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Triveni TURBINES

Harness the Power of Turbines

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Accumulate

Triveni Turbine Limited (TRITURBINE)

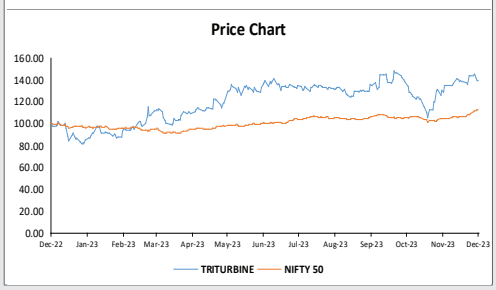
Key Data	
DATE	14.02.2024
CMP (Rs.)	437.25
Target	558
Sector	Capital Goods – Heavy Electrical Equipment
BSE Code	533655
NSE Code	TRITURBINE
EPS (FY23)	6.07
Face Value (Rs.)	1.00
Market Cap (Mn)	1,35,289
52-week High/Low (Rs)	456.60 / 241.60

Source : NSE, BSE

Shareholding pattern (September-2023)	%
Promoters	55.84
DIIs	11.66
FIIs	27.68
Public	4.82
Total	100.00

Source : NSE, BSE

Price Performance



Rebase to 100

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Company Background

Triveni Turbine Limited (TRITURBINE) is incorporated on June 27, 1995 is an India-based industrial steam turbine manufacturer. The Company is primarily engaged in the business of manufacturing and supplying power-generating equipment and solutions. Approximately 6,000 steam turbines supplied by the Company are installed across 20 industries in over 75 countries, including Europe, Africa, Central and Latin America, Southeast Asian and South Asian Association for Regional Cooperation countries (SAARC).

It caters to varied and diverse industries, including Biomass IPPs (Independent Power Plants), municipal solid waste IPPs, district heating, palm oil, paper, sugar, naval, textiles, metals, cement, carbon black, solvent extraction, pharmaceuticals, chemicals, petrochemicals, fertilizers, oil and gas, municipal solid waste-based independent power plants (IPPs), and captive power plants (CPPs). The company's products include backpressure turbines, condensing turbines, API steam turbines, and smart turbines.

Outlook and Valuation

TRITURBINE is primarily engaged in the business of manufacturing and supply of power-generating equipment and solutions. It has a robust order book giving clear signs of Revenue Visibility over the next two to three years.

We expect the company's revenue to grow at a **CAGR** of **22.93% over FY23-FY26E**. Hence, we recommend Triveni Turbine Limited with a target price of **Rs 558 based on FY26E EPS of Rs 11.38** with a forward **PE Valuation multiple of 49**; it looks value **BUY** with growth potential at current levels. Hence, we recommend **ACCUMULATE** rating for the long term.

Financial Snapshot (Consolidated)

Particulars (Rs. in Mn.)	FY23	FY24E	FY25E	FY26E	CAGR % (FY23-FY26E)
Sales	12,475.00	16,982.79	20,138.93	23,174.70	**22.93%**
EBITDA	2,353.01	3,312.23	3,966.54	4,610.81	**25.14%**
EBITDA Margin (%)	18.86%	19.50%	19.70%	19.90%	
PAT	1,928.63	2,639.20	3,133.30	3,618.75	**23.34%**
PAT Margin (%)	15.46%	15.54%	15.56%	15.62%	
Diluted EPS (Rs.)	6.07	8.30	9.86	11.38	

Source: Company, ACMIIL Retail Research

Company at a Glance

- It caters to a diverse base of customers and end-users
- Dominant player in renewable steam turbines
- Domestic market leader
- 50 years of designing, manufacturing & supplying industrial steam turbines
- Top 2 globally in its addressable market.

Investment Idea

Company Overview

Triveni Turbine Limited (TRITURBINE) is an organization that specializes in industrial heat and power solutions, with a strong focus on thermal renewable fuel-based steam turbines up to 100 MW. In India, it holds a dominant position in the industrial steam turbine market and is globally recognized as one of the top manufacturers in this industry. The Company is highly regarded for delivering robust, reliable, and efficient end-to-end solutions. The Company's reputation is built on its ability to provide, engineered-to-order solutions tailored to meet specific customer requirements. This has established them as a trusted and reputable name in the industry.

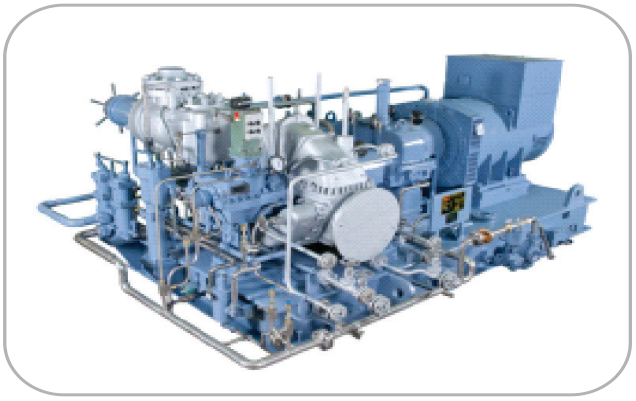
It manufactures steam turbines at its world-class manufacturing facilities in Bengaluru, Karnataka, ensuring the highest standards of quality and precision. Additionally, they have a global network of servicing offices dedicated to assisting their customers with their aftermarket requirements. With its strong foundation and unwavering commitment to excellence, the Company continues to drive innovation and deliver exceptional value to its customers. It remains at the forefront of the industry, consistently exceeding expectations and maintaining its position as a reliable partner for all industrial heat and power solution needs.

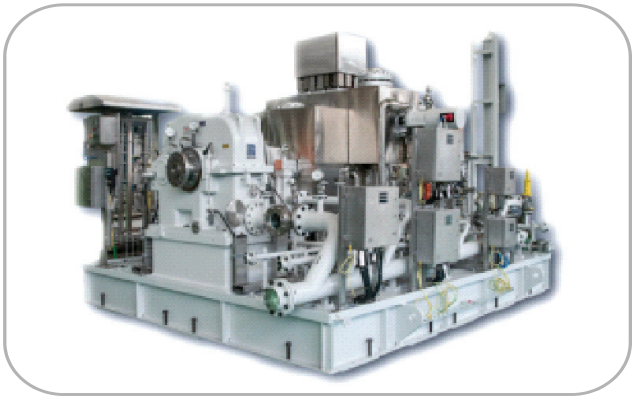
It is an established industrial steam turbine manufacturing company and holds a leadership position in the sub-30-MW capacity turbine category. It manufactures steam turbines upto 100 MW. Over the years, the company has completed more than 5,000 installations in the domestic and export markets.

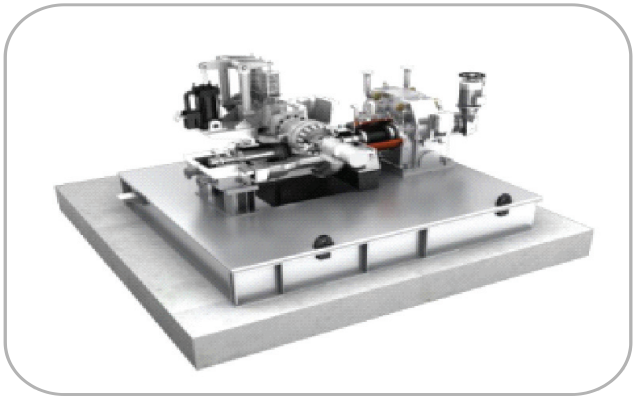
Business Operations

A) Product Business Review

The company's product portfolio includes a wide range of turbines of different types ranging from 1-100 MW in capacities. It manufactures turbines for various industries such as sugar, cement, chemicals, textiles, palm oil, paper, steel, biomass power, distillery, waste-to-energy, carbon black, oil & gas, food, district heating and defence.



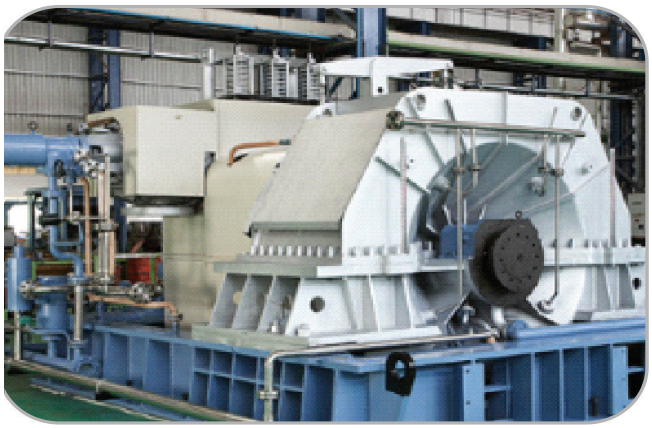




Source: Company, ACMIIL Retail Research

B) Aftermarket Business Review

The company's aftermarket business provides timely service and spares support. It provides services not only for the Triveni branded turbines but also from other OEMs.



Source: Company, ACMIIL Retail Research

Manufacturing Facilities

Two state-of-the-art manufacturing facilities in Bengaluru, located at Peenya and Sompura (India), and one facility in Pretoria (South Africa), provide timely delivery of products and services to customers. Each of the above facilities has full green cover, creating an oasis in the respective industrial areas.

The manufacturing units are equipped with all the facilities required to produce and test steam turbines up to 100 MW. These include best-in-class high-precision CNC machines from around the globe to produce critical parts such as casings, rotors, blades, nozzles, and blade roots. TTL is one of the few steam turbine manufacturers globally to have such full-scale in-house facilities. Seamless component quality is assured through CAD-CAM-CNC machining – CMM process equipment with minimal manual intervention.

Intellectual Property Rights

Invaluable in-house Intellectual Property (IP) is generated through the research efforts undertaken by the Company. It is, therefore, a practical necessity to adequately protect these innovations and technological improvements to safeguard the Company's innovative edge in the industry. The Company has filed for IP protection via patents and industrial design registrations in India, Europe, South East Asia, and the United States of America, and plans to protect its IP in the new international markets where it serves. A substantial number of Intellectual Property Rights (IPRs) have already been awarded to the Company in India and other jurisdictions. The Company had filed 338 IPRs in the market globally till March 31, 2023. These include IPR filings in steam turbines and CO2-based power systems.

Differentiated Product Portfolio catering to a wide range of applications

Power Generation Applications	Combined Heat & Power Applications	Drive Applications
• Independent Power Producers (IPP)	• Industrial Segments	• Petroleum Refineries
• Biomass	• Sugar & Distillery	• Chemicals
• Waste to Energy	• Food Processing	• Petrochemicals
• Waste Heat Recovery	• Paper	• Fertilisers
• Combined Cycle Power Plant	• Textile	
	• Palm	
	• Oil	
	• Cement	
	• Steel	
	• Chemicals	
	• Petrochemicals	
	• Petroleum Refineries,etc	

Source: Company, ACMIIL Retail Research

Investment Idea

Diversified base of End-use Industries

Sugar	Chemicals	Solvent Extraction
Distilleries	Oil & Gas	Metals
Steel	Pulp & Paper	Palm Oil
Cement	Petrochemicals	Food Processing
Textiles	Fertilisers	...and many more!

Source: Company, ACMIIL Retail Research

Supplying Turbine solutions to Renewable Energy space

Biomass (bagasse, palm oil, residues, wood pellets, rice husk

Waste-to-energy (WtE) (Industrial and municipal waste) facilities

Waste Heat Recovery (WHR) (Steel, Cement)

Source: Company, ACMIIL Retail Research

Investment Rationale

Strong growth in order inflows a key growth catalyst

Healthy capex revival in domestic market has been instrumental in sharp upsurge in Company's order inflows. It has outstanding order book of around Rs 14,758 Mn as on September 2023. It's giving clear revenue visibility for the coming years. We expect an uptick in order inflows over FY23-FY26E led by strong capex momentum in India (cement, steel, process co-gen, and biomass and distilleries sectors), Europe (renewables & WTE) and South East Asia (biomass & process-cogen). There is sharp surge in order inquiry book of the company both from domestic and International markets. And the management is very optimistic for substantial increase in order book with conversion of these inquiry in to order in coming quarters. This will be key catalyst to add further growth with Revenue visibility over next three years. It aims to sustain its minimum profitability of 20%+ PBT and is focused on growth rather than margin expansion.

30-100 MW Turbine: A new large opportunity

TRITURBINE 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 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.

Investment Idea

API turbines is a long-term opportunity

The company manufactures API-compliant steam turbines designed for power generation that are used in various applications, aligning with international standards such as API 611 and API 612. These turbines are used in power generation and used as drive turbine in fans, blowers, pumps, and compressors where they are specifically crafted for installation in challenging weather conditions like desert, coastal, tropical, and frigid environments. The demand primarily comes from sectors like fertilizer, petrochemicals, and EPC players. Although the company's share in the international API market is in low single digits, it has a robust inquiry book. The company is in the approved vendor list of major OEMs and EPCs.

Future Growth Strategy through increasing product offerings & diversified geographical presence

The Company's profitability is expected to improve over the medium term owing to a healthy current order book along with its diversified geographical presence, competitiveness by value engineering, and faster turnaround. Prospects for the aftermarket segment are bright as well, with an increasing portfolio of offerings, viz. services, refurbishment, and spares, across a wider customer base of steam turbines, utility turbines, and geothermal rotors.

Strong traction in exports

The company sees a lot of opportunities in renewable energy power generation, in terms of biomass or solid waste municipal waste as a feedstock and in waste-heat recovery. Europe and Southeast Asia are working towards an 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 up-move. 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. Total order booking during FY23 was boosted by both product and aftermarket segments. Export turnover increased by 44% y-o-y to Rs. 6,747 Mn, driven by the company's success in international markets, especially in the aftermarket segment.

Steam turbine markets see strong growth visibility

Indian Steam Turbines market has valued at US$ 837.91 Mn in 2023 and is anticipated to project robust growth in the forecast period with a CAGR of 6.19% by 2029. 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.

Key beneficiary with a dominant +50% Market Share in Domestic business

TRITURBINE is the dominant market leader in the domestic market for 0-30MW range of turbines with ~50-60% market share. Healthy orders are coming from capex in sectors such as process co-generation industries (food packaging, textiles, chemicals, fertilizers, pulp & paper), sugar & distilleries, oil & gas, biomass IPPs and waste-heat-recovery (WHR) driven sectors like cement and steel. With capex revival taking place in full steam in the manufacturing sector, the need for more captive power generation has increased due to financial benefits (reduced operating costs), attaining self-sufficiency (reduced dependence on merchant power), and environmental norms (for decarbonization and gaining carbon credits).

Expansion of Aftermarket Business in SADC Region to drive further growth

The Company has expanded its aftermarket business in the South African Development Community (SADC) region since augmenting its capacity in the geography. It bagged a significant services contract for large (utility) steam turbines in the aftermarket during FY23. This order has driven large top-line growth for company in the aftermarket segment and has the potential to enhance this in the future as well. They are exploring this new revenue stream to build capabilities to create a niche and to develop proficiency in the new segment of large utility steam turbines. This will lead to greater service, along with spares and refurbishment offerings, internationally in the future. It will further help them to establish the Company's REFURB brand (TRITURBINE's Multi-brand Refurbishing Service) in the Utility turbines space.

Source: Company, ACMIIL Retail Research

Continued ESG Focus

With the integration of ESG strategies, TRITURBINE can effectively cut their emission levels either by using renewable energy and/or by capturing and sequestering emissions from fossil fuel sources. Additionally, the growth of renewable energy translates to more jobs and the overall development of the energy industry. Therefore, investments in low-carbon energy generation are highly acceptable from a socio-political perspective.

Innovating in the Renewable Energy Segment

The company's innovation in the renewable energy segment is crucial for its sustainable growth. Through strategic partnerships and prestigious educational institutions in India, they are developing cutting-edge technologies for marine and industrial applications, specifically focusing on cooling, heating, and energy efficiency in power generation. These investments in innovation underscore its dedication to a sustainable future and position it as a leader in technological advancements within the industry.

Industry Overview

A) Global Turbine

A turbine engine is a mechanical device that takes energy from a moving fluid and converts it into electricity. There are four types of turbine engines in the market which include wind turbine, water turbine, steam turbine and gas turbine. The driving factors for the growth of global turbine engines are the shift in preference to fossil fuels to alternative green energy sources and the growing demand for sustainable energy sources. Today, turbine engines are used in several end-use industries, such as petrochemical, oil and gas, and power generation.

Governments around the world are promoting sustainable energy sources that, unlike traditional energy sources, can reduce carbon dioxide emissions. In addition, various technologies such as flowing river, low turbines and small hydroelectric plants are gaining popularity in the market to help generate kinetic energy that can be used for various purposes. Thus, the increase in demand for such renewable energy sources is expected to lead to the growth of the turbine engine market. The Asia-Pacific region had the largest number of hydropower projects under construction.

The global power sector which contributes to 17% of TFEC (Total final Energy Consumption) is a crucial part of the global economy, providing electricity needed for lighting and appliances, around the world. The sector is responsible for generating and distributing electricity from a wide variety of sources, including renewable sources like biomass, wind and solar, along with fossil fuels, nuclear energy, etc. With the growing demand for energy and the need to reduce carbon emissions, the power sector is undergoing a significant transformation towards cleaner and more sustainable sources of energy. This transition is expected to accelerate in the coming years, as countries and companies strive to meet their climate targets and achieve a more sustainable future.

B) Indian turbine

1) Indian Wind Turbine

Indian wind Turbine Market is anticipated to register a higher CAGR in the forecast period 2024-2028 due to the increasing demand for renewable electricity, rising technological advancements, and increasing government investments and projects. For instance, India presently has 10.3 GW worth of projects in both national and state bids, and these projects are anticipated to power installations through 2023. After 2023, approximately 10 GW of newly granted wind capacity will drive the market, mostly through hybrid projects that are becoming more crucial for the nation's "round-the-clock" electricity strategy. India is the fourth largest country in terms of installed wind power capacity in the world after China, the USA, and Germany. The Government of India has taken a major policy push to develop an offshore wind power segment in India that has a strong local wind turbine manufacturing ecosystem with major global and Indian players present.

2) Indian Steam Turbine

Steam turbines play a critical role in meeting global energy requirements. These machines are widely used to generate electricity from steam and are considered to be one of the most efficient ways to convert heat energy into mechanical energy, which can be further converted into electrical energy.

The market was primarily driven by thermal renewable-based power plants (including biomass, waste heat and W2E), followed by fossil fuel-fired power plants. Majority of the steam turbines' requirements came from power generation applications (using MSW, biomass, waste heat, and fossil as the fuel), and from energy-intensive segments like Steel and cement, besides segments like Sugar, Distillery, Food Processing, Pulp and Paper, Chemicals and Oil & Gas for Combined Heat and Power applications. The demand for steam turbines is expected to remain robust in the future, owing to investments in increasing the production capacities among industries such as Sugar, Distillery, Steel, Cement, Pulp and Paper, Food Processing, and Chemicals, among others.

Investment Idea

Indian Manufacturing Sector – Significance of Captive Power Generation

The sector is fast emerging as one of the high-growth sectors, driven by the Government's 'Make in India' program aimed at placing the country on the world manufacturing map. Rising input costs (energy) and electricity prices, coupled with stringent Government regulations, are expected to drive investment in the establishment of captive power plants for continued uninterrupted power supply, leading to sustainable industrial operations. Captive power generation units can be fired using both fossil fuel and renewable fuel. The market was primarily driven by thermal renewable-based power plants (including biomass, waste heat, and W2E), followed by fossil fuel-fired power plants.

Industrial Key Growth Drivers

- India's market is primarily propelled by growing government initiatives and supportive policies, attracting investments and fostering a conducive environment for renewable energy development. The decreasing costs of solar and wind technologies play a substantial role in driving the market. Additionally, India's expanding economy and population contribute to a heightened demand for energy.
- The renewable energy sector exhibits robust revenue visibility, supported by the government's ambitious goal of achieving 500 GW of energy production from wind and solar sources by 2030.
- The India Power Market size in terms of installed base is expected to grow from 453 gigawatts in 2023 to 692 gigawatts by 2028, at a CAGR of 8.80% during the forecast period (2023-2028).
- Rising energy demands in industries such as power generation, oil and gas, and manufacturing drive the requirement for efficient and reliable sources like industrial gas turbines. Their high efficiency and reliability make them the preferred choice for industries seeking to optimize energy output.
- Ongoing technological advancements, such as improvements in turbine design, materials, and control systems, enhance the efficiency and performance of industrial gas turbines.

Price Charts (Rs. In Mn.)

Exhibit 1 : Sales Growth %

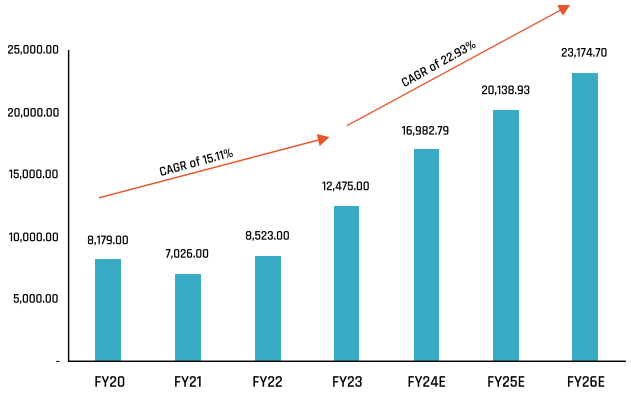


Exhibit 2 : EBITDA & EBITDA Margin %

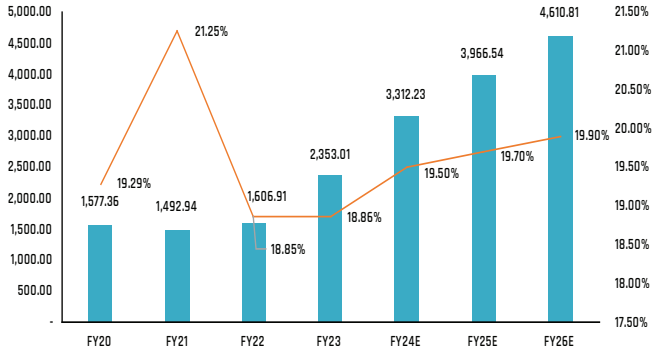


Exhibit 3 : PAT & PAT Margin %

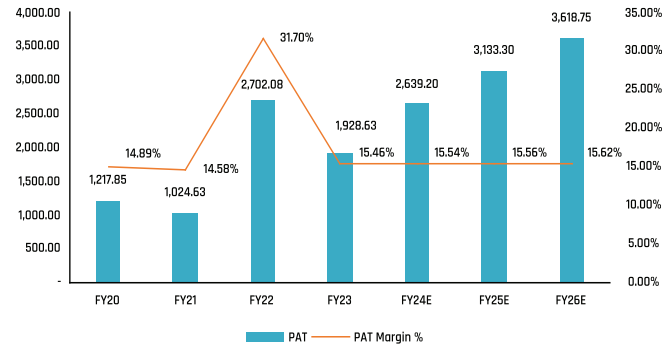


Exhibit 4 : Location Wise Break-up

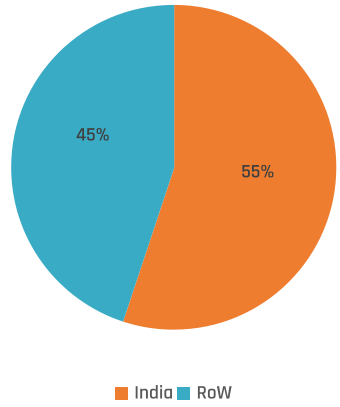


Exhibit 5 : Closing Order Book (in Mn.)

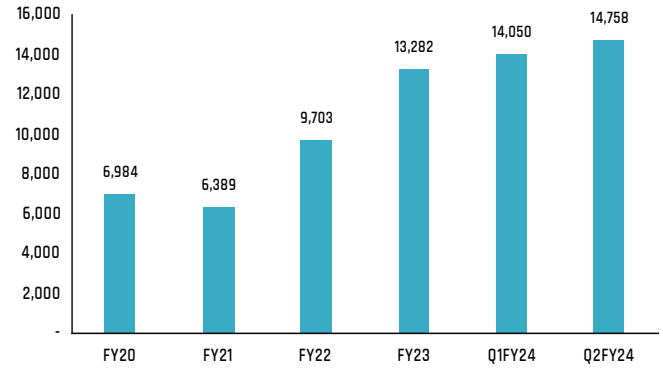
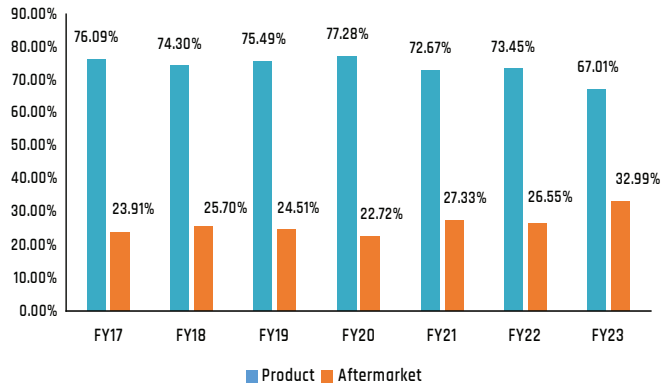


Exhibit 6 : Segment Breakup



Source: Company, ACMIIL Retail Research

Financial Statements

Consolidated Profit & Loss Statement:

Particulars (Rs. In Mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Sales	8,179.00	7,026.00	8,523.00	12,475.00	16,982.79	20,138.93	23,174.70
Expenses	6,601.64	5,533.06	6,916.09	10,121.99	13,670.57	16,172.39	18,563.89
EBITDA	**1,577.36**	**1,492.94**	**1,606.91**	**2,353.01**	**3,312.23**	**3,966.54**	**4,610.81**
EBITDA Margin %	**19.29%**	**21.25%**	**18.85%**	**18.86%**	**19.50%**	**19.70%**	**19.90%**
Other Income	236.60	58.30	2,272.60	426.20	435.00	442.50	445.00
Interest	53.40	28.20	28.70	25.30	25.50	26.50	27.00
Depreciation	201.10	202.10	202.80	199.00	202.80	204.80	203.80
PBT	**1,559.46**	**1,320.94**	**3,648.01**	**2,554.91**	**3,518.93**	**4,177.74**	**4,825.01**
Tax	341.61	296.31	945.93	626.28	879.73	1,044.43	1,206.25
PAT	**1,217.85**	**1,024.63**	**2,702.08**	**1,928.63**	**2,639.20**	**3,133.30**	**3,618.75**
PAT Margin %	**14.89%**	**14.58%**	**31.70%**	**15.46%**	**15.54%**	**15.56%**	**15.62%**
Diluted EPS (Rs.)	3.77	3.17	8.36	6.07	8.30	9.86	11.38

Source: Company, ACMIIL Retail Research

Risks and concerns

- Industrial turbine is a technology driven customized product. Inability to keep pace with new evolving technologies could affect leadership position.
- Unexpected rise in competitive intensity, in both domestic and international markets, could affect market share and profitability.
- Geo-political instability in key international markets may affect enquiry generation and order inflow.
- Economic slowdown may affect Business & growth of the company.

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