

February 7, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		ACCUMULATE	
Target Price	532		450	
Sales (Rs. m)	21,475	27,379	20,447	25,176
% Chng.	5.0	8.7		
EBITDA (Rs. m)	4,551	5,857	4,445	5,537
% Chng.	2.4	5.8		
EPS (Rs.)	11.8	15.2	11.5	14.3
% Chng.	2.8	6.6		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	12,476	16,832	21,475	27,379
EBITDA (Rs. m)	2,370	3,247	4,551	5,857
Margin (%)	19.0	19.3	21.2	21.4
PAT (Rs. m)	1,958	2,673	3,746	4,829
EPS (Rs.)	6.2	8.4	11.8	15.2
Gr. (%)	62.1	36.5	40.2	28.9
DPS (Rs.)	-	2.9	4.1	5.3
Yield (%)	-	0.7	1.0	1.3
RoE (%)	24.2	31.5	35.5	36.2
RoCE (%)	26.9	35.7	40.9	42.0
EV/Sales (x)	10.3	7.6	5.9	4.6
EV/EBITDA (x)	54.2	39.4	27.9	21.5
PE (x)	69.0	50.5	36.0	28.0
P/BV (x)	17.8	14.5	11.5	9.1

Key Data

TRVT.BO | TRIV IN

52-W High / Low	Rs.457 / Rs.262
Sensex / Nifty	72,186 / 21,929
Market Cap	Rs.135bn / \$ 1,626m
Shares Outstanding	318m
3M Avg. Daily Value	Rs.215.73m

Shareholding Pattern (%)

Promoter's	55.84
Foreign	27.28
Domestic Institution	12.49
Public & Others	4.39
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.9	7.1	61.0
Relative	2.7	(2.5)	34.9

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Stellar Q3 performance; strong outlook intact

Quick Pointers:

- Order inflows came in at Rs5.3bn (up 26.4% YoY), with export orders jumping 67.0% YoY to Rs3.2bn driven by strong traction in API turbine orders.
- Order book stands at Rs15.8bn (1.0x TTM revenue) with enquiry book up 14% YoY in 9MFY24.

We revise our FY24/25/26E EPS estimates by +1.5%/2.8%/6.6% and upgrade the rating to 'Buy' from Accumulate with a revised TP of Rs532 (Rs450 earlier) owing to a robust business outlook. Triveni Turbine (TRIV) reported revenue growth of 32.5% YoY, driven by strong exports & product sales. EBITDA margin continued to remain stable at 19.4%. Domestic enquiry pipeline is robust (+57% YoY) owing to strong demand in bio-mass, renewable energy, waste heat recovery across industries. International demand is coming from Americas, North Africa, Europe, and South East Asia, in areas such as process co-generation, biomass, and oil & gas. There is strong traction in aftermarket segment, with TRIV expanding its international service offerings to drive strong growth. With focus on high growth and capturing higher value orders, it will continue to add skilled manpower and increase R&D spending (from ~1% to ~3% of sales) for quality enhancement & product development.

We believe TRIV's prospects continue to remain strong due to 1) healthy enquiry pipeline (up 14% YoY in 9MFY24) across markets, 2) growing share of higher margin exports & aftermarket sales, 3) strong traction in both industrial & API drive turbines, and 4) robust order book with strong inflows across businesses. The stock is trading at a P/E of 36.0x/28.0x FY25/26E EPS. We roll forward to Dec-25 and value the stock at a P/E of 35x FY26E (35x Sep-FY25E earlier). Upgrade to 'Buy'.

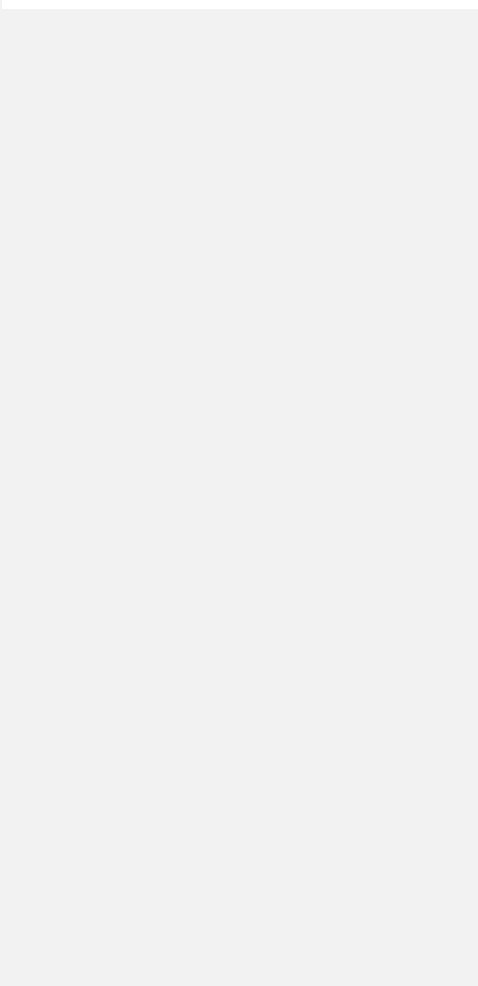
Robust product sales drive overall growth: Consolidated revenue grew 32.5% YoY to Rs4.3bn (PLe: Rs4.1bn), driven by strong growth in Product sales (up 43.6% YoY to Rs2.9bn), while Aftermarket sales rose 15.0% YoY to Rs1.5bn. Domestic/Export mix remained steady at 56%/44% (vs 57%/43% in Q3FY23). EBITDA rose 32.7% YoY to Rs837mn (PLe: Rs808mn). EBITDA margin was flat at 19.4% (PLe: 19.5%) as the gross margin expansion was offset by a jump in other expenses (up 54.3% YoY to Rs955mn). PAT grew 29.6% YoY to Rs682mn (PLe: Rs661mn) aided by higher other income (up 44.5% YoY to Rs172mn).

Strong order book driven by robust export orders: Q3FY24 order inflow came in at Rs5.3bn (+26.4% YoY) with export orders jumping 67.0% YoY to Rs3.2bn. Product/Aftermarket order inflows grew 23.4%/34.3% YoY to Rs3.8bn/Rs1.5bn driven by API exports and robust domestic demand. Order book stands at Rs15.8bn (1.0x TTM revenue) with a domestic/export mix of 52%/48% (vs 56%/44% in Q3FY23) and a Product/Aftermarket mix of 83%/17% (vs 84%/16% in Q3FY23). Enquiry pipeline in 9MFY24 grew ~14% YoY, with domestic enquiry book jumping ~57% YoY owing to strong traction in cement, steel, process co-generation, bio-mass, distilleries and oil & gas.

Exhibit 1: Strong revenue growth of 32.5% YoY and higher other income (up 44.5% YoY) drive healthy profit growth

Y/e March (Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	YoY gr. (%)	QoQ gr. (%)	9MFY24	9MFY23	YoY gr. (%)
Revenue	3,258	3,698	3,764	3,878	4,317	32.5	11.3	11,959	8,778	36.2
Total Revenues	3,258	3,698	3,764	3,878	4,317	32.5	11.3	11,959	8,778	36.2
Expenditure	2,627	3,034	3,055	3,134	3,480	32.5	11.0	9,669	7,104	36.1
<i>as % of sales</i>	<i>80.6</i>	<i>82.1</i>	<i>81.2</i>	<i>80.8</i>	<i>80.6</i>			<i>80.9</i>	<i>80.9</i>	
Consumption of RM	1,675	1,781	1,827	1,974	2,124	26.9	7.6	5,925	4,711	25.8
<i>as % of sales</i>	<i>51.4</i>	<i>48.2</i>	<i>48.5</i>	<i>50.9</i>	<i>49.2</i>			<i>49.5</i>	<i>53.7</i>	
Employee Cost	333	354	406	398	401	20.3	0.9	1,204	932	29.3
<i>as % of sales</i>	<i>10.2</i>	<i>9.6</i>	<i>10.8</i>	<i>10.3</i>	<i>9.3</i>			<i>10.1</i>	<i>10.6</i>	
Other expenditure	619	900	823	763	955	54.3	25.1	2,540	1,461	73.9
<i>as % of sales</i>	<i>19.0</i>	<i>24.3</i>	<i>21.9</i>	<i>19.7</i>	<i>22.1</i>	<i>31.2</i>		<i>21.2</i>	<i>16.6</i>	
EBITDA	631	663	709	744	837	32.7	12.6	2,290	1,674	36.8
Depreciation	49	50	49	51	55	11.6	7.2	155	149	3.8
EBIT	582	614	660	692	782	34.4	13.0	2,135	1,525	40.0
Other Income	119	125	134	146	172	44.5	18.4	451	301	49.7
Interest	1	5	7	6	6	742.9	-	19	5	291.8
Extra ordinary items	-	-	-	-	-	-	-	-	-	-
PBT	700	733	786	832	949	35.4	14.0	2,567	1,822	40.9
Total Tax	174	177	177	190	264	51.4	39.0	631	449	40.4
PAT	526	556	610	642	685	30.1	6.6	1,936	1,373	41.1
(Profit)/loss from JV's/Ass/MI	-	(1)	(2)	0	(3)	-	-	(5)	(2)	-
PAT after JV/MI	526	555	608	642	682	29.6	6.2	1,932	1,371	40.9
Adj PAT	526	555	608	642	682	29.6	6.2	1,250	845	48.0
Adjusted EPS	1.6	1.7	1.9	2.0	2.1	31.8	6.2	6.1	4.3	42.7

Source: Company, PL



Conference Call Highlights

- **Exports:** Triveni Turbine is supplying turbines to 25-30 countries. Demand from Middle East and America is strong, while East Asia has remained slightly weak. Export share should increase going forward. Q3 export order intake was up 67% YoY to Rs3.2bn. Exports as a % of sale could have been higher but a lot of goods were in transit, mainly due to production planning and dispatch (not due to Red Sea issue). Major orders are from renewable energy segment, with increasing inquiries from the oil & gas segment.
- **Enquiry pipeline grew ~14% YoY in 9MFY24**, driven by a ~57% increase in the domestic enquiry book owing to traction in steel, cement, distilleries, and process co-generation and oil & gas. International enquiries grew ~7-8%, led by North & South America, Europe and South East Asia.
- **Focused on diversifying growth avenues and improving profitability** by expanding its higher margin aftermarket services portfolio with more technology-based solutions as well as exports business.
- **Multi-year after-market opportunity:** Over the life span of 15-20 years, a Steam turbine presents a large after-market opportunity, as good as ~65% to 100% of cost as service opportunity. Thus, scope on the aftermarket side is tremendous.
- **Manpower and R&D:** Manpower base has grown by 15% in FY24, and TRIV aims to grow it by 20% in FY25. R&D Spend will be taken up to 3%+ of sales (vs 1% in FY23). The company will be **scaling up skilled manpower and R&D** with a focus on building capabilities to capture higher value business.
- **Refurbishment business has seen strong growth** – Refurbishment segment (aftermarket) has a strong potential for growth with Infrastructure and local presence along with proximity to customers being key factors. Hiring costs could be slightly higher but will aid sustainability. Not many OEMs offer refurbishment and third party solutions of high quality. Margins for spares & services is relatively higher.
- TRIV is seeing **healthy demand in both industrial and API drive turbines**.
 - There has been a **spurt in oil & gas investment across the globe**, which is driving demand for API turbines.
 - TRIV saw **~20% YoY growth in its API turbine enquiry pipeline**, and expects to maintain this pace.
 - The business started from negligible orders but has enhanced rapidly, and **should continue to grow relatively quickly going forward**.
- **No further capacity expansion is needed right now to support growth.** TRIV needs to make efforts on vendor development to ensure they are up to speed with the company's growth.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	12,476	16,832	21,475	27,379
YoY gr. (%)	46.4	34.9	27.6	27.5
Cost of Goods Sold	6,471	8,324	10,642	13,541
Gross Profit	6,004	8,507	10,833	13,838
Margin (%)	48.1	50.5	50.4	50.5
Employee Cost	1,285	1,666	2,470	3,285
Other Expenses	1,849	2,845	2,878	3,504
EBITDA	2,370	3,247	4,551	5,857
YoY gr. (%)	45.7	37.0	40.2	28.7
Margin (%)	19.0	19.3	21.2	21.4
Depreciation and Amortization	199	221	235	251
EBIT	2,171	3,027	4,317	5,606
Margin (%)	17.4	18.0	20.1	20.5
Net Interest	10	10	13	16
Other Income	426	547	691	849
Profit Before Tax	2,587	3,563	4,995	6,439
Margin (%)	20.7	21.2	23.3	23.5
Total Tax	626	891	1,249	1,610
Effective tax rate (%)	24.2	25.0	25.0	25.0
Profit after tax	1,961	2,673	3,746	4,829
Minority interest	3	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,958	2,673	3,746	4,829
YoY gr. (%)	59.4	36.5	40.2	28.9
Margin (%)	15.7	15.9	17.4	17.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,958	2,673	3,746	4,829
YoY gr. (%)	(27.5)	36.5	40.2	28.9
Margin (%)	15.7	15.9	17.4	17.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,958	2,673	3,746	4,829
Equity Shares O/s (m)	318	318	318	318
EPS (Rs)	6.2	8.4	11.8	15.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	3,820	4,070	4,370	4,670
Tangibles	3,820	4,070	4,370	4,670
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,214	1,435	1,670	1,920
Tangibles	1,214	1,435	1,670	1,920
Intangibles	-	-	-	-
Net fixed assets	2,606	2,635	2,700	2,750
Tangibles	2,606	2,635	2,700	2,750
Intangibles	-	-	-	-
Capital Work In Progress	141	141	141	141
Goodwill	-	-	-	-
Non-Current Investments	79	84	150	274
Net Deferred tax assets	(44)	(44)	(44)	(44)
Other Non-Current Assets	105	118	236	411
Current Assets				
Investments	3,793	4,293	5,193	6,143
Inventories	2,000	2,352	2,824	3,450
Trade receivables	1,293	1,752	2,000	2,550
Cash & Bank Balance	2,849	2,874	3,013	3,229
Other Current Assets	376	412	623	821
Total Assets	13,399	14,830	17,139	20,207
Equity				
Equity Share Capital	318	318	318	318
Other Equity	7,286	9,023	11,458	14,597
Total Networkth	7,604	9,341	11,776	14,915
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,143	1,291	1,471	1,725
Other current liabilities	4,598	4,145	3,839	3,514
Total Equity & Liabilities	13,399	14,830	17,139	20,207

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	2,555	3,563	4,995	6,439
Add. Depreciation	199	221	235	251
Add. Interest	10	10	13	16
Less Financial Other Income	426	547	691	849
Add. Other	(409)	-	-	-
Op. profit before WC changes	2,355	3,794	5,243	6,706
Net Changes-WC	230	(1,183)	(1,331)	(1,923)
Direct tax	628	891	1,249	1,610
Net cash from Op. activities	1,957	1,720	2,663	3,173
Capital expenditures	(384)	(250)	(300)	(300)
Interest / Dividend Income	136	-	-	-
Others	1,111	(500)	(900)	(950)
Net Cash from Inv. activities	862	(750)	(1,200)	(1,250)
Issue of share cap. / premium	(2,361)	-	-	-
Debt changes	(5)	-	-	-
Dividend paid	(501)	(935)	(1,311)	(1,690)
Interest paid	(10)	(10)	(13)	(16)
Others	-	-	-	-
Net cash from Fin. activities	(2,877)	(946)	(1,324)	(1,707)
Net change in cash	(58)	25	138	216
Free Cash Flow	1,571	1,470	2,363	2,873

Source: Company Data, PL Research

Key Financial Metrics

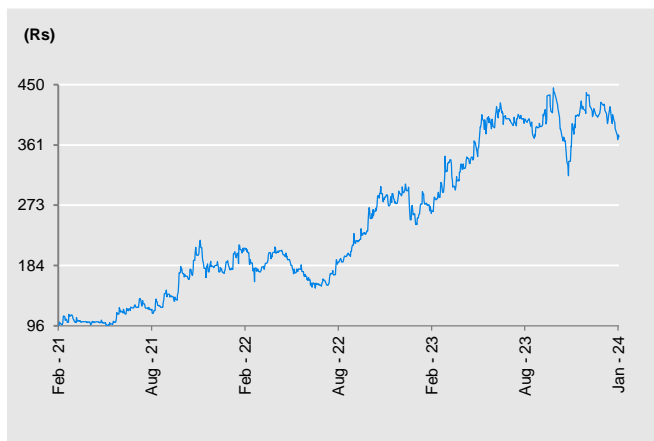
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	6.2	8.4	11.8	15.2
CEPS	6.8	9.1	12.5	16.0
BVPS	23.9	29.4	37.0	46.9
FCF	4.9	4.6	7.4	9.0
DPS	-	2.9	4.1	5.3
Return Ratio(%)				
RoCE	26.9	35.7	40.9	42.0
ROIC	41.2	58.8	66.0	64.4
RoE	24.2	31.5	35.5	36.2
Balance Sheet				
Net Debt : Equity (x)	(0.9)	(0.8)	(0.7)	(0.6)
Net Working Capital (Days)	63	61	57	57
Valuation(x)				
PER	69.0	50.5	36.0	28.0
P/B	17.8	14.5	11.5	9.1
P/CEPS	62.6	46.7	33.9	26.6
EV/EBITDA	54.2	39.4	27.9	21.5
EV/Sales	10.3	7.6	5.9	4.6
Dividend Yield (%)	-	0.7	1.0	1.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	3,698	3,764	3,878	4,317
YoY gr. (%)	56.3	45.3	32.4	32.5
Raw Material Expenses	1,781	1,827	1,974	2,124
Gross Profit	1,917	1,937	1,904	2,193
Margin (%)	51.8	51.5	49.1	50.8
EBITDA	663	709	744	837
YoY gr. (%)	58.3	45.7	33.6	32.7
Margin (%)	17.9	18.8	19.2	19.4
Depreciation / Depletion	50	49	51	55
EBIT	614	660	692	782
Margin (%)	16.6	17.5	17.9	18.1
Net Interest	5	7	6	6
Other Income	125	134	146	172
Profit before Tax	733	786	832	949
Margin (%)	19.8	20.9	21.5	22.0
Total Tax	177	177	190	264
Effective tax rate (%)	24.2	22.4	22.8	27.8
Profit after Tax	556	610	642	685
Minority interest	1	2	(2)	1
Share Profit from Associates	-	-	(2)	(2)
Adjusted PAT	555	608	642	682
YoY gr. (%)	68.1	58.5	38.7	29.6
Margin (%)	15.0	16.1	16.6	15.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	555	608	642	682
YoY gr. (%)	68.1	58.5	38.7	29.6
Margin (%)	15.0	16.1	16.6	15.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	555	608	642	682
Avg. Shares O/s (m)	323	318	318	318
EPS (Rs)	1.7	1.9	2.0	2.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-24	Accumulate	450	407
2	02-Nov-23	Accumulate	450	392
3	05-Oct-23	Accumulate	419	421
4	02-Aug-23	Accumulate	419	398
5	06-Jul-23	Accumulate	416	396
6	17-May-23	Accumulate	416	398
7	11-Apr-23	BUY	340	332

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	4,984	4,753
2	Apar Industries	Accumulate	6,890	6,069
3	Bharat Electronics	Hold	182	186
4	BHEL	UR	-	195
5	Carborundum Universal	BUY	1,347	1,116
6	Cummins India	Hold	1,811	2,005
7	Engineers India	BUY	166	199
8	GE T&D India	UR	-	585
9	Grindwell Norton	Accumulate	2,512	2,243
10	Harsha Engineers International	Accumulate	415	395
11	Hindustan Aeronautics	BUY	2,266	2,996
12	Kalpataru Projects International	BUY	740	737
13	KEC International	Hold	686	657
14	Larsen & Toubro	BUY	4,071	3,480
15	Praj Industries	BUY	636	474
16	Siemens	Accumulate	4,359	4,020
17	Thermax	Hold	2,771	3,200
18	Triveni Turbine	Accumulate	450	407
19	Voltamp Transformers	Hold	7,619	7,910

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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