



**3R MATRIX**

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	✓	■	■

+ Positive    = Neutral    - Negative

**What has changed in 3R MATRIX**

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

**Company details**

Market cap:	Rs. 6,240 cr
52-week high/low:	Rs. 232/107
NSE volume: (No of shares)	4.6 lakh
BSE code:	533655
NSE code:	TRITURBINE
Free float: (No of shares)	10.4 cr

**Shareholding (%)**

Promoters	67.8
FII	17.0
DII	11.6
Others	3.7

**Price chart**



**Price performance**

(%)	1m	3m	6m	12m
Absolute	25.2	0.9	-6.2	56.8
Relative to Sensex	16.0	-3.5	-5.1	48.8

Sharekhan Research, Bloomberg

**Triveni Turbine Ltd**  
**In-line Q1; Healthy prospects**

Capital Goods	Sharekhan code: TRITURBINE		
Reco/View: Buy	↔	CMP: Rs. 193	Price Target: Rs. 235 ↑
↑ Upgrade	↔ Maintain	↓ Downgrade	

**Summary**

- Triveni Turbine Limited (TTL) reported in-line Q1 results on the topline and bottom-line front driven by strong opening order book and low base.
- Order booking during the quarter was the highest ever at Rs. 358 crore (up 31% y-o-y). Given order book of Rs. 1,070 crore and large enquiry pipeline, the company aims 35% revenue growth for the next couple of years.
- The company's entry into new segments, such as API turbines and turbines of more than 30 MW, would increase its net addressable market.
- Given strong revenue guidance and optimistic future growth trajectory in terms of product and market expansion, we retain Buy on TTL with a revised PT of Rs. 235.

Triveni Turbine Limited's Q1FY2023 consolidated numbers were broadly in line with our expectations. Revenue grew by ~41% y-o-y to Rs. 259 crore. Operating profit grew by 36% y-o-y to Rs. 49 crore. Operating profit margin (OPM) declined by 64bps y-o-y to 18.8% (down 64 bps) due to higher raw-material cost. Net profit grew by 38% y-o-y to Rs. 38 crore. Total consolidated order book stood at Rs. 1,070 crore at Q1FY2023 end. The company achieved total order booking of Rs. 358 crore (+31% yoy) in Q1FY2023, which is the highest ever in a quarter in its history. Domestic order booking during the quarter was Rs. 250 crore, higher by 26% y-o-y, while export order booking during the quarter was Rs. 110 crore (+44% y-o-y). Enquiry generation remains strong, which is likely to support order booking in the coming quarters. The company's foray into new segments, such as energy-efficient API turbines for the oil and gas industry and turbines between 30.1-100 MW, is helping it widen its addressable market. Management is confident of achieving strong order inflows in FY2023 and is currently undertaking capacity expansion and gearing up supply chain to prepare for high growth over the next two years.

**Key positives**

- Strong revenue and profit growth, given post-pandemic macro recovery and increasing contribution from international orders.
- Highest-ever order booking of Rs. 358 crore in a single quarter. Carry forward order book strong at Rs. 1,070 crore.
- During the quarter, the company has won a significant order of Rs. 100 crore (Rs. 19 crore of which is included in the after-market segment) for servicing large utility steam turbines in the South African Development Community (SADC) region.
- Contribution of aftermarket in order booking has improved to 28% in Q1FY2023 from 21% in Q1FY2022.

**Key negatives**

- Increased raw-material cost affected operating performance.

**Management Commentary**

- The company expects 35% revenue growth for the next couple of years, given strong order book and promising enquiry pipeline with higher conversion rate. Higher execution of export orders and increased after-market sales would improve margins in FY2023E.
- The company continues to focus on increasing its market share in the 30-100MW segment. Further, its foray into energy-efficient API turbines for the oil and gas industry would help it expand its market.
- Enquiry interest is high in process co-generation, distillery, and metals, while waste heat recovery orders are subdued and did not contribute much to order booking in Q1FY2023.
- TTL would increase its current capacity from 160 turbines to 220-250 turbines by Q3FY2023.

**Revision in estimates** – We have increased our estimates upwards, factoring in better sales growth.

**Our Call**

**Valuation – Retain Buy with a revised PT of Rs. 235:** TTL is expected to be on a high-growth trajectory, led by strong order inflows and promising inquiry pipeline in both 0-30 MW and 30-100 MW segments in domestic and international markets. The company's venture into the API segment, higher share of export orders, and aftermarket segment orders would aid in margin improvement. The company is currently undertaking capital expansion and gearing up its supply chain and sales network to drive future growth. The stock is trading at ~26x its FY2024E EPS, which we believe offers room for an upside, considering strong Revenue/PAT CAGR of 34%/36% over FY2022-FY2024E. Hence, we retain our Buy rating on TTL with a revised price target (PT) of Rs. 235.

**Key Risks**

Slowdown in domestic macroeconomic environment or weakness in international markets can affect business outlook and earnings growth.

**Valuation (Consolidated)**

Particulars	FY21	FY22	FY23E	FY24E
Revenue	703	852	1,147	1,529
OPM (%)	21.0	19.1	19.3	19.8
Adjusted PAT	121	131	175	243
Y-o-Y growth (%)	(0.7)	8.7	33.0	38.9
Adj. EPS (Rs.)	3.7	4.1	5.4	7.5
P/E (x)	51.6	47.5	35.7	25.7
P/B (x)	9.8	7.3	6.2	5.2
EV/EBITDA (x)	35.0	28.6	20.8	14.6
RoNW (%)	20.7	17.6	18.8	22.0
ROCE (%)	25.1	23.0	25.2	29.4

Source: Company; Sharekhan estimates

## Good all-round performance

TTL's Q1FY2023 consolidated numbers were broadly in-line with our expectations. Revenue grew by ~41% y-o-y to Rs. 259 crore. Operating profit grew by 36% y-o-y to Rs. 49 crore. OPM declined by 64bps y-o-y to 18.8% (down 64 bps) due to higher raw-material cost. Net profit grew by 38% y-o-y to Rs. 38 crore. Total consolidated order book stood at Rs. 970 crore at Q1FY2023-end. The company achieved total order booking of Rs. 358 crore (+31% y-o-y) in Q1FY2023, which is the highest ever in a quarter in its history. Domestic order booking during the quarter was Rs. 250 crore, higher by 26% y-o-y, while export order booking during the quarter was Rs. 110 crore (+44% y-o-y). Enquiry generation remains strong, which is likely to support order booking in the coming quarters. The company's foray into new segments, such as energy-efficient API turbines for the oil and gas industry and turbines between 30.1-100 MW, is helping it widen its addressable market. Management seemed confident of achieving strong order inflows in FY2023 and is currently undertaking capacity expansion and gearing up supply chain to prepare for a high-growth trajectory over the next two years.

## Strong order book and promising enquiry pipeline

Total consolidated outstanding order book currently stands at Rs. 1,070 crore (including Rs. 100 crore service contract in SADC region) and provides strong revenue visibility. Domestic outstanding order book stood at Rs. 630 crore, while export outstanding order book has grown more than 100% y-o-y to Rs 440 cr. During the quarter, TTL won a significant order of Rs. 100 crore for servicing large utility steam turbines in the SADC region. While margins for this particular order are of lower magnitude, being a maintenance contract, this opens up the opportunity for TTL to garner more aftermarket business with customers such as spares and refurbishment and generate references for similar future opportunities in the aftermarket space for its utility turbines globally.

## Key conference call and investor update takeaways

- ♦ **Medium to long-term outlook:** The company expects FY2023 performance to be good, as higher share of export orders and aftermarket sales would aid in revenue growth and margin improvement. Further, management expects 35% revenue growth in the next couple of years. It expects breakthroughs in API through its competitive and energy-efficient turbines and 30-100 MW segment, as the enquiry pipeline is promising and the company expects better conversion rate. Increased API and 30-100MW market, where the current share is miniscule, could be the next growth catalyst. It is seeing strong long-term opportunities in process industries, co-generation, IPP, and waste management in domestic and international markets.
- ♦ **Healthy enquiry pipeline:** The company's enquiry pipeline remains healthy. International enquiry generation increased by 22% y-o-y with enquiries from Central and South America, Turkey, North America, Southeast Asia, and Europe. Among industry segments, the IPP segment led to higher enquiry base, followed by process industries.
- ♦ **Capacity expansion:** TTL's annual capacity would expand to 220 -250 units by Q3FY2023. This should enable the company to cater to higher 30-100MW and above 100MW refurbishment orders as well.
- ♦ **Increasing capabilities in various functions:** The company's employee cost is likely to increase as it is strengthening its team to expand its footprints into newer geographies and industries, particularly in the after-market/refurbishment segment.

Results (Consolidated)					Rs cr	
Particulars	Q1FY23	Q1FY22	YoY %	Q4FY22	QoQ %	
Revenue	259	184	40.7	237	9.5	
Operating Profit	49	36	36.1	42	16.1	
Other Income	7	6	34.2	8	-3.9	
Interest	0	0.2	14.3	1	-52.0	
Depreciation	5	5	3.0	5	0.2	
PBT	51	36	40.5	44	15.2	
Tax	12	9	41.8	11	12.6	
Adj. PAT	38	28	37.8	33	15.9	
Adj.EPS (Rs.)	1.2	0.9	37.8	1.0	15.9	
<b>Margin (%)</b>			<b>BPS</b>		<b>BPS</b>	
OPM	18.8	19.4	(64)	17.7	107	
NPM	14.8	15.1	(31)	14.0	81	
Tax Rate	24.5	24.3	22	25.0	(57)	

Source: Company, Sharekhan Research

## Outlook and Valuation

### ■ Sector view - Steam turbine markets see strong growth visibility

Demand for steam turbines should remain robust in future with the manufacturing sector on a growth trajectory and industries such as sugar, steel, cement, pulp and paper, and chemicals expected to grow and increase capacity.

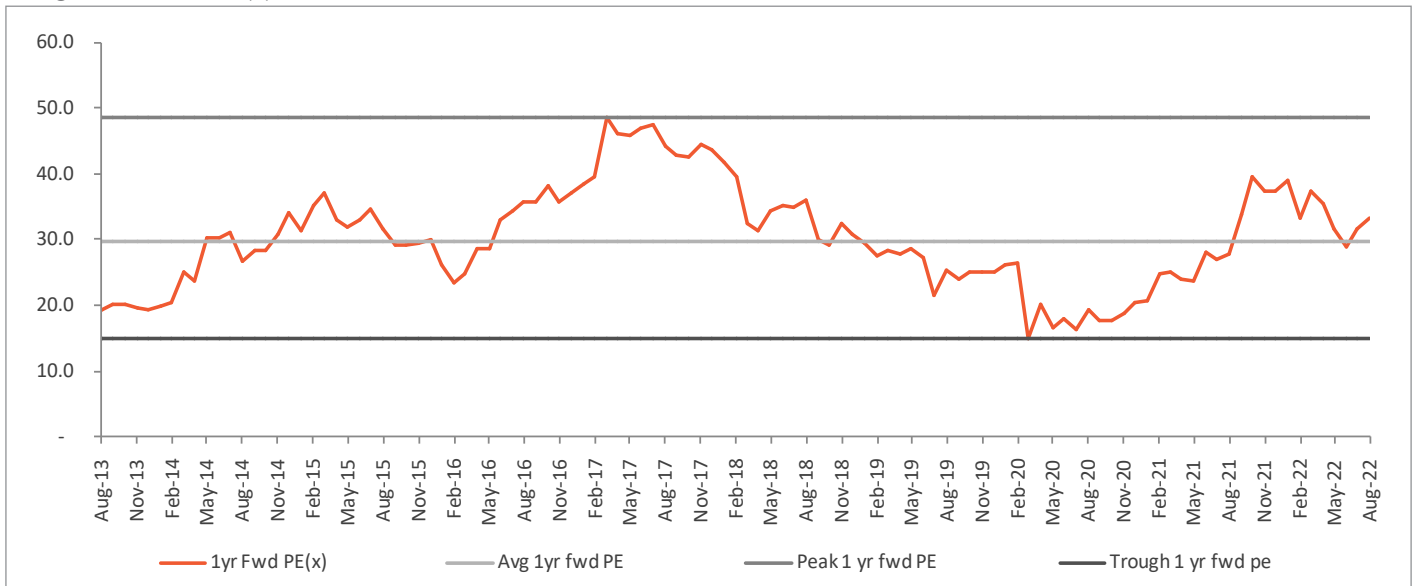
### ■ Company outlook - ample growth opportunities over the next two years

TTL is the market leader in steam turbines up to 30 MW. Post its exit from JV with GE, the company is focusing on increasing its market share in high-margin 30-100 MW export market directly. The company is venturing into the API market, which along with its focus on exports and aftermarket segments is expected to lead to strong order booking with better margins going ahead. The company is undertaking capacity expansion, gearing up its export sales team, and increasing its supply chain capacities to drive on a high-growth trajectory in the coming years. The company sees strong growth opportunities in sectors such as cement, pharma, steel, and distillery in domestic markets and internationally in sectors such as steel, waste to energy, distillery, food processing, and cement WHRS.

### ■ Valuation - Retain Buy with a revised PT of Rs. 235

TTL is expected to be on a high-growth trajectory, led by strong order inflows and promising inquiry pipeline in both 0-30 MW and 30-100 MW segments in domestic and international markets. The company's venture into the API segment, higher share of export orders, and aftermarket segment orders would aid in margin improvement. The company is currently undertaking capital expansion and gearing up its supply chain and sales network to drive future growth. The stock is trading at ~26x its FY2024E EPS, which we believe offers room for an upside, considering strong Revenue/PAT CAGR of 34%/36% over FY2022-FY2024E. Hence, we retain our Buy rating on TTL with a revised PT of Rs. 235.

#### One-year forward P/E (x) band



Source: Sharekhan Research

## About company

TTL is the largest manufacturer of industrial steam turbines in the >5 MW to 30 MW range globally. The company designs and manufactures steam turbines up to 100 MW and delivers robust, reliable, and efficient end-to-end solutions. The larger end of the range – above 30 MW to 100 MW, is addressed through GETL, a majority held globally exclusive JV with Baker Hughes General Electric, a GE company. The company provides renewable power solutions, specifically for biomass, independent power producers, sugar and process co-generation, waste-to-energy, and district heating. The company's steam turbines are used in diverse industries, ranging from sugar, steel, textiles, chemical, pulp and paper, petrochemicals, fertilisers, solvent extraction, metals, palm oil to food processing and more. Apart from manufacturing, the company provides a wide range of aftermarket services to its own fleet of turbines as well as turbines of other makes supported by its team of highly experienced and qualified service engineers that operate through a network of service centres.

## Investment theme

TTL is a market leader in the up to 30 MW steam turbine segment. The company has a strong aftermarket segment and overseas business, while the domestic market is showing distinct signs of pickup. The company has also formed a JV with GE for steam turbines of the 30 MW-100 MW range, which is likely to grow in the ensuing years. TTL is a virtually debt-free company with a limited capex requirement and an efficient working capital cycle, reflected in very healthy return ratios.

## Key Risks

- ◆ Slower-than-expected project execution in domestic and international markets due to various reasons such as pending approvals and clearances.
- ◆ Weakness in domestic investment could affect growth and award of projects, posing a downside risk.
- ◆ Unexpected political changes in some of the developed countries, trade barriers, and conflict in the Middle East are some risks that can affect the company's performance.

## Additional Data

### Key management personnel

Mr. Dhruv M. Sawhney	Chairman and managing director
Mr. Nikhil Sawhney	Vice chairman & managing director
Mr. Arun Mote	Executive director
Mr. Shailendra Bhandari	Independent non-executive director

Source: Bloomberg

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	SBI Mutual Fund	6.24
2	Nalanda India Fund Limited	5.62
3	Nippon Life India Trustee Ltd	4.92
4	Nalanda India Equity Fund Limited	4.37
5	Invesco International Small-mid Company Fund	3.72
6	Dimensional fund advisors	0.36
7	ICICI prudential asset management	0.23
8	Jupiter fund management	0.17
9	Samsung Life Insurance co.	0.12
10	Axis Asset management co.	0.12

Source: Bloomberg

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## Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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by BNP PARIBAS

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