

Timken (TMKN) - ADD

Result Update

Current Market Price (CMP) Rs.3370	Target Price Rs.3800
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Rationale:

- Q2FY25 EBITDA was impacted due to weakness in export market.
- We expect near term to remain muted; medium-term growth prospect remain strong.
- We expect revenue to increase at CAGR of 14% over the next three years.
- We have cut our FY25-27E EPS estimates by 6-8% on lower revenue/EBITDA margin.
- We expect earnings per share (EPS) to grow by 27.9% in FY26E and 24.5% in FY27E.
- Retain ADD; revise DCF-based FV to Rs3,800; implied valuation of 44x Sep'26E EPS.

Q2FY25 Earnings update:

👍 Positives:

- Revenue: >20% yoy growth in railways and industrial segment revenues.
- Strong order book in the domestic railway business.

👎 Negatives:

- Weaker-than-expected revenue and gross margin print.
- EBITDA margin 17.7% (-220 bps yoy/-30 bps qoq) was 130 bps below our estimate.
- Net profit of Rs89.9 cr (-3% yoy and -7% qoq) was 14% below our estimates.

(EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization; CAGR: Compound Annual Growth Rate; FV: Fair Value; DCF: Discounted Cash Flow)

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For detailed report dated 6th Nov 2024. Note: CMP & valuation may differ due to difference in dates.



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