

August 2, 2022

RESULT REPORT Q1 FY23 | Sector: Capital Goods

Triveni Turbine Ltd

Decent quarter; strong outlook

Our view

Triveni Turbine (TRIV) reported healthy performance on account of better sales mix and execution ramp up. EBITDA Margins contracted ~64bps YoY owing to commodity pressures. Order inflows came in at Rs3.6bn (up 31% YoY) led by strong growth in domestic markets at Rs2.5bn while export OI grew by 44%. Order book remains strong at ~Rs10.7bn (1.2x TTM revenue), providing revenue visibility for FY23. Enquiry pipeline remains strong in both domestic and exports from sectors such as food processing, pharma, cement, sugar, oil & gas, steel, etc. Going forward, management expects margins to be in the region of ~20% and guided for 30-35% FY23 revenue growth.

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 the company to generate revenue/PAT CAGR of 25%/29% from FY21 to FY24E. The stock is currently trading at 35.3x/28.3x FY23E/24E EPS. We maintain our BUY rating on the stock with a TP of Rs273 valuing it at 40x FY24E EPS of Rs6.8.

Result Highlights

- Consol sales (highest ever) came in at ~Rs2.59bn (up 41% YoY) (vs YSLe Rs2.63bn) led by improvement in execution.
- Due to input cost pressure, gross margins came in at 43.1% Vs 45.7% in 1QFY22 and 44.5% in 4QFY22.
- EBITDA increased by 36% YoY to Rs487mn (YSLe Rs483mn) with EBITDA margins at 18.8% (64bps YoY contraction/107bps QoQ expansion) despite lower gross margins.
- Adj PBT grew by 39% YoY to Rs508mn on the back of higher other income (up 34%).
- Adj PAT came in at Rs383mn; up 18% YoY led by better operating performance.

Exhibit 1: Actual vs Estimate

Rs mn	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	2,590	2,629	2,421	-1.5	7.0	Decent execution, margin impacted by RM inflation
EBITDA	487	483	466	0.7	4.4	
EBITDA margin %	18.8	18.4	19.2	41 bps	-46 bps	
Adj.Pat	383	358	370	6.9	3.6	

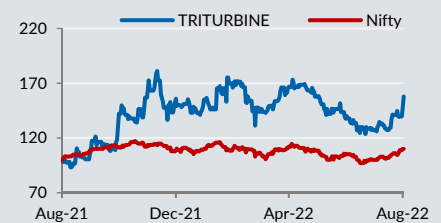
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 193
Target Price	: Rs 273
Potential Return	: +41%

Stock data (as on Aug 2, 2022)

Nifty	17,345
52 Week h/l (Rs)	232 / 107
Market cap (Rs/USD mn)	62382 / 793
Outstanding Shares (mn)	323
6m Avg t/o (Rs mn):	87
Div yield (%):	0.6
Bloomberg code:	TRIV IN
NSE code:	TRITURBINE

Stock performance



	1M	3M	1Y
Absolute return	24.2%	-0.2%	62.8%

Shareholding pattern (As of Jun'22 end)

Promoter	67.8%
FII+DII	28.5%
Others	3.7%

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)	86.6	35.3	28.3
EV/EBITDA (x)	36.7	25.3	20.0
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	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	YoY (%)	QoQ (%)	FY22	FY21	YoY (%)
Revenue	1,841	2,065	2,252	2,366	2,590	40.7	9.5	8,522	7,026	21.3
Total Revenues	1,841	2,065	2,252	2,366	2,590	40.7	9.5	8,522	7,026	21.3
Expenditure	1,483	1,665	1,801	1,947	2,104	41.9	8.1	6,896	5,550	24.3
as % of sales	80.6	80.7	80.0	82.3	81.2			80.9	79.0	
Consumption of RM	999	1,148	1,244	1,312	1,475	47.6	12.4	4,703	3,562	32.0
as % of sales	54.3	55.6	55.3	55.5	56.9			55.2	50.7	
Employee Cost	235	247	257	290	291	23.6	0.2	1,029	870	18.4
as % of sales	12.8	12.0	11.4	12.3	11.2			12.1	12.4	
Other expenditure	249	271	300	345	338	35.9	(1.9)	1,164	1,118	4.1
as % of sales	13.5	13.1	13.3	14.6	13.0			13.7	15.9	
EBITDA	358	399	451	419	487	36.1	16.1	1,627	1,476	10.2
Depreciation	50	51	51	51	51	3.0	0.2	203	202	0.3
EBIT	308	349	399	368	435	41.5	18.3	1,424	1,274	11.8
Other Income	56	78	84	78	75	34.2	(3.9)	295	191	54.4
Interest	2	1	2	5	2	14.3	(52.0)	10	11	(10.5)
PBT	361	426	481	441	508	40.5	15.2	1,708	1,454	17.5
Total Tax	88	624	125	110	124	41.8	12.6	946	296	219.2
Adjusted PAT	274	(198)	357	330	383	40.1	16.1	763	1,157	(34.1)
(Profit)/loss from JV's/Ass/MI	4	(46)	-	-	-	-	-	(42)	53	-
PAT after MI	278	(244)	357	330	383	38.1	16.1	720	1,210	(40.5)
Extra ordinary items	428	1,982	524	-	-	-	-	2,934	(185)	-
Reported PAT	706	1,738	880	330	383	(45.7)	16.1	3,654	1,025	256.6
Adjusted EPS	1.0	5.4	2.7	1.0	1.2	18.0	16.1	11.3	3.6	213.1
Margins (%)										
EBIDTA	19.4	19.3	20.0	17.7	18.8	(64)	107	19.1	21.0	(192)
EBIT	16.7	16.9	17.7	15.6	16.8	9	125	16.7	18.1	(143)
EBT	19.6	20.6	21.4	18.6	19.6	(3)	97	20.0	20.7	(64)
PAT	38.3	84.2	39.1	14.0	14.8	(2,353)	84	42.9	14.6	2,829
Effective Tax rate	24.3	146.5	25.9	25.0	24.5	22	(57)	55.4	20.4	3,498

Source: Company, YES Sec

CONCALL HIGHLIGHTS

- Management indicated enquiry pipeline continues to remain robust across both markets-domestic and exports markets such as LatAm, Europe, SE Asia, Turkey, North America, etc (exports enquiry levels up 22% YoY). The company believes it will lead to healthy order inflows in FY24 as well.
- In the domestic market the company is seeing strong traction from industries such as distilleries, process co-generation (pharma, paper, pulp, food processing), steel, cement, fertilizer, WHRS, etc.
- In Europe, environmental regulations do not allow the disposal of municipal solid waste into dumping grounds and therefore it is incinerated. The company expects to benefit from the same.
- 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. It also intends to improve its market share in the API turbines for oil & gas applications.
- During the quarter, order inflows came in at Rs3.6bn (up 31% YoY) which was the highest ever in any quarter. Domestic order inflows were Rs2.5bn and international order inflows were Rs1.1bn.
- Order book stands at a record high of Rs10.7bn, a growth of 47% YoY out of which domestic is Rs6.3bn and export has doubled to Rs4.4bn.
- The company has bagged a large AMC order worth Rs1bn for servicing large utility steam turbines in the SADC region. Though margin profile for this order is low, the company aims to leverage it to increase its footprint in the region and open up a new revenue stream for the coming years.
- In the aftermarket business the company expects strong traction. Parts business is typically a high margin segment vis a vis servicing
- Management maintained its FY23 margin guidance of ~20% and 30-35% topline growth.
- Cash balance as on Q1FY23 stood at Rs8.53bn however it is expected to decline post dividend payment. NWC continues to be negative.

FINANCIALS

Exhibit 3: Balance Sheet (Consolidated)

Y/e 31 Mar (Rs mn)	FY20	FY21	FY22	FY23E	FY24E
Sources of Funds					
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
Net worth	5,302	6,376	8,566	9,978	11,742
Debt	10	0	2	2	2
Deferred tax liab (net)	72	51	35	35	35
Total liabilities	5,383	6,427	8,610	10,015	11,779
Application of Funds					
Gross Block	3,153	3,342	3,484	3,684	3,884
Depreciation	727	903	1,106	1,341	1,590
Fixed Asset	2,474	2,489	2,469	2,433	2,384
CWIP	64	0	33	33	33
Investments	1,524	2,961	4,775	4,775	4,775
Net Working Capital	1,322	977	1,333	2,774	4,586
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
Total Assets	5,383	6,427	8,610	10,015	11,779

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
Profit before Tax	1,559	1,321	3,648	2,359	2,945
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
CF from Oper. Activity	1,877	1,873	4,334	733	2,011
(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)	-	-
CF from Inv. Activity	(1,288)	(2,144)	(3,862)	(200)	(200)
Change in Networkth	-	-	-	-	-
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)	-
CF from Fin. Activity	(209)	(18)	(746)	(407)	(496)
Inc/(Dec) in Cash	380	(290)	(274)	126	1,314
Opening cash Balance	270	658	593	325	451
Others	8	3	6	-	-
Closing cash Balance	658	371	325	451	1,765

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
RoE (%)	19.6%	15.9%	7.4%	15.9%	17.0%

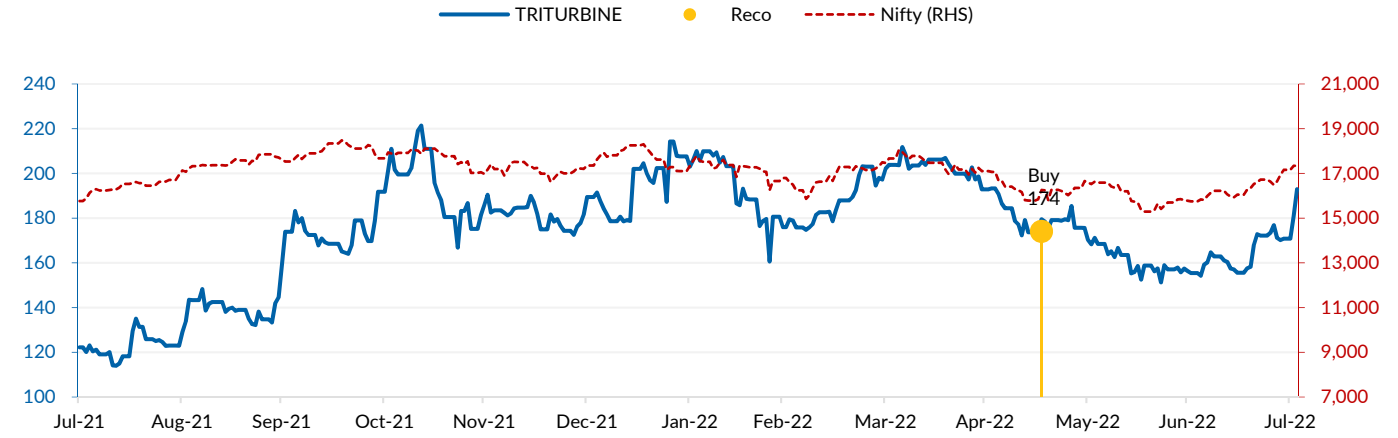
Source: Company, YES Sec

Exhibit 7: Ratio Analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23E	FY24E
Basic (Rs)					
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
Valuation ratios (x)					
P/E	51.2	51.6	86.6	35.3	28.3
P/CEPS	44.0	44.2	67.6	31.2	25.4
P/B	11.8	9.8	7.3	6.3	5.3
EV/EBIDTA	39.6	41.5	36.7	25.3	20.0
Dividend yield (%)	0.3	1.1	0.8	0.6	0.7
Profitability Ratios (%)					
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
Liquidity ratios					
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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