

RETAIL EQUITY RESEARCH

Triveni Turbine Ltd.

Capital Goods

BSE CODE:533655

NSE CODE: TRITURBINE

Bloomberg CODE: TRIV:IN

SENSEX: 34,663

HOLD

Rating as per Mid Cap

12months investment period

CMP Rs. 106 TARGET Rs. 111 RETURN 5%↑

25th May, 2018**Attaining stability in order book...**

Triveni Turbine Ltd (TTL) is the domestic market leader in steam turbines up to 30 MW. The Company designs and manufactures steam turbines up to 100 MW, and delivers robust, reliable and efficient end-to-end solutions.

- Revenue from turbine increased by 40% YoY while order bookings grew by 36% YoY, giving signs of revival in the sector.
- Q4FY18 revenue grew significantly by 36% YoY due to ramp up in execution and pick up in export sales.
- Gross margin declined 96bps YoY while EBITDA margin improved by 404bps due to drop in employee & other expenses.
- Order book grew by 12% YoY to Rs709cr and is poised for achieving strong turnover in the coming quarters.
- We trim FY19E/20E earnings estimate by 9%/4% due to margin pressure.
- We value TTL at a P/E of 23x on FY20E earnings and upgrade our rating to 'Hold' due to attaining stability in order book.

Pick up in order booking...

Q4FY18 order inflow grew by 39% YoY to Rs257cr led by strong inflow from turbine business (36% YoY) and after-market business (52% YoY) which is giving initial signs of revival in the core segment. On the other hand, export order inflow has seen some traction with a growth of 65% YoY to Rs108cr while domestic order inflow grew by 24% YoY to Rs148cr. On the domestic front, the management stated that enquires under 30mw turbine has increased by 7% YoY and which is expected to result in order booking going forward. Order booking for FY18 increased by 17% YoY to Rs828cr mainly on account of 18% YoY growth in product business. We expect this improving trajectory in order booking especially from export market will augur well for achieving a strong turnover in the coming quarters.

Healthy operational performance...

Despite a drop in gross margin by 96bps YoY to 49.9% EBITDA margin improved by 404bps YoY to 24.3%. The fall in other expenses by 298bps YoY(as a percentage of sales) and employee cost by 133bps YoY supported operational margin. The swing in the domestic market demand is creating tough competition and is impacting prices and margins. On the other hand, PAT grew by 33% YoY to Rs35cr due to lower tax rate. However, we cut our FY19E/20E PAT estimate by 9%/4% owing to subdued trend in domestic market and increasing commodity price.

Valuations

Better return ratios & debt free status will continue to support premium valuation. Domestic capex is yet to pick up while international market is witnessing traction in order booking. In FY18 export order inflow grew by 40% YoY and enquiry pipeline also showing signs of improvement. We expect 12% YoY growth in order book in FY18 will augur well to provide revenue growth in the coming quarters. We upgrade our rating to Hold due to attaining stability in order book and value TTL at a P/E of 23x on FY20 earnings.

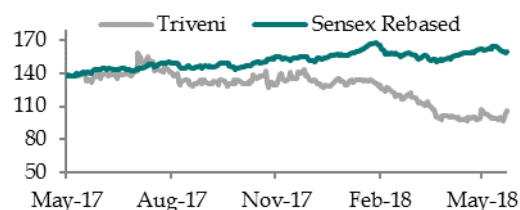
Company Data

| | |
|-------------------------|-----------|
| Market Cap (cr) | Rs. 3,498 |
| Enterprise Value (cr) | Rs. 3,498 |
| Outstanding Shares (cr) | 33 |
| Free Float | 32.27% |
| Dividend Yield | 1.13% |
| 52 week high | Rs167 |
| 52 week low | Rs92 |
| 6m average volume (lac) | 1.35 |
| Beta | 0.75 |
| Face value | Rs.1 |

| Shareholding % | Q2FY18 | Q3FY18 | Q4FY18 |
|----------------|--------|--------|--------|
| Promoters | 67.73 | 67.73 | 67.73 |
| FII's | 20.78 | 20.41 | 14.45 |
| MFs/Insti | 5.84 | 6.23 | 12.32 |
| Public | 5.65 | 5.63 | 5.50 |
| Others | | | |
| Total | 100.0 | 100.0 | 100.0 |

| Price Performance | 3Month | 6Month | 1 Year |
|-------------------|--------|--------|--------|
| Absolute Return | -9% | -24% | -19% |
| Absolute Sensex | 2% | 3% | 14% |
| Relative Return* | -11% | -27% | -34% |

*over or under performance to benchmark index



| Consolidated (Rs.cr) | FY18 | FY19E | FY20E |
|----------------------|-------|-------|-------|
| Sales | 753 | 849 | 986 |
| Growth (%) | -1.6 | 12.6 | 16.3 |
| EBITDA | 160 | 180 | 221 |
| Margin (%) | 21.2 | 21.2 | 22.4 |
| PAT Adj | 98 | 126 | 159 |
| Growth (%) | -20.0 | 27.9 | 26.8 |
| Adj.EPS | 3.0 | 3.8 | 4.8 |
| Growth (%) | -20.0 | 27.9 | 26.8 |
| P/E | 35.9 | 27.8 | 22.0 |
| P/B | 7.8 | 6.5 | 5.3 |
| EV/EBITDA | 21.9 | 19.5 | 15.8 |
| RoE (%) | 23.0 | 25.3 | 26.6 |
| D/E | 0.0 | 0.0 | 0.0 |

Antu Eapen Thomas
Analyst

Quarterly Financials (Consolidated)

Profit & Loss Account

| (Rs cr) | Q4FY18 | Q4FY17 | YoY Growth (%) | Q3FY18 | QoQ Growth (%) |
|--------------------|--------|--------|----------------|--------|----------------|
| Sales | 244 | 183 | 33.5 | 166 | 47.4 |
| EBITDA | 59 | 37 | 60.1 | 33 | 79.2 |
| Margin% | 24.3 | 20.3 | 404bps | 20.0 | 215bps |
| Depreciation | 5 | 4 | 28.1 | 5 | 13.9 |
| EBIT | 54 | 33 | 64.1 | 28 | 89.9 |
| Interest | 0.01 | 10 | -93.3 | 0.3 | -96.7 |
| Other Income | 4 | 5 | -64.7 | 2 | 73.3 |
| Exceptional Items | - | - | | - | |
| PBT | 58 | 43 | 34.8 | 30 | 90.7 |
| Tax | 19 | 16 | 17.6 | 9 | 122.3 |
| Reported PAT | 35 | 27 | 32.9 | 19 | 82.6 |
| Adjustment | - | - | | - | |
| Adj PAT | 35 | 27 | 32.9 | 19 | 82.6 |
| No. of shares (cr) | 33 | 33 | | 33 | |
| EPS (Rs) | 1.07 | 0.81 | 32.9 | 0.6 | 82.6 |

Change in estimates

| Year / Rs cr | Old estimates | | New estimates | | Change % | |
|--------------|---------------|-------|---------------|-------|----------|-------|
| | FY19E | FY20E | FY19E | FY20E | FY19E | FY20E |
| Revenue | 829 | 1,024 | 848 | 986 | 2.3 | -3.7 |
| EBITDA | 182 | 229 | 180 | 221 | 2.1 | -3.9 |
| Margins (%) | 22.0 | 22.4 | 21.2 | 22.4 | -75bps | bps |
| PAT | 138 | 166 | 128 | 159 | -9.0 | -4.4 |
| EPS | 4.2 | 5.0 | 3.9 | 4.8 | -9.0 | -4.4 |

Consolidated Financials

Profit & Loss Account

| Y.E March (Rs cr) | FY16 | FY17 | FY18 | FY19E | FY20E |
|---------------------|------------|------------|--------|-------|-------|
| Sales | 740 | 766 | 753 | 848 | 986 |
| % change | 11 | 4 | (1.6) | 12.6 | 16.3 |
| EBITDA | 157 | 166 | 166 | 180 | 221 |
| % change | 28 | 5 | (0) | 12 | 23 |
| Depreciation | 15 | 15 | 19 | 17 | 17 |
| EBIT | 142 | 151 | 147 | 162 | 204 |
| Interest | 0 | 0 | 1 | 0 | 0 |
| Other Income | 21 | 29 | 8 | 12 | 18 |
| PBT | 163 | 179 | 155 | 174 | 222 |
| % change | 20 | 10 | -14 | 17 | 27 |
| Tax | 54 | 61 | 48 | 52 | 67 |
| Tax Rate (%) | 33 | 34 | 31 | 30 | 30 |
| Reported PAT | 112 | 123 | 104 | 126 | 159 |
| Adj* | - | - | - | - | - |
| Adj PAT | 112 | 123 | 104 | 126 | 159 |
| % change | 29 | 9 | (14.5) | 27.9 | 26.8 |
| No. of shares (mn) | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 |
| Adj EPS (Rs) | 3.4 | 3.7 | 3.2 | 3.8 | 4.8 |
| % change | 29 | 9 | -14.5 | 27.9 | 26.8 |
| DPS (Rs) | 2 | 1 | 1 | 1 | 1 |

Cash flow

| Y.E March (Rs cr) | FY16 | FY17 | FY18 | FY19E | FY20E |
|------------------------|-------------|-------------|------|-------|-------|
| Net inc. + Deprn. | 179 | 194 | 168 | 192 | 239 |
| Non-cash adj. | (51) | (59) | (71) | (45) | (61) |
| Changes in W.C | 16 | (51) | (46) | (36) | (26) |
| C.F.O | 140 | 81 | 50 | 111 | 152 |
| Capital exp. | (43) | (83) | 1 | (17) | (33) |
| Change in inv. | (227) | (80) | (7) | (2) | (2) |
| Other invest.CF | 224 | 89 | 21 | (4) | (6) |
| C.F - investing | (46) | (74) | 15 | (23) | (41) |
| Issue of equity | 0 | 0 | 0 | 0 | 0 |
| Issue/repay debt | (0) | (0) | (0) | - | - |
| Dividends paid | (67) | (18) | (23) | (39) | (39) |
| Other finance.CF | (3) | 1 | - | 36 | 3 |
| C.F - Financing | (73) | (18) | (8) | (19) | (35) |
| Chg. in cash | 21 | (10) | 58 | 68 | 76 |
| Closing cash | 29 | 18 | 13 | 81 | 157 |

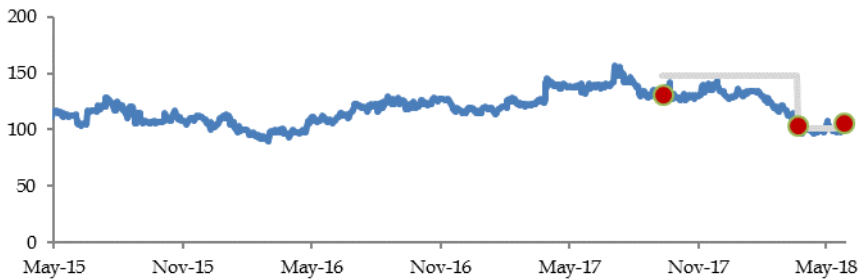
Balance Sheet

| Y.E March (Rs cr) | FY16 | FY17 | FY18E | FY19E | FY20E |
|--------------------------|------------|------------|------------|------------|------------|
| Cash | 29 | 18 | 13 | 81 | 157 |
| Accounts Receivable | 134 | 152 | 209 | 232 | 243 |
| Inventories | 157 | 146 | 181 | 201 | 215 |
| Other Cur. Assets | 70 | 52 | 63 | 67 | 76 |
| Investments | 9 | 13 | 20 | 22 | 24 |
| Gross Fixed Assets | 140 | 252 | 221 | 251 | 281 |
| Net Fixed Assets | 126 | 227 | 221 | 195 | 212 |
| CWIP | 33 | 10 | 39 | 25 | 25 |
| Intangible Assets | 5 | 5 | 5 | 3 | 3 |
| Def. Tax (Net) | -10 | -11 | -8 | -11 | -11 |
| Other Assets | 15 | 19 | 3 | 20 | 20 |
| Total Assets | 568 | 631 | 745 | 835 | 963 |
| Current Liabilities | 256 | 212 | 271 | 283 | 289 |
| Provisions | 12 | 15 | 13 | 12 | 14 |
| Debt Funds | 0 | 0 | 0 | 0 | 0 |
| Other Liabilities | 0 | 0 | 9 | 0 | 0 |
| Equity Capital | 33 | 33 | 33 | 33 | 33 |
| Reserves & Surplus | 266 | 371 | 419 | 506 | 627 |
| Shareholder's Fund | 299 | 404 | 452 | 539 | 660 |
| Total Liabilities | 568 | 631 | 745 | 835 | 963 |
| BVPS (Rs) | 9 | 12 | 14 | 16 | 20 |

Ratios

| Y.E March | FY16 | FY17 | FY18 | FY19E | FY20E |
|-------------------------------|-------|-------|-------|--------|--------|
| Profitab. & Return | | | | | |
| EBITDA margin (%) | 21.2 | 21.7 | 21.2 | 21.2 | 22.4 |
| EBIT margin (%) | 19.2 | 19.8 | 18.7 | 19.2 | 20.7 |
| Net profit mgn.(%) | 15.2 | 16.0 | 13.0 | 14.8 | 16.1 |
| ROE (%) | 42.5 | 34.7 | 23.0 | 25.3 | 26.6 |
| ROCE (%) | 28.2 | 23.3 | 15.2 | 17.2 | 18.3 |
| W.C & Liquidity | | | | | |
| Receivables (days) | 69.7 | 68.2 | 87.4 | 95.0 | 88.0 |
| Inventory (days) | 132.6 | 141.7 | 154.7 | 161.5 | 154.5 |
| Payables (days) | 101.2 | 86.3 | 114.1 | 104.4 | 74.3 |
| Current ratio (x) | 1.5 | 1.6 | 1.6 | 2.0 | 2.3 |
| Quick ratio (x) | 0.6 | 0.8 | 0.8 | 0.8 | 0.8 |
| Turnover & Levg. | | | | | |
| Gross asset T.O (x) | 4.1 | 3.9 | 3.2 | 3.6 | 3.7 |
| Total asset T.O (x) | 1.3 | 1.3 | 1.1 | 1.1 | 1.1 |
| Int. covge. ratio (x) | 416.9 | 456.2 | 265.9 | 2166.0 | 3882.3 |
| Adj. debt/equity (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Valuation ratios | | | | | |
| EV/Sales (x) | 4.7 | 4.6 | 4.7 | 4.1 | 3.6 |
| EV/EBITDA (x) | 22.3 | 21.1 | 21.9 | 19.5 | 15.9 |
| P/E (x) | 31.3 | 28.7 | 35.7 | 27.9 | 22.0 |
| P/BV (x) | 11.9 | 8.8 | 7.8 | 6.5 | 5.3 |

Recommendation Summary (last 3 years)



Source: Bloomberg, Geojit Research

| Dates | Rating | Target |
|---------------|-------------|--------|
| 11-Sept-2017 | *Accumulate | 148 |
| 22-March-2018 | Reduce | 101 |
| 25-May-2018 | Hold | 111 |
| | | |
| | | |
| | | |
| | | |
| | | |

*Initiating Coverage

Investment Rating Criteria

Large Cap Stocks;

| | | |
|---------|---|-----------------------------|
| Buy | - | Upside is 10% or more. |
| Hold | - | Upside is between 0% - 10%. |
| Reduce | - | Downside is more than 0%. |
| Neutral | - | Not Applicable |

Mid Cap and Small Cap;

| | | |
|-------------|---|------------------------------|
| Buy | - | Upside is above 15%. |
| Accumulate | - | Upside is between 10% - 15%. |
| Hold | - | Upside is between 0% - 10%. |
| Reduce/Sell | - | Downside is more than 0%. |
| Neutral | - | Not Applicable |

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating.

For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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