

November 2, 2023

RESULT REPORT Q2 FY24 | Sector: Capital Goods

Triveni Turbine Ltd

Exports and aftermarket success continues

Our view

Triveni Turbine (TRIV) reported yet another robust print albeit a tad below expectations. Revenue growth of 32% YoY was broad-based with both domestic and export revenue growth coming in strong at 27% YoY and 37% YoY respectively. Export and aftermarket continue to gain incremental share in the overall revenue pie driving strong gross margin expansion. Despite that, EBITDA margin have remained range-bound as other expenses eat away increased revenue share on account of increased sub-contracting and travel charges. Order Inflows moderated for exports on a high base while domestic business saw strong pick-up.

Looking Forward

Management highlighted a strong growth of 33% YoY in the enquiry book in H1FY24 driven by increased domestic enquiries (+100% YoY). Enquiries have remained strong from Cement, Steel and distillery sectors in the domestic market. The company intends to increase the aftermarket business by offering higher value services such as automation and increased refurbishment. Also, in addition to servicing its own product base, the company is positioning itself to cater to third party turbines by catering to the market not serviced by the OEMs currently. Energy transition theme continues to be the key underlying theme where demand remains strong for efficiency enhancement and renewable energy transition. We have maintained our EPS estimates building in revenue/EPS CAGR of 30%/34% respectively. Also, retain ADD with a target price of Rs441 based on 40x FY25E earnings.

Result Highlights

- Consol sales came in at ~Rs3.88bn (up 32% YoY) (vs YSLe Rs4.3bn).
- Gross margin has continued its YoY expansion journey (last 5 quarters have seen GM improve YoY), stood at 49.1% (+240bps YoY). This was in line with estimates.
- A lower-than-expected revenue led to lower than expected operating leverage benefits. EBITDA Margin still saw an expansion of 20bps YoY to 19.2% with an EBITDA growth of 33% YoY to Rs743mn.
- PBT grew by 35% YoY to Rs830mn while PAT came in at Rs642mn, up 39% YoY driven by revenue growth and stable operating performance.
- Order inflow came in at Rs4.6bn (+27% YoY) with Orderbook at Rs14.8bn (+30% YoY).

Exhibit 1: Actual vs Estimate

Rs mn	Actual	Estimate		% variation		Comments
		YSec	Consensus	Ysec	Consensus	
Sales	3,764	3,240	3,699	16.2	1.8	Margin miss on account of SADC contract
EBITDA	709	611	725	16.1	-2.2	
EBITDA margin %	18.8	18.9	19.6	-1 bp	-76 bps	
Adj.Pat	610	488	NA	24.9	NA	

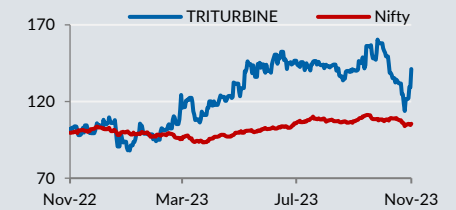
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 398
Target Price	: Rs 441
Potential Return	: +11%

Stock data (as on Nov 2, 2023)

Nifty	19,133
52 Week h/l (Rs)	457 / 242
Market cap (Rs/USD mn)	114070 / 1371
Outstanding Shares (mn)	318
6m Avg t/o (Rs mn):	426
Div yield (%)	-
Bloomberg code:	TRIV IN
NSE code:	TRITURBINE

Stock performance



	1M	3M	1Y
Absolute return	-10.7%	-1.7%	38.3%

Shareholding pattern (As of Sep'23 end)

Promoter	55.8%
FII+DII	39.3%
Others	4.8%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	441	441

Δ in earnings estimates

	FY24E	FY25E
EPS (New)	7.7	7.8
EPS (Old)	10.9	11.0
% change	-0.7	-0.9

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Revenues	12,476	16,279	21,145
YoY growth (%)	46.4	30.5	29.9
OPM (%)	18.7	18.9	20.4
EPS (Rs)	6.1	7.7	10.9
EPS growth (%)	172.0	27.5	41.4
P/E (x)	64.7	50.8	35.9
EV/EBITDA (x)	52.1	39.7	28.1
Debt/Equity (x)	-	-	-
RoE (%)	21.2	22.0	24.4
RoCE (%)	21.1	21.8	24.3

ABHIJEET SINGH

Lead Analyst

abhijeet.singh@ysil.in



Exhibit 2: Quarterly snapshot (Consolidated)

Rs mn	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)	FY23	FY22	YoY (%)
Revenue	2,930	3,258	3,698	3,764	3,878	32.4	3.0	12,476	8,522	46.4
Total Revenues	2,930	3,258	3,698	3,764	3,878	32.4	3.0	12,476	8,522	46.4
Expenditure	2,373	2,627	3,034	3,055	3,135	32.1	2.6	10,138	6,896	47.0
as % of sales	81.0	80.6	82.1	81.2	80.8			81.3	80.9	
Consumption of RM	1,562	1,675	1,781	1,827	1,974	26.4	8.1	6,492	4,703	38.1
as % of sales	53.3	51.4	48.2	48.5	50.9			52.0	55.2	
Employee Cost	308	333	354	406	398	29.3	(2.0)	1,285	1,029	24.9
as % of sales	10.5	10.2	9.6	10.8	10.3			10.3	12.1	
Other expenditure	504	619	900	823	763	51.5	(7.2)	2,360	1,164	102.8
as % of sales	17.2	19.0	24.3	21.9	19.7			18.9	13.7	
EBITDA	557	631	663	709	743	33.5	4.8	2,338	1,627	43.7
Depreciation	49	49	50	49	51	4.9	4.7	199	203	(1.9)
EBIT	508	582	614	660	692	36.2	4.8	2,139	1,424	50.2
Other Income	108	119	125	134	146	35.1	9.0	426	295	44.5
Interest	2	1	5	7	6	227.8	(20.3)	10	10	(2.9)
PBT	614	700	733	786	832	35.5	5.7	2,555	1,708	49.6
Total Tax	151	174	177	177	190	26.2	7.6	626	946	(33.8)
Adjusted PAT	463	526	556	610	642	38.5	5.2	1,929	763	152.9
(Profit)/loss from JV's/Ass/MI	(1)	-	-	(2)	0	-	-	-	(42)	-
PAT after MI	462	526	556	608	642	38.9	5.6	1,929	720	167.8
Extra ordinary items	-	-	-	-	-	-	-	-	2,934	-
Reported PAT	462	526	556	608	642	38.9	5.6	1,929	3,654	(47.2)
Adjusted EPS	1.4	1.6	1.7	1.9	2.0	41.2	7.4	4.2	4.2	-
Margins (%)										
EBIDTA	19.0	19.4	17.9	18.8	19.2	16	32	18.7	19.1	(35)
EBIT	17.3	17.9	16.6	17.5	17.8	51	30	17.1	16.7	44
EBT	21.0	21.5	19.8	20.9	21.4	49	55	20.5	20.0	43
PAT	15.8	16.1	15.0	16.1	16.6	78	41	15.5	42.9	(2,741)
Effective Tax rate	24.5	24.9	24.2	22.4	22.9	(169)	41	24.5	55.4	(3,085)

Source: Company, YES Sec

CONCALL HIGHLIGHTS

- H1FY24 export contribution improved to 47% from 41% in H1FY23. Aftermarket share improved to 33% in H1FY24.

Segmental Revenue

- Domestic revenue grew by 29% YoY while exports grew 37% YoY in Q2FY24. Q2FY24 revenue growth of 32% YoY.
- Product revenue grew by 20% YoY. Aftermarket revenue grew by 71% YoY in Q2FY24.

Segmental Order Inflow

- Domestic OI grew by 41% YoY while exports OI grew by 13% YoY. Q2FY24 OI growth of 27% YoY.
- Product segment OI grew by 12% YoY. Aftermarket OI grew by 73% YoY.

Segmental Order Book

- Orderbook of Rs14.76bn. Domestic OB contributes 57% while Product OB contributes 83%.

Enquiry Book

- Enquiry book increased 33% YoY in H1FY24. Domestic enquiry book in H1FY24 improved by 100%. Q2 Cement came back after muted Q1, Steel was strong in both Q1 and Q2, Distillery was strong. Domestic enquiry – Steel, Cement and Process Co-generation, International – Americas, Europe, SE Asia.
- **Aftermarket strategy:** Somewhere between OEMs and local repair shops. Plan to propose value in between the two levels service. Also, trying to upgrade service offerings in terms of automation and refurbishment.
- Aim to benchmark a minimum of PBT margin of 20% for any order.
- Strong growth coming from energy transition – Renewable energy generation and efficiency enhancement.
- EBITDA Margin sustainable at ~20%.
- **API Turbine:** Strong growth in enquiry pipeline of ~20%. Strong growth in both drive turbines (for compressors, pumps) and power turbines.
- **Other expense** – Subcontracting charges contribute significant part of this. Travel expenses have gone up substantially in the last few quarters. Expect to normalize it in the next few quarters.
- Turbine (0-100MW) market is ~2,200MW. Expected to grow ~25% in FY24.

FINANCIALS

Exhibit 3: Balance Sheet (Consolidated)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Sources of Funds					
Equity capital	323	323	318	318	318
Reserves	6,052	8,242	7,286	9,250	12,026
Non Minority Controlling Int.	0	8	10	10	10
Net worth	6,376	8,566	7,604	9,568	12,344
Debt	0	2	0	0	0
Deferred tax liab (net)	51	35	44	44	44
Total liabilities	6,427	8,610	7,657	9,621	12,398
Application of Funds					
Gross Block	3,342	3,449	3,876	4,076	4,376
Depreciation	903	1,071	1,270	1,531	1,811
Fixed Asset	2,489	2,469	2,693	2,632	2,652
CWIP	0	33	54	54	54
Investments	2,961	4,775	3,793	3,793	3,793
Net Working Capital	977	1,333	1,117	3,142	5,899
Inventories	1,596	1,617	2,000	2,676	3,476
Sundry debtors	771	1,015	1,293	1,561	2,028
Cash & equivalents	1,164	2,731	2,849	2,645	3,687
Loans & Advances	87	173	235	244	529
Other Current Asset	349	536	481	781	1,100
Sundry creditors	745	1,091	1,143	1,472	1,912
Provisions	171	245	339	407	529
Other current liabilities	2,076	3,403	4,260	2,886	2,480
Total Assets	6,427	8,610	7,657	9,621	12,398

Source: Company, YES Sec

Exhibit 4: Income statement (Consolidated)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue	7,026	8,522	12,476	16,279	21,145
% Change YoY	(14.1)	21.3	46.4	30.5	29.9
Operating profit	1,476	1,626	2,338	3,069	4,303
EBITDA margins	21.0	19.1	18.7	18.9	20.4
% Change YoY	(5.2)	10.2	43.7	31.3	40.2
Depreciation	202	203	199	261	280
EBIT	1,274	1,424	2,139	2,808	4,023
EBIT margins	18.1	16.7	17.1	17.2	19.0
Interest expense	11	10	10	16	21
Other income	191	295	426	488	634
Profit before tax	1,454	1,708	2,555	3,280	4,636
Taxes	296	946	626	825	1,166
Effective tax rate (%)	20.4	55.4	24.5	25.1	25.1
Net profit	1,157	762	1,929	2,455	3,471
Minorities and other	53	(43)	(3)	0	0
Net profit after minorities	1,210	720	1,925	2,455	3,471
Exceptional items	(185)	1,982	0	0	0
Net profit	1,025	2,702	1,925	2,455	3,471
% Change YoY	(15.9)	123.3	167.4	27.5	41.4
EPS (Rs)	3.7	2.2	6.1	7.7	10.9

Source: Company, YES Sec

Exhibit 5: Cash flow statement (Consolidated)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Profit before Tax	1,321	3,648	2,555	3,280	4,636
Interest	11	10	10	16	21
Depreciation	202	203	199	261	280
Other Items	(134)	(195)	(409)	-	-
(Inc)/Dec in WC	796	1,570	230	(2,230)	(1,714)
Direct Taxes Paid	323	902	628	825	1,166
CF from Oper. Activity	1,873	4,334	1,957	503	2,057
Inc/(Dec) in FA	134	157	386	200	300
Free Cash Flow	1,738	4,178	1,571	303	1,757
(Pur)/Sale of Invest.	(2,279)	(4,019)	476	(400)	(600)
CF from Inv. Activity	(2,144)	(3,862)	862	(200)	(300)
Change in Networth	-	-	-	-	-
Inc/(Dec) in Debt	(2)	(20)	(1)	-	-
Interest Paid	(11)	(10)	(10)	(16)	(21)
Dividends Paid	(0)	(711)	(501)	(491)	(694)
Others	(5)	(5)	(2,365)	0	0
CF from Fin. Activity	(18)	(746)	(2,877)	(507)	(715)

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Inc/(Dec) in Cash	(290)	(274)	(58)	(205)	1,042
Opening cash Balance	658	593	325	297	92
Others	3	6	30	-	-
Closing cash Balance	371	325	297	92	1,135

Source: Company, YES Sec

Exhibit 6: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Tax burden (x)	3.4	0.7	2.6	2.5	2.6
Interest burden (x)	0.2	0.7	0.3	0.3	0.3
EBIT margin (x)	0.2	0.2	0.2	0.2	0.2
Asset turnover (x)	1.1	1.0	1.6	1.7	1.7
Financial leverage (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	15.9%	7.4%	21.2%	22.0%	24.4%

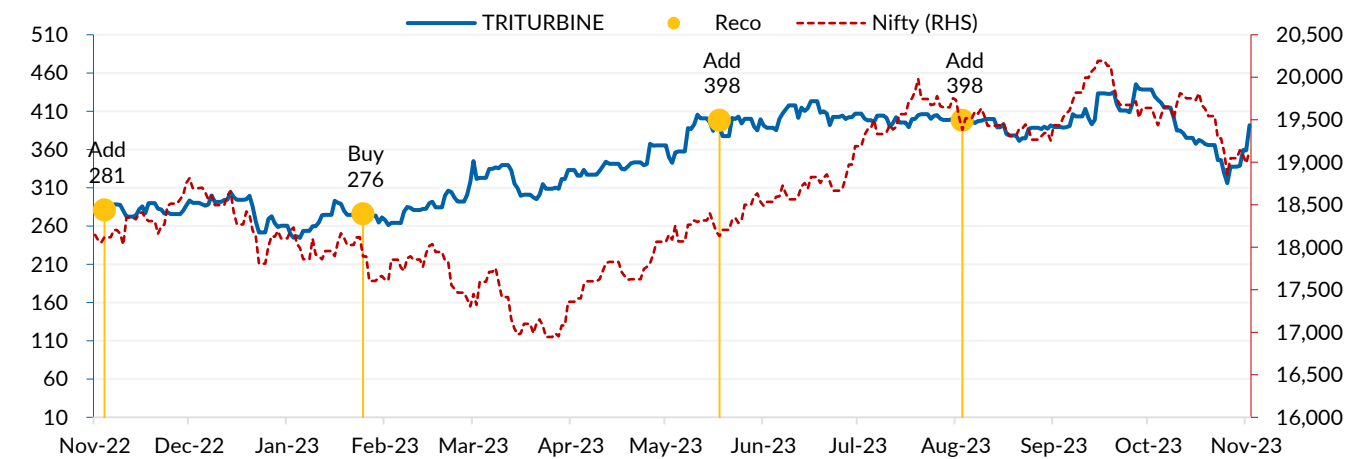
Source: Company, YES Sec

Exhibit 7: Ratio Analysis

Y/e 31 Mar	FY21	FY22	FY23	FY24E	FY25E
Basic (Rs)					
EPS	3.7	2.2	6.1	7.7	10.9
Dividend per share	2.2	1.6	1.6	1.5	2.2
Cash EPS	4.4	2.9	6.7	8.5	11.8
Book value per share	19.7	26.5	23.9	30.1	38.9
Div. payout (%)	69.4	18.5	26.0	20.0	20.0
Valuation ratios (x)					
P/E	104.8	176.0	64.7	50.8	35.9
P/CEPS	89.8	137.3	58.7	45.9	33.2
P/B	19.9	14.8	16.4	13.0	10.1
EV/EBIDTA	85.1	76.2	52.1	39.7	28.1
Dividend yield (%)	0.6	0.4	0.4	0.4	0.6
Profitability Ratios (%)					
RoIC	15.8	15.6	27.6	26.9	29.9
RoE	15.9	7.4	21.2	22.0	24.4
RoCE	15.8	7.4	21.1	21.8	24.3
Liquidity ratios					
Debtor (days)	40	43	38	35	35
Inventory (days)	83	69	59	60	60
Creditor (days)	39	47	33	33	33
Net working Capital (days)	(10)	(60)	(51)	11	38
Asset Turnover (x)	1.1	1.0	1.6	1.7	1.7

Source: Company, YES Sec

Recommendation Tracker



DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that each security's price or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections.

Technical Analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all

jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

YES Securities (India) Limited distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through SEC 15a-6 rules and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YES Securities (India) Limited analyst's truthful views about the subject securities and or issuers discussed herein. YES Securities (India) Limited is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

This Research Report is the product of YES Securities (India) Limited. YES Securities (India) Limited is the employer of the research analyst(s) who has prepared the research report. YES Securities (India) Limited is the employer of the YES Securities (India) Limited Representative who is responsible for the report, are responsible for the content of the YES Securities (India) Limited Research Report; any material conflicts of interest of YES Securities (India) Limited in relation to the issuer(s) or securities discussed in the YES Securities (India) Limited Research Report. This YES Securities (India) Limited Research Report is distributed in the United States through Brasil Plural Securities LLC (BPS). The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and is/ are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution by YES Securities (India) Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity. Transactions in securities discussed in this research report should be effected through Brasil Plural Securities LLC (BPS) or another U.S. registered broker dealer/Entity as informed by YES Securities (India) Limited from time to time.

YES Securities (India) Limited

Registered Address: 2nd Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 4th Floor, AFL House, Lok Bharti Complex, Marol Maroshi Road, Andheri East, Mumbai - 400059, Maharashtra, India.

✉ research@ysil.in | Website: www.yesinvest.in

Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Single Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL & NSDL: IN-DP-653-2021 | MERCHANT BANKER: INM000012227 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (CAT III AIF) SEBI Registration No.: IN/AIF3/20-21/0818 | AMFI ARN Code - 94338.

Details of Compliance Officer: Name: Aditya Goenka, **Email id:** compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

Grievances Redressal Cell: customer.service@ysil.in/igc@ysil.in

DISCLOSURE OF INTEREST

Name of the Research Analyst : Abhijeet Singh

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3	Research Analyst or his/her relative or YSL has any other material conflict of interest at the time of publication of the Research Report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSL has received any compensation from the subject company in the past twelve months	No
6	YSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

Since YSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.