy truck makes more trucks, it becomes better in terms of mix. But if currently, in the hub and spoke, the spoke is doing better, which is the smaller vehicle, then obviously the smaller vehicle needs smaller bearing and smaller bearing are a little bit more commoditized. And they are a little bit smaller, and hence, their price is also lower. So they are running full. But heavy truck has to take off. As it takes off, so obviously it impacts, the mix becomes better and better.

Deepesh Agarwal: So no plans of expansion in next 6 to 12 months of TRB.

Sanjay Koul: So on TRB, we are currently definitely looking at the capacity utilization and efficiency and incremental addition. So as we talk, I am looking at the blueprint what needs to be done to make sure that we don't lose either the sales. And obviously, we don't want to import too much because our currency is also weak. We want to export more. So we are working on that, but we don't have an announcement date on any expansion.

But we are working towards more automation, which means more productivity, better productivity of those lines, so that is our first endeavour. And the second is to invest. Obviously, we want to carefully invest so that we get the best bang for the buck. So currently, I don't have an announcement for the investment. But as I shared, we are continuously working on the blueprint and weighing it, But we are pushing very, very hard on producing more, which is productivity. We are obviously still little bit on robotics and automation and things like that.

Deepesh Agarwal: Sure. And sir, in the past, you have highlighted that Timken India may also look at nonbearing portfolio from parent in the future. So what is the progress or the plans out there on nonbearing portfolio, which you can bring into Timken India from the parent?

Sanjay Koul: So the endeavour is on. But, again, no announcement or no firm plan, which I can say that, hey, next we'll do that. But yes, this is certainly a possibility. The parent has changed. The parents have belts. The parents have couplings. The parent has lubrication system, all this is there. They have the technology.

India is a great place to source. So that discussion is relentlessly on. But the parent would obviously look at all forms and which is the best country. Where there is less of tax terrorism and less of GST notices, et cetera, where they can have ease of doing business. So they are looking at all forms before they would like to do that. And we relentlessly make the business cases. But no announcement or no blueprint which I can share.

Deepesh Agarwal: Sure. And sir, one bookkeeping question. This quarter employee cost was quite low. Any one-offs here?

Sanjay Koul: Employee cost was low...

Avishrant Keshava: In the last quarter, there were some adjustments for gratuity...

Sanjay Koul: So there were some -- as my CFO is telling, there were some adjustments for the gratuity, et cetera.

Deepesh Agarwal: Sir, can you quantify it?

Avishrant Keshava: The overall you can see, but there are some increases. The increase is on the merit increase in the current quarter and offset by what we had issued for that.

Deepesh Agarwal: Sir, gratuity is -- has led to a lower employee cost in this quarter, right?

Avishrant Keshava: No, no, no. The gratuity, we had an additional charge...

Sanjay Koul: The question is that the lower -- employee cost is lower, what is the reason for that?

Avishrant Keshava: That is gratuity, but...

Sanjay Koul: Gratuity is the cost.

Avishrant Keshava: It has got 2 components, one is the gratuity, last quarter was there, this quarter it's not there, but in this quarter we would have...

Sanjay Koul: So gratuity, last quarter was there, this quarter was not there. That is the short answer.

Moderator: Thank you very much. Ladies and gentlemen, that was -- due to time constraint, that was the last question for today's call. I now hand the conference over to Mr. Annamalai Jayaraj from Batlivala & Karani Securities India Private Limited for closing comments.

Annamalai Jayaraj: Thank you gentlemen for taking time out for the call and also providing us opportunity to host the call. Have a good day.

Sanjay Koul: Thank you very much. Thanks a lot. Thank you, everybody.

Moderator: On behalf of Batlivala & Karani Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.