

Triveni Turbine (TRIV IN)

Rating: BUY | CMP: Rs69 | TP: Rs85

November 3, 2020

Q2FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	85		83	
Sales (Rs. m)	9,007	10,281	9,098	10,327
% Chng.	(1.0)	(0.4)		
EBITDA (Rs. m)	1,601	1,827	1,571	1,783
% Chng.	1.9	2.5		
EPS (Rs.)	3.6	4.1	3.5	4.0
% Chng.	2.4	2.9		

Key Financials - Consolidated

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	8,179	7,338	9,007	10,281
EBITDA (Rs. m)	1,557	1,647	1,601	1,827
Margin (%)	19.0	22.5	17.8	17.8
PAT (Rs. m)	1,218	1,158	1,151	1,331
EPS (Rs.)	3.8	3.6	3.6	4.1
Gr. (%)	21.5	(4.9)	(0.6)	15.6
DPS (Rs.)	0.9	0.9	0.9	1.0
Yield (%)	1.3	1.3	1.3	1.4
RoE (%)	25.3	20.2	17.4	17.6
RoCE (%)	28.1	24.9	20.7	21.0
EV/Sales (x)	2.5	2.8	2.2	1.9
EV/EBITDA (x)	13.0	12.3	12.6	10.8
PE (x)	18.2	19.2	19.3	16.7
P/BV (x)	4.2	3.6	3.1	2.8

Key Data

TRVT.BO | TRIV IN

52-W High / Low	Rs.115 / Rs.46
Sensex / Nifty	40,261 / 11,814
Market Cap	Rs.22bn / \$ 299m
Shares Outstanding	323m
3M Avg. Daily Value	Rs.37.72m

Shareholding Pattern (%)

Promoter's	67.78
Foreign	12.29
Domestic Institution	15.20
Public & Others	4.73
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.3)	(10.3)	(34.3)
Relative	(4.2)	(24.9)	(34.5)

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Strong margins led by cost rationalization

Quick Pointers:

- In 2Q, the aftermarket order inflow increased by 41% YoY led by increased volume of spares and refurbishment.
- Margins came in 26.7% led by higher share of exports in sales mix, lower raw material cost and reduction in overhead cost.

Triveni Turbine Ltd (TRIV) reported decent performance on account of better product mix and cost rationalization measures. Margins came in strong at 26.7% driven by higher share of exports in sales mix, lower raw material cost and reduction in overhead cost. Order inflows declined by 16% YoY largely impacted on account of pandemic. However, exports market's reported growth of 6% YoY in OI driven mainly from Europe, Middle East, South and Central America. Order backlog remained subdued at ~Rs6.7bn. Enquiry pipeline (~up 30% YoY in 1HFY21) continues to remain strong both in domestic and exports market. Within exports markets, demand is expected to be driven by renewable sector mainly from the Biomass and Waste-to-Energy projects. In the domestic product market good traction has been witnessed from Sugar cogeneration including distillery, Biomass IPP, food processing and waste heat recovery segments.

Going ahead, management expects recovery to be gradual as uncertainty due to pandemic continues and expects revenue decline of 10-15% for FY21E. We believe, company's strong margin profile, lean working capital, healthy cash flows & balance sheet and long term growth prospects (~diversification in new types of turbines) will support its valuation and long term growth prospects. Given strong 1HFY21 performance and expectation of cost control measures to sustain, we have revised our earnings upwards by 2.5%/2.4%/2.9% for FY21E/FY22E/FY23E. The stock is currently trading at 28.3x/18.5x FY21E/FY22E. We maintain BUY with a TP of Rs85 (earlier TP of Rs83).

Strong margins led by cost control measures: Consol sales came in line with our estimates at ~Rs1.85bn (down 25% YoY) vs (PLe ~Rs1.8bn) largely impacted due to weak economic environment. EBITDA decreased by 6% YoY to Rs496mn (PLe ~Rs-273mn) with EBITDA margins expanding by 530bps coming in at 26.7% v/s 21.4% in 2QFY20 on account of lower RM, lower employee (down 22% YoY) and other expenses (down, 21% YoY). PBT (including exception item) decreased by 44% YoY on back of lower other income and exceptional item of Rs185mn on account of VRS. Adj.PAT came in at Rs244mn (PLe ~Rs184mn), down 51% YoY.

OI expected to improve from 2H: OB declined by 3% YoY to Rs6.7bn as on 2QFY21. OI during decreased by 16% YoY led by delay in order finalization specially in domestic market. Within domestic markets renewable, waste to heat recovery and process co-generation segments witnessed strong enquiry levels. In exports market, renewable sector from the Biomass and Waste-to-Energy projects, paper, process, sugar co-gen and palm oil would be key demand driver.

Exhibit 1: Higher sales from exports, lower RM cost and lower O/H cost boosts margins (Rs mn)

Y/e March	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY gr. (%)	QoQ gr. (%)	1HFY21	1HFY20	YoY gr. (%)
Revenue	2,473	2,030	1,539	1,652	1,853	(25.1)	12.2	3,505	4,610	(24.0)
Total Revenues	2,473	2,030	1,539	1,652	1,853	(25.1)	12.2	3,505	4,610	(24.0)
Expenditure	1,944	1,618	1,360	1,265	1,358	(30.2)	7.3	2,623	3,643	(28.0)
as % of sales	78.6	79.7	88.4	76.6	73.3			74.8	79.0	
Consumption of RM	1,310	1,057	835	864	858	(34.5)	(0.7)	1,722	2,519	(31.6)
as % of sales	53.0	52.1	54.2	52.3	46.3			49.1	54.6	
Employee Cost	268	250	253	217	209	(21.9)	(3.9)	426	513	(16.8)
as % of sales	10.8	12.3	16.5	13.2	11.3			12.2	11.1	
Other expenditure	367	311	272	184	290	(20.8)	58.1	474	612	(22.5)
as % of sales	14.8	15.3	17.7	11.1	15.7			13.5	13.3	
EBITDA	529	412	179	387	496	(6.3)	28.2	882	966	(8.7)
Depreciation	51	50	49	51	52	0.6	2.0	102	101	1.1
EBIT	478	362	130	336	444	(7.1)	32.2	780	865	(9.8)
Other Income	53	29	34	47	48	(9.1)	1.9	95	83	13.3
Interest	9	7	8	3	2	(76.1)	(30.0)	5	18	(72.3)
PBT	521	384	155	380	490	(6.1)	28.9	869	930	(6.5)
Total Tax	61	101	42	93	73	20.4	(21.0)	166	198	(16.3)
Adjusted PAT	461	282	113	287	416	(9.6)	45.0	703	732	(3.9)
(Profit)/loss from JV's/Ass/MI	42	(12)	25	(15)	13	-	-	(2)	77	-
PAT after MI	502	271	138	273	429	(14.6)	57.5	702	809	(13.3)
Extra ordinary items	-	-	-	-	185	-	-	185	-	-
Reported PAT	502	271	138	273	614	22.3	125.4	887	809	9.6
Adjusted EPS	1.6	0.8	0.6	2.4	2.2	39.4	(10.5)	4.6	2.5	83.2
Margins (%)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	bps	bps	1HFY21	1HFY20	bps
EBIDTA	21.4	20.3	11.6	23.4	26.7	535	334	25.2	21.0	421
EBIT	19.3	17.8	8.4	20.3	24.0	464	362	22.2	18.8	349
EBT	21.1	18.9	10.1	23.0	26.4	533	343	24.8	20.2	463
PAT	20.3	13.3	9.0	16.5	33.1	1,284	1,665	25.3	17.6	774
Effective Tax rate	11.7	26.4	27.3	24.4	15.0	329	(943)	19.1	21.3	(222)

Source: Company, PL

Conference Call Highlights:

- During 2Q, the company's revenues mix in terms of Domestic/ Export sales stood at 48:52 v/s 57:43 in Q2FY20.
- The company reported robust EBITDA margins of 26.7% (expanded by 530bps YoY) on account of higher share of exports, lower RM cost and significant reduction in O/H cost. Going ahead, management expects most of the cost control measures to sustain and margin to be in the range of 20-22%. However, some other expense such as travel are expected to rise in future..
- Further, the company has incurred one-time cost of Rs185mn on account of VRS expense (~61 employees) as a part of its strategy to focus on higher automation and rely on outsourcing leading to higher efficiency and lower employee cost.
- Pickup in order inflows has been witnessed on sequential basis in domestic market from sectors such as process co-gen mainly distillery, sugar, cement, chemicals & fertilizers and paper & pulp. Management is witnessing healthy enquiry levels (up ~30% over 1HFY20) and expects conversion to happen as travel restriction are getting eased.
- **In the export markets, OI has been healthy from Europe, Middle East, Turkey, South & Central America regions primarily driven by demand in MSW based IPP, Biomass and sugar cogen segments. Enquiry level continues to remain healthy however the company is facing lot of hindrance due to travel restrictions and transportation challenges. Management expects renewable sector from the Biomass and Waste-to-Energy projects, paper, process, sugar co-gen and palm oil to be key demand drivers going ahead.**
- Aftermarket segment reported a 41% growth in 2QFY21 led by increased volume of spares and refurbishment market. As demand continues to remain healthy for refurbishment from the domestic market, management expects healthy growth in this segment.
- Management has guided recovery to be gradual as uncertainty due to pandemic continues and expects revenue to decline 10-15% for FY21. However, on account of cost control measures such lower administration expense, focus towards higher automation, lower employee cost etc. management expects margins to improve to 20-22% vs average 20.5% over last 5 years.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	8,179	7,338	9,007	10,281
YoY gr. (%)	(2.6)	(10.3)	22.8	14.1
Cost of Goods Sold	4,411	3,742	4,880	5,570
Gross Profit	3,768	3,595	4,127	4,711
Margin (%)	46.1	49.0	45.8	45.8
Employee Cost	1,016	954	1,216	1,388
Other Expenses	768	660	901	1,028
EBITDA	1,557	1,647	1,601	1,827
YoY gr. (%)	2.9	5.8	(2.8)	14.1
Margin (%)	19.0	22.5	17.8	17.8
Depreciation and Amortization	201	215	227	240
EBIT	1,356	1,433	1,373	1,587
Margin (%)	16.6	19.5	15.2	15.4
Net Interest	33	35	37	39
Other Income	146	147	198	226
Profit Before Tax	1,468	1,544	1,535	1,774
Margin (%)	18.0	21.0	17.0	17.3
Total Tax	342	386	384	444
Effective tax rate (%)	23.3	25.0	25.0	25.0
Profit after tax	1,127	1,158	1,151	1,331
Minority interest	-	-	-	-
Share Profit from Associate	91	-	-	-
Adjusted PAT	1,218	1,158	1,151	1,331
YoY gr. (%)	21.5	(4.9)	(0.6)	15.6
Margin (%)	14.9	15.8	12.8	12.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,218	1,158	1,151	1,331
YoY gr. (%)	21.5	(4.9)	(0.6)	15.6
Margin (%)	14.9	15.8	12.8	12.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,218	1,158	1,151	1,331
Equity Shares O/s (m)	323	323	323	323
EPS (Rs)	3.8	3.6	3.6	4.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	3,153	3,353	3,553	3,753
Tangibles	3,153	3,353	3,553	3,753
Intangibles	-	-	-	-
Acc: Dep / Amortization	727	941	1,169	1,409
Tangibles	727	941	1,169	1,409
Intangibles	-	-	-	-
Net fixed assets	2,426	2,412	2,384	2,344
Tangibles	2,426	2,412	2,384	2,344
Intangibles	-	-	-	-
Capital Work In Progress	111	111	111	111
Goodwill	-	-	-	-
Non-Current Investments	238	334	705	987
Net Deferred tax assets	(72)	(72)	(72)	(72)
Other Non-Current Assets	70	73	90	103
Current Assets				
Investments	1,295	1,295	1,295	1,295
Inventories	1,727	1,709	2,098	2,394
Trade receivables	1,253	1,910	2,344	2,676
Cash & Bank Balance	684	638	712	1,206
Other Current Assets	376	440	495	565
Total Assets	8,222	8,963	10,284	11,738
Equity				
Equity Share Capital	323	323	323	323
Other Equity	4,978	5,857	6,729	7,738
Total Network	5,302	6,180	7,052	8,061
Non-Current Liabilities				
Long Term borrowings	0	0	0	0
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	10	10	10	10
Trade payables	617	603	740	845
Other current liabilities	2,222	2,098	2,410	2,751
Total Equity & Liabilities	8,222	8,963	10,284	11,738

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	1,559	1,544	1,535	1,774
Add. Depreciation	201	215	227	240
Add. Interest	33	35	37	39
Less Financial Other Income	146	147	198	226
Add. Other	(97)	-	-	-
Op. profit before WC changes	1,697	1,794	1,799	2,053
Net Changes-WC	594	(848)	(459)	(275)
Direct tax	414	386	384	444
Net cash from Op. activities	1,877	560	956	1,335
Capital expenditures	(115)	(200)	(200)	(200)
Interest / Dividend Income	2	-	-	-
Others	(1,175)	(90)	(367)	(280)
Net Cash from Invst. activities	(1,288)	(290)	(567)	(480)
Issue of share cap. / premium	-	-	-	-
Debt changes	11	-	-	-
Dividend paid	(182)	(280)	(279)	(322)
Interest paid	(33)	(35)	(37)	(39)
Others	(5)	-	-	-
Net cash from Fin. activities	(209)	(315)	(315)	(361)
Net change in cash	380	(46)	74	494
Free Cash Flow	1,762	360	756	1,135

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	3.8	3.6	3.6	4.1
CEPS	4.4	4.2	4.3	4.9
BVPS	16.4	19.1	21.8	24.9
FCF	5.4	1.1	2.3	3.5
DPS	0.9	0.9	0.9	1.0
Return Ratio(%)				
RoCE	28.1	24.9	20.7	21.0
ROIC	36.6	28.1	22.3	23.5
RoE	25.3	20.2	17.4	17.6
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.3)	(0.3)	(0.3)
Net Working Capital (Days)	106	150	150	150
Valuation(x)				
PER	18.2	19.2	19.3	16.7
P/B	4.2	3.6	3.1	2.8
P/CEPS	15.7	16.2	16.1	14.1
EV/EBITDA	13.0	12.3	12.6	10.8
EV/Sales	2.5	2.8	2.2	1.9
Dividend Yield (%)	1.3	1.3	1.3	1.4

Source: Company Data, PL Research

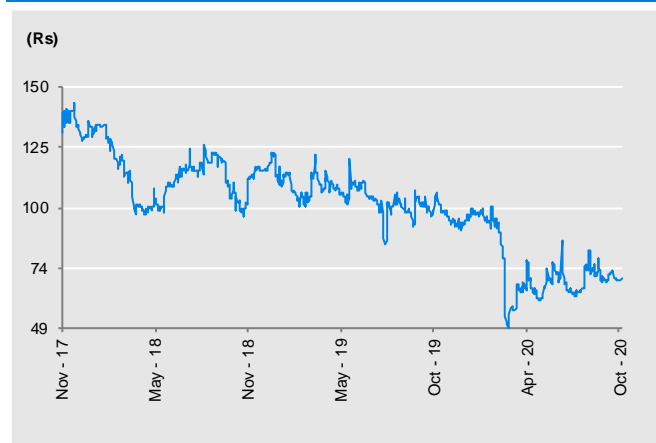
Quarterly Financials (Rs m)

Y/e Mar	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	2,030	1,539	1,652	1,853
YoY gr. (%)	(3.9)	(35.8)	(22.7)	(25.1)
Raw Material Expenses	1,057	835	864	858
Gross Profit	973	704	788	995
Margin (%)	47.9	45.8	47.7	53.7
EBITDA	412	179	387	496
YoY gr. (%)	14.8	(55.3)	(11.6)	(6.3)
Margin (%)	20.3	11.6	23.4	26.7
Depreciation / Depletion	50	49	51	52
EBIT	362	130	336	444
Margin (%)	17.8	8.4	20.3	24.0
Net Interest	7	8	3	2
Other Income	29	34	47	48
Profit before Tax	384	155	380	304
Margin (%)	18.9	10.1	23.0	16.4
Total Tax	101	42	93	73
Effective tax rate (%)	26.4	27.3	24.4	24.1
Profit after Tax	282	113	287	231
Minority interest	-	-	-	-
Share Profit from Associates	(12)	25	(15)	13
Adjusted PAT	271	138	273	244
YoY gr. (%)	18.6	(51.3)	(11.2)	(51.4)
Margin (%)	13.3	9.0	16.5	13.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	271	138	273	244
YoY gr. (%)	18.6	(51.3)	(11.2)	(51.4)
Margin (%)	13.3	9.0	16.5	13.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	271	138	273	244
Avg. Shares O/s (m)	323	323	323	113
EPS (Rs)	0.8	0.4	0.8	2.2

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-20	BUY	83	72
2	06-Aug-20	BUY	83	64
3	08-Jul-20	BUY	83	75
4	15-Jun-20	BUY	83	68
5	16-Apr-20	BUY	109	66
6	04-Feb-20	BUY	130	100
7	03-Jan-20	Accumulate	142	97
8	07-Nov-19	Accumulate	142	104

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	874	877
2	Ahluwalia Contracts (India)	BUY	288	231
3	Ashoka Buildcon	BUY	147	64
4	Bharat Electronics	Hold	99	94
5	BHEL	Hold	34	28
6	Capacite's Infraprojects	BUY	162	120
7	Container Corporation of India	BUY	468	386
8	Cummins India	Accumulate	472	434
9	Engineers India	BUY	104	64
10	GE T&D India	Hold	86	89
11	H.G. Infra Engineering	BUY	259	185
12	IRB Infrastructure Developers	BUY	152	112
13	ITD Cementation India	BUY	67	50
14	J.Kumar Infraprojects	BUY	176	109
15	Kalpataru Power Transmission	BUY	276	238
16	KEC International	BUY	333	345
17	KNR Constructions	BUY	305	257
18	Larsen & Toubro	BUY	1,284	935
19	NCC	BUY	83	34
20	PNC Infratech	BUY	219	164
21	Power Grid Corporation of India	BUY	205	170
22	Sadbhav Engineering	BUY	87	52
23	Siemens	BUY	1,402	1,275
24	Thermax	Accumulate	798	719
25	Triveni Turbine	BUY	83	72
26	Voltamp Transformers	BUY	1,244	988

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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