

May 16, 2022

RESULT REPORT Q4 FY22 | Sector: Capital Goods

# Triveni Turbine Ltd

## Decent quarter; optimistic outlook

### Our view

Triveni Turbine (TRIV) reported healthy performance on account of better sales mix and execution ramp up. EBITDA Margins expanded ~390bps YoY despite commodity pressures owing to operating leverage and ramp up in after market revenues. Order inflows came in at Rs2.8bn (up 71% YoY) led by strong growth in domestic markets at Rs2.1bn while export OI grew by meager 2%. Order book remains strong at ~Rs9.7bn (1.1x TTM revenue), providing revenue visibility for FY23. Enquiry pipeline remains strong both domestic and exports from sectors such as food processing, cement, sugar, oil & gas, steel, etc. Going forward management expects margins to revert to ~20% levels as most of the contracts have factored in the prevailing commodity inflation maintaining its dominant market share.

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, management's focus on cost rationalization and improving operational efficiency, we expect company to generate revenue/PAT CAGR of 25%/29% from FY21 to FY24E. The stock is currently trading at 31.9x/25.5x FY23E/24E EPS. We maintain our BUY rating on the stock with a TP of Rs273 valuing at 40x FY24E EPS of Rs6.8

### Result Highlights

- Consol sales came in at ~Rs2.4bn (up 33% YoY) (vs YSLe Rs2.4bn) led by improvement in execution.
- Due to input cost pressure, gross margins came in at 44.5% Vs 44.7% in 3QFY22.
- EBITDA increased by 70% YoY to Rs419mn (YSLe Rs471mn) with EBITDA margins at 17.7% (388bps YoY expansion) on account of better execution and flow-through from the topline.
- PBT grew by 59% YoY to Rs441mn on back of higher other income (up 83%).
- PAT came in at Rs330mn up 42% YoY led by better operating performance.
- Order inflows continue to remain healthy at R2.8bn (up 71%) taking the order book to Rs9.7bn as on 4QFY22.

### Exhibit 1: Actual vs Estimate

Rs mn	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	2,366	2,406	2,495	-1.7	-5.2	Decent execution, margin impacted by RM inflation
EBITDA	419	471	517	-11.0	-18.9	
EBITDA margin %	17.7	19.6	20.7	-186 bps	-300 bps	
Adj.Pat	330	628	400	-47.4	-17.3	

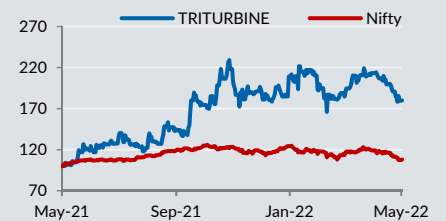
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 174
Target Price	: Rs 273
Potential Return	: +57%

### Stock data (as on May 16, 2022)

Nifty	15,842
52 Week h/l (Rs)	232 / 96
Market cap (Rs/USD mn)	56207 / 726
Outstanding Shares (mn)	323
6m Avg t/o (Rs mn):	140
Div yield (%):	0.7
Bloomberg code:	TRIV IN
NSE code:	TRITURBINE

### Stock performance



	1M	3M	1Y
Absolute return	-15.7%	-10.0%	82.3%

### Shareholding pattern (As of Mar'22 end)

Promoter	67.8%
FII+DII	28.6%
Others	3.6%

### Financial Summary

(Rs mn)	FY22	FY23E	FY24E
Revenues	8,522	11,431	13,826
YoY growth (%)	21.3	34.1	21.0
OPM (%)	19.1	20.6	21.1
EPS (Rs)	2.2	5.5	6.8
EPS growth (%)	-40.5	145.2	24.9
P/E (x)	78.1	31.9	25.5
EV/EBITDA (x)	32.9	22.7	17.9
Debt/Equity (x)	0.0	0.0	0.0
RoE (%)	7.4	15.9	17.0
RoCE (%)	7.4	15.8	17.0

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## Exhibit 2: Quarterly snapshot (Consolidated)

Rs mn	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	FY22	FY21	YoY (%)
Revenue	1,785	1,841	2,065	2,252	2,366	32.5	5.1	8,522	7,026	21.3
<b>Total Revenues</b>	<b>1,785</b>	<b>1,841</b>	<b>2,065</b>	<b>2,252</b>	<b>2,366</b>	<b>32.5</b>	<b>5.1</b>	<b>8,522</b>	<b>7,026</b>	<b>21.3</b>
<b>Expenditure</b>	<b>1,538</b>	<b>1,483</b>	<b>1,665</b>	<b>1,801</b>	<b>1,947</b>	<b>26.5</b>	<b>8.1</b>	<b>6,896</b>	<b>5,550</b>	<b>24.3</b>
as % of sales	86.2	80.6	80.7	80.0	82.3			80.9	79.0	
Consumption of RM	975	999	1,148	1,244	1,312	34.6	5.5	4,703	3,562	32.0
as % of sales	54.6	54.3	55.6	55.3	55.5			55.2	50.7	
Employee Cost	227	235	247	257	290	27.5	12.7	1,029	870	18.4
as % of sales	12.7	12.8	12.0	11.4	12.3			12.1	12.4	
Other expenditure	336	249	271	300	345	2.6	15.0	1,164	1,118	4.1
as % of sales	18.8	13.5	13.1	13.3	14.6			13.7	15.9	
<b>EBITDA</b>	<b>247</b>	<b>358</b>	<b>399</b>	<b>451</b>	<b>419</b>	<b>69.6</b>	<b>(6.9)</b>	<b>1,627</b>	<b>1,476</b>	<b>10.2</b>
Depreciation	50	50	51	51	51	3.0	(0.2)	203	202	0.3
<b>EBIT</b>	<b>197</b>	<b>308</b>	<b>349</b>	<b>399</b>	<b>368</b>	<b>86.4</b>	<b>(7.8)</b>	<b>1,424</b>	<b>1,274</b>	<b>11.8</b>
Other Income	42	56	78	84	78	82.8	(7.4)	295	191	54.4
Interest	4	2	1	2	5	38.9	194.1	10	11	(10.5)
PBT	236	361	426	481	441	86.5	(8.5)	1,708	1,454	17.5
Total Tax	45	88	624	125	110	145.7	(11.4)	946	296	219.2
Adjusted PAT	191	274	(198)	357	330	72.6	(7.4)	763	1,157	(34.1)
(Profit)/loss from JV's/Ass/MI	42	4	(46)	-	-	-	-	(42)	53	-
PAT after MI	233	278	(244)	357	330	41.8	(7.4)	720	1,210	(40.5)
Extra ordinary items	-	428	1,982	524	-	-	-	2,934	(185)	-
<b>Reported PAT</b>	<b>233</b>	<b>706</b>	<b>1,738</b>	<b>880</b>	<b>330</b>	<b>41.8</b>	<b>(62.5)</b>	<b>3,654</b>	<b>1,025</b>	<b>256.6</b>
Adjusted EPS	0.7	2.2	5.4	2.7	1.0	41.8	(62.5)	11.3	3.6	213.1
<b>Margins (%)</b>										
EBIDTA	13.8	19.4	19.3	20.0	17.7	388	(229)	19.1	21.0	(192)
EBIT	11.1	16.7	16.9	17.7	15.6	450	(217)	16.7	18.1	(143)
EBT	13.2	19.6	20.6	21.4	18.6	539	(275)	20.0	20.7	(64)
PAT	13.0	38.3	84.2	39.1	14.0	92	(2,514)	42.9	14.6	2,829
Effective Tax rate	19.0	24.3	146.5	25.9	25.0	603	(83)	55.4	20.4	3,498

Source: Company, YES Sec

## CONCALL HIGHLIGHTS

- Management indicated enquiry pipeline continues to remain robust driven across both markets- domestic and exports market (enquiry levels up 25%).
  - Domestic enquiries grew by 57% driven by food processing, cement, sugar, oil & gas, etc.
  - Overall enquiry pipeline grew by 36% with an export/domestic split of 60/40.
- The company aims to maintain its market share dominance both in the domestic (~50%) and export markets. There is a sizeable increase in the addressable market in the 30-100mw range. The company targets to replicate its <30mw market share in this segment as well. <30mw market is growing because of fixed capital formation and focus on renewables.
- As per management, 3 key triggers for aftermarket growth are a) upgrades, b) automation and c) more integrated offerings through AMC contracts.
- During the quarter, order inflows came in at Rs2.8bn (up 71% YoY). Domestic order inflows were Rs2.1bn and international order inflows were Rs740mn.
- Order book stands at a record high of Rs9.7bn, a growth of 64% YoY out of which domestic is Rs5.4bn and export has doubled to Rs4.3bn.
- The company has bagged an order from a prestigious client for a Waste to Energy project in Paris as the European region is witnessing strong focus on renewable energy space.
- Due to the ongoing Ukraine crisis, the company had to reduce its order book by Rs400mn owing to a steel plant being located in a region which has been invaded. Apart from this, the company doesn't have much exposure to Ukraine.
- In order to strengthen its aftermarket services in the SADC (South African Development) Community region, the company acquired 70% stake in TSE Engineering Pty Ltd in South Africa for a cash consideration of ZAR11.9mn (Rs57.6mn).
- The company has increased its employee headcount by 10% in FY22 and expects it to increase in FY23 as well. This will aid in faster execution of orders.
- Management maintained its margin guidance of ~20% as RM inflation has been passed on in most of the new contracts and higher share of exports.
- FY22 margins declined due to commodity inflation (4.5%) and higher share of domestic orders.
- Net working capital is negative Rs1.5bn chiefly due to customer advances worth Rs2.88bn.

## FINANCIALS

### Exhibit 3: Balance Sheet (Consolidated)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
<b>Sources of Funds</b>					
Equity capital	323	323	323	323	323
Reserves	4,978	6,052	8,242	9,655	11,419
Non Minority Controlling Int.	0	0	8	0	0
<b>Net worth</b>	<b>5,302</b>	<b>6,376</b>	<b>8,566</b>	<b>9,978</b>	<b>11,742</b>
Debt	10	0	2	2	2
Deferred tax liab (net)	72	51	35	35	35
<b>Total liabilities</b>	<b>5,383</b>	<b>6,427</b>	<b>8,610</b>	<b>10,015</b>	<b>11,779</b>
<b>Application of Funds</b>					
Gross Block	3,153	3,342	3,484	3,684	3,884
Depreciation	727	903	1,106	1,341	1,590
<b>Fixed Asset</b>	<b>2,474</b>	<b>2,489</b>	<b>2,469</b>	<b>2,433</b>	<b>2,384</b>
CWIP	64	0	33	33	33
Investments	1,524	2,961	4,775	4,775	4,775
<b>Net Working Capital</b>	<b>1,322</b>	<b>977</b>	<b>1,333</b>	<b>2,774</b>	<b>4,586</b>
Inventories	1,727	1,596	1,617	2,192	2,652
Sundry debtors	1,253	771	1,015	1,096	1,326
Cash & equivalents	684	1,164	2,731	2,856	4,171
Loans & Advances	49	87	173	143	174
Other Current Asset	446	349	536	572	691
Sundry creditors	617	745	1,091	1,096	1,136
Provisions	227	171	245	286	346
Other current liabilities	1,995	2,076	3,403	2,704	2,945
<b>Total Assets</b>	<b>5,383</b>	<b>6,427</b>	<b>8,610</b>	<b>10,015</b>	<b>11,779</b>

Source: Company, YES Sec

## Exhibit 4: Income statement (Consolidated)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue	8,179	7,026	8,522	11,431	13,826
% Change YoY	(2.6)	(14.1)	21.3	34.1	21.0
Operating profit	1,557	1,476	1,627	2,355	2,917
EBITDA margins	19.0	21.0	19.1	20.6	21.1
% Change YoY	2.9	(5.2)	10.2	44.8	23.9
Depreciation	201	202	203	236	249
EBIT	1,356	1,274	1,424	2,119	2,669
EBIT margins	16.6	18.1	16.7	18.5	19.3
Interest expense	33	11	10	46	55
Other income	146	191	295	286	332
Profit before tax	1,468	1,454	1,708	2,359	2,945
Taxes	342	296	946	593	740
Effective tax rate (%)	23.3	20.4	55.4	25.1	25.1
Net profit	1,127	1,157	763	1,766	2,205
Minorities and other	91	53	(43)	0	0
Net profit after minorities	1,218	1,210	720	1,766	2,205
Exceptional items	0	(185)	1,982	0	0
Net profit	1,218	1,025	2,702	1,766	2,205
% Change YoY	21.5	(15.9)	123.3	145.2	24.9
EPS (Rs)	3.8	3.7	2.2	5.5	6.8

Source: Company, YES Sec

## Exhibit 5: Cash flow statement (Consolidated)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
<b>Profit before Tax</b>	<b>1,559</b>	<b>1,321</b>	<b>3,648</b>	<b>2,359</b>	<b>2,945</b>
Interest	33	11	10	46	55
Depreciation	201	202	203	236	249
Other Items	(97)	(134)	(195)	-	-
(Inc)/Dec in WC	594	796	1,570	(1,315)	(498)
Direct Taxes Paid	414	323	902	593	740
<b>CF from Oper. Activity</b>	<b>1,877</b>	<b>1,873</b>	<b>4,334</b>	<b>733</b>	<b>2,011</b>
(Inc)/Dec in FA	(115)	(134)	(157)	(200)	(200)
Free Cash Flow	1,992	2,007	4,491	933	2,211
(Pur)/Sale of Invest.	(1,173)	(2,010)	(3,705)	-	-
<b>CF from Inv. Activity</b>	<b>(1,288)</b>	<b>(2,144)</b>	<b>(3,862)</b>	<b>(200)</b>	<b>(200)</b>
Change in Network	-	-	-	-	-
Inc/(Dec) in Debt	11	(2)	(20)	-	-
Interest Paid	(33)	(11)	(10)	(46)	(55)
Dividends Paid	(182)	(0)	(711)	(353)	(441)
Others	(5)	(5)	(5)	(8)	-
<b>CF from Fin. Activity</b>	<b>(209)</b>	<b>(18)</b>	<b>(746)</b>	<b>(407)</b>	<b>(496)</b>
Inc/(Dec) in Cash	380	(290)	(274)	126	1,314
Opening cash Balance	270	658	593	325	451
Others	8	3	6	-	-
<b>Closing cash Balance</b>	<b>658</b>	<b>371</b>	<b>325</b>	<b>451</b>	<b>1,765</b>

Source: Company, YES Sec

## Exhibit 6: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Tax burden (x)	3.0	3.4	0.7	2.7	2.7
Interest burden (x)	0.3	0.2	0.7	0.3	0.3
EBIT margin (x)	0.2	0.2	0.2	0.2	0.2
Asset turnover (x)	1.5	1.1	1.0	1.1	1.2
Financial leverage (x)	1.0	1.0	1.0	1.0	1.0
<b>RoE (%)</b>	<b>19.6%</b>	<b>15.9%</b>	<b>7.4%</b>	<b>15.9%</b>	<b>17.0%</b>

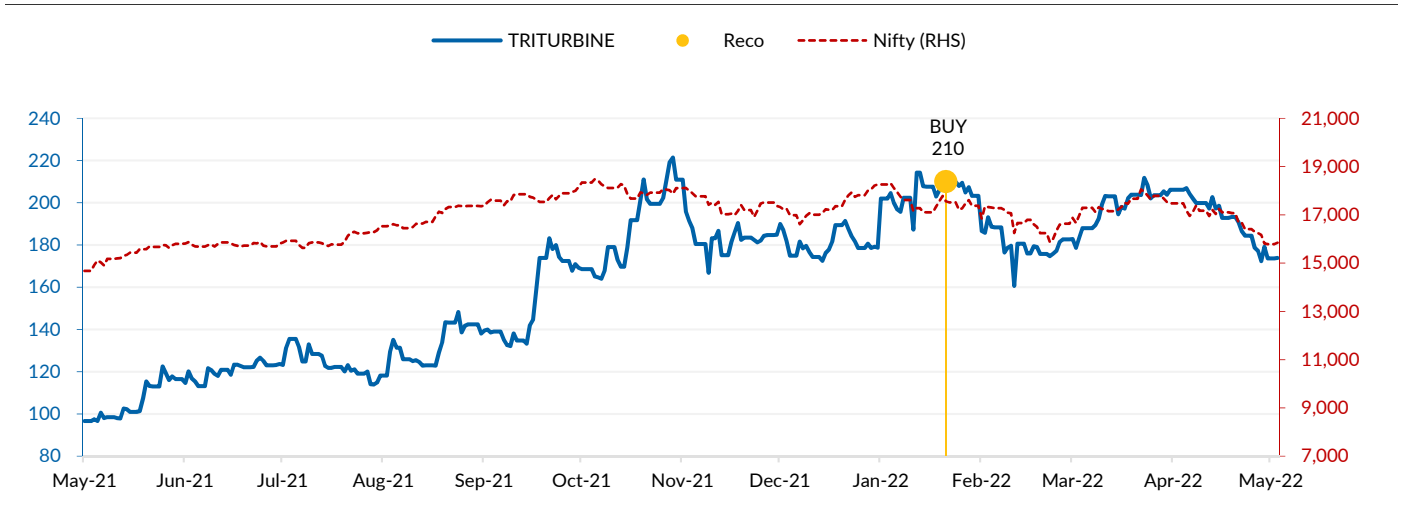
Source: Company, YES Sec

## Exhibit 7: Ratio Analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (Rs)</b>					
EPS	3.8	3.7	2.2	5.5	6.8
Dividend per share	0.6	2.2	1.6	1.1	1.4
Cash EPS	4.4	4.4	2.9	6.2	7.6
Book value per share	16.4	19.7	26.5	30.9	36.3
Div. payout (%)	13.3	69.4	18.5	20.0	20.0
<b>Valuation ratios (x)</b>					
P/E	46.2	46.5	78.1	31.9	25.5
P/CEPS	39.6	39.8	61.0	28.1	22.9
P/B	10.6	8.8	6.6	5.6	4.8
EV/EBIDTA	35.7	37.3	32.9	22.7	17.9
Dividend yield (%)	0.3	1.3	0.9	0.6	0.8
<b>Profitability Ratios (%)</b>					
RoIC	22.7	15.8	15.6	19.4	20.7
RoE	19.6	15.9	7.4	15.9	17.0
RoCE	19.3	15.8	7.4	15.8	17.0
<b>Liquidity ratios</b>					
Debtor (days)	56	40	43	35	35
Inventory (days)	77	83	69	70	70
Creditor (days)	28	39	47	35	30
Net working Capital (days)	28	(10)	(60)	(3)	11
Asset Turnover (x)	1.5	1.1	1.0	1.1	1.2

Source: Company, YES Sec

## Recommendation Tracker



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The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

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2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

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