Stock Update

Fairly valued; Maintain Hold

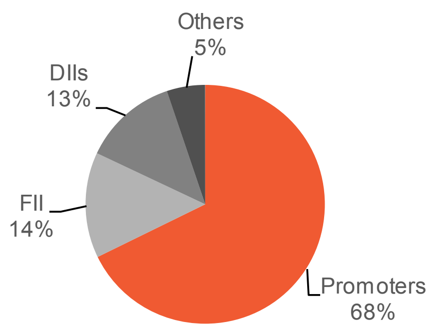
Triveni Turbine

Reco: Hold | CMP: Rs115

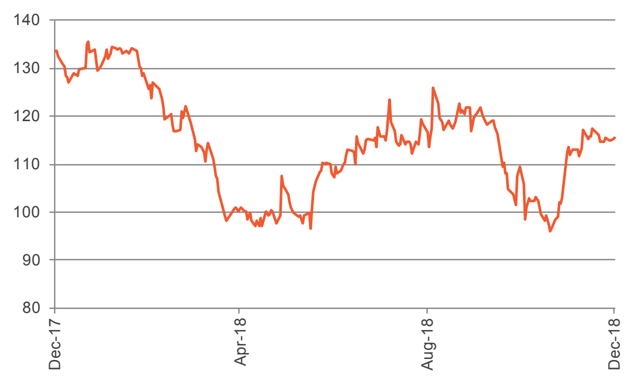
Company details

Price target:	Rs125
Market cap:	Rs3,788 cr
52-week high/low:	Rs141 / 92
NSE volume: (No of shares)	70,771
BSE code:	533655
NSE code:	TRITURBINE
Sharekhan code:	TRITURBINE
Free float: (No of shares)	10.65 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	2.4	-4.0	6.5	-12.6
Relative to Sensex	-0.3	1.4	2.8	-21.1

Key points

- **Order execution to be smooth with no delay expected; Aftermarket order inflow to remain healthy:** Triveni Turbine's (Triveni) order execution remained healthy during the current quarter (till date) as against one large turbine order delay (expected to be delivered by Q4) witnessed during Q2FY2019. Aftermarket orders inflow (which grew by 20% y-o-y during H1FY2019) is expected to remain healthy. Further, Triveni got refurbishment orders (part of the aftermarket segment) recently in Europe and Africa and expects it to further improve with references going forward. However, as anticipated, the company's operating margins are expected to remain under pressure due to higher input cost on account of change in sales mix.

- **Improving domestic enquiries to result in healthy order intake by FY2020:** Triveni has witnessed pick up in domestic enquiry. These enquiries are spread over all major end-user segments, including food, chemical, paper, metals, cement and distillery; and steel and sugar co-generation. The overall domestic market for under 30 MW size continued to show positive traction, which has reflected in domestic order growth of 41% y-o-y in Q2FY2019. We have already built in healthy domestic order intake, considering the pick-up witnessed in domestic enquiries. Triveni's total order book is at Rs. 776 crore, amounting to ~1x its trailing 12-month revenue. Management expects export orders to stay healthy during H2FY2019 mainly in the waste heat recovery segment as enquiry pipeline remains strong in the international segment. Management also stated that due to ethanol blending mandate, sugar mills are putting up distillery capacities, which should provide ample opportunity to ramp up its order book for the said segment during FY2020.

- **Valuation – Maintain Hold with unchanged PT of Rs. 125:** We have already factored in steady execution of the ongoing orders and higher input costs based on sales mix as per our report dated November 2, 2018. On account of healthy order book and steady execution, we expect the company to report a 15% and 18% CAGR (FY2018-FY2020E) in revenue and PAT, respectively. The stock is trading at 27.7x its FY2020E earnings, which we believe is fairly valued with limited upside potential. Hence, we maintain our Hold recommendation on the stock with an unchanged price target (PT) of Rs. 125.

Valuation Rs cr

Particulars	FY16	FY17	FY18	FY19E	FY20E
Net Sales	713	745	751	862	985
y-o-y growth (%)	9.6	4.4	0.9	14.8	14.2
Operating Profit	157	167	158	182	208
OPM (%)	22.0	22.4	21.0	21.1	21.1
Adjusted PAT	112	124	96	121	134
Adj. EPS*	3.5	3.8	3.0	3.7	4.1
Growth (y-o-y) %	20.1	10.6	(22.7)	25.9	10.9
P/E ratio	33.7	30.5	39.5	30.7	27.7
P/B ratio	12.7	9.4	8.4	9.3	6.7
P/S ratio	5.3	5.1	5.0	4.3	3.8
EV/EBITDA	21.0	19.1	22.6	18.6	16.3
Dividend Yield (%)	1.5	0.4	0.9	1.7	1.7
Core ROE (%)	42.5	35.3	22.4	28.4	28.1
RoCE (%)	59.5	51.5	34.3	41.1	40.7
RoIC (%)	60.9	49.1	35.2	43.7	57.3

* Post 66.67 lakh shares buyback

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