

# TIMKEN

“Timken India Limited  
Q2 FY '24 Earnings Conference Call”  
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**TIMKEN**



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**MODERATOR: MR. ANNAMALAI JAYARAJ – BATLIVALA & KARANI  
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**Moderator:** Ladies and gentlemen, good day, and welcome to Timken India Limited Q2 FY'24 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 B&K Securities. Thank you, and over to you, sir.

**Annamalai Jayaraj:** Thanks, Nirav. Welcome all the participants to Timken India Limited 2Q FY'24 post result Conference Call. From Timken India Limited management, we have with us today, Mr. Sanjay Koul, Chairman and Managing Director; and then Mr. Avishrant Keshava, Whole-Time Director and Chief Financial Officer.

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

**Sanjay Koul:** Okay. Thank you very much. Thanks a lot, and good morning, everybody. I'll just give you a little bit of a summary of the -- our second quarter '23-'24 performance highlights. And then after that, we can go into any Q&A.

So our Q2 revenue was down 5% over the last quarter, that was Q1 of the current year, and impacted by seasonality factors and also our export markets under a challenge there. And then we had some nice price realization, which -- and also steel prices softening. So you can see that our profit before tax improved by 100 basis points to 18% compared to the last quarter.

So that way, with lower volume cost control helped in a better leverage, improved PBT by 30 basis points, excluding onetime gain, which was there. Ease in inflation, obviously, is there. We know the steel price is softening. Though currently, again, the steel companies are coming back and asking for an increase.

So overall, we had maintained a robust balance sheet with a reduced -- almost nil debt levels. So that is ensuring financial stability and obviously, strategic flexibility. Our greenfield project is almost as per schedule, if we take the Diwali week out and our filing work extra is all complete there.

So with that, I would be ready for questions and open it for general questions and Q&A.

**Moderator:** The first question is from the line of Ankur Sharma from HDFC Life. Please go ahead.

**Ankur Sharma:** Good morning, sir. Thanks for your time and appreciate you taking out time for these calls now more regularly. So a few questions. One was starting with exports. If you could just help us, what was the decline on a Y-o-Y basis on the export side? And more importantly, how are you seeing some of these end markets, both in the U.S. and Europe, kind of evolve? When do you think we see a bottom? When do we start or expect a recovery kind of starting off around?

**Sanjay Koul:**

Yes. Okay. Thanks for the question. So if I say generally, export used to be -- if you take last year YTD figures and break it up, 32% was our export intercompany, whichever way you want to call it. And this year at YTD, we are at 23% in our sales total pie. So obviously, there is almost a 9% decline in the pie itself on export.

So if you look at the markets generally, generally, we see that the China market is down, though we don't sell a lot of stuff from India to China. But the Chinese market, especially their wind energy is down, that market itself is down. Australian market is flattish. ASEAN is down. Europe is flattish, and North America certainly is down.

Now we see that while the North American market, obviously, decline was quick, we also see that the recovery might be also pretty quick as well. Like if you see in North American market, rail is pretty much okay there currently, though their zero to eight inch the product line, which we are exporting from here to that market, which goes into heavy truck and also goes into their other agriculture tractors and things like that, there, definitely, those companies have made sure that their inventories are down, their safety stocks are down.

But at the same time, when we look at our forward-looking demand, it has started already improving. When I look at the January, February, March quarter, as I look towards that, I see those demands are all showing green shoots. So whether that is sustainable, whether those safety stocks and inventories have bottomed out there and they want to slowly come back, we definitely see the green shoots there. But overall, the market is not like an Indian market where you can predict easily that it's a robust market. It is growing. That cannot be said either for China or America at this moment or for the ASEAN as well.

**Ankur Sharma:**

Right. But at least on a Q-on-Q basis, would exports start looking at -- looking out, I'm sorry, in the next one, two quarters. That's a fair assumption, right, based on the green shoots we're seeing?

**Sanjay Koul:**

So far, they didn't see -- like I said, that if you see this quarter, this quarter out of my total pie of sales, 25% was export, and YTD is 23%. Last year, YTD was at 32% for the first six months. And I think this is on a growing trend. This is on a growing trend. So generally, our pie has between 30% to 35% is generally the percentage breakup of exports for us. So it is inching towards that.

**Ankur Sharma:**

I understand. Okay. Sir, also on the domestic market, especially on rail. If you could talk about how has the growth been? Are you starting to at least see any slowdown there? I know the elections coming up, that's the general elections. So is there any slowdown? Also any increased competition with any new player because both SKF and Schaeffler also are trying to make inroads into the rail side in a bigger way. So one was on the demand and growth. Second was on competition?

**Sanjay Koul:**

So rail, definitely in this quarter for which we are talking about, the rail for us has shrunk, not because of the orders, but mostly because of the buying. And I see that remaining slow during October, November, December as well. And come January, that is again going to go up. There

is enough orders in the system, both with the railways, wagon builders, and then with the major bearing players. And we are obviously ahead of the pack there.

So currently, the slowdown in rail in India, definitely, unlike for North America is pretty stable, for example. In India, there is the slowdown on making the wagons or terming that out, which we see going to happen in next quarter. We got a major elections in a way. And come January, I think they should be picking up.

And if you see -- if I see my own regression analysis of last seven, eight national election, generally, before the national election, the buying improves. So if the elections are in, say, June, July, January, February, March, April generally are very, very good. So I am already seeing that happening for domestical rail as well as far as Timken is concerned.

Now coming to your other question that there is competition. So competition is always -- has been always there and will always be there. It is not only about same players play the same application in different parts of the world as well.

So Timken has been in this -- in India for railway right from the time, we are the first company which indigenized all the components for Indian rail 30 years back here in India. And we have continued doing that. And obviously, we have introduced high-capacity class-E bearing for the freight car, which RDSO approved. And now everybody has to work to that spec. So we are always working on the technology aspect of it so that the Indian railways and the end customer get better bearing, which have a longer life and are modern in terms of technology.

So while the competition will be there, which is good for the customer, which is good for technology, I do not see us kind of in a zone where we kind of -- we compete with the names you said in other industry every day and we win. And on railway in particular, I think the kind of supply chain we have created. For -- say, for example, melting of steel, till grinding I do within 20 kilometres in Jamshedpur. I don't think anybody can pay their supply chain overnight.

So all that put together, we are on a very strong ground. On railways, we have the technology, we have the assets in place. We do all kind of railway stuff out of our plant in Jamshedpur. We have created world-class supply chains in India. And I don't -- I am not -- anybody can go and crash their prices and burn their company. If they don't do that, I think we are in a good wicket.

**Ankur Sharma:** Sure. And just one last one, if I may. If you could give us the breakup of your sales by segment and percentage of? As you said, exports was 25% this quarter. If you could just help us with rail, CV, process and distribution?

**Sanjay Koul:** So rail -- this gone quarter, rail was 15% of the pie. And mobile other, which is heavy truck and agriculture all put together was 21%. Distribution was 20% of our pie. Process which includes heavy equipment, stationary was 19%, and our exports were at 25%.

**Ankur Sharma:** Perfect. Got it. Very good and thank you so much. All the best.

**Sanjay Koul:** Thank you.

- Moderator:** Next question is from the line of Mahesh from LIC Mutual Fund.
- Mahesh:** Hi, sir. Thank you so much for opportunity. Most of my questions have been answered. I have only one question. Sir, last two quarters, we have been growing in -- either in double digit and last quarter, we were in negative in terms of growth. So do you think this is -- I mean, worst is behind us, at least from next quarter onwards, we will be able to see some kind of growth?
- Sanjay Koul:** I would say that if you had to go back to the same growth, another one more quarter to kind of start hitting that holistic growth. But overall, I think that when we close the year, I think we'll certainly do better than the last year. So that would be the -- when we close this financial, it will be certainly better than the last financial.
- But if you see Q-over-Q, maybe one more quarter is going to be because of -- in India, you got these elections, which is currently, it might look surprising even to get a truck go to, say, a customer in Indore is not easy. So a lot of those challenges are there. People are not available. A lot of production is going down because of guys who are on the shop floor going to their villages for voting and all that.
- So I would say this quarter again should be similar nature. And from January onwards, I think it would be back to the old -- this. I see the green shoots, again, in the North America where people have cleared their inventory, cleared their safety stock. Now they are also getting ready, so we see some green shoots there as well.
- Mahesh:** Sir, slowdown on export side, was we surprised by the slowdown...
- Sanjay Koul:** I think slowdown was not a surprise, but the speed of slowdown was a little bit of a surprise.
- Mahesh:** Sure. Thank you so much, sir.
- Sanjay Koul:** So this bottoming -- quick bottom up, bottoming out was a little bit of a surprise. I would have personally thought that it would have been a little bit more gradual. And the good thing about quick bottom out is that then the rise also quick. So that is the general trend of last 25 years.
- Mahesh:** Sure, sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Deepesh Agarwal from UTI Asset Management. Please go ahead.
- Deepesh Agarwal:** Yes. Good morning, sir.
- Sanjay Koul:** Good morning.
- Deepesh Agarwal:** Sir, my first question is if I look at the extent of decline in your exports versus what parent has reported, there is a significant difference. So the parent numbers are not that bad as our exports. So is it fair to say the much of the decline is led by inventory correction or there is an impact on our SKUs, which we export?

**Sanjay Koul:** The general answer, holistic answer is that everybody has, for their cash flows, not only Timken, any other American company, everybody has concentrated on lowering their safety stocks and then also converting their inventory into cash. So same is for Timken also. You got inventory on the waters, sailing time from here to North America, three to four months. And then you got -- obviously, you have to take care of the coefficient of variation.

So you got finished goods in the warehouses, and then you got the safety stocks in the warehouses. And when people are looking, there is the possibility of the market tacking out. So they will start, whatever is on the water is going to come to them anyway. But then -- so that no future thing comes in so that you can correct your inventories that safety stocks and turn them down. So the source gets hit first, and so that is the reason for us as well.

**Deepesh Agarwal:** Sure. What was the split of exports in terms of railway and the MHCVs?

**Sanjay Koul:** 50 generally. Our -- began our TS that is taper-bearing and railway, 45-55, 50-50, given them, so it is generally half-half. So North American rail is actually pretty okay now, and the order book for us is also pretty okay. So that part is going to help a lot in coming months and quarters.

**Deepesh Agarwal:** Sure. Sure. Sir, coming to the domestic market. So in the upcoming wagon tenders, I guess, there is a tender for 10,000 wagons, which are higher capacity. Would it be using Class K? And if so, what would be the timeline?

**Sanjay Koul:** So these are high-capacity bearings, but not Class K. So this 10,000 bearing, which will need 10,000 wagons will need 80,000 bearings, CTRB Class E, higher capacity, high cap bearings, which obviously we have introduced to the railways. So that is going to be -- obviously, those orders would come. The previous order, which was there three years back, those wagons are also still -- that order book is still there.

They have not completed those 30,000 wagons in three. So that is also in the pipeline on top of this new wagon order is there. And then the railways workshops are also using some bearing. So the -- as far as order book from railway wagon industry, it's pretty robust. Only thing is that the execution, because of domestic factors like elections and things like that, has obviously not helped the cause a lot. But as I said, from January onwards, things should start ramping down for railways in general holistically.

**Deepesh Agarwal:** Sure. And sir, lastly, if you can update us on the SRB, CRB timelines and any plans on TRB expansion, what is current utilization on TRB?

**Sanjay Koul:** So on the SRB plant and the CRB plant, so our foundations are laid out, foundations have been done. We have placed orders for all our assets. Currently, the PEB guys, which is the erection guys are working. So our timeline generally is that last quarter of next year, we'll be doing our machine runoff, PPAPs and things like that. And from January '25 onwards, we should be really ramping up the plant.

So things are on time, working well. Though during monsoon, our Bharuch area got heavy rains. So we lost some 10 days there because of heavy rains. And then, Gujarat also celebrates more Diwali than rest of the nation. So a couple of weeks, other than that everything is as per plan.

**Deepesh Agarwal:** Okay. And sir, TRB utilization currently and plans for expansion also?

**Sanjay Koul:** Yes. So TRB utilization for our Bharuch plant, we are running three shifts six days. For Jamshedpur, we have -- obviously, to control costs, we have closed down five days here, five days there continuously so that we can save on cost, save on electricity and produce more, productivity remains intact.

So as I see the month of December is running almost -- rail is running in November three shifts, six days. December will be similar. And January, February onwards, we might have to hit seven days. On TS, November is still, I would say, in that 65%, 70%. December looks something like 80%-ish. And January onwards, it looks to be a lot better.

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

**Abhishek Ghosh:** Sir, just on the exports part of it, did you mention that the railway part of it is something that you expect to recover faster? Is that you called out for just to reconfirm?

**Sanjay Koul:** That's right. That's right. The railway exports are already -- is pretty much back to normal as we speak to you. So -- and that, as we see the North American market is pretty okay. And if you see from our global this as well, you will get the same feel. The North American rail market is a lot better than before. So it has already picked up.

**Abhishek Ghosh:** Okay. And sir, what about Class A trucks as well. You also supply to that, right? So how has been the trend there?

**Sanjay Koul:** Yes, we do supply to the excel builders in North America, all of them out of Jamshedpur through -- which goes through inter company. And then we also do to the agriculture and those. There, we have seen -- obviously, we have seen last three-four months have been pretty much tight because of -- I don't think it might be because of -- if you look at the sales there, they might be not that bad, though last month would have been a little bit different.

But we see that, that area will take some more time to pick-up, maybe two-three months. But I see green shoots as I look at my January demand forecast for exports on TS in general, which covers both ag and Class H as well. So there we look that the reversal is -- we can see that reversal happening.

**Abhishek Ghosh:** Okay. Sir, would it be fair to assume that second half of FY '25, before your India plant comes up, your exports should go back to that 30%-plus? Would that be a fair estimate to make, sir?

**Sanjay Koul:** Should be, should be, yes.

**Abhishek Ghosh:** Okay. That's helpful. Sir, the other thing is what we have also seen with lower proportion of exports, your gross margins have also gotten impacted. So should also -- so gross margin should also trajectory improve from here on as exports pick-up? How should we look at it, sir?

**Sanjay Koul:** So generally, I would say that flattish or a little bit uppish. That is how you should look at it. So more export cannot, take it as a hockey stick. It will be flattish, a little bit more sales. Obviously, you leverage the plant more. So that gives you an edge on the cost, but it won't be something which will kind of suddenly take it to the next level quickly.

**Abhishek Ghosh:** Got it. That's very helpful. So operating leverage, which should overall help. Gross margins will be some improvement. That's the way we should look at it?

**Sanjay Koul:** Correct. Every time you produce more out of the same assets, you get the leverage. But then it is not a leverage which will move the needle like a hockey stick, so yes, you're right.

**Abhishek Ghosh:** Got that. That is helpful. Sir, the other segment where you're also fairly dominant is the steel part of this thing, and that's something that we are seeing a lot of capacity addition there. So any thoughts on that part of -- or segment of the bearing business?

**Sanjay Koul:** Yes. So obviously, Timken Company is globally well entrenched in the steel business for decades. And obviously, we keep on working with the mill builders, whether it is SMS, Danieli, Mitsubishi and etcetera. So that business in India, obviously, is going to become better-and-better.

I don't have to tell you guys our per capita consumption of steel needs to get more, and it is getting more and more melt is taking place. And India will have, at some point of time, also produce ultra clean steel apart from the CRM, what we are doing or hot-rolled stuff we are doing. So all that is going in the right direction. We are the only bearing company, only bearing company, and we have invested time, energy, money, effort, technology, and we are maintaining today 26 sites inside the steel companies, where we do mill tech services, where we mount, demount bearings, grind, de-choke, choke.

So the whole idea is that not only we are going to give the customer the product which they need and steel mills are faster now, we are well-entrenched maintaining those bearings. No other bearing company can have that chip on their shoulder what we do in India. And we want to make sure that the customer not only gets the product which they want, whatever mill they have because we work with mill builders, whether the mill is coming from Europe. So our Europe, the parent company is working with them in Europe, and our parent is also working at technology aspect of it in headquarters to develop bearings, which will suit the modern mills.

So, we remain dominant player in the steel market, whether it is at the project stage or it is an MRO stage. And MRO, we are the only company which has people on the ground running their shop 24\*7. Steel companies don't stop. So, our people are there 24\*7, maintaining, running. And we see this as a nice, growing market, both the melting services, though the top line-wise is not great, but for bearings sales, it's great is there.

**Abhishek Ghosh:** Okay. So sir, basically, for railways and steel, your dominant market shares will continue. You don't see any heightened competitive intensity. Would that be a fair assumption, sir?

**Sanjay Koul:** The intensity of competition obviously will remain there. But in order to run those bearing under such harsh conditions in the steel mills and Indian steel mills -- running Indian steel mills in India, running European mills in India versus European mills in Europe or Japanese mills in Japan, running in India is a little bit of a different animal, which we have mastered. So I don't see on the steel side that we can get out of the position we are in.

Similarly on the railways, we are continuously working on technology to provide better bearings. So like Class E high cap is a great example, which people are following. And we'll continue to sell. So we'll work hard and hard and hard to maintain that position in these dominant segments.

And similarly, the other, say, for example, Mr. X is a dominant player in the paper industry or the sugar industry, so they try to maintain it. there. Or Z is in cement so they try to maintain. And the Indian pie is growing. So that is -- yes.

**Abhishek Ghosh:** Sir, would it be possible to just give a broad range in terms of your total domestic revenues of broadly 70% now -- 70% to 75%, what would be steel contribution in that?

**Sanjay Koul:** Steel is -- basically, if you see steel comes off our distribution, that is largely -- it is divided into distribution, which is MRO. So distribution totally is 20%, but specifically to see how much is there, I'll have to look at the numbers. And then the process equipment, which we sell, which is 19% of us, it has wind also in it, that goes into -- a portion of that goes into the steel new mills. Though we don't have the figures right off here on -- how much revenue we generate selling bearings to the steel, but we can dig it for you if you want.

**Abhishek Ghosh:** Sure. That is helpful, sir. Sir, just you briefly mentioned about wind. How has that market been doing in your presence and competitive scenario there, would be helpful, sir.

**Sanjay Koul:** So wind is very interesting. China wind is tanking. So that is definitely hanging. That is their domestic need is significantly down. So India does not have really a great domestic market yet. It is only now that Adani are accelerating the wind in India. Wind installed in India. So they are looking at the design. They are looking at wind farms and their concept is generation to consumption.

So -- and then obviously, Government of India wants to put it both onshore and offshore, especially Kutch and all that area. So that market is going to get unleashed in times to come. And we see the first solid steps being taken by Adani's wind business.

Other than that, domestic market was always a very small market. It was some wind farms in Neyveli, Tirunelveli, et cetera, which was largely sub-megawatt. Now we are talking like Adani is looking at 3-megawatt and also looking at a little bit bigger as well, but 3-megawatt is quick to install. So we are looking at 3 and beyond that.

But as far as ZF and Flender and others are coming, who are making gear-box exports -- exporting them, last year was a great year. This year, there is definitely a downturn there. Obviously, you can see the Chinese market also down and then the European also pretty much very buoyant. But these markets of wind are cyclical in nature. They go up, they come down, they go up, and many times it is connected to many local issues and connections.

So this market is going to remain -- for India, it is going to be remaining -- this year compared to last year was down. Next year, might be a little bit better than this year. But in '25, '26, '27, as the Indian domestic market takes up, this would be a hot thing. But overall, this segment, RE, renewable energy, is only growing with Timken in India and the parent company also, it is growing. It is almost a #1 segment for them as well. So this particularly, India is going to be a sunrise market. Give it a couple of years and you will be talking a lot more wind like we are talking a little bit more rail today, we'll be talking more wind into your site.

**Abhishek Ghosh:**

Got that. Sir, just one last question in terms of the new plant, which should come up by January 2025 is what you called out. How should one see the ramp-up trajectory of that over first, second, third year? How should one look at it? Any thoughts?

**Sanjay Koul:**

Yes. So obviously, it is after installation, after PPAP. We are currently -- say, if you take the Indian market, so we are already selling to the material-handling companies. We are selling to the American companies who are in that business in India. And then we are selling to the Indian MRO, cement and also steel. So we are connected to these customers who are buying a lot of tapers from us and certainly a lot of CRBs and SRBs from us as well.

And there are a lot of markets in India, which we are not yet touching. So long story short, as we start ramping up the plant, we definitely need to do the process of PPAP, approvals as the plant changes, all the steel companies, all the steel companies, cement companies, they are very finicky about the source. They want it certify. So MOC, management of change, PPAP, all that, I would say that in order to really reach to a 90% utilization, I don't see an issue on the business side of it. But ramp up, MOC, PPAPs, all that approvals in place and everything, it will take 36 months to really reach our capacity utilization.

**Moderator:**

Thank you very much. The next question is from the line of Mukesh Saraf from Avendus Spark. Please go ahead.

**Mukesh Saraf:**

My first question is on your domestic mobile segment, CV and tractors. Could you give us some sense on how you are looking at it, how is the next, say, six to nine months in the portfolio?

**Moderator:**

Mukesh, sorry to interrupt you, but can you maybe speak through the handset. Your voice is coming very muffled.

**Mukesh Saraf:**

Yes. Is it better now?

**Moderator:**

Yes.

**Sanjay Koul:** Yes. But I could get the question. With Mukesh, we have an old association. I got the essence of Mukesh's question. So on mobile others, Mukesh, obviously, heavy truck is a major part of it, and then tractor is the other half of it, and then you got the backhoes and excavators of -- part of it.

So heavy truck and tractors, I think you guys have to tell me rather than I tell you. So you know it. You know the story better than me. And Mukesh, you need to advise us how is the tractor market going to look like January to March and then April to May, June, July. So as I see today, heavy truck market definitely has to come back to the levels where it deserves to be.

And there are -- I am hoping that there would be post May of '24 a lot of further changes and then further investments, which the government continues to do it. And I hope the private sector continues to do that. Tractor has not been bad this year, and next year could get better. But overall, I think heavy truck is not currently, if I say is it buoyant? It is not. But you guys know it better than me how heavy truck is going to behave in India in coming months.

**Mukesh Saraf:** If I look at the mix of heavy trucks, we're seeing a lot of trailers and say, tippers getting sold. So should that kind of be better for you in terms of, say, the bearing content in terms of value that you are supplying for truck?

**Sanjay Koul:** The more the tippers more better for us. More heavy haulage, better for us. So, on heavy haulage differential pinion, definitely, we love it. So as India as tipper sales get better, it is better for us. If it is going to be more sales of 2 ton, 5 ton, 10 ton, 12 ton, it will be -- it has become a little bit commoditized, 100% commoditized on the wheel end. But if it is tippers, heavy haul and more trailers, definitely good news for us.

**Mukesh Saraf:** Right. Right. And my second question is in relation to the new plant for TRB -- for SRB and CRB. So obviously, like you mentioned, production starts only January '25. But to kind of start feeding the market and to kind of develop some of these products that you're not already supplying, would you initially have to start importing and kind of start supplying those products and then slowly localize them? So would we start seeing more of traded products before your plant comes into operations?

**Sanjay Koul:** Absolutely right. So that is the route we have already taken. We are already importing not in a huge -- just to kind of ramp that. We are importing. And yesterday's figure that we imported components for 1,000 bearings and assembled and shipped it. So we are already doing this side-by-side in our existing plant there. So we are kind of trying to see if we can do something a little bit more ahead of the curve. So that is the idea.

But the real stuff is that whenever machines start producing because PPAP is -- one is the business aspect of it. The other is the technical aspect of. So the PPAP has to come from that plant and get certified. But we are doing that. For the business aspect, relationship aspect, we are already importing and assembling and shipping and selling, but small walk -- just to kind of get engaged.

- Mukesh Saraf:** Okay. So the reason I asked the question is, I mean, more traded goods might have...
- Sanjay Koul:** As I said that from '25, it will really take us three years to tell you that we are running six days, three shifts flat out.
- Mukesh Saraf:** All right. And just lastly, when I look at this quarter's margins, I mean, they have improved a bit from, say, the first quarter also, while your export mix hasn't really gone up too much. So -- and what could have kind of benefited margins? Because our understanding is that exports is probably your best margin segment. So I mean...
- Sanjay Koul:** Steel and pricing.
- Mukesh Saraf:** Sorry, sir, I couldn't hear you.
- Sanjay Koul:** Steel and pricing.
- Mukesh Saraf:** Okay. So you've seen some benefit from steel and generally, your pricing has been better?
- Sanjay Koul:** Yes, that's right.
- Moderator:** Thank you. Next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.
- Bharat Sheth:** My question is related to parent as an engineered bearing as well as other lot of transmission product, which is a very large segment also for them, one of the larger. So do we have any relevant product for India? And any plan to bring those products to India?
- Sanjay Koul:** So yes, it is definitely a very good question, very strategic for us as well. So parent out of their \$4.5 billion, almost \$1.4 billion, \$1.5 billion is coming out of the non-bearing products, which is largely couplings, chains, linear motion and belts, pulleys and couplings, et cetera. So these are the applications which are already used in India, and these are the applications which are currently being -- a lot of our competitors are also in the game of selling that.
- Now in India, definitely, market is very much there. All these companies which have been -- M&As have been largely done in North America and Europe. So which means that the Timken Company has the design capability now in this. They have the intellectual property in this, and they have an established global market in this. And India is also a nice market.
- But knowing the Indian price points, importing a belt out of Carlisle in US and selling in India, I don't think is possible, but it can be a regular business. So the only way it can be done is to have a supply chain model in India or a plant in India to augment both exports to the parent and sales in India. So we continuously are looking at the possibility. We are looking at what is available in the market. Company-wise, we are looking at how do we trade that. And this is definitely a segment which at some point of time, the parent and then from Timken India Limited side also, we would like to explore definitely.

And as I say, we are already importing and has traded goods, a little bit of stuff. Say, for example, we have installed the lubrication system on the Pune metro. Obviously, bearings are from TIL. We imported from our parent and assembled in India and gave it.

Similarly, we are doing a small work on an area called Cone Drive, which does the gearboxes for the solar panels. And definitely, it is a market available in India. India has a great potential on cost and quality as well. So we have to kind of make sure we have the right model at the right time to go for it. Definitely, in coming times, you will hear more about it. And parent is aggressively developing this market. They have done some great mergers and acquisitions. They have some great technology. And technology is available for us. Market is here. So at some point of time, these dots would get connected.

**Bharat Sheth:** And sir, second question, is that my correct understanding that you said in the opening remarks that from H2 CY '25, what -- we will be hitting again export of 30% plus kind? Or maybe timeline is a different?

**Sanjay Koul:** As you see the green shoots coming back, rail is getting better in North America. It's already good in North America. And then we see some green shoots coming back in the zero to 8-inch, which we export. So what we said is that as these six months are not great on that and if the market has kind of bottomed quickly for us, in FY '25, definitely towards that side, it is going to be a lot better, inching towards the 30%, which is part of our pie for sales in terms of export.

**Bharat Sheth:** Okay. Sir, last question on distribution side. What are steps we are taking to increase the distribution pie?

**Sanjay Koul:** So the distribution side, obviously, Timken has the brand. Timken has the technology. The first thing, which is augmenting the reach. So we need to make sure that we have more distributors. As the market is no more in the major cities. It is in towns A, B, C, D in the hinterlands. So we are continuously developing more distributors.

And obviously, we don't take distributors who are commodity guys. We make distributors who are already into the value selling game, where they make sure that they can do fair work for technology items. So we are continuously enhancing our channel in India, and this channel management, both in terms of digitizing it, empowering it technologically and adding more distributors.

So that is there. And then we do the -- make sure that the trainings are in place, product availability is in place. We got the inventory here in a centralized warehouse, and then we have right inventory with the distributors so that the opportunity sales are not lost. So all those channel management work is continuously being done.

**Bharat Sheth:** And is it fair understanding that distribution margin is a little better than the company level?

**Sanjay Koul:** Always, for everybody. Thank you very much. I think we have utilized our 45 minutes. Thank you very much for today. Thanks a lot. And if there are any specific questions, we can also see

how do we cover them in the next session. Thank you very much. All the best. God bless you.  
Jai Hind.

**Moderator:**

Thank you very much. On behalf of Batlivala & Karani Securities India Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.