



Powered by the Sharekhan 3R Research Philosophy

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	■	↔	■

ESG Disclosure Score **NEW**

**ESG RISK RATING** **33.94**  
Updated Jul 08, 2023

**High Risk**

NEGL	LOW	MED	<b>HIGH</b>	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

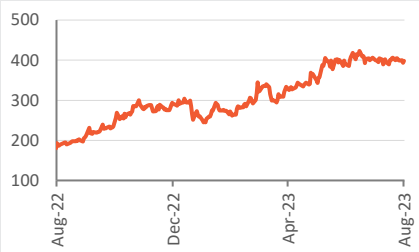
Company details

Market cap:	Rs. 12,868 cr
52-week high/low:	Rs. 430 / 182
NSE volume: (No of shares)	13.9 lakh
BSE code:	533655
NSE code:	TRITURBINE
Free float: (No of shares)	14.3 cr

Shareholding (%)

Promoters	55.8
FII	26.8
DII	12.6
Others	4.8

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-0.1	11.7	52.1	120.5
Relative to Sensex	-0.6	5.2	42.3	107.3

Sharekhan Research, Bloomberg

Capital Goods

Sharekhan code: TRITURBINE

Reco/View: Buy



CMP: Rs. 398

Price Target: Rs. 455



Upgrade



Maintain



Downgrade

Summary

- Q1FY24 numbers were remarkable and continued to be driven by growth in exports and the aftermarket.
- Order booking jumped by 27% y-o-y to Rs. 453 crore, with export orders increased by 128% y-o-y to Rs. 241 crore. Order book was up 31% y-o-y to Rs. 1,405 crore.
- The company has robust enquiry pipeline in international markets driven by climate change and transition towards renewable energy, which works in its favour. In the domestic segment distillery, sugar, food, steel and pharmaceuticals would continue to drive growth.
- TTL has strong business prospects and margin tailwinds and therefore we build in a revenue/PAT CAGR of ~34% each over FY23-FY25E. We retain our Buy recommendation on Triveni Turbine Limited (TTL) with a revised PT of Rs. 455.

Q1FY24 consolidated numbers exceeded our expectations on all the fronts. Its sales grew by 45% y-o-y to Rs 376 crore (vs our estimate of Rs. 348 crore). Operating profit grew by ~46% y-o-y to Rs 71 crore. OPM was flatish at 18.8% (vs our estimate of 18%) as we expected margins to be lower due to execution of large services contract in South African Development Community (SADC) region. Adjusted net profit grew by ~59% y-o-y to Rs 61 crore. The quarter witnessed robust order booking of Rs. 453 crore, up 26.6% y-o-y. Carry forward order book as on June 30, 2023 stood at Rs. 1,405 crore, an increase of 31.4% y-o-y. Q1FY24 had order bookings of Rs. 453 crore (+27% y-o-y led by 128% y-o-y growth in order intake in exports). The carry-forward order book stands at Rs. 1,405 crore at the end of the quarter (+31% y-o-y).

Key positives

- Strong revenue and profit growth was largely driven by healthy exports (up 88% y-o-y) and the aftermarket segment which grew by 91% y-o-y.
- Order booking stood at Rs. 453 crore which was led by 128% y-o-y growth in order intake in exports.
- Order book stands at Rs. 1,405 crore wherein exports contribute 43%.
- Inquiry generation improved by 56% y-o-y in the domestic market.

Key negatives

- OPM remained flat at 18.8% as maintenance and overhauling contracts for large utility turbines in the SADC region is a low-margin order.
- Domestic order booking declined by 16% y-o-y to Rs. 212 crore.

Management Commentary

- Aftermarket business has been expanding beyond industrial steam turbines to other rotating equipments and driving growth in other higher value-added components.
- The company sees a lot of opportunities in renewable energy power generation, in terms of biomass or waste solid municipal waste as feedstock or in waste heat recovery.
- International markets such as Europe, Southeast Asia and America offer ample opportunities in renewable power generation due to climate change mandate.
- The inquiry book has increased by ~56% y-o-y for the domestic market in the first quarter, while overall inquiry book has grown over 22% y-o-y. International market contributes more to the inquiry order book.
- Total consolidated outstanding order book stood at Rs. 1,405 crore, up 31% y-o-y. The domestic outstanding order book stood at Rs. 796 crore, up 27% y-o-y. The export outstanding order book stood at Rs. 609 crore, up 38% y-o-y, and contributed 43% to the closing order book.
- The company's Sompura facility can produce 300 turbines and hence, the company does not require any major capex for at least 5 years.
- Global market share (barring China and Japan) of TTL stands at ~22- 24%, while domestic market share stands at 45-50% for 0-100MW turbines.

**Revision in estimates** – We have marginally tweaked our estimates for FY24-FY25E to build in higher revenue growth.

Our Call

**Valuation – Retain Buy with a revised PT of Rs. 455:** TTL's Q1FY24 performance has been strong on all fronts. Increasing traction in aftermarket services and exports is a healthy sign as this would also lead to better profitability. The inquiry pipeline is promising in both the 0-30 MW and 30-100 MW segments in the domestic and international markets, respectively. Further, climate change mandate in its key export markets will also drive growth for its products. The company has undertaken capital expansion and is working on strengthening its supply chain and sales network to cater to growing demand and increase its market share. The stock trades at ~37x its FY25E EPS, which we believe offers room for an upside, considering a strong Revenue/PAT CAGR of ~34% each over FY23-FY25E and strong ROE/ROCE ratios. Further, nil debt, lean working capital cycle, and healthy cash balance of Rs. 747 crore give us comfort. Hence, we retain our Buy rating on TTL with a revised price target (PT) of Rs. 455.

Key Risks

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

Valuation (Consolidated)

Particulars	FY22	FY23	FY24E	FY25E
Revenue	852	1,248	1,697	2,240
OPM (%)	19.1	18.7	18.8	19.1
Adjusted PAT	123	193	254	344
y-o-y growth (%)	1.9	56.2	31.7	35.8
Adj. EPS (Rs.)	3.8	6.0	7.8	10.6
P/E (x)	104.4	66.8	50.7	37.4
P/B (x)	15.0	16.6	12.9	9.8
EV/EBITDA (x)	63.1	43.4	31.5	27.4
RoNW (%)	16.5	23.8	29.1	30.3
ROCE (%)	23.0	31.7	39.4	40.9

Source: Company; Sharekhan estimates

## Exports and after-market drives Q1FY24 performance

Q1FY24 consolidated numbers exceeded our expectations on all the fronts. Its sales grew by 45% y-o-y to Rs 376 crore (vs our estimate of Rs. 348 crore). Operating profit grew by ~46% y-o-y to Rs 71 crore. OPM was flattish at 18.8% (vs our estimate of 18%) as we expected margins to be lower due to execution of large services contract in South African Development Community (SADC) region. Adjusted net profit grew by ~59% y-o-y to Rs 61 crore. The quarter witnessed robust order booking of Rs. 453 crore, up 26.6% y-o-y. Carry forward order book as on June 30, 2023 stood at Rs. 1,405 crore, an increase of 31.4% y-o-y. Q1FY24 had order bookings of Rs. 453 crore (+27% y-o-y led by 128% y-o-y growth in order intake in exports). The carry-forward order book stands at Rs. 1,405 crore at the end of the quarter (+31% y-o-y).

## Key conference call and investor update takeaways

- ◆ **Aftermarket share rises in revenue pie:** The aftermarket business has been expanding beyond industrial steam turbines to other rotating equipments and driving growth in other higher value-added components while expanding its global footprint. As a result, during Q1FY24, aftermarket sales grew at 91% y-o-y to Rs. 129 crore and contributed ~34% of total sales, up from 26% in Q1FY23. The aftermarket segment registered order booking of Rs. 462 crore during the year, growing 88% y-o-y. The aftermarket segment registered order booking of Rs. 146 crore during the quarter, growing by 43% y-o-y.
- ◆ **Order book grew by 31% y-o-y:** Total consolidated outstanding order book stood at Rs. 1,405 crore, up 31% y-o-y. The domestic outstanding order book stood at Rs. 796 crore, up 27% y-o-y. The export outstanding order book stood at Rs. 609 crore, up 38% y-o-y, and contributed 43% to the closing order book.
- ◆ **Strong traction in exports:** The company sees lot of opportunities in renewable energy power generation, in terms of biomass or waste solid municipal waste as feedstock or in waste-heat recovery. Europe and Southeast Asia are working towards energy transition. The company is also focusing on America. Hence, from a global perspective, the climate change mandate would benefit the company. Moreover, In North America and Southeast Asia industrial capex is also on an upmove. In exports, the company has good orders on the refurbishment and aftermarket side as well and it is confident of good margins in the current financial year. Moreover, 70% of the company's inquiry book is from the export markets. Export order booking during the quarter was Rs. 241 crore, growing by 128% y-o-y, boosted by both product and aftermarket segment. Export turnover increased by 88% y-o-y to Rs. 182 crore, driven by the company's success in international markets, especially in the aftermarket segment.
- ◆ **Inquiry generation has improved on y-o-y basis:** The inquiry book has increased by about 56% y-o-y for the domestic market in the first quarter, while overall inquiry book has grown over 22% y-o-y. International market contributes more to the inquiry order book.
- ◆ **Capex update:** The company has added one extra bay at its new facility at Sompura. The facility is now fully operational and can cater to over 300 turbines. Moreover, it has a flexible assembly capacity and there are other subcontractors and associates which have also augmented their capacity. Hence, the company does not require any major capex for at least five years.
- ◆ **API turbines is a long-term opportunity:** API turbines are used in power generation and as a drive turbine in fans, blowers, pumps, and compressors. Demand is healthy from sectors such as fertilizer, petrochemicals, and EPC players. The company's share in the international API market is in low single digits; however, the inquiry book is strong. The company is in the approved vendor list of major OEMs and EPCs.

**Results (Consolidated)**

Particulars	Rs cr				
	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
<b>Net Sales</b>	<b>376</b>	<b>259</b>	<b>45.3</b>	<b>370</b>	<b>1.8</b>
<b>Operating Profit</b>	<b>71</b>	<b>49</b>	<b>45.7</b>	<b>66</b>	<b>6.9</b>
Other Income	13	7	79.2	12	7.0
Interest	0.7	0.2	208.3	0.5	48.0
Depreciation	5	5	-4.9	5	-2.2
<b>PBT</b>	<b>79</b>	<b>51</b>	<b>55.0</b>	<b>73</b>	<b>7.2</b>
Tax	18	12	42.1	18	-0.3
<b>Adjusted PAT</b>	<b>61</b>	<b>38</b>	<b>59.0</b>	<b>56</b>	<b>9.5</b>
<b>Adj. EPS (Rs.)</b>	<b>1.9</b>	<b>1.2</b>	<b>59.0</b>	<b>1.7</b>	<b>9.5</b>
<b>Margin (%)</b>			<b>BPS</b>		<b>BPS</b>
OPM	18.8	18.8	5	17.9	90
NPM	16.2	14.8	139	15.0	114
Tax rate	22.4	24.5	(203)	24.2	(171)

Source: Company; Sharekhan Research

## Outlook and Valuation

### ■ Sector Outlook – Steam turbine markets see strong growth visibility

In 2021, the Indian steam turbine market (>30 MW) range grew by 137% (in MW) over 2020. Demand for heat and power from the industrial segment was the key factor contributing to the rebound in the steam turbine market to 2019 levels. With the manufacturing sector on a growth trajectory and industries such as sugar, distillery, steel, cement, pulp and paper, and chemicals expected to increase production, demand for steam turbines is expected to remain robust in the future.

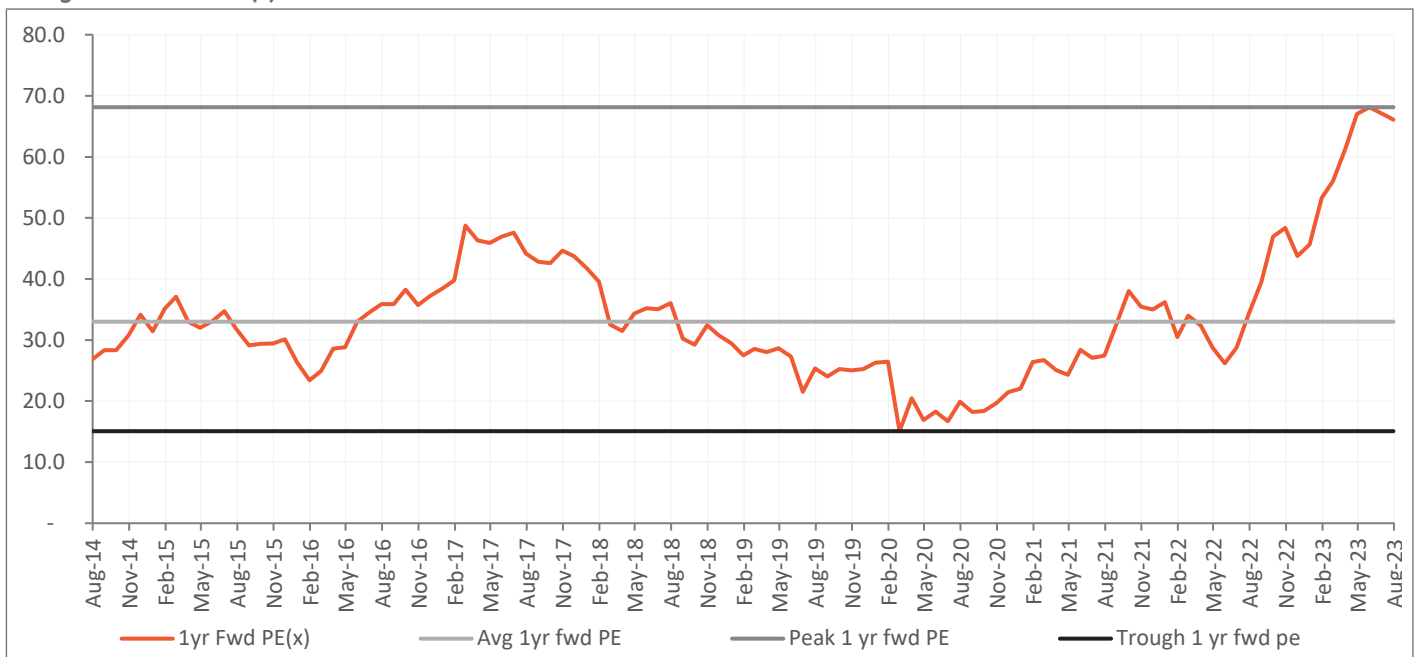
### ■ Company Outlook – Ample growth opportunities over the next two years

TTL is the market leader in steam turbines (of up to 30 MW). Post its exit from JV with GE, the company is focusing on increasing its market share in the 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 expansions, 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. 455

TTL's Q1FY24 performance has been strong on all fronts. Increasing traction in aftermarket services and exports is a healthy sign as this would also lead to better profitability. Inquiry pipeline is promising in both the 0-30 MW and 30-100 MW segments in the domestic and international markets, respectively. Further, climate change mandate in its key export markets will also drive growth for its products. The company has undertaken capital expansion and is working on strengthening its supply chain and sales network to cater to growing demand and increase its market share. The stock trades at ~37x its FY25E EPS, which we believe offers room for an upside, considering a strong Revenue/PAT CAGR of ~34% each over FY23-FY25E and strong ROE/ROCE ratios. Further, nil debt, lean working capital cycle, and healthy cash balance of Rs. 747 crore give us comfort. Hence, we retain our Buy rating on TTL with a revised price target (PT) of Rs. 455.

#### 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 pick-up. The company has also formed a JV with GE for 30 MW-100 MW range steam turbines, 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

Dhruv M. Sawhney	Chairman and Managing Director
Nikhil Sawhney	Vice Chairman and Managing Director
Arun Mote	Executive Director
Shailendra Bhandari	Independent Non-Executive Director

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	SBI Funds Management Ltd.	8.78
2	Invesco Ltd.	3.27
3	Nippon Life India Asset Management	2.51
4	Aditya Birla Sun Life Asset Management Co. Ltd.	1.47
5	Sundaram Asset Management Co. Ltd.	1.40
6	Invesco Asset Management India Pvt. Ltd.	1.00
7	Dimensional Fund Advisors	0.27
8	ICICI Prudential Asset Management	0.22
9	Jupiter Fund Management Plc	0.17
10	Blackrock Inc.	0.09

Source: Bloomberg (old data)

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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

# Sharekhan

by BNP PARIBAS

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