

May 17, 2023

Q4FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		BUY	
Target Price	416		340	
Sales (Rs. m)	16,184	20,091	15,293	18,402
% Chng.	5.8	9.2		
EBITDA (Rs. m)	3,268	4,367	3,219	3,966
% Chng.	1.5	10.1		
EPS (Rs.)	8.3	11.3	7.9	9.7
% Chng.	3.0	13.8		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	8,522	12,476	16,184	20,091
EBITDA (Rs. m)	1,627	2,338	3,268	4,367
Margin (%)	19.1	18.7	20.2	21.7
PAT (Rs. m)	1,228	1,925	2,647	3,578
EPS (Rs.)	3.8	6.1	8.3	11.3
Gr. (%)	5.3	59.5	37.5	35.1
DPS (Rs.)	2.6	-	2.9	3.9
Yield (%)	0.6	-	0.7	1.0
RoE (%)	16.4	23.8	31.3	34.1
RoCE (%)	19.1	26.5	36.0	39.4
EV/Sales (x)	14.2	9.6	7.4	5.9
EV/EBITDA (x)	74.6	51.3	36.4	27.1
PE (x)	104.9	65.8	47.8	35.4
P/BV (x)	15.0	16.7	13.6	10.9

Key Data

TRVT.BO | TRIV IN

52-W High / Low	Rs.423 / Rs.146
Sensex / Nifty	61,561 / 18,182
Market Cap	Rs.127bn/ \$ 1,537m
Shares Outstanding	318m
3M Avg. Daily Value	Rs.669.88m

Shareholding Pattern (%)

Promoter's	55.84
Foreign	24.38
Domestic Institution	15.13
Public & Others	4.65
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	19.1	44.0	122.8
Relative	15.9	44.4	96.6

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Strong exports outlook continues

Quick Pointers:

- Order inflow grew ~65% YoY to Rs4.7bn, aided by 146% growth in aftermarket.
- Enquiry generation grew 41% in FY23 to 9GW, mainly driven by exports market (up 82% YoY).

We revise our FY24/25E EPS estimates by ~3%/14% owing to robust enquiry pipeline, strong exports and healthy aftermarket outlook, however downgrade the rating to 'Accumulate' from Buy given sharp run-up in recent stock price. Triveni Turbine (TRIV) reported revenue growth of 56% YoY, driven by aftermarket growth (up 139% YoY). Despite gross margin expansion of ~729bps YoY, EBITDA margin expanded only 22bps (17.9% in Q4FY23) due to sub-contracting charges related to refurbishment order in South Africa (SADC). Margins are expected to improve in H2FY24 (18.7% in FY23), driven by strong traction in exports despite near term margin impact in aftermarket segment owing to SADC.

We believe TRIV is well placed to benefit from 1) continued strong inquiry pipeline (up 41% YoY) in domestic as well as exports market 1) strong market share (~50%) in domestic market (0-100MW), 2) traction from 30-100MW & API turbine, and 3) focus on aftermarket segment with strategy to penetrate into newer geographies for third party turbine refurbishment. Downgrade to 'Accumulate' with revised TP of Rs416 (Rs340 earlier), valuing it at 37x FY25E given strong business outlook (35x earlier).

Strong exports growth drives overall revenue growth: Consol. sales came in better than estimates at Rs3.7bn up 56.3% YoY (PL estimate of Rs3.5bn), mainly driven by exports - up 213% YoY to Rs1.9bn, while domestic reported muted growth of 1.6% YoY to Rs1.7bn. Gross margin expanded 729bps YoY to 51.8% in Q4FY23. EBITDA grew of 58.3% YoY to Rs663mn (PL estimate ~Rs706mn). Despite strong gross margin expansion, EBITDA margins expanded only by 22bps YoY to 17.9% in Q4FY23 (PL estimate of 20.4%), due to higher other expenses (up 161% YoY). Other expenses were higher, as during the quarter it included subcontracting charges (~Rs478mn) towards execution of maintenance and overhauling contract for large utility turbines in SADC region by its subsidiary. Adj. PAT grew 68.4% YoY to Rs556mn (PL estimate of ~Rs559mn), led by healthy revenue growth and higher other income (up 61% YoY to Rs125mn).

Strong order inflow growth of ~65% YoY, driven by exports markets: Order inflow grew 64.9% YoY to Rs4.7bn, owing to strong growth in exports market up ~172% YoY to Rs2bn and domestic inflows up 27.2% YoY to Rs2.7bn. Order book grew 36.9% YoY to Rs13.3bn, comprising of domestic (59%) and exports (41%). Exports ordering activity is likely to continue its growth momentum given 82% growth in export enquiries, mainly driven by USA and South East Asia.

Exhibit 1: Revenue growth of ~56% YoY and higher other income (up ~61% YoY) drives profitability

Y/e March (Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	2,366	2,590	2,930	3,258	3,698	56.3	13.5	12,476	8,522	46.4
Total Revenues	2,366	2,590	2,930	3,258	3,698	56.3	13.5	12,476	8,522	46.4
Expenditure	1,947	2,104	2,373	2,627	3,034	55.9	15.5	10,138	6,896	47.0
<i>as % of sales</i>	82.3	81.2	81.0	80.6	82.1			81.3	80.9	
Consumption of RM	1,312	1,475	1,562	1,675	1,781	35.7	6.3	6,471	4,703	37.6
<i>as % of sales</i>	55.5	56.9	53.3	51.4	48.2			51.9	55.2	
Employee Cost	290	291	308	333	354	22.0	6.1	1,285	1,029	24.9
<i>as % of sales</i>	12.3	11.2	10.5	10.2	9.6			10.3	12.1	
Other expenditure	345	338	504	619	900	161.0	45.4	2,381	1,164	104.6
<i>as % of sales</i>	14.6	13.0	17.2	19.0	24.3			19.1	13.7	
EBITDA	419	487	557	631	663	58.3	5.1	2,338	1,627	43.7
Depreciation	51	51	49	49	50	(2.5)	1.6	199	203	(1.9)
EBIT	368	435	508	582	614	66.7	5.4	2,139	1,424	50.2
Other Income	78	75	108	119	125	61.0	4.7	426	295	44.5
Interest	5	2	2	1	5	-	614.3	10	10	(3.2)
Extra ordinary items	-	-	-	-	-	-	-	-	1,982	-
PBT	441	508	614	700	733	66.5	4.7	2,555	3,690	(30.8)
Total Tax	110	124	151	174	177	60.6	1.5	626	946	(33.8)
PAT	330	383	463	526	556	68.4	5.7	1,929	2,744	(29.7)
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	3	(42)	-
PAT after JV/MI	330	383	463	526	556	68.4	5.7	1,925	2,702	(28.6)
Adj PAT	330	383	463	526	556	68.4	5.7	1,925	1,228	57
Adjusted EPS	1.0	1.2	1.4	1.6	1.7	68.4	5.7	6.1	3.9	57
Margins (%)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	bps	bps	FY23	FY22	bps
EBIDTA	17.7	18.8	19.0	19.4	17.9	22	(143)	18.7	19.1	(35)
EBIT	15.6	16.8	17.3	17.9	16.6	104	(127)	17.1	16.7	44
EBT	18.6	19.6	21.0	21.5	19.8	121	(167)	20.5	43.3	(2,282)
PAT	14.0	14.8	15.8	16.1	15.0	108	(110)	15.5	14.4	105
Effective Tax rate	25.0	24.5	24.5	24.9	24.2	(89)	(75)	24.5	25.6	(112)

Source: Company, PL

Conference Call Highlights:

- **Product enquiry generation increased 41% YoY to 9GW** in FY23, led by 82% growth in export enquiry.
 - Export enquiry growth was mainly driven by renewable segment.
 - While domestic enquiry generation declined 16%, however management is confident it to grow going forward.
- **Domestic market share stands at ~50%** in 0-100MW turbine. Global market (including India) market share of the company stands at ~22-24%.
- **Exports growth (inflow growth of 172% YoY)** was driven by both small and large power ranges of turbines from regions like Europe, Africa, Central & South America and North America
 - Exports is core focus for company and significant part of long term growth will be derived from recent initiatives taken in international market (increasing local presence in newer geographies).
 - Export is expected to contribute +50% of total revenue in medium to long term.
- **Investment including cash declined 11.5% YoY to Rs6.7bn**, owing to buyback (Rs1.9bn) and dividend payouts (Rs 0.5bn).
- **Domestic market traction continues** in Sugar, Distillery, Food Processing, Pulp & Paper, Chemicals and Waste Heat Recovery (comprising Steel and Cement).
- **Aftermarket witnessing good growth in sub-segments** of refurbishment of third party turbines and spares for installed capacity.
 - Going forward incremental growth in Aftermarkets will be driven by refurbishment segment with deeper penetration in export geographies. While Spares segment growth will be in line with product segment growth.
- **SADC contributed ~15-20% of aftermarket revenue in FY23**, which is low margin order.
- **Capacity expansion has been completed** in Sonpura plant and company can now manufacture ~300 turbines/year. Current capacity is enough to meet demand for next couple of years.
- **Manpower has been increased by 20% in FY23** and will be expanding manpower in FY24 as well.
- The Company enhanced its Intellectual Property Rights filings to 338 IPR, globally in FY23 vs 316 in FY22.

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	8,522	12,476	16,184	20,091
YoY gr. (%)	21.3	46.4	29.7	24.1
Cost of Goods Sold	4,703	6,471	8,360	10,318
Gross Profit	3,820	6,004	7,824	9,773
Margin (%)	44.8	48.1	48.3	48.6
Employee Cost	1,029	1,285	1,683	2,110
Other Expenses	830	1,863	2,185	2,422
EBITDA	1,627	2,338	3,268	4,367
YoY gr. (%)	10.2	43.7	39.8	33.6
Margin (%)	19.1	18.7	20.2	21.7
Depreciation and Amortization	203	199	222	232
EBIT	1,424	2,139	3,046	4,135
Margin (%)	16.7	17.1	18.8	20.6
Net Interest	10	10	10	12
Other Income	295	426	494	647
Profit Before Tax	3,690	2,555	3,530	4,770
Margin (%)	43.3	20.5	21.8	23.7
Total Tax	946	626	882	1,193
Effective tax rate (%)	25.6	24.5	25.0	25.0
Profit after tax	2,744	1,929	2,647	3,578
Minority interest	0	3	-	-
Share Profit from Associate	(42)	-	-	-
Adjusted PAT	1,228	1,925	2,647	3,578
YoY gr. (%)	5.3	56.8	37.5	35.1
Margin (%)	14.4	15.4	16.4	17.8
Extra Ord. Income / (Exp)	1,474	-	-	-
Reported PAT	2,702	1,925	2,647	3,578
YoY gr. (%)	163.7	(28.7)	37.5	35.1
Margin (%)	31.7	15.4	16.4	17.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,702	1,925	2,647	3,578
Equity Shares O/s (m)	323	318	318	318
EPS (Rs)	3.8	6.1	8.3	11.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	3,449	3,876	4,076	4,376
Tangibles	3,449	3,876	4,076	4,376
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,071	1,270	1,492	1,724
Tangibles	1,071	1,270	1,492	1,724
Intangibles	-	-	-	-
Net fixed assets	2,378	2,606	2,583	2,652
Tangibles	2,378	2,606	2,583	2,652
Intangibles	-	-	-	-
Capital Work In Progress	123	141	141	141
Goodwill	-	-	-	-
Non-Current Investments	89	79	81	141
Net Deferred tax assets	(35)	(44)	(44)	(44)
Other Non-Current Assets	103	105	113	221
Current Assets				
Investments	4,775	3,793	4,643	5,443
Inventories	1,617	2,000	2,128	2,532
Trade receivables	1,015	1,293	1,552	1,871
Cash & Bank Balance	2,731	2,849	2,942	3,030
Other Current Assets	433	376	397	583
Total Assets	13,348	13,399	14,743	16,855
Equity				
Equity Share Capital	323	318	318	318
Other Equity	8,242	7,286	9,006	11,332
Total Networkth	8,566	7,604	9,324	11,650
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1	-	-	-
Trade payables	1,091	1,143	1,242	1,376
Other current liabilities	3,648	4,598	4,123	3,776
Total Equity & Liabilities	13,348	13,399	14,743	16,855

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	3,648	2,555	3,530	4,770
Add. Depreciation	203	199	222	232
Add. Interest	10	10	10	12
Less Financial Other Income	295	426	494	647
Add. Other	(195)	(409)	-	-
Op. profit before WC changes	3,666	2,355	3,762	5,014
Net Changes-WC	1,570	230	(800)	(1,369)
Direct tax	902	628	882	1,193
Net cash from Op. activities	4,334	1,957	2,079	2,453
Capital expenditures	(148)	(384)	(200)	(300)
Interest / Dividend Income	43	136	-	-
Others	(3,757)	1,111	(850)	(800)
Net Cash from Inv. activities	(3,862)	862	(1,050)	(1,100)
Issue of share cap. / premium	-	(2,361)	-	-
Debt changes	(25)	(5)	-	-
Dividend paid	(711)	(501)	(927)	(1,252)
Interest paid	(10)	(10)	(10)	(12)
Others	-	-	-	-
Net cash from Fin. activities	(746)	(2,877)	(936)	(1,264)
Net change in cash	(274)	(58)	93	88
Free Cash Flow	4,177	1,571	1,879	2,153

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	3.8	6.1	8.3	11.3
CEPS	4.4	6.7	9.0	12.0
BVPS	26.5	23.9	29.3	36.6
FCF	12.9	4.9	5.9	6.8
DPS	2.6	-	2.9	3.9
Return Ratio(%)				
RoCE	19.1	26.5	36.0	39.4
ROIC	44.7	40.4	66.6	67.9
RoE	16.4	23.8	31.3	34.1
Balance Sheet				
Net Debt : Equity (x)	(0.9)	(0.9)	(0.8)	(0.7)
Net Working Capital (Days)	66	63	55	55
Valuation(x)				
PER	104.9	65.8	47.8	35.4
P/B	15.0	16.7	13.6	10.9
P/CEPS	90.0	59.6	44.1	33.2
EV/EBITDA	74.6	51.3	36.4	27.1
EV/Sales	14.2	9.6	7.4	5.9
Dividend Yield (%)	0.6	-	0.7	1.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	2,590	2,930	3,258	3,698
YoY gr. (%)	40.7	41.9	44.7	56.3
Raw Material Expenses	1,475	1,562	1,675	1,781
Gross Profit	1,115	1,368	1,583	1,917
Margin (%)	43.1	46.7	48.6	51.8
EBITDA	487	557	631	663
YoY gr. (%)	36.1	39.4	40.1	58.3
Margin (%)	18.8	19.0	19.4	17.9
Depreciation / Depletion	51	49	49	50
EBIT	435	508	582	614
Margin (%)	16.8	17.3	17.9	16.6
Net Interest	2	2	1	5
Other Income	75	108	119	125
Profit before Tax	508	614	700	733
Margin (%)	19.6	21.0	21.5	19.8
Total Tax	124	151	174	177
Effective tax rate (%)	24.5	24.5	24.9	24.2
Profit after Tax	383	463	526	556
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	383	463	526	556
YoY gr. (%)	38.1	66.0	47.5	68.4
Margin (%)	14.8	15.8	16.1	15.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	383	463	526	556
YoY gr. (%)	38.1	(73.3)	47.5	68.4
Margin (%)	14.8	15.8	16.1	15.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	383	463	526	556
Avg. Shares O/s (m)	323	323	323	323
EPS (Rs)	1.2	1.4	1.6	1.7

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	BUY	340	332
2	24-Jan-23	BUY	340	276
3	04-Jan-23	BUY	328	245
4	03-Nov-22	BUY	328	283
5	04-Oct-22	UR	-	268
6	03-Aug-22	BUY	240	192
7	05-Jul-22	BUY	240	154

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	4,119	3,719
2	Apar Industries	BUY	3,832	3,056
3	Bharat Electronics	BUY	125	100
4	BHEL	Sell	36	71
5	Cummins India	Accumulate	1,708	1,587
6	Engineers India	BUY	85	74
7	GE T&D India	UR	-	128
8	Harsha Engineers International	BUY	440	414
9	Kalpataru Power Transmission	BUY	625	527
10	KEC International	Accumulate	559	514
11	Larsen & Toubro	BUY	2,615	2,364
12	Praj Industries	BUY	495	343
13	Siemens	Accumulate	4,254	3,898
14	Thermax	BUY	2,608	2,316
15	Triveni Turbine	BUY	340	332
16	Voltamp Transformers	Hold	3,056	2,905

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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