"Timken India Limited"
Conference Call
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MANAGEMENT: MR. SANJAY KOUL - CHAIRMAN & MANAGING DIRECTOR- TIMKEN INDIA LIMITED

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Moderator: Ladies and gentlemen, good day and welcome to the Conference Call with Timken India hosted by Spark Capital Advisors 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mukesh Saraf. Thank you and over to you Sir!

Mukesh Saraf: Thank you Malika. Good evening Mukesh here from Spark Capital. Appreciate everybody logging in, I was very pleased to be hosting Mr. Sanjay Koul - Chairman and Managing Director - Timken India and Mr. Avishrant Keshava – CFO and Whole-Time Director - Timken India. We will start with very brief opening remarks from Mr. Koul and follow it up with the Q&A. Sir, if you could just start with some opening remarks.

Sanjay Koul: Thanks Mukesh. Thanks a lot. I think the opening remarks are that we are all happy to be safe and the trend is going down of the virus, which is good news and we have to keep it like that so that is the way we are handing over plants to keep everybody safe and we all wish everybody to remain safe. The vaccination is still far away and then the vaccination capacity of India is not like possible so the capacity is very less so precaution is must and happy that we are all together here and I just throw it open for any questions. Mukesh over to you for any questions to start with to keep the ball running.

Mukesh Saraf: Probably I will just, Malika you can just open up the question queue and while the queue gets moving, I will just start with a few questions.

Moderator: Thank you very much. We will now begin the question and answer session.

Mukesh Saraf: Thanks. Just to kind of get some background on how good the performance has been last couple of years especially with respect to the margins if you look at your basic revenue mix just looking at very simplistically between domestic and exports, the exports mix is at around 25% while the margins have obviously gone up significantly and we have seen the CV sector drop about 40% last year. So how is it that we have maintained domestic revenue despite that drop in largely maintained the domestic revenue despite that drop in steep drop in the CV sector and also on the margins front have we seen some new segment that has done well which is a high margin segment or what exactly have we seen there?

Sanjay Koul: I think that the last that is the Q2 it will be around Rs.390 Crores as our sales and out of which almost as you rightly said 26% was exports and all over all our 52 locations have started functioning almost we are back to normal and commercial vehicle is no brainer that it has remained a highly subdued even before COVID and then continued like as you know the agriculture picked up and we have been making sure that we do choose our mix well so we have been doing that over the years and we can envisage which application will become commoditized overtime and which application you can always value still and this is the changing game and we do it pretty regularly and I must say that we are quite apt at, and with that also there has been while the CV market was down we had a wind market which is especially the gearboxes out of India getting exported pretty well so that was one thing which remained strong even during the COVID times obviously the factories were closed for some time so that was, but all these wind companies are actually overbooked and then we remained in a sustained manner and those with tech market remaining okay and the distribution, the MRO of that also like the steel etc., etc., also has remained. So overall as we are completely diversified then we believe in segmented market right from ports, cranes to rail to wind to aerospace, we cater to almost everything in the right possible manner and commercial vehicle is a big piece of Timken India Limited and it remained subdued which we expect that now has to come back at some point of time though not immediately but overall we have been quite successful with our other frontline units like wind and rail, MRO also has been overall okay and currently the global market especially US is up, the European market for is also not looking bad and the India market minus commercial vehicle is pretty much okay. This month as we speak commercial vehicle has shown obviously some based of some inventory correction there is some pull but we are working very hard to supply to the wind market also to the metal industry we are not to that extent. So factories are coming back, markets are coming back, customers are coming back. So the recovery you can say is as per the steel now whether the demand will be sustainable or not is a question mark which is an outcome question depending on many, many factors but we have obviously worked on our mix over years, our customer base over years and while we can add a value and we can monetize the value rather than five just on the pure commoditization of the product.

Mukesh Saraf: Just a follow up on this, so you mentioned that wind and lot of which other new segments have come up they had largely been traded Sir, I mean, because within the manufacturing base wind?

Sanjay Koul: Timken India Limited is not a manufacturing wind so it is traded wind; however, lot of wind products are made in EDI now one of our other entity and so but it is well largely traded the wind is traded in India for us and for enough of food and beverages are emerging area again it is traded. So we are actually for us the local product is for commercial vehicles for agriculture for off highway things like this and rail of course.

Mukesh Saraf: I mean despite of wind being traded we have kind of seeing the margins go up significantly so is it like have we done some kind of an improvement process internally that all the products have generally seen a margin improvement or is there some mix element to this improvement in margins in the last say last year especially?

Sanjay Koul: It is a combination of many things; one is that obviously continuously we are investing in our facilities both at Bharuch and in Jamshedpur so that obviously is helping the cause. We have been locked, almost localization is pretty big if I say in last five years our localization efforts have been tremendous and then we have worked around industries also we have some application in some areas where we have kind of gone down and some application where we have gone up so there is a very good work on mix, but on continuous improvement modernization, robotics, process automation, localization, lean work especially we are working on a concept called Enterprise Lean which is the plan for each part so all that structure out of it so it will be continuous so that is how we are tackling manufacturing over the years.

Mukesh Saraf: Probably in the next couple of years as the commercial vehicle division comes back it is not like that that mix could again adversely impact our margins so we can largely say that margins can organically stay at these levels, probably improve from there?

Sanjay Koul: The good work done in the plants will always harness those benefits so that will not go away and the commercial vehicle is part of the plant so who is the center with the idea of that commercial vehicle will remain strongly part of our kitty.

Mukesh Saraf: On the ABC plant itself you had mentioned about your Bharuch facility so I mean last year sometimes we got the approval for the Circle R the Timken Circle R products so have we started seeing exports from Bharuch facility already?

Sanjay Koul: Yes, we have already started unfortunately because of these lockdowns and we see a lot of P Packs and lot of audits all these big guys want to do physical audits and that kind of got virtual and got little bit delayed but we have started exporting so that is the good news the process of export has already started out of our Bharuch facility and it will all be gather momentum now.

Mukesh Saraf: Sir on the ABC facility while it is not ABC separate entity now but at the time of acquisition it was quite a sizable gross block so close to 300 Crores of gross block I mean right now we are estimating that it will still be quite low there. So what is the potential there in terms of revenues from ABC and probably how long do you think we can get to the peak attention there?

Sanjay Koul: The wind capacity of that part is equal to the rail capacity of our Jamshedpur plant so when the conclusion of migration of the brand and everything happens it is almost capacity wise equal more or less get and looking at that you can get an idea that why it is coming.

Mukesh Saraf: Just the reason I asked is, if I just look at our overall gross block of the merged entity it has gone up to a last two, three years but obviously revenues and because of the cycle, revenues have not clearly caught up so we see that our overall asset turns have come to probably below 2 times on the gross fixed asset basis and this is probably three times stages three four years back so hence client were sitting that if Bharuch facility also can have potential asset turns of the three times at least during the past and the Timken Jamshedpur facility also can get there. So the revenue potential is quite straight with the given assets we have right now the gross block right now?

Sanjay Koul: Yes you said, you are absolutely right in your analysis obviously the capacity utilization of that plant the gross block has naturally gone up so that is why it would go up and now in order to the asset turns for that the revenue of that capacity has been utilized so obviously we want to migrate it to Timken which we have done and then the idea is that we utilize it for exports also and then domestic as well so that process unfortunately we lost six, seven months of a prime year and CV is dead so you can see that when it was ABC they were largely on almost 100% selling only to the commercial vehicle segment. So all this has created that gap and it is just a matter of time because we got all our basics now in place like qualified for Timken and then qualified for exports and then CV market comes back so those things should then fall into place.

Mukesh Saraf: So I think now we can just start with the Q&A from the participants Malika you can start with the Q&A.

Moderator: The first question is from the line of Deepesh Agarwal from UTI Asset Management Company. Please go ahead.

Deepesh Agarwal: Sir I hope everyone at Timken family is fine. Sir My first question is what is the currently utilization at the ABC plant?

Sanjay Koul: So currently our ABC plant when you say current if we talk about this month it is if I convert into winds will be 70% plus using capacity utilization.

Deepesh Agarwal: So we are already still getting up meaningfully from the time of acquisition.

Sanjay Koul: Sorry come back your voice broke a little bit.

Deepesh Agarwal: So we have come up for the time of acquisition I guess them it was some 40% right Sir.

Sanjay Koul: I am sorry Mukesh could you get the question I somehow lost 30% of the question.

Deepesh Agarwal: Am I audible to you Sir?

Sanjay Koul: Yes, you are audible but voice is breaking a little bit can you repeat I am sorry

Deepesh Agarwal: I was asking that we have already scaled it up at the time of acquisition I believe it was somewhere around 40%?

Sanjay Koul: Yes, you are right. It has to be looked little bit, it was 40% and then they were using a technology we produce through cold and hot bearing wherein and cold and hot bearing is a different technology, people who do not have the technology will obviously their cycle time would be higher. I do not want to go deep into the technicalities of it which is because of the distortions because of the technology you will show while the machines were on but the capacity utilization was only 40% so we done all those changes so now the capacity utilization is already up from that to the 40% to almost 70% and it will keep on going up as we talk we have installed a state of art furnace there which is under installation and fortunately due to this COVID we just an imported one so the foreign technicians could not visit and still they are not able to visit so with that it will become pretty very, very efficient and the 70 will get grow up. So yes it has come a long way from the original position on capacity utilization because of new technologies which we are using upgraded way we have changed lot of assets in assembly area, now we have put a very state of art heat rate furnace which will give no distortion, no distortion means low stocks, low stocks we less grinding means more output so all that is taking place.

Deepesh Agarwal: Would it be fair that exports would have filed up materially in scaling up this utilization given this M&HCV market?

Sanjay Koul: If I could get the currently we are exporting around as we talk of say this month we have been around 10-ish% but the idea is that as it moves towards the tune of it will be 50/50 it would be 50% exports, 50% domestic.

Deepesh Agarwal: Sir what is your outlook on the export market over medium-term how you see the growth they are panning out as a Timken as a company as a whole.

Sanjay Koul: For us out of India exports are actually today the order book is overflowing, we have huge order book on exports. Now obviously everybody would like to say that whether this is sustainable or not but for us within the Global Timken India is a great destination for small bearing see which is this Bharuch and Jamshedpur range and there are some plans in America which we are rationalizing the manufacturing so for us even whatever happens to the American market I think we would be decently loaded but as we say today we have a huge export order book and at the same time agriculture came back so there was pressure for an agriculture then customers like the approving guys the earth moving guys, backhoe guys again they started making more machines so currently we are running flat out three shifts six days every week.

Deepesh Agarwal: Sir on the railway side can you help us understand the size of the railway market now and when we move when the country start moving to passenger siding and MHB coaches what could be potentially the size of the market out there.

Sanjay Koul: So on this railway side I think as you know that the Indian Railways on the passenger side they are moving away from the traditional coaches so they are going towards the freight LHB model that is one piece of passenger then you would have the metros now needed everywhere the intercity, within city you might be surprised to know that in our offices in Bengaluru in Electronic City, Electronic City in itself is ruled amongst a parity called LCR, LCR in itself is planning to do rapid metro within that so this market of mass rapid transportation is going to boom so it is not part of Indian Railways but on metro per se even within at a small, small cities or towns or the municipalities is a thing of tomorrow, certainly what they call as light metro so that is one aspect then Delhi metro kind of stuffs like Kochi metro, Pune metro, Delhi metro this is another side and then obviously long distance train which for which the speeds are going to become better and faster and as they start loading more freight load or the dedicated corridor so the industry will be come on passenger so they can use all that. So the railway is going to remain a solid sustained moving ahead slowly and steadily and this market for bearing currently is anywhere between 1500 Crores and 1800 Crores market this is growing market and depending on number of wagons and because everywhere every year they do not make the same number of wagons so and then that we on the freight LHB every year the actual number of freight cars or freight wagons and passenger cars the range specific cars will decide how much bearings they will do so this is a little bit of a moving market sometimes they might say that we will make 40000 passenger numbers and each one has end bearings and then you can multiply that and similarly on wagons if they choose to make 10000 wagons so that would be the into 8 if they choose to make 20000 wagons so but just to give you a high level India has hardly any freight LHB and majority of the passenger is on Sherlarian, on Sterical which are Government of India and Indian Railways have decided to face and it is very, very old and unsafe kind of stuff especially on impacts. So this potential is huge, market is huge now depending on how much railway would like to build every year will define what is the market but as I have been always saying this market will not for bearing will not be leads and downs but it will be sustained 898, 568 depending on every year, it will keep on growing. So it would not be like the time in channel and the bearing market within railways was growing at 20%, 30% but it would not be like that in India, India has its own challenges but it will be a solid growth for many, many years.

Deepesh Agarwal: Sir is there half of this market would be reacquisition and wherein your movement towards LHB or clustered bearings would be witnessed overtime and what you all potentially seeing that uptick would be from the new coaches of the other is addition so effectively your value increase would be more on say 700, 800 Crores of the market would it be fair to say?

Sanjay Koul: Your voice unfortunately is not clear, but as who are technically connected to this market every bearing has to be refurbished even on a running say for example there is a wagon, freight wagon every four years it has to go through a periodical overhaul which means that the bearing has to be refurbished come what may similarly on the passenger side the bearing has to be refurbished so that is a separate line of business which has to keep on as the number of bearings grow in the market that business has to grow. Refurbishment is just like maintenance so it is like your car you have to service it every six, eight months to keep it running so that will happen and the new bearing market is depending on the build of the wagons or the passenger coaches as you know yesterday railway has announced that the Punjab Mail has been converted from the Sherlarian old coaches to this freight LHB and you will hear these news regularly because of both safety aspect comfort aspect and maintenance aspect as well.

Moderator: Mr. Agarwal we would request you to return back to the question queue for follow-up questions as there are several participants waiting for their turn. The next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

Shyam Sundar Sriram: Sir from a simple perspective on the railway side specifically domestic railways we saw there was a complete slowdown in terms of getting orders on the wagon side… the orders that are under execution but is that impacted our order inflows probably domestic railways side that is one part of the question? Secondly are we seeing any initial orders or signs of initial ordering for the GST package or so is there are there initial clients for the aspect by reach or for the GST network?

Sanjay Koul: I could not get your question at all the voice is very feeble, but what I could get a sense from your question for some seconds your voice was completely gone, but whatever I say just that we between the railway obviously were not running so the impact of that, so the passenger was not running but as you know freight was running but it was not running to the peak condition and similarly the manufacturing of the Indian railways which is of three kinds one is on the passenger side they are doing it majorly themselves and on the freight they are largely doing it through private wagon builders so there was obviously some slowdown but overall it was not like a stoppage like commercial vehicle, Tata Motor, things like that which came to complete stoppage so it went through a small dip but overall not major because railway buying is different and there is a different pattern on that buy so there was I would say a little bit of impact but not a large impact and that is I can say that it was almost the rail sale for us in the last quarter was almost in the same ballpark figure of say even in 2019, same time 2019/2020 quarter two it was in fact little bit more than that so you can just judge from that, but our sale in last quarter I mean to say the quarter gone by and you compare to 2019/2020 last quarter we saw a little bit more so it was not that but overall yes at the end of the day consumption at the end customer will impact the market sometime somehow so if they were not running too many trains that means there was some little bit of impact of that if they were not running freight to the extend and if the Malgadi or those were not manufacture at some point of time they will have an impact but as you know that they have the yearly target of making say 10000 wagons and then they will somehow have to manage to build that and all that, so all that in one set and the second question which you said I could not hear at all if you could again repeat it.

Shyam Sundar Sriram: Yes on the DFC are there initial signs of order for the DFC vehicles so these will be partly of bearings right that was the additional part of the question. Am I audible now?

Sanjay Koul: Yes, little bit so you are asking about the dedicated freight corridor buying.

Shyam Sundar Sriram: Yes, Sir.

Sanjay Koul: Yes, so those bearings are being better and not a best growth momentum obviously it has taken off but not in a very, very huge manner but compared to that the traditional buy is still impact in this almost in the same pattern as it was before so on the dedicated freight corridor class bearings it is happening sales are happening but the traction is not to that huge level it will take its own time as I always say slow and steady so it is not an overnight game and anyway but I see that the traditional wagon bearing are in the same ratio currently and obviously in that there has been a technology move which has happened and it is known as a high capacity bearing now have been introduced at Indian railways obviously can partnered a lot on the technology side of it, but on the dedicated freight corridor that offtake obviously that build is not in that momentum so it will slowly and steadily happen.

Shyam Sundar Sriram: Sir on the export side have you stared supplying child parts comes at new Jamshedpur facility and between export railways and growth in CV bearings export how will that mix now it use to be around 50/50 how is that now we had also started supplying exporting railway bearing to newer geographies Australia, South Africa, has that helped in maintaining export during this quarter if you can give commentary on these two aspects.

Sanjay Koul: So our export percentage of the pie was 26% like Mr. Saraf said in his initial comments so it was 26% and last year in the same timeframe it was 28% and `almost value wise almost same despite now there was impacts of COVID and market slowing down so we have done decently that way if you compare the current situation so we almost are at 26% of the pie and value wise almost in the same ballpark 15 in the same quarter 2019/2020 and the new capacities which we have put for child parts I am happy to say that despite COVID we loss months and these installation needed Japanese engineers, German engineers and what lot we have gone through but we have started exporting so the good news is that we have containers living our Jamshedpur plant and going back to America on those child parts obviously now we have to gather more and more momentum on that which you see in coming months but yes the good news is that the process has begun and our expansion is almost complete in the Jamshedpur for the child parts only some debugging is happening we have some Japanese engineers have to come which are unfortunately not able to come but yes the process started.

Shyam Sundar Sriram: Sir I had also asked on the mix of railways versus CVs within export Sir any ballpark things if you can please help us with.

Sanjay Koul: Almost similar 55 was truck and 45 was rail.

Shyam Sundar Sriram: Sir one last question Sir you did mentioned within the process segment within India will there has been a very strong contributor this quarter per se for us overall how much will be wind in terms of the bearing be of the overall the revenue price Sir or say 390 odd Crores how much would then be per hour on an annual basis whichever way you want to give Sir.

Sanjay Koul: We have done on an annual basis we have more than 100 Crores.

Shyam Sundar Sriram: Thank you very much Sir. Thank you, Sir, I will fall back in the queue, I will come back for more.

Moderator: Thank you. The next question is from the line of Dhruv Maheshwari from Premji Invest. Please go ahead.

Akshay: This is Akshay from Premji Invest thanks for the opportunity. I have couple of questions, one is just on the CV side now after the ABC acquisition what percentage of your revenue would be let us say the last year it was coming from CVs and there what is the outlook near then outlook that you were seeing from your customers.

Sanjay Koul: What we do is that we club everything which has a wheel on it into mobile which consist of commercial vehicles tractors and also equipment like backload were success. So in this quarter out of that pie our mobile pie it was 20% in this quarter almost Rs.80 Crores of sales and if you see last year it was Rs.80 Crores sales same quarter so while CV went down and went off and all that so almost like a domestic so balancing out within the mobile piece of it now we have almost at a heavy truck almost commercial vehicles came down for us it is a heavy truck so it came down almost 50% to the 19 sales but we made it up from other areas and slowly now the million dollar question is obviously the heavy truck coming back and every big company in India has put up scrap yards across India and for you guys might be knowing whether it is Mahindra's or whether it is other big companies while they are going to crush these vehicles and then use that steel back into alloy steel making so which gives us that to that now scrap policy is obviously overdue and Mr. Gadkari has been speaking everywhere about that I am for it and from my side it is all clear which kind of use a hind that the ball must be into the common side the finance ministry because who will get the benefit of the excise duty when he is the scraps is vehicle might be a question they might be asking and then the inventory also has kind of cleaned in the system and knowing that the out of the five year game of five year rule first two years always it will be the middle two and a half years where you see the infra push investment all that happening before the so 2022 I think the election would be 2024 next election so now that push has to come for more spending on infrastructure then obviously lot of policy changes are happening and then scrap policy will come so the commercial vehicles are not remain subdued and we know that every time the action norms have changed if you see last 20, 25 years when the fuel norms change or they go from these two deals there, there were always the you can look at last 20 years and you see so that depends happens so that has gone all that correction have taken place inventory has gone and now there is lot of recovery which is happening in the market and geopolitical thing is having its push to make more products in India at stress so my personal think is that CV market has to come back and at least not in coming, I mean, coming two months have been not better than say previously five, six months back but eventually that sustained growth has to come our way and two years of good CV from middle of next year are very much possible so we will see that obviously the joker in the pack is the COVID vaccine in the sense that is connected to a lot of real time sentiments and the market will depend on it or got forbid if some country all of us come and start facing lot of deaths and things like that it will have if that through the lockdowns like Punjab announced the night curfew so you have now night curfews coming into be being and then Ahmedabad had 3 day lockdowns o all this will have an impact so we need to have this COVID behind us to have that maximum growth taking place so which also kind of you can understand that all these vaccines will need a cold chain now all these vaccine need a transpiration and if cold chain means that you need very safe good heavy commercial vehicles moving from wherever the vaccines are made in Hyderabad or in other parts of India Ahmedabad etc., and then we have to go to right up to Kashmir and also go to Netherland or all that and we cannot be transporting into simple trucks and special parts which can keep them into a deepfreeze while in transportation because this warm vaccine is still highly untested and the cold is kind of that is suppose another big push in to the commercial vehicle so let us see we are hoping for a better tomorrow on CV handing is now.

Akshay: Sir on the we have seen that there has been a sharp jump in the steel prices over the last few months any pricing action that the industry has taken I mean it will be in the past in that share has been quite discipline in terms of passing on any action that you have been seeing on at this stage.

Sanjay Koul: Now passing on, now there is no room for not passing on if steel is now going up and so it has to be passed on it cannot be, I do not think anybody in the, and this is a small player and they run the small company otherwise you see for example Tata Motors use the steel price increase them self for buying their own steel or so same gets into translated so it has to be there and we are trying to be as transparent as possible with these OEs and if they are all those changes that will take place and now steel is not coming from China anymore and you cannot afford European steel so Indian steel that is the reason is being monetized and it cannot be observed by bearing manufactures ABC all these guys all the top guys cannot take it then for sure.

Akshay: Have you already taken the has the industry already taken an increase what is the commensurate required.

Sanjay Koul: No, about other bearing guys but we are in advance discussions to get the price increase I am just visualizing that it is becoming mature in for example if you are supplying in Europe and in America to a commercial heavy vehicle guy is an automatic you do not even talks about it, it is so automatic and the same way so we are in advance discussion with all truck guys whatever we are getting from there exactly we are saying we pass it on.

Akshay: So just one last question from my side just want to know for the railways and heavy truck exports that you do, would it be like a single source supplier or it is like a two, or three global factories that they are supply to these geographies and any changes can that you felt or witnessed from the parent in terms of export sort of India to over the last six, seven months.

Sanjay Koul: So we could get you traction so for example we find supplying to a plant of Myanmar trucks in Germany so if there will be alright there are two sources within the family large family but the primary source would be the main supplier only for this mitigation there would be a secondary source but generally it would be if Jamshedpur plant is a primary source it will remain the primary source and it would be almost so you can call the single highway but for this mitigation as we always another tool of somewhere should get the end customer does not face any problem but it would not be the two plants or Timken China versus Timken India competing is not possible.

Moderator: Mr. Maheshwari Sir we would request you to return to the question queue for follow-up question. In order to ensure that the management is able to address the questions from all the participants in the conference, please limit your questions to two per participant. The next question is from the line of Ankur from HDFC Life Insurance. Please go ahead.

Ankur: Just referring to the process segment for you, if you could just talk about what was the sales for this segment is Q2 that is one and also just talk about the wind segment doing quite well for you, but if you could also talk about the other pieces steel, cement, power how are those industries doing how has been the bounce back over the last two quarters and more importantly how do you see it going forward?

Sanjay Koul: So just to give pull some breakup of the total pie of the last quarter the rail was at 26% and mobile which I said comprises of for us anything with the wheel is mobile is like heavy trucks or it is the tractor or it is an excavator or a backhoe so that was 20% and distribution was 30% and process which is the stationary if you got about 8% and 26% was the exports. On the other areas for there is no new steel mill getting build in India so all the steel, power almost everything is the MRO piece of it so that Tata Steel is making steel and they required bearings and they need steel companies with lot of bearings and if you are crushing coal on a powder they need lot of bearings so all those markets especially the metal market MRO is booming, if I can use that word because all these as you know last quarter steel, everybody is melting steel to capacity almost and even a couple of news like I just saw a new there was the Aarti Steel putting up a plant or they are starting selling out of an Odisha plant and then Liberty took over Adhunik and then we are also coming so these are old plants but they need refurbishment they need new bearings but otherwise metal is going pretty well and the power segment is also doing decently when obviously that the factories were closed down in the initial period of their lockdown so that has their impact but currently metal power we are in the MRO side are doing very well, I would say. We are not a big player in paper but I presume paper is also doing okay but we are not a big player there but one area which is a new sunrise area is this food and beverage. So they are putting lot of automation and it is not only because bearing is required special lubrication systems and require system for chains and things like that and Timken Company not in India but Timken Company holds a lot of such big and other lubrication companies so that is one area which we are working currently to open it up through the power of supply chain, local sourcing technology from BEKA and Groeneveld which are the two companies purchased by Timken in Europe and two and which will see this is the gap are one of the lubrication companies which is the competitor in market share there and lot of customers are asking for effect and the levers they want to have more options so that is one area where we can see we can do well that is especially food and beverage which has lot of connect towards these kind of things so there currently these markets are doing well so I would say that it is like the demand is like a V now this V will become a W or not is a million dollar question that V is at some point of time this demand falls down for reasons which can be COVID which can be other rated and then which can again but one thing is sure which I can very safely see given Indian commission giving the geopolitical commission that overall bearing market will have a great see it run starting somewhere late 2021 onwards till the time we will have to play with this V and W demand curves but then later 2021 late onwards it would be pretty decent and then obviously there is a change of government in America now how they are going to have their policies, old regime was behaving differently which had started having some impact and then the new regime has come in how they are going to so coming months they have kind of also tell us their story. Otherwise this quarter metal, power all are doing pretty well the wind export market out of India for gearboxes and they eat lot of bearings they consume lot of bearings so that is going to remain very strong this year also and next year also and a lot of global companies especially European wind companies are procuring and manufacturing lot of gearboxes whether that is ZX, Siemens etc., in India so that is good news for India in general and these two, three bearing companies in particular which are the technology to serve those markets.

Ankur: Just a second question on the export I think in one of your comments you said that you have very strong order book working full shapes etc., so how much visibility do you have I mean is it for this quarter or this is for next six months I mean I am just wondering how do you work is it like a rolling three month basis which you have with you in terms of the order pipeline?

Sanjay Koul: Obviously, this demand is a huge size and we are on SAP platform so we have the long range forecast and we have the short range forecast and we have the immediate order book but so that is on one side so we can see as far as 36 months out and it has all the market things plugged in and everything but then who knew COVID will come in March and the demand will manage. So these kinds of demand are so volatile that anybody is saying I am an expert and can predict it would be at the challenge. So we can look long range forecast and because the capacity planning some connected to those long range forecast and then obviously we have to do steel planning so you have short range and then you have next obviously the order book is three month rolling but we can look as far as 36 months and then 12 months is the steel planning 36 is for the capacity planning and then three months is real production plan so currently that shows pretty decent strength. Now tomorrow what happens all of a sudden in this world and this world has become really what you call volatile and woke up so nobody can predict those volatility but otherwise on the export side if nothing changes drastically India is slowly going to have a very strong India as general a strong export order book as manufacturing industry and for bearing I think for Timken it is going to be pretty decently placed.

Moderator: Mr. Ankur may we request you to return to the question queue for follow-up question. The next question is from the line of Tanmay Desai from SBI Mutual Fund. Please go ahead.

Tanmay Desai: Sir I had a couple of questions pertaining to the exports market so while you do mentioned that you are looking at the domestic export split over a period of time at around 50/50 can you elaborate as to what all incremental opportunity the company is looking at and the second question is from a parent perspective the two important entities as we see in the Asia market or Timken India and Timken China are you witnessing opportunities coming to Timken India at the expense of Timken China or the business models are absolutely separate and we should not think about it that way?

Sanjay Koul: Did you attend the Timken Global concall as well?

Tanmay Desai: Yes, Sir.

Sanjay Koul: I think you asked the same question there as well. I had the chance to look at that as well. So the answer is not going to be any different what Mr. Philip Fracassa told you on that call. So Timken India Limited is in India subsidiary it is a globally connected company and a globally connected market and there would be always the large manufacturing companies there would be these global supply chains and these do not do any reaction strategies are hit for long-term long haul and our export is going to be part of the global manufacturing philosophy of the Timken Company and then you have the strong domestic marketing as well, so our domestic market is strategic to us here in India and export India as a country India as a destination is very strategic to the Global Timken company so while we want to use our technology play and our better technology and a very seasoned and a matured manufacturing base in India for our domestic customers at the same time the Timken company is looking at India as a very good long haul export base so the manufacturing global strategy of Timken company as India especially on these 0 to 18 as I call them which is the which are the bearing which go into the SUVs, heavy trucks and the small trucks or into the backhoes and things like that India is going to be remain a very good destination for the Timken Company and China at the same time is a big destination for example of spherical bearings, large bearings and things like that, but then the last 12 months have also thought that risk mitigation is also important for global companies so and we do not make as far as this here in India but our competitors do make a spherical large bearings in India and here is the nice decent critical mass which is growing in India for those large bearing which primarily go into the stationary equipment be it paper, power, metal etc., so that is one area where we can further leverage and harness our expertise. We have made sure that we have global supply chains available now in India whether it is steel making forging etc., etc. So India is very well-positioned currently both in terms of catering to the domestic requirement and then being part of the global manufacturing strategy of the Timken Company.

Tanmay Desai: Apart from the heavy truck and the railways opportunity on the exports should we look at any other opportunities from the Timken India facilities?

Sanjay Koul: Yes, absolutely we are continuously looking at ways and means to do more say for example we have started the retail parts in Jamshedpur and as I just said that if we start doing spherical in India tomorrow and CRBs in India and then whatever we do given the fact that India is going to be cost competitive over other nations and risk mitigation has the cause there will be always opportunities and then Timken globally is expanding their footprints in these areas like food and beverage they are we were late entrants into wind market but we are now a sizable player, similarly food and beverage is going to become very, very important area so yes opportunities would be there and we will have to harness them at the right time and the bearings is not an overnight game the fixed cost the tooling the rationalization of that plays a big role but I can say for Timken in India more opportunities certainly available.

Tanmay Desai: Thank you so much Sir for your response.

Moderator: The next question is from the line of Neelesh Dhamnaskar from Invesco Mutual Fund. Please go ahead.

Neelesh Dhamnaskar: Thanks. Let me quickly ask you a question as slightly more long-term oriented question so we have seen that Timken's parent which is Timken Inc. is strong in defense, aerospace application those kind of bearing component so India is also warming up towards the local manufacturing of these kind of businesses so any plans on this front, the fact that you also have a good amount of cash lying in your balance sheet as well as the cash flow generation in years to come so any plan or anything on this front which one can foresee in the near to medium-term?

Sanjay Koul: Let us divide defense now into two three segments obviously defense is going to be what we call the army or the infantry and then defense is navy and then defense is aerospace so aerospace we are making in India. We are making something but the global companies like Lockheed Martin, Boeing, etc., are slowly looking to come to India and obviously they are in India. They have their plants here but it is going to take a little bit of more push and little bit of policy changes to get that complete for example if India will be is going decides to do all F30 planes in India completely not only fuel tanks or the winds or machine but if you see on the infantry side, already there is a push and this push will going to get more aggressive. I feel that Government of India, Defense Ministry understands that these manufacturing which were initially on the

Russian platforms and now they are almost our tanks are now Indian platform and that technology there is a little bit of reviving technology coming in all that put together there is certainly sunrise industry emerging there, but previously they were using something which might not qualify as a premium product in those products as an Indian we want our tanks to be backward ready and they should not breakdown while they are raging a war and we are getting into enemy territory just imagine if a bearing fails on the enemy territory tank an our sources should be there. So we are trying to see and we are talking and seeing and feeling what we call the dipstick check whether those industry are ready I am just talking about the infantry side which is like the old Shaktiman truck in the new form or coming out of Wayland or somewhere or the tanks which are build or other small, small launches, would go on a truck platform. The appetite is there to use premium product premium technology. For aircraft yes it will be a premium technology but critical mass still is not there. You need a critical mass to invest in such a specified and special area and for naval again most of the stuff is coming from for example a nuclear warship is being build in Russia not in India so obviously somebody else is selling bearing there but they can refurbish later on in India so this is little bit of an amount of opportunity but if you look open the newspaper obviously a defense looks to be a sunrise segment our Prime Minister is saying that we have to make more and more in India so we are looking at it closely. We have now couple of specialized engineers just marketing just looking at it very, very closely and if India starts and making lot of tanks and starts exporting tanks then it becomes a nice market and say for example we make start making 10000 helicopters here for other nations and consumption for India then it becomes a big, big volume, but currently we are watching we are supplying to all of them in small quantities but we are waiting that how the policy shift takes place, premium product coming in more manufacturing both by private players like we have got Mahindra's, Tata's others are playing into this how that opens up and similarly HEL how do they expand all the stuff so it is not going to happen like next quarter it will take time and we got the product range everything we can easily and we are importing into India and now at some point of time if there is critical mass we can start making them and all that so it is an interesting question, interesting segment and given our friends we have got so man lovely friends our dear friend Pakistan, our dearest friend China, our dear friend Bangladesh so this industry has to go up to keep our friendship at a safe distance with the Indians.

Moderator: Thank you. The next question is from the line of Sandeep Tulsiyan from JM Financial. Please go ahead.

Sandeep Tulsiyan: Good evening. Thank you so much for taking my question. I just want to understand you mentioned that your capex program is completed so what is the overall capex plan that we have over the next two years it is going to be inch in the range of 100 Crores, 120 Crores what we have incurred are going to be lower and also during the AGM you highlighted that Timken India is open to do some acquisitions so if you could highlight what is the typical size of the company that we are looking whether it is similar to ABC or in which specific subsegment? So that will be those two questions Sir. Thank you.

Sanjay Koul: Sandeep the capex is in the range of 100 Crores for sure that will continue and that is not going to stop as we look at long range forecast and other pointers so 100 plus Crores would keep on happening. Now on the M&A we are pretty much keen to say for example just to give an example and please take it this as an example like we do not make any lubrication systems in India but we have beautiful technology available with Timken Company globally so it is a logical step to either do a Greenfield lubrication in India or do an

M&A in India and then serve the Indian market and also become part of the global supply chain for that and these companies roughly are 200 Crores, 300 Crores companies these are small company and even if you do Greenfield but in the Greenfield this speed of market is missing so we are looking always keenly at opportunities which are either related to bearing or around bearing so we are looking at it keenly and that process is part of a very strong process and we are open to it but currently with COVID around a lot of people are differential and then the market jumped so heavily so we will pick up the targets well and obviously we will make sure that the return on those investments are right and things like that and first the COVID made lot of seller defensive and now the market is making lot of buyers defensive.

Moderator: Thank you. The next question is from the line of Hitesh Goel from Kotak Securities. Please go ahead.

Hitesh Goel: Thanks for taking my question. Sir basically you have touched upon given some sense on DFC but what can be the revenue potential for Timken because there is not much clarity in public domain in terms of what can be the potential in DFC so how should we look at content per wagon if we can think about content per wagon in DFC for Timken or for bearing companies?

Sanjay Koul: Yes, for globally in matured markets the freight and passenger cannot be on the same range. They have to be different because of the safety technical reasons the dead load versus light load high, speed dead load slow speed. So dedicated freight corridors in India is a must and Indian Railways understand it very well but dedicated freight corridor does not only mean through DFCs it means that all freight has to be independent of passenger. So that gives you a sense of the market potential. We would need at least 100000 kilometers of DFC. So on every kilometer of freight corridor you can Google it ex-number of wagons have to be on there so you can multiply that and it will throw a figure or something like 3 lakh wagons so now obviously it is money, it is land acquisition and then already you are building the normal box and wagons which will get migrated to the heavy axle. Now the heavy axle DFC will carry more rover comes into this. So that means if you need one box here there 1.5 of a box wagons will be going to one. So currently this 3 lakh wagons which Indian Railways have and they are having 10000 every year has to be converted into DFC that is the through now it can take 20 years it can take 30 years or it can take 10 years but now in India that land is to be acquired so that is why only we have got all these gets one corridor going into next it will happen and then they have plans to do the rest of that. So these migration and this is going to be taking place over the years so it would be I would say that they would make 2000, 3000 for next five years every year 2000, 3000, 4000 for next five years after that you can see the leap and by the time I will be retired so you will ask this question to the next guy.

Moderator: The next question is from the line of Sachin Shah from Emkay Investment Managers. Please go ahead.

Sachin Shah: I am the lucky guy.

Sanjay Koul: Geetha says that you are handing a conversation with me in this live because in last live we could not complete it so it is luckily to end this.

Sachin Shah: I am sure we will have many more conversations in this live process. First of all a very, very hearty congratulations the way the company has been maneuvered in the last two three year the entire profitability obviously has been actually it is almost like a transformation to my mind so the way I look at it is that the phase I is probably we have done this my question is that if I take a three to five year view where do you see this in terms of how do we see our positioning in terms of competitive landscape in terms of the overall business size where do you what do you aspire over a period of next three to five years that is first question and the second question is in the auto segment we are today in the CV space and again this is with a perspective of the three to five years is there a scope of the going into other segments in the passenger vehicles two wheelers?

Sanjay Koul: Let me answer the easy part of the question. This Mr. Shah is really a very tough question from where I see it so the easy question is that we will not going to two wheelers so we are not going to get into the commoditized bearing. People should make money out of it but we have chosen not to do a two-wheeler, three wheelers and passenger cars. Tomorrow as the EVs come into place in the passenger car segment and there is a need of technology and then tomorrow in those EVs maybe a different kind of bearings are required which are there is a lot of value and for example it requires because there will be engine in it. The load will be almost gone and the speed would be there and thereby the need of newer materials ceramic bearings and things like that then it is a different question and currently the batteries are heavy so current technology might required and while it will be different than in future when the batteries we will become lighter and the technology requirement will be different so we are not getting into two wheelers, we are not getting into three wheelers, we are not getting into the wall bearing aspect of it but high end SUVs we are already in, we will continue doing that commercial vehicles, yes we will continue doing that and on the passenger as the technology evolves towards EV certainly we would not like to not be part of that because initially there will lot a value in it so that is the simple part of it. On your first question I think that Timken India limited offers and India as a country offers lot of opportunity and it does not hold good only for Timken for other multinational companies as well India offers lot of depth. If you see the Indian bearing market is less than $2 billion and still out of that $2 billion predominantly it is a mobile market that means it is not 65% is mobile and maximum markets you see the process industry, stationary industry would be 50:50 then India will have always the depth of cost and manufacturing you will become better and better in coming days so multinational companies which have such footprints certainly will treat India as a good source. Now for us apart from bearings within bearings itself we have lot of chance to grow because we do not make spherical bearings in India we do not make large CRBs in India, we will make CRBs small in a small quantity so within that space there is chance to grow and then like I said that globally Timken company has belt company, they have chain company like Diamond globally is part of Timken but not Diamond in India. We got large belt companies' part of Lovejoy globally is part of Timken and lubrication both Groeneveld and BEKA German company and they have the reforming which is done. All these are connected to bearing so this is around bearing whether it is chains, whether the lubrication system, whether it is couplings and things like that and one better destination to make them in India in large quantities both from the Indian market and export. So for next three to five years I can see that we are going to be busy both on strategy side now whether we do those things or not the time will save but certainly on discussion mode, on the strategy mode, on growth mode on three to five years plan all this is exciting and knowing the depth of the corporation and knowing the depth of Timken India both manufacturing supply chain, knowing the company I think the opportunities are available and it is up to the teams, up to us to harness them and if you go by the past I do not think we are disappointed on this trend and will keep on working towards growth. Obviously my single slogan is always to our team is that we have to outgrowth in market like many of our competitors also want to do but we have a chance to go beyond bearings very well and for example I use an example that solar is becoming very predominant in India and so that itself the technology is evolving rather than keeping these just the panels which cannot move is actually now they do not harness that much of power as compared to panels which can move with sensors in line with some movement and that need sophisticated technology which is available the Timken. They have a company called Cone Drive, you can Google it so lot of opportunities is there Mr. Shah and we have to harnessing. Given our depth in India and our global companies footprint, I think we can do lot better. Obviously, market conditions, geopolitical issues all that we are debt free, we can device it, we got money on our balance sheet so we have to do lot better than what we are doing today.

Moderator: Thank you.

Sanjay Koul: Thanks a lot. Thank you so much. I think for your patience and some wonderful questions. It is always in fact also teaches us a lot so we always. We look forward to that and I think I am very thankful to all of you maybe next time we should do a WebEx either so this I know there are companies can do it, Mr. Sandeep can do it or Mr. Saraf can do it where we can see each other, we can see each other faces.

Mukesh Saraf: Sure Sir definitely sorry for overshooting the time Sir. Thank you for answering the questions in a patient way Sir. Thank you.

Sanjay Koul: Thank you.

Moderator: Thank you. On behalf of Spark Capital Advisors India Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.