

Triveni Turbine (TRIV IN)

Rating: BUY | CMP: Rs123 | TP: Rs156

Enquiry pipeline remains robust

Quick Pointers:

- Management indicated enquiry levels remain robust both from domestic as well as exports markets led by good traction in co-generation, WTH recovery.
- Order book remains subdued at Rs6.4bn; however, given strong tender pipeline and decent order conversion in 1Q TRIV expects healthy OI in FY22.

Triveni Turbine (TRIV) reported healthy performance on account of better sales mix and execution ramp up. Margins expanded by 222bps to 13.8% in 4Q, led by sharp rise in aftermarket revenues and reduction in overhead cost. OI grew 5% YoY to Rs1.7bn in 4Q, primarily driven by strong growth in domestic markets (up 57% YoY). Order backlog remained subdued at Rs6.4bn. For domestic segment, enquiry generation grew 35% YoY led by traction in process co-generation and waste to heat recovery from sectors like F&B, paints, pharma, chemicals and cement. In exports market, enquiry generation was seen in markets of Middle East, North America, Europe, Turkey, etc. for thermal renewable based IPP power plant and process co-generation segment. Management is confident of bagging healthy order wins in FY22 with strong enquiries in both domestic and international markets.

We believe, 1) company's strong margin profile, 2) lean working capital, 3) healthy cash flows, balance sheet and 4) long term growth prospects (~diversification in new types of turbines) will support its valuations and future projections. Given strong enquiry pipeline and management focus on cost rationalization, we have revised our earnings estimates upwards by 19.5%/27.0% for FY22/FY23. The stock is currently trading at 29.0x/23.7x FY22E/FY23E. We maintain 'Buy' rating on stock with a revised TP of Rs156 (earlier TP of Rs98). Further we raise our PE multiple to 30x (avg. of 10 years) from 24x earlier, given improved order inflow visibility and diversification in new products.

Better sales mix and lower employee cost boost margin: Consol sales reported a healthy growth of 16% YoY to Rs1.8bn vs (PLe ~Rs2.1bn), led by strong execution in domestic market. EBITDA grew by 38% YoY to Rs 247mn vs (PLe ~Rs-363mn) with EBITDA margins expanding by 222bps YoY to 13.8% v/s 11.6% in 4QFY20 on account of lower employee cost (down 10.3% YoY) and healthy execution. PBT came in at Rs278mn on back of higher other income (up 26% YoY) and strong operating performance. PAT came in at Rs233mn in line with PLe of ~Rs238mn.

Decent OB provides revenue visibility: OI declined by 19% at Rs6.4bn in FY21 led by delay in order finalization specially in export markets. OB declined 8.5% to Rs6.4bn as on FY21. Within domestic markets waste to heat recovery and process co-generation segments witnessed strong enquiry levels. While in exports market enquiry were strong from thermal renewable based IPP power plant and process co-generation.

June 29, 2021

Q4FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	156		98	
Sales (Rs. m)	9,657	11,137	9,007	10,281
% Chng.	7.2	8.3		
EBITDA (Rs. m)	1,861	2,257	1,601	1,827
% Chng.	16.3	23.6		
EPS (Rs.)	4.2	5.2	3.6	4.1
% Chng.	19.5	27.0		

Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	8,179	7,026	9,657	11,137
EBITDA (Rs. m)	1,557	1,476	1,861	2,257
Margin (%)	19.0	21.0	19.3	20.3
PAT (Rs. m)	1,218	1,210	1,374	1,684
EPS (Rs.)	3.8	3.7	4.2	5.2
Gr. (%)	21.5	(0.7)	13.6	22.6
DPS (Rs.)	0.9	1.2	1.0	1.3
Yield (%)	0.7	1.0	0.8	1.0
RoE (%)	25.3	20.7	19.9	20.9
RoCE (%)	28.1	21.8	23.7	25.0
EV/Sales (x)	4.6	5.1	3.7	3.2
EV/EBITDA (x)	24.3	24.4	19.4	15.8
PE (x)	32.7	33.0	29.0	23.7
P/BV (x)	7.5	6.3	5.4	4.6

Key Data

TRVT.BO | TRIV IN

52-W High / Low	Rs.127 / Rs.61
Sensex / Nifty	52,550 / 15,748
Market Cap	Rs.40bn/ \$ 537m
Shares Outstanding	323m
3M Avg. Daily Value	Rs.114.96m

Shareholding Pattern (%)

Promoter's	67.78
Foreign	12.38
Domestic Institution	15.23
Public & Others	4.61
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	22.1	51.7	76.2
Relative	19.5	37.5	17.2

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Exhibit 1: Better sales mix and lower employee cost boosts margin

Y/e March (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY gr. (%)	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Revenue	1,539	1,652	1,853	1,736	1,785	16.0	2.9	7,026	8,179	(14.1)
Total Revenues	1,539	1,652	1,853	1,736	1,785	16.0	2.9	7,026	8,179	(14.1)
Expenditure	1,360	1,265	1,358	1,389	1,538	13.1	10.8	5,550	6,622	(16.2)
<i>as % of sales</i>	88.4	76.6	73.3	80.0	86.2			79.0	81.0	
Consumption of RM	835	864	858	865	975	16.8	12.7	3,562	4,411	(19.2)
<i>as % of sales</i>	54.2	52.3	46.3	49.8	54.6			50.7	53.9	
Employee Cost	253	217	209	216	227	(10.3)	5.4	870	1,016	(14.4)
<i>as % of sales</i>	16.5	13.2	11.3	12.4	12.7			12.4	12.4	
Other expenditure	272	184	290	308	336	23.5	9.1	1,118	1,195	(6.5)
<i>as % of sales</i>	17.7	11.1	15.7	17.7	18.8			15.9	14.6	
EBITDA	179	387	496	347	247	38.1	(28.7)	1,476	1,557	(5.2)
Depreciation	49	51	52	50	50	0.6	(0.6)	202	201	0.5
EBIT	130	336	444	297	197	52.4	(33.5)	1,274	1,356	(6.0)
Other Income	34	47	48	54	42	25.8	(21.6)	191	146	31.0
Interest	8	3	2	3	4	(55.6)	33.3	11	33	(65.8)
PBT	155	380	490	348	236	52.3	(32.2)	1,454	1,468	(1.0)
Total Tax	42	93	73	86	45	5.9	(47.5)	296	342	(13.3)
Adjusted PAT	113	287	416	263	191	69.7	(27.2)	1,157	1,127	2.7
(Profit)/loss from JV's/Ass/MI	25	(15)	13	13	42	-	-	53	91	-
PAT after MI	138	273	429	275	233	68.9	(15.5)	1,210	1,218	(0.7)
Extra ordinary items	-	-	(185)	-	-	-	-	(185)	-	-
Reported PAT	138	273	244	275	233	68.9	(15.5)	1,025	1,218	(15.9)
Adjusted EPS	0.4	0.8	1.2	0.9	0.7	68.9	(15.5)	3.7	3.8	(0.7)
Margins (%)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	bps	bps	FY21	FY20	bps
EBIDTA	11.6	23.4	26.7	20.0	13.8	222	(614)	21.0	19.0	197
EBIT	8.4	20.3	24.0	17.1	11.1	264	(604)	18.1	16.6	155
EBT	10.1	23.0	26.4	20.1	13.2	315	(683)	20.7	18.0	273
PAT	9.0	16.5	13.2	15.9	13.0	409	(283)	14.6	14.9	(31)
Effective Tax rate	27.3	24.4	15.0	24.6	19.0	(833)	(557)	20.4	23.3	(288)

Source: Company, PL

Conference Call Highlights:

- Company continues to maintain its leadership position despite pandemic impacting global market and domestic market by 40% & 52% in CY20 in MW terms.
- Management indicated order inflows in FY22 to be strong, mainly led by pent up demand and strong enquiry pipeline from domestic as well as export markets. Further given healthy order conversion in 1Q, it expects order inflows for product segment to surpass the FY21 levels in H1FY22.
- In domestic market, enquiry generation witnessed a growth of 35% YoY, driven by segment such as process co-generation and waste-to-heat recovery, which contribute approximately 60% and 25% respectively to overall domestic enquiries.
- In exports market enquiry generation was led by thermal renewable based IPP power plant (43% of total enquiry) and process co-generation (30% of total enquiry).
- Management indicated it is witnessing traction in API turbine market and enquiry pipeline remains strong for this segment. With current product portfolio in segment it is able address to 85% of total API turbine market.
- Distilleries- Strong traction witnessed from sugar distillery on account of capacity expansion by sugar industry.
- During FY21, revenues were affected due to delay in clearance of dispatches from customers and liquidity issues.
- Constant efforts on cost rationalization, efforts towards stream lining of production process and focus on automation resulted into margin expansion during the year.
- Order inflows impacted due to delay in order finalization because of the pandemic and travel restriction in both domestic and exports market. Order inflow declined 19% in FY21, where domestic market reported a de-growth of 5% and exports declined 37%.
- In exports market, company was able to bag orders from markets like Central America, South America, North America, Turkey, South East Asia, Europe, Middle East and North Africa. Management indicated exports market is witnessing gradual recovery.
- OB stood at Rs6.4bn, down 8.5%, mainly led by growth in Aftermarket OB (up 8.2% YoY), led by growth in refurbishment segment.
- **Outlook:** Management expects (due to Covid second wave) overall execution and dispatches to be muted in H1FY22 in both domestic and exports market. Though it is expected to pick up from H2FY22 and EBITDA margin for FY22 to be 20-21% same as FY21. Management expects Aftermarket revenue share to reach 30% in coming years from 27% in FY21, driven by diversification in refurbishment segment from industrial turbine to utility turbine and expanding into new geography.

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	8,179	7,026	9,657	11,137
YoY gr. (%)	(2.6)	(14.1)	37.4	15.3
Cost of Goods Sold	4,411	3,562	5,232	5,923
Gross Profit	3,768	3,464	4,425	5,214
Margin (%)	46.1	49.3	45.8	46.8
Employee Cost	1,016	870	1,159	1,336
Other Expenses	768	798	966	1,114
EBITDA	1,557	1,476	1,861	2,257
YoY gr. (%)	2.9	(5.2)	26.1	21.3
Margin (%)	19.0	21.0	19.3	20.3
Depreciation and Amortization	201	202	228	241
EBIT	1,356	1,274	1,632	2,016
Margin (%)	16.6	18.1	16.9	18.1
Net Interest	33	11	39	45
Other Income	146	191	241	278
Profit Before Tax	1,468	1,268	1,835	2,250
Margin (%)	18.0	18.1	19.0	20.2
Total Tax	342	296	461	566
Effective tax rate (%)	23.3	23.4	25.1	25.1
Profit after tax	1,127	972	1,374	1,684
Minority interest	-	-	-	-
Share Profit from Associate	91	53	-	-
Adjusted PAT	1,218	1,210	1,374	1,684
YoY gr. (%)	21.5	(0.7)	13.6	22.6
Margin (%)	14.9	17.2	14.2	15.1
Extra Ord. Income / (Exp)	-	(185)	-	-
Reported PAT	1,218	1,025	1,374	1,684
YoY gr. (%)	21.5	(15.9)	34.1	22.6
Margin (%)	14.9	14.6	14.2	15.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,218	1,025	1,374	1,684
Equity Shares O/s (m)	323	323	323	323
EPS (Rs)	3.8	3.7	4.2	5.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	3,153	3,368	3,568	3,768
Tangibles	3,153	3,368	3,568	3,768
Intangibles	-	-	-	-
Acc: Dep / Amortization	727	929	1,157	1,398
Tangibles	727	929	1,157	1,398
Intangibles	-	-	-	-
Net fixed assets	2,426	2,440	2,411	2,370
Tangibles	2,426	2,440	2,411	2,370
Intangibles	-	-	-	-
Capital Work In Progress	111	49	49	49
Goodwill	-	-	-	-
Non-Current Investments	238	291	527	1,018
Net Deferred tax assets	(72)	(51)	(51)	(51)
Other Non-Current Assets	70	42	48	56
Current Assets				
Investments	1,295	2,679	2,679	2,679
Inventories	1,727	1,596	2,249	2,593
Trade receivables	1,253	771	1,191	1,373
Cash & Bank Balance	684	1,164	1,111	1,603
Other Current Assets	376	308	435	501
Total Assets	8,222	9,419	10,801	12,361
Equity				
Equity Share Capital	323	323	323	323
Other Equity	4,978	6,053	7,094	8,371
Total Network	5,302	6,376	7,417	8,694
Non-Current Liabilities				
Long Term borrowings	0	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	10	-	-	-
Trade payables	617	745	926	976
Other current liabilities	2,222	2,247	2,407	2,640
Total Equity & Liabilities	8,222	9,419	10,801	12,361

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	1,559	1,321	1,835	2,250
Add. Depreciation	201	202	228	241
Add. Interest	33	11	39	45
Less Financial Other Income	146	191	241	278
Add. Other	(97)	(134)	-	-
Op. profit before WC changes	1,697	1,400	2,102	2,536
Net Changes-WC	594	796	(897)	(337)
Direct tax	414	323	461	566
Net cash from Op. activities	1,877	1,873	743	1,633
Capital expenditures	(115)	(132)	(200)	(200)
Interest / Dividend Income	2	13	-	-
Others	(1,175)	(2,026)	(226)	(488)
Net Cash from Inv. activities	(1,288)	(2,144)	(426)	(688)
Issue of share cap. / premium	-	-	-	-
Debt changes	11	(2)	-	-
Dividend paid	(182)	0	(332)	(408)
Interest paid	(33)	(11)	(39)	(45)
Others	(5)	(5)	-	-
Net cash from Fin. activities	(209)	(19)	(371)	(452)
Net change in cash	380	(290)	(53)	493
Free Cash Flow	1,762	1,738	543	1,433

Source: Company Data, PL Research

Key Financial Metrics

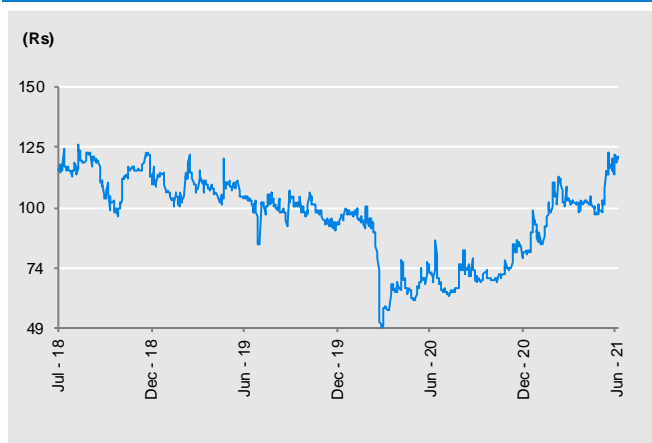
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	3.8	3.7	4.2	5.2
CEPS	4.4	4.4	5.0	6.0
BVPS	16.4	19.7	22.9	26.9
FCF	5.4	5.4	1.7	4.4
DPS	0.9	1.2	1.0	1.3
Return Ratio(%)				
RoCE	28.1	21.8	23.7	25.0
ROIC	36.6	48.8	39.3	40.0
RoE	25.3	20.7	19.9	20.9
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.6)	(0.5)	(0.5)
Net Working Capital (Days)	106	84	95	98
Valuation(x)				
PER	32.7	33.0	29.0	23.7
P/B	7.5	6.3	5.4	4.6
P/CEPS	28.1	28.2	24.9	20.7
EV/EBITDA	24.3	24.4	19.4	15.8
EV/Sales	4.6	5.1	3.7	3.2
Dividend Yield (%)	0.7	1.0	0.8	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	1,652	1,853	1,736	1,785
YoY gr. (%)	(22.7)	(25.1)	(14.5)	16.0
Raw Material Expenses	864	858	865	975
Gross Profit	788	995	871	811
Margin (%)	47.7	53.7	50.2	45.4
EBITDA	387	496	347	247
YoY gr. (%)	(11.6)	(6.3)	(15.8)	38.1
Margin (%)	23.4	26.7	20.0	13.8
Depreciation / Depletion	51	52	50	50
EBIT	336	444	297	197
Margin (%)	20.3	24.0	17.1	11.1
Net Interest	3	2	3	4
Other Income	47	48	54	42
Profit before Tax	380	304	348	236
Margin (%)	23.0	16.4	20.1	13.2
Total Tax	93	73	86	45
Effective tax rate (%)	24.4	24.1	24.6	19.0
Profit after Tax	287	231	263	191
Minority interest	-	-	-	-
Share Profit from Associates	(15)	13	13	42
Adjusted PAT	273	244	275	233
YoY gr. (%)	(11.2)	(51.4)	1.7	68.9
Margin (%)	16.5	13.2	15.9	13.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	273	244	275	233
YoY gr. (%)	(11.2)	(51.4)	1.7	68.9
Margin (%)	16.5	13.2	15.9	13.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	273	244	275	233
Avg. Shares O/s (m)	323	323	323	323
EPS (Rs)	0.8	0.8	0.9	0.7

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Apr-21	BUY	98	102
2	02-Feb-21	BUY	98	88
3	08-Jan-21	BUY	85	85
4	03-Nov-20	BUY	85	69
5	08-Oct-20	BUY	83	72
6	06-Aug-20	BUY	83	64
7	08-Jul-20	BUY	83	75

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	1,337	1,388
2	Ahluwalia Contracts (India)	Accumulate	410	389
3	Apar Industries	BUY	696	524
4	Ashoka Buildcon	BUY	160	98
5	Bharat Electronics	BUY	208	169
6	BHEL	Sell	34	67
7	Capacite's Infraprojects	BUY	270	210
8	Container Corporation of India	Hold	607	634
9	Cummins India	Hold	796	772
10	Engineers India	BUY	129	84
11	GE T&D India	Hold	141	137
12	H.G. Infra Engineering	BUY	476	333
13	IRB Infrastructure Developers	BUY	179	106
14	ITD Cementation India	BUY	97	83
15	J.Kumar Infraprojects	BUY	272	177
16	Kalpataru Power Transmission	BUY	448	382
17	KEC International	Accumulate	420	417
18	KNR Constructions	Accumulate	253	227
19	Larsen & Toubro	BUY	1,604	1,416
20	NCC	BUY	111	83
21	PNC Infratech	BUY	295	246
22	Power Grid Corporation of India	BUY	205	170
23	Sadbhav Engineering	BUY	115	63
24	Siemens	Accumulate	2,101	2,064
25	Thermax	Accumulate	1,559	1,455
26	Triveni Turbine	BUY	98	102
27	Voltamp Transformers	Accumulate	1,565	1,424

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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