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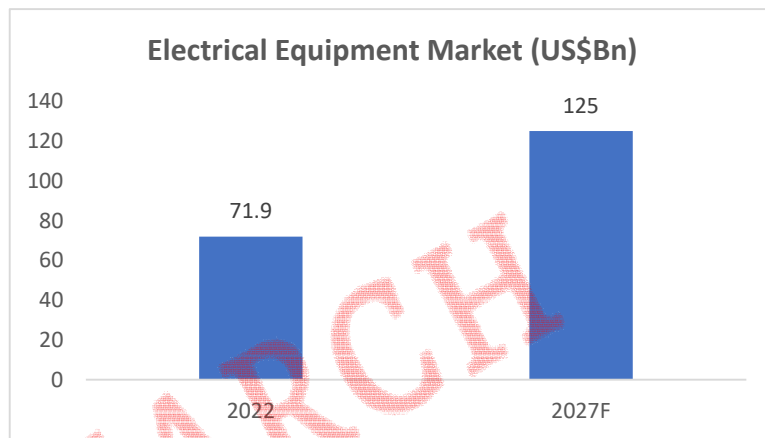
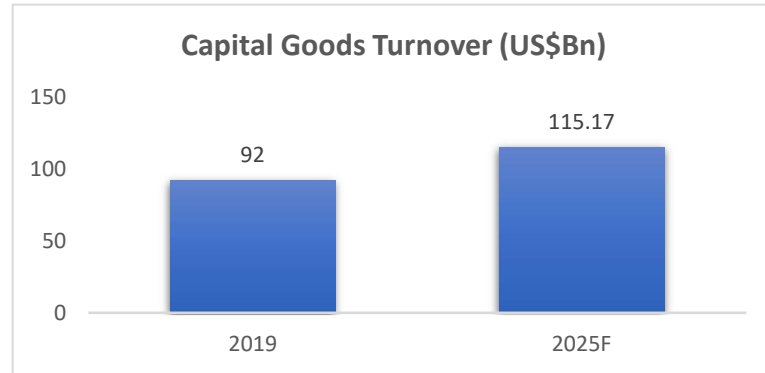


Capital Goods in the Age of Digital Transformation



Capital Goods Industry Outlook

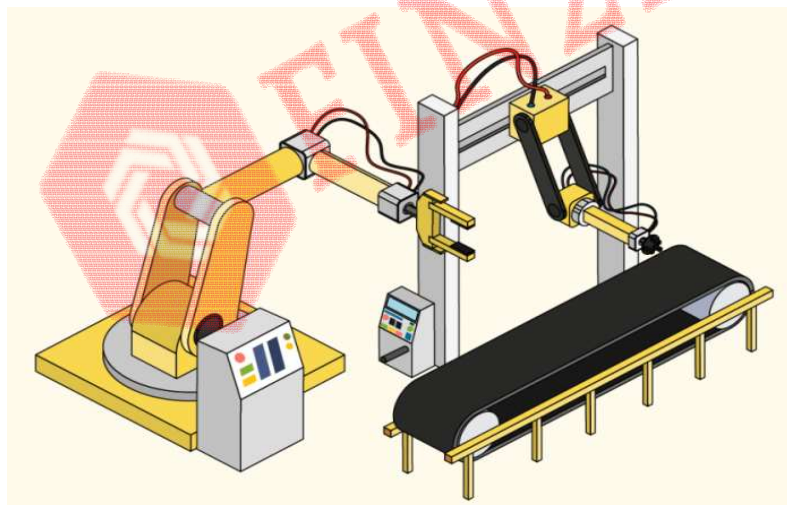
- India's Capital Goods manufacturing industry plays a crucial role in supporting various sectors, including Engineering, Construction, Infrastructure, and Consumer Goods.
- The Capital Goods industry is broadly divided into five segments: Electrical Equipment, Process Plant Equipment, Earth-Moving, Construction & Mining Machinery, Machine Tools, and Textile Machinery.
- The 'Process Plant Equipment' and 'Electrical Equipment' segments have been the primary drivers of growth in the global capital goods industry.
- As of January 2023, the sector accounts for 27% of all factories in the industrial domain and represents 63% of total foreign collaborations.
- It contributes 12% to India's manufacturing output and 1.8% to the nation's GDP.
- According to the Quick Estimates of the Index of Industrial Production (IIP), the index stood at 151.5 in December 2023, an improvement from 144.7 in December 2022.
- The market valuation of the capital goods industry was US\$ 43.2 billion in FY22.
- Among sub-sectors, Indian electrical equipment holds the largest share, followed by plant equipment and earth-moving/mining machinery.
- The electrical equipment market in India is projected to grow from US\$ 52.98 billion in 2022 to US\$ 125 billion by 2027, reflecting a robust CAGR of 11.68%.
- Revenue in the engineering R&D sector is expected to reach US\$



Source: IBEF Report

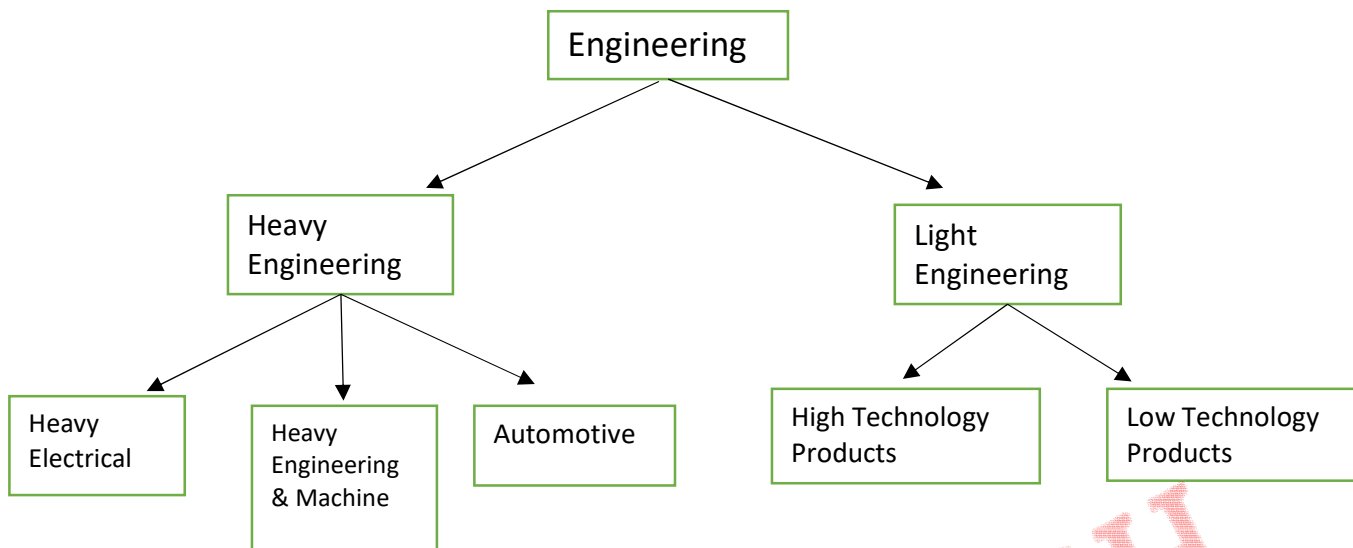
What are Capital Goods?

- Capital goods are tangible assets like buildings, machinery, and equipment used in the production of consumer goods or services.
- Unlike consumer goods, which are the final output of manufacturing, capital goods are durable and serve as tools in the production process.
- Capital goods are tangible assets used in the production of finished products, extending beyond typical fixed assets like machinery and manufacturing equipment.
- In the industrial electronics sector, capital goods include a wide range of devices, from small wire harness assemblies to air-purifying respirators and high-resolution digital imaging systems.
- Capital goods are also essential for service businesses, such as hair clippers for hairstylists, paint brushes for painters, and musical instruments for musicians
- Capital goods production involves creating tangible assets that depreciate and wear out over time.
- Unlike finished goods, capital goods are a subset of durable





Segments of Capital Goods



Machine Tools

The Indian machine tools market is projected to reach USD 3.2 billion by 2032, registering a compound annual growth rate (CAGR) of 8.2% from 2024 to 2032. In 2023, the market size stood at USD 1.5 billion.

Cement Machinery

Cement manufacturing machinery includes equipment such as raw mills, cement crushers, cement mills, cement kilns, cement coolers, cement dryers, cement silos, and cement packers. Currently, 100% Foreign Direct Investment (FDI) is permitted through the automatic route in this sector.

Plastic Processing Machinery

The plastic machinery sector had a market size of USD 500 million. Demand for plastic processing machinery is projected to rise from 12,760 units in FY20 to 13,740 units in FY21P and 14,770 units in FY22P. Of the total machinery demand in 2020-21P, injection molding machines are expected to account for 10,000 units, extrusion machines for 2,770 units, and blow molding

Telecom Equipment

India will become a major exporter of telecom equipment in the next 2-3 years and the government is working to achieve that goal. India's telecom equipment exports reached US\$ 7.28 billion in 2023-24 (until September 2023).

Textile Machinery

Types of textile machinery include weaving machines, spinning machines, winding machines, processing machines, and synthetic fiber machines. The Indian government has introduced a reduction in customs duties on textile machinery, spares, and accessories, including the reclassification of shuttleless looms under the zero-duty category

Material Handling Equipment

The Indian material handling equipment market is expected to witness significant growth from 2017 to 2024, driven by a favorable economic environment and strong demand for goods movement. Material handling equipment can be classified into four categories: storage and handling equipment, engineered systems, industrial trucks, and bulk material handling.

Process Plant Equipment

The Indian Process Plant and Machinery (PPM) industry has an estimated annual capacity of USD 6 billion. Approximately 65% of the manufacturers in this sector are small and medium-sized enterprises (SMEs).

Earth Moving And Mining

The Indian construction equipment industry achieved remarkable 26% year-on-year growth, surpassing 100,000 units sold in FY23. The market is expected to exceed USD 4.7 billion by 2025, driven by anticipated growth in the construction sector, increasing foreign investments, and a rising number of smart city projects.



Light Engineering Capital Goods Segment

1. Casting and Forging

Foundry industry has a turnover of approx. US\$ 20 billion with exports of approx. US\$ 3.54 billion. India is the second-largest producer of

2. Medical and Surgical Equipment

India is the 4th largest market for medical devices in Asia, among the top 20 markets for medical devices worldwide.

3. Industrial Fasteners

In 2023, the automotive sector was the largest consumer of industrial fasteners, representing a significant portion of the market.

Source: IBEF Report

Heavy Engineering Capital Goods Segment

1. Boilers

The Indian steam boiler systems market is projected to grow at a compound annual growth rate (CAGR) of 4.63% and is expected to reach approximately USD

2. Medical and Surgical Equipment

The Indian generator sets market is projected to grow at a CAGR of over 5% during the period from 2020 to 2025.

3. Transformers

In 2023, the automotive sector was the
The Indian power transformer market is anticipated to grow at a CAGR of over 3% during the forecast period from 2020 to 2025.

2. Switchgear and Controlgear

The Indian switchgear market was valued at an estimated USD 9.75 million in 2022 and is projected to grow at a CAGR of 7.12%, reaching USD 18.23 million by 2029.

Source: IBEF Report



Production Data

₹ cr

Sub Sector of Capital Goods	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Machine Tools	5,803	7,294	9,612	6,152	6,602	9,307
Dies, Moulds, and Press Tools	14,750	16,068	13,600	13,682	12,294	13,128
Textile Machinery	6,650	6,900	6,865	5,355	5,093	11,700
Printing Machinery	13,986	12,968	12,390	12,678	10,058	13,215
Earthmoving and Mining	25,000	31,800	38,900	31,020	29,021	28,674
Plastic Machinery	3,000	3,375	3,100	2,350	3,710	3,850
Food Processing Machinery	15,246	15,600	8,750	7,547	10,250	12,210
Process Plant Equipment	19,500	18,400	27,400	29,250	21,938	24,000

Import Data

₹ cr

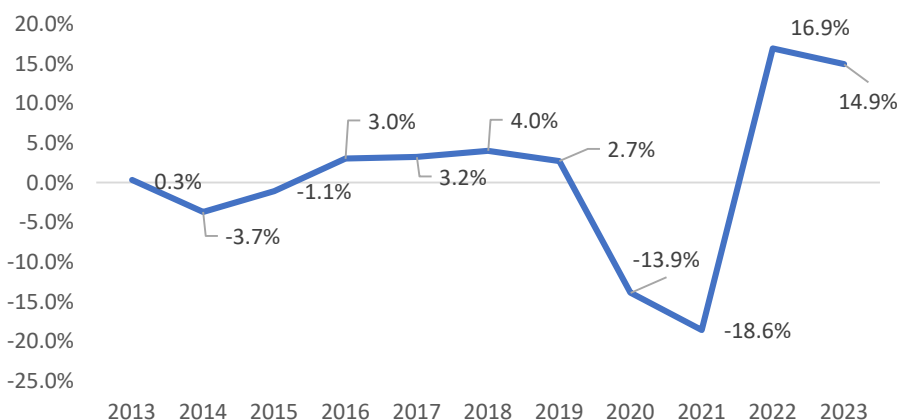
Sub Sector of Capital Goods	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Machine Tools	6,173	7,752	12,390	10,288	5,965	7,397
Dies, Moulds, and Press Tools	1,200	1,350	5,500	6,356	6,000	6,382
Textile Machinery	10,098	10,687	10,834	9,273	8,096	12,653
Printing Machinery	7,734	8,322	8,922	8,969	6,814	7,724
Earthmoving and Mining	4,200	5,500	5,600	4,812	1,166	1,347
Plastic Machinery	2,300	2,600	1,304	914	1,860	3,024
Food Processing Machinery	3,686	3,900	4,742	4,487	1,965	5,610
Process Plant Equipment	11,925	10,600	4,200	4,650	3,024	3,500

Export Data

₹ cr

Sub Sector of Capital Goods	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Machine Tools	361	354	673	768	531	912
Dies, Moulds, and Press Tools	1,700	1,600	1,100	1,138	973	1,150
Textile Machinery	2,438	2,939	3,665	2,556	3,307	4,291
Printing Machinery	1,332	1,235	1,180	1,230	1,012	1,312

Capital Goods Production

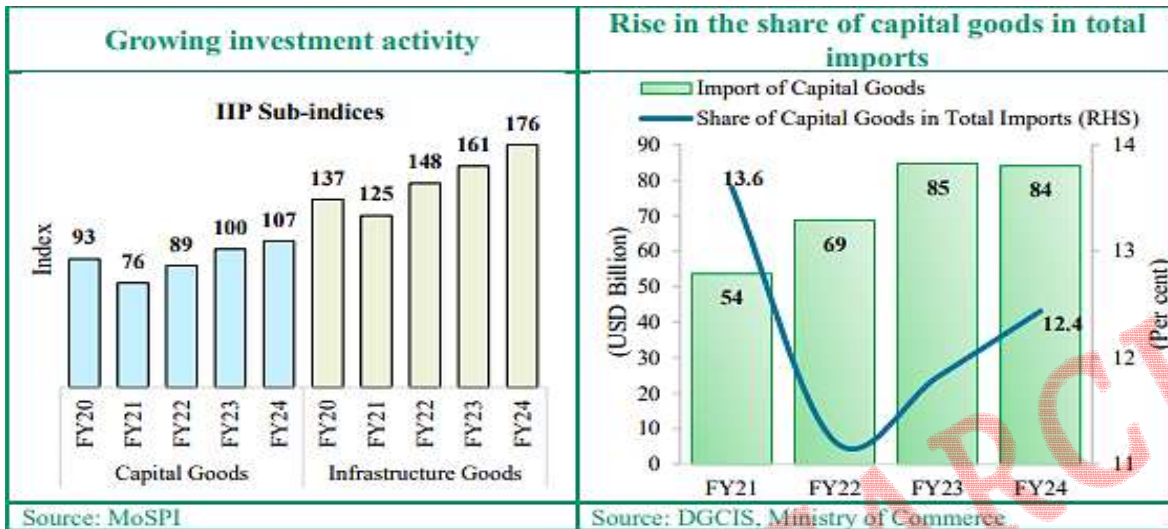


- In FY2023, the growth rate of capital goods production in India stood at 14.9%, down slightly from 16.9% in the previous year.
- Capital goods refer to equipment used in the production of other goods, including machinery for cement, shipbuilding, chemicals, construction, agriculture, and mining, among others.

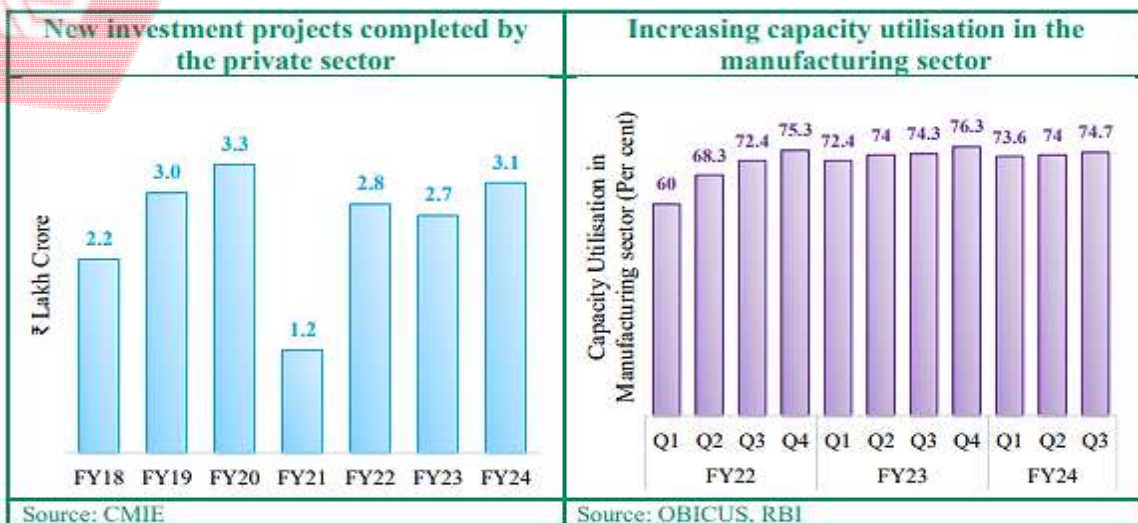


Surge In Industrial Activity Signals Robust Economic Growth

- Increased government investment activity has led to a crowding-in effect on private investment. The Capital Goods and Construction/Infrastructure Goods indices of the Index of Industrial Production (IIP) grew by 6.2% and 9.6%, respectively, in FY24 compared to the previous year.
- Although capital goods imports were slightly lower than the previous year, their share of total imports rose from 11.8% in FY23 to 12.4% in FY24, signaling ongoing expansion of the economy's productive capacity.



- The CMIE data on new investment announcements provides insight into corporate capital expenditure (capex) plans. The overall outlook is positive, with significant improvement compared to the pre-COVID period, though the figures are lower than the previous year.
- Private Sector Investment Plans:** In FY24, the private sector announced new investment projects worth ₹23.5 lakh crore, significantly higher than the five-year average of ₹14.4 lakh crore, though lower than the previous year.
- Investment Project Completion:** Completed private sector investment projects saw a notable rise, reaching ₹3.1 lakh crore in FY24, compared to ₹2.7 lakh crore in FY23.
- Capacity Utilization in Manufacturing:** The manufacturing sector experienced increased capacity utilization, as reported by the RBI's OBICUS for Q3 FY24, with utilization rising from 74% in Q2 to 74.7% in Q3.
- Increase in Orders:** Manufacturing companies received more orders in Q3 FY24 compared to the same period in the previous year, reflecting growing demand and an upbeat investment environment.





Growth Drivers

Policies

The Ministry of Heavy Industries is implementing the "Enhancement of Competitiveness in the Indian Capital Goods Sector Phase 2" scheme to facilitate the adoption of Industry 4.0 and encourage investments in the manufacturing sector.

Demand-Side Drivers

Demand in the industry is fueled by investments and capacity expansion in core sectors such as power, infrastructure development, mining, and oil, as well as in general manufacturing, automotive, process industries, and the consumer goods sector.

Investment

With 100% FDI permitted through the automatic route, major international companies like Cummins, GE, ABB, and Alfa Laval have entered the Indian engineering sector, attracted by the growth opportunities available.

Steps Taken To Promote Capital Goods Sector

National Capital Goods Policy 2016

- The National Capital Goods Policy aims to increase the contribution of capital goods to total manufacturing output from the current 12% to 20% by 2025.
- The policy aims to double capital goods production, increase exports to 40%, advance technology from basic to advanced levels, and develop large-scale Indian corporations.

National Infrastructure Pipeline

- Develop a five-year infrastructure development plan for India, focusing on key sectors with the following objectives:
- Ensure the design, delivery, and maintenance of public infrastructure meets global standards.
- Implement broad and sector-specific reforms in the regulation and management of public infrastructure services, aligned with global best practices.
- Elevate India's global rankings in public infrastructure

PM Gati Shakti

- Launched on October 13, 2021, the PM GatiShakti National Master Plan (PMGS-NMP) aims to provide multimodal connectivity infrastructure across various economic zones.
- Approved by the Cabinet Committee on Economic Affairs on October 21, 2021, this transformative initiative focuses on economic growth and sustainable development through seven key engines: Railways, Roads, Ports, Waterways, Airports, Mass Transport, and Logistics Infrastructure.

Production Linked Incentive (PLI) Scheme

- Production Linked Incentive Scheme (PLI) have been floated by the government to encourage capital investment for a higher output but the capital formation rate has moved rather sluggishly.
- The aim is to create national manufacturing champions, generate 60 lakh new jobs, and achieve an additional production of ₹30 lakh crore over the next five years.
- The scheme offers a 4% to 6% incentive on incremental sales over the base year for goods made in India, acting as a subsidy to offset the sector's challenges or disadvantages.

National Logistics Policy

- Develop a five-year infrastructure development plan for India that focuses on key sectors with the aim of achieving global standards in the design, delivery, and maintenance of public infrastructure.
- The plan will also introduce comprehensive and sector-specific reforms in the regulation and management of public infrastructure services based on global best practices, ultimately improving India's global standing in the quality and efficiency of its public infrastructure.

Samarth Udyog Bharat Scheme

- In 2014, the Ministry of Heavy Industries launched the Scheme for "Enhancement of Competitiveness in the Indian Capital Goods Sector." As part of this initiative, four Smart
- Advanced Manufacturing and Rapid Transformation Hub (SAMARTH) Centres were established: the Centre for Industry 4.0 (C4i4) Lab in Pune, the IITD-AIA Foundation for Smart Manufacturing at IIT Delhi

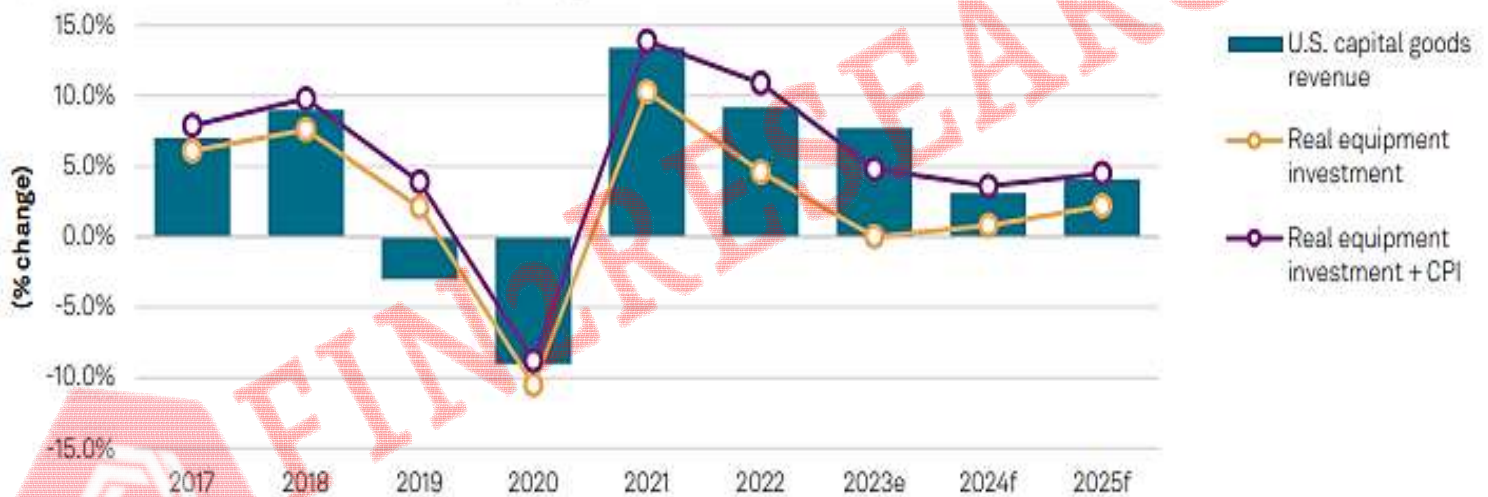


Global Market Outlook on Capital Goods

A slowdown in revenue growth for global capital goods in 2024, driven by the impact of higher interest rates on investment decisions worldwide and the fading catch-up demand following the COVID-19 pandemic. It expects generally stable volumes and easing prices, leading to low- to mid-single-digit revenue growth overall. While heavy equipment may experience reduced revenue, strong service revenues and robust growth in equipment rental are expected to offset this trend. Companies that emphasize services and products focused on energy efficiency are likely to better withstand any cyclical downturn in 2024.

In the U.S., manufacturing demand is decelerating, as indicated by S&P Global’s Manufacturing PMI, which has been hovering near or below 50. This is likely to translate into a decline in equipment demand for 2024. New order intake has fallen in recent months, although trends vary by end market, and the backlog of work is lower as the year begins. Caution regarding the U.S. macroeconomic environment and a reduction in inventory are contributing to weakened domestic demand. Additionally, price growth is expected to slow in line with decreasing input cost inflation.

Equipment investment and inflation drive capital goods revenue



Orders in the European industrial sector weakened during the third quarter of 2023, as reflected in major players' results. The eurozone manufacturing index rose slightly to 44.2 in November from 43.1 in October, marking the highest level since May 2023, yet it still indicates a 17th consecutive month of contraction, particularly in Germany and France. This aligns with ongoing destocking and inventory normalization. Looking ahead, subdued order intake is expected through the first half of 2024, prompting caution regarding the economic outlook. While high order backlogs and a strong pipeline offer some support, growth is anticipated to moderate in 2024 as the manufacturing sector stabilizes. Additionally, slower conversion rates in certain end markets may occur as clients delay investment decisions due to higher interest rates.

The geo-political tensions continued to escalate around the world in financial year 2023. The US economy did witness improvement as seen in the better-than-expected GDP growth in the latter part of the financial year. However, the economies of Europe and China remained subdued and are expected to experience slower growth. Elections are also scheduled in many democratic nations across the world in financial year 2024.

The medium-term outlook for many developing countries has deteriorated due to slower growth, weak global trade, and tighter financial conditions. Additionally, fluctuating crude oil prices and ongoing shipping disruptions in the Red Sea could further strain global supply chains and contribute to rising inflation.

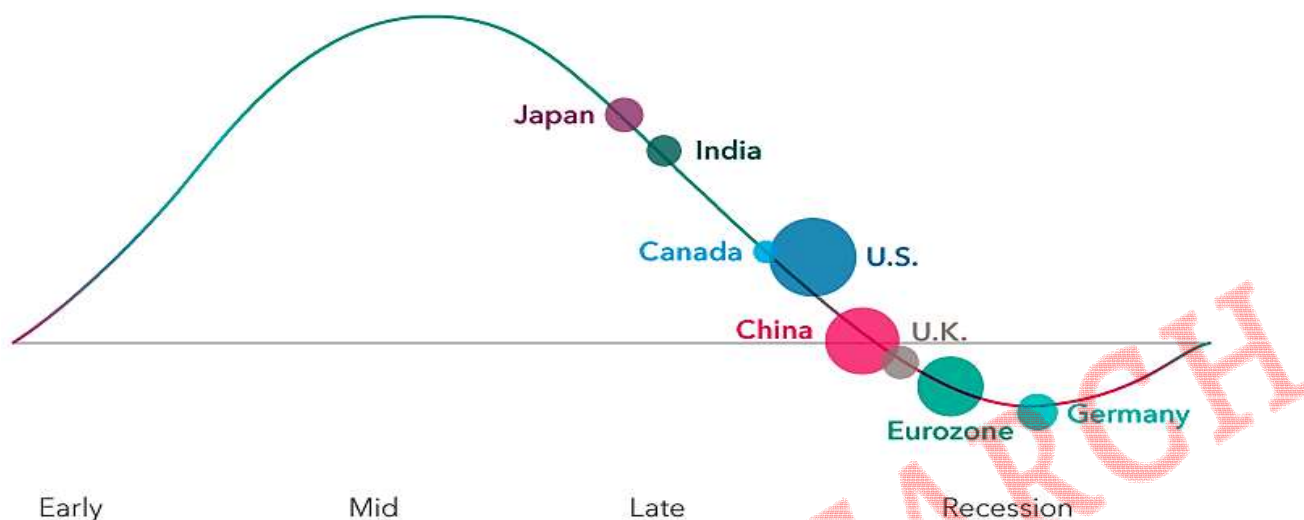
In the Middle East, economic pressure is mounting amid the ongoing Israel conflict. If the conflict escalates or spreads beyond Gaza and Israel, or if disruptions in the Red Sea intensify, the region’s economy could face significant challenges. Structural reforms, particularly efforts to diversify into clean energy and other industrial sectors beyond oil, remain crucial to fostering growth in the Middle East.



Mixed Prospects for the Global Economy

The world’s two other major economies, Europe and China, are expected to drag on global growth as both face increasingly challenging trade conditions and escalating geopolitical tensions. Germany, Europe’s largest economy, is already experiencing contraction due to a significant slowdown in manufacturing and reduced demand from China, its biggest trading partner.

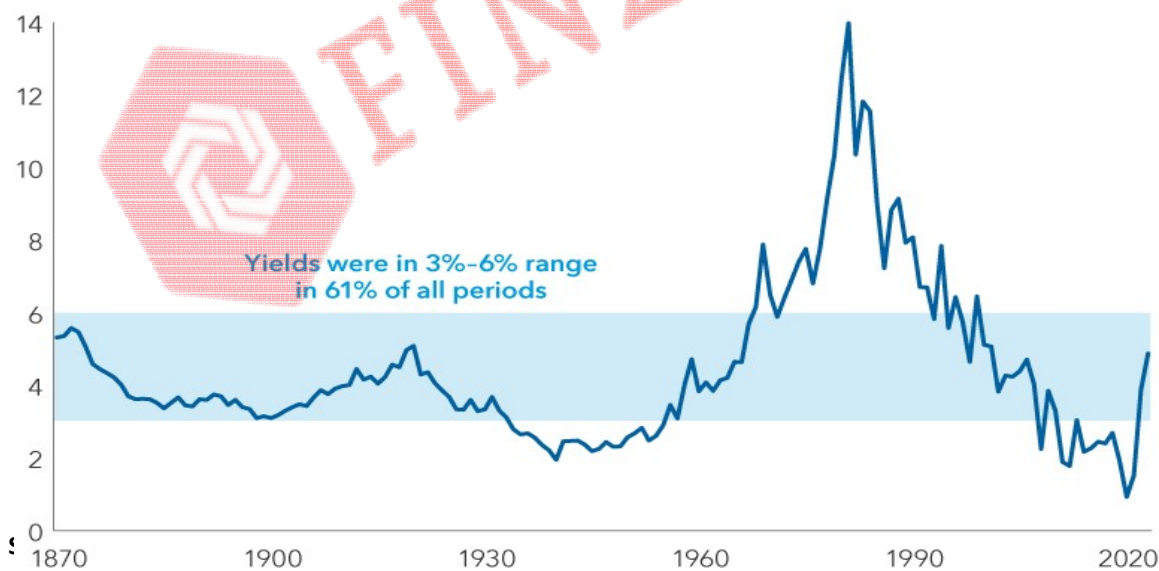
Meanwhile, the broader eurozone and the UK are stagnating and could face greater difficulties if energy prices continue their sharp rise, as seen over the past two years.



Source: Capital Group. Country positions within the business cycle

Interest Rate Outlook: A Return to Stability or Continued Uncertainty?

U.S. long-term government bond yield (%)

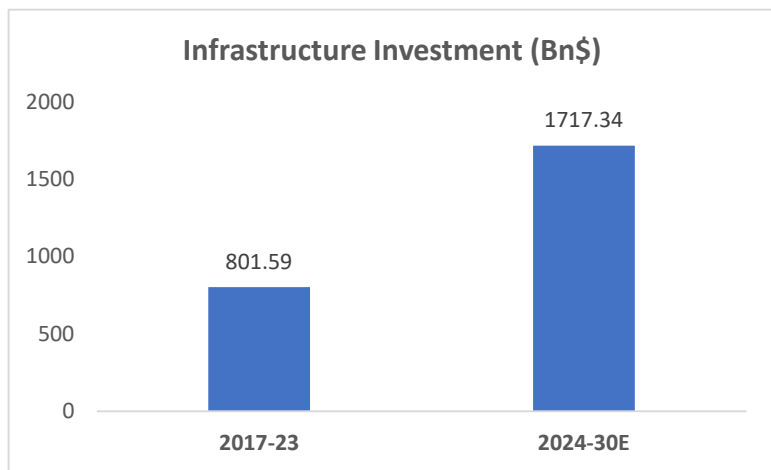


Looking ahead to 2024, Atluri expects 10-year US Treasury yields to remain within a range considered typical before the global financial crisis, likely between 3.5% and 5.5%—a level often referred to as the “old normal.” Historically, dating back to 1870, rates have largely stayed between 3.0% and 6.0% for about 61% of the time.

Sources: Federal Reserve, Robert Shiller



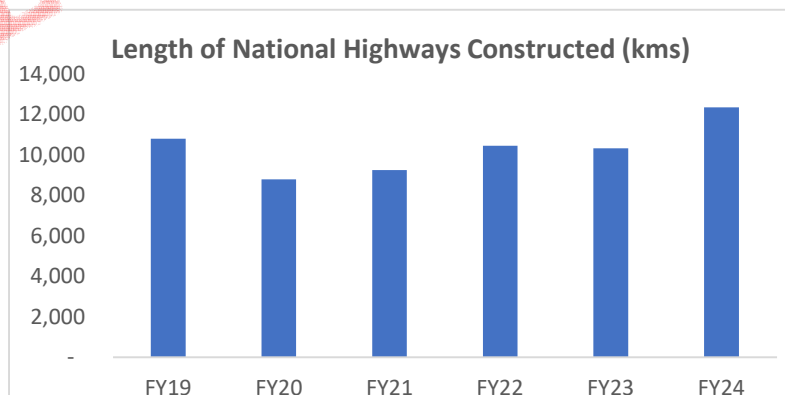
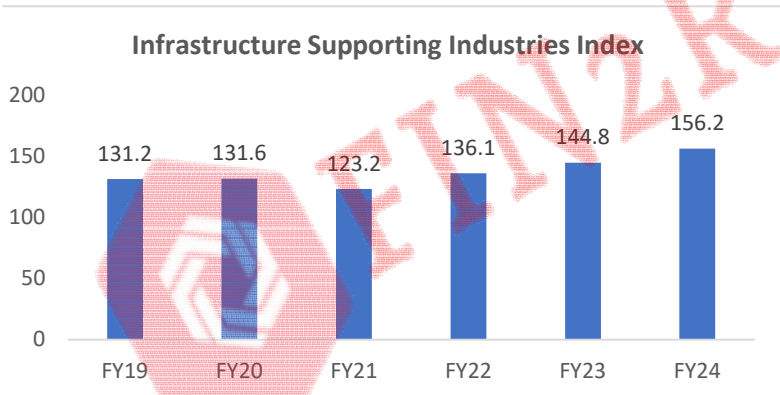
The Impact of Infrastructure Development on the Growth of the Machinery Sector in India



In the 2024-25 budget, the Ministry of Road Transport and Highways was allocated approximately Rs. 2.78 lakh crore (US\$ 33.4 billion).

The government launched the National Infrastructure Pipeline (NIP) with a forward-looking approach, targeting infrastructure investments of around Rs. 111 lakh crore (US\$ 1.3 trillion) for FY20-25 to enhance the quality of infrastructure across the country. The NIP currently encompasses 9,637 projects, with a total cost exceeding US\$ 2 trillion at various stages of implementation.

The construction of National Highways (NHs) and roads has increased over the years, with 10,331 km of roads constructed in FY23 compared to 6,061 km in FY16. Investment in the logistics sector has also seen a rapid rise, reaching approximately Rs. 1.4 lakh crore (US\$ 16.8 billion) in FY23 (as of October 31, 2022).



India has one of the largest road networks, spanning 12,349 km, including expressways, national, state, district, and village roads.

Finance Minister Nirmala Sitharaman announced plans to invest nearly US\$ 134 billion in infrastructure and implement long-term reforms to drive growth.

The national highway network expanded by 49%, growing from 97,830 km in 2014-15 to 146,145 km by January 2024, with construction speeds increasing from 12.1 km/day in FY15 to 28.3 km/day in FY23.

Road and highway construction is set to drive growth in India's construction market over the next five years.

The Infrastructure Supporting Industries Index, covering key sectors like coal, steel, and electricity, rose from 146.7 in FY23 to

Source: IBEF Report



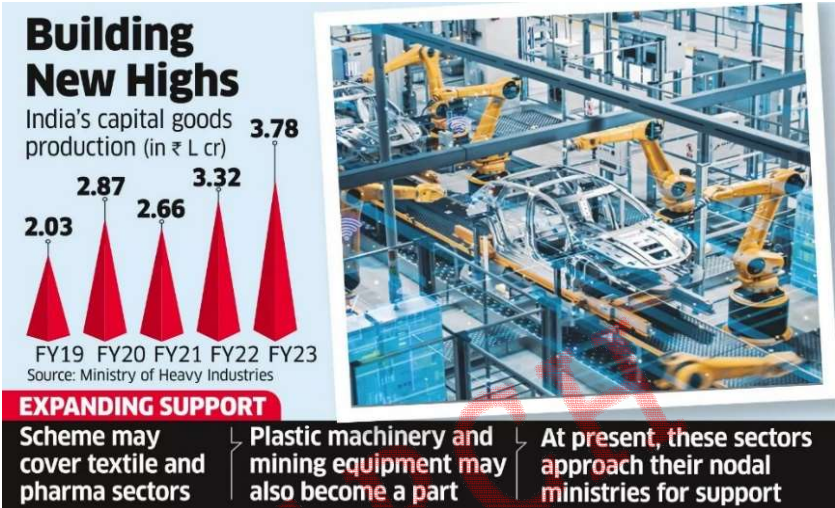
The Impact of Infrastructure Development on the Growth of the Machinery Sector in India

Since the liberalization of the 1990s, India's capital goods sector has experienced significant growth. The sector now contributes approximately 12% to India's manufacturing gross value added and 1.8% to the nation's GDP. However, despite its importance, India's share in the global export market remains below 1%, with a heavy reliance on imports to bridge the significant demand-supply gap, leading to a growing trade deficit.

As a critical foundation for numerous industries, the capital goods sector plays an essential role in manufacturing. With a total market size of US\$ 92 billion and production valued at US\$ 32 billion, India's export performance in this area remains relatively modest, reflecting domestic producers' limited ability to meet global demand effectively.

The capital goods industry provides about 1.4 million direct and 7 million indirect jobs, with expectations to reach 5 million and 25 million, respectively, by 2025. Exports of engineering goods showed remarkable growth, rising 54% to US\$ 81.8 billion from April to December 2021, compared to US\$ 52.9 billion during the same period in 2020.

The primary export subsectors include heavy electrical and power equipment, earthmoving and mining machinery, and process plant equipment, which together account for 85% of India's total capital goods exports.



India is exploring the expansion of its Capital Goods Promotion Scheme to encompass additional sectors such as pharmaceuticals and textiles. The existing scheme primarily focuses on supporting the manufacturing of electrical components and automobiles. However, the government is now looking to extend this support to a broader range of industries, recognizing the potential for growth in other key sectors.

In addition to broadening the scope of the scheme, there are discussions about incorporating new-age technologies beyond the current focus on electric vehicles, batteries, and automobile manufacturing.

This expansion aims to foster innovation and technological advancement across various sectors, ensuring that India remains competitive in the global market.

The government seeks to reduce reliance on imports, boost domestic production, and position India as a hub for high-tech manufacturing in diverse industries, ultimately contributing to economic growth and job creation.

Source: Times of India



BSE Sensex v/s BSE Capital Goods Earnings Growth

BSE Sensex

Year	Price	PE Ratios	Earnings	Earnings Growth	P/E expansion
2023-2024	72996.31	24.09	3030.15	18%	5%
2022-2023	58991.52	22.91	2574.92		

BSE Capital Goods Index

Year	Price	PE Ratios	Earnings	Earnings Growth	P/E expansion
2023-2024	60018.27	41.42	1449.02	38%	27%
2022-2023	34369.7	32.68	1051.70		

The BSE Capital Goods Index soared to unprecedented heights in FY24, significantly outperforming the Sensex. With an impressive 80% surge over the past year, the index far exceeded the Sensex's 25% gain, marking the largest outperformance in 18 years.

Continuing its trend, the Capital Goods Index outpaced the Sensex for the fourth consecutive year in FY24, recording its longest streak of outperformance.

However, in terms of sheer magnitude, this fiscal year ranks second only to FY06, when the BSE Capital Goods Index outperformed by 82%, delivering a remarkable 156% annual return compared to the Sensex's 74%.

Source: NSE,BSE



Investment Picks: Capital Goods Stocks Poised for Expansion

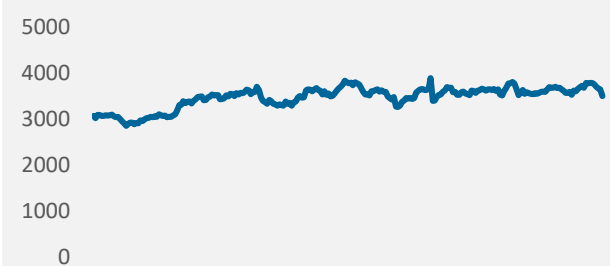
Company	CMP (₹)	Target(₹)	Upside
Larsen & Toubro Limited	3,474	4,190	21%
Siemens Limited	7,231	8,865	23%
ABB India Limited	7,936	9,995	26%
Timken India Limited	3,629	4,600	27%
Schaeffler India Limited	3,795	4,710	24%
SKF India Limited	5,291	6,380	21%



Larsen and Toubro Limited

Target: ₹4,190

1Y Price Chart



Key Financials

Particulars	FY22	FY23	FY24
Net Sales (₹ cr)	1,56,521	1,83,341	2,21,113
Net Profit	10,419	12,531	15,547
EPS (Basic)	61.7	74.5	95
OPM	16%	15%	14%
ROE (%)	10.72%	11.74%	14.80%
ROCE(%)	10.25%	11.87%	14.45%
P/E	28.67	29.07	40.09

- Larsen & Toubro is an Indian multinational corporation involved in EPC projects, high-tech manufacturing, and services, operating across more than 50 countries globally.
- L&T's manufacturing presence spans eight countries outside of India, supported by numerous international offices and a global supply chain network.
- **Larsen & Toubro Ltd. plans to invest over \$300 million** to establish a **semiconductor** company, joining other Indian conglomerates in efforts to develop the semiconductor industry in the world's most populous nation.
- In Q1FY25, order inflows remained consistent with the previous year, supported by a strong pipeline of ₹6 trillion in near-term prospects. Revenue growth was driven by a robust order book, while margin improvement was primarily due to execution cost savings.

Key Risk:

The company recognizes increased supply chain risks stemming from the volatile geopolitical environment, particularly in the Middle East. The company is closely monitoring these risks, which are not expected to significantly affect short-term operations.

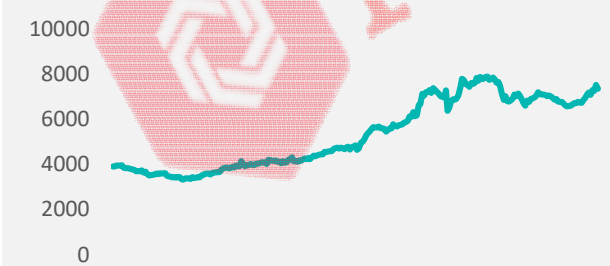
Source: Company, Fin2research



Siemens India Limited

Target: ₹8,865

1Y Price Chart



Key Financials

Particulars	FY22	FY23	FY24
Net Sales (₹ cr)	14,832	17,965	19,900
Net Profit	1,531	1,911	2,424
EPS (Basic)	43	54	68
OPM	11%	13%	13%
ROE (%)	14.05%	15.88%	18.86%
ROCE(%)	15.01%	20.61%	24.45%
P/E	63.93	66.69	105.6

- Siemens is a German multinational technology firm specializing in industrial automation, healthcare, rail transport, and distributed energy resources.
- It is the largest industrial manufacturing company in Europe and a global leader in industrial automation and software.
- The company is a global technology leader, bridging the digital and physical worlds to serve both customers and society.
- The company intends to transfer this business to **Siemens Energy India Limited (SEIL)**, its wholly-owned subsidiary, Their transition into the energy sector will result in leading energy technologies that offer solutions across the entire energy value chain.
- The demerger is expected to result in a more focused business strategy, allowing each entity to concentrate on its core operations. Additionally, the separation is likely to lead to a market-driven valuation for each business, fostering innovation and enhancing overall efficiency in operations.

Key Risk:

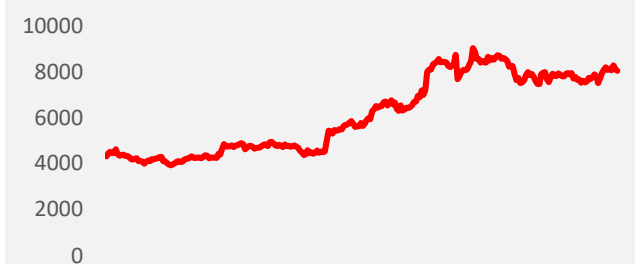
The company is affected by market risks through various financial instruments, including deposits, derivative financial instruments, trade receivables, trade payables, and other financial assets..

Source: Company, Fin2research



ABB

1Y Price Chart



Key Financials

Particulars	FY22	FY23	FY24
Net Sales (₹ cr)	8,568	10,447	11,438
Net Profit	1,016	1,242	1,604
EPS (Basic)	47.96	58.61	75.7
OPM	11%	14%	17%
ROE (%)	22.62%	22.82%	27.26%
ROCE(%)	30.41%	30.51%	36.61%
P/E	55.95	79.75	106.46

Source: Company, Fin2research

ABB India Limited

Target: ₹9,995

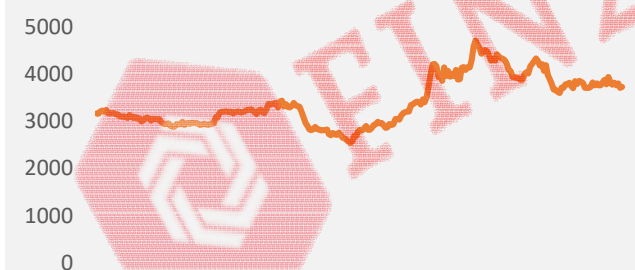
- ABB India Ltd (formerly known as ABB Ltd) is one of the world's leading engineering companies, assisting customers in using electrical power efficiently and enhancing industrial productivity.
- The company boasts a vast installed manufacturing base and a nationwide marketing and service network.
- It provides utility and industrial clients with a comprehensive range of engineering products, solutions, and services in areas such as automation and power technology.
- ABB India Ltd. is targeting new sectors such as **data centers, electric vehicles, and green energy** to drive growth in the current financial year, following a strong increase in net profit for the quarter ending June 2024.
- Profit after tax surged by 50%, driven by improved order execution and a favorable revenue mix. Operational EBITDA grew by 64% for the quarter

Key Risk:

Company's financial risks may stem from various factors, including risks associated with its international financial activities, fluctuations in currency or interest rates, and volatility in commodity prices.

TIMKEN

1Y Price Chart



Key Financials

Particulars	FY22	FY23	FY24
Net Sales (₹ cr)	2,203	2,807	2,910
Net Profit	327	391	392
EPS (Basic)	43.49	51.95	52.13
OPM	23%	20%	19%
ROE (%)	21.80%	21.16%	17.61%
ROCE(%)	27.46%	27.08%	22.74%
P/E	49.5	53.47	54.76

Source: Company, Fin2research

Timken India Limited

Target: ₹4,600

- Timken India Limited (TIL), formerly Tata Timken, specializes in the manufacture, distribution, and sale of anti-friction bearings, mainly tapered roller bearings, other roller bearings, components, accessories, and mechanical power transmission products.
- The company has a well-established presence in the bearing manufacturing industry, recognized for its expertise and high-quality products.
- The company holds a dominant position in the railway bearing manufacturing sector, commanding an impressive 50% market share in India.
- Rising demand for technologically advanced vehicles, a growing aerospace segment driven by stricter environmental laws, and strong growth in railways—**fuelled by increased orders for freight, metro expansion in tier-2 cities, and Vande Bharat coach conversions**—are key factors boosting the domestic railways sector.

Key Risk:

The company faces ongoing geopolitical concerns, including supply chain and logistics disruptions caused by events like the Russia-Ukraine war and the Red Sea crisis. Additionally, any negative changes in the industrial environment or government policies could impact customer demand



SCHAEFFLER

Schaeffler India Limited

Target: ₹4,710

1Y Price Chart



Key Financials

Particulars	FY22	FY23	FY24
Net Sales (₹ cr)	5,561	6,867	7,226
Net Profit	629	879	909
EPS (Basic)	40.25	56.25	58.16
OPM	17%	19%	18%
ROE (%)	22.51%	19.78%	19.39%
ROCE(%)	29.29%	26.42%	26.08%
P/E	48.79	55.7	67.39

- Schaeffler India Ltd specializes in the development, manufacturing, and distribution of high-precision roller and ball bearings, engine systems, transmission components, chassis applications, clutch systems, and related machinery for manufacturing activities.
- The manufacturing plant in Vadodara, Gujarat, established in 1964, produces a wide range of ball bearings, cylindrical roller bearings, spherical roller bearings, and wheel bearings, all sold under the FAG brand.
- Schaeffler maintained its capital expenditure plan of **₹1,500 crore for 2023-25**, demonstrating the management's commitment to capitalizing on long-term opportunities.
- Margins improved as a result of increased volumes and a continued emphasis on cost management.

Key Risk:

It is anticipated as a supplier in the automotive and industrial sectors, the company's product demand is significantly influenced by macroeconomic conditions and associated cyclical fluctuations, demand is also affected by changes in consumption patterns, fuel/commodity prices, availability of key components, interest rate levels

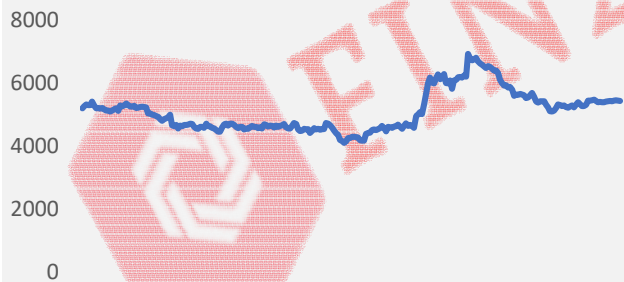
Source: Company, Fin2research

SKF

SKF India Limited

Target: ₹6,380

1Y Price Chart



Key Financials

Particulars	FY22	FY23	FY24
Net Sales (₹ cr)	3,666	4,305	4,570
Net Profit	395	525	552
EPS (Basic)	79.92	106.15	111.61
OPM	15%	17%	16%
ROE (%)	22.90%	24.83%	21.97%
ROCE(%)	30.09%	34.02%	28.86%
P/E	44.24	40.07	37.26

- SKF India Ltd is a prominent provider of products, solutions, and services in the areas of rolling bearings, seals, mechatronics, and lubrication systems.
- The company's manufacturing facilities are located in Pune, Bangalore, and Haridwar, serving the automotive and industrial sectors in Northern and Peninsular India.
- SKF India Ltd. aims to focus on emerging sectors like **electric vehicles and renewables** after subdued financial results in the June quarter, while also emphasizing **capital expenditure** and infrastructure, particularly in **railways**.
- The company reported net sales of approximately INR 11.8 billion, with around 50% attributed to the industrial business, 41% to the automotive sector, and the remaining 8% to 9% coming from exports.

Key Risk:

The Global sourcing of raw materials for bearing manufacturing poses several challenges. Manufacturers depend significantly on both metallic and non-metallic materials, making it difficult to maintain a stable supply of high-quality resources. Price fluctuations, geopolitical tensions, and trade restrictions can all adversely affect the sourcing process.

Source: Company, Fin2research



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