

Triveni Turbine (TRIV IN)

Rating: ACCUMULATE | CMP: Rs104 | TP: Rs142

November 7, 2019

Q2FY20 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

| | Current | | Previous | |
|----------------|------------|--------|------------|--------|
| | FY20E | FY21E | FY20E | FY21E |
| Rating | ACCUMULATE | | ACCUMULATE | |
| Target Price | 142 | | 143 | |
| Sales (Rs. m) | 9,485 | 10,539 | 9,485 | 10,539 |
| % Chng. | - | - | - | - |
| EBITDA (Rs. m) | 1,798 | 2,092 | 1,798 | 2,092 |
| % Chng. | - | - | - | - |
| EPS (Rs.) | 4.2 | 5.1 | 4.3 | 5.1 |
| % Chng. | (0.9) | (0.8) | - | - |

Key Financials - Consolidated

| Y/e Mar | FY19 | FY20E | FY21E | FY22E |
|----------------|-------|-------|--------|--------|
| Sales (Rs. m) | 8,400 | 9,485 | 10,539 | 11,732 |
| EBITDA (Rs. m) | 1,513 | 1,798 | 2,092 | 2,212 |
| Margin (%) | 18.0 | 19.0 | 19.9 | 18.9 |
| PAT (Rs. m) | 1,002 | 1,371 | 1,635 | 1,937 |
| EPS (Rs.) | 3.1 | 4.2 | 5.1 | 6.0 |
| Gr. (%) | 6.6 | 36.8 | 19.3 | 18.4 |
| DPS (Rs.) | - | - | - | - |
| Yield (%) | - | - | - | - |
| RoE (%) | 22.6 | 28.8 | 28.8 | 28.6 |
| RoCE (%) | 29.6 | 33.5 | 32.9 | 29.1 |
| EV/Sales (x) | 4.0 | 3.5 | 3.1 | 2.7 |
| EV/EBITDA (x) | 22.1 | 18.5 | 15.6 | 14.3 |
| PE (x) | 33.6 | 24.6 | 20.6 | 17.4 |
| P/BV (x) | 7.8 | 6.5 | 5.5 | 4.6 |

Key Data

TRVT.BO | TRIV IN

| | |
|---------------------|-------------------|
| 52-W High / Low | Rs.126 / Rs.81 |
| Sensex / Nifty | 40,654 / 12,012 |
| Market Cap | Rs.34bn / \$ 475m |
| Shares Outstanding | 323m |
| 3M Avg. Daily Value | Rs.32.55m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 67.78 |
| Foreign | 11.10 |
| Domestic Institution | 16.60 |
| Public & Others | 4.52 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|-------|-------|--------|
| Absolute | 2.8 | 0.2 | (7.5) |
| Relative | (5.1) | (5.7) | (19.9) |

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Operationally good quarter, exports disappoints

Quick Pointers:

- Revenue growth continues to led by traction in domestic market, exports disappoints.
- Order inflow for 1HFY20 down 3% at Rs2.1 bn due to de-growth in exports market by 65% YoY.

Triveni Turbine Ltd (TRIV) reported good set of numbers with revenue up 14% YoY mainly driven by traction in domestic market. However, exports continue to be weak with de-growth for third consecutive quarter. Order inflow (OI) declined 3% YoY mainly on account of de-growth in exports market due to postponement of order finalization. Hence, order backlog (OB) was down 11% YoY at Rs6.9 bn, which management is confident of higher year end number on the back of healthy enquiry pipeline. In the export market, the renewable sector is driving demand mainly Biomass & Waste-to-Energy and Pulp & Paper projects. On the domestic front, Food processing, Distillery, Pulp & Paper, Waste Heat recovery and Cement etc. With a good enquiry pipeline, management expects strong order intake in the domestic market for the second half as well. We have maintained our numbers and expect TRIV to deliver revenue/PAT CAGR of 12/28% over next two years (FY19-21E). The stock is currently trading at 24.3/20.4x FY20/FY21E. We maintain Accumulate with TP of Rs142 (28x FY21E).

2QFY20 results above estimates: Revenue was up 14% YoY to Rs2.5 bn (PLe Rs2.4 bn), mainly led by 37% YoY growth in domestic market. However, export sales were down 7%YoYdue to postponement of delivery. Product revenue (74% of sales) was up 18.5% YoY, aftermarket up 2% YoY. EBITDA margin expanded by 70bps YoY at 21.4% (PLe ~20.5%) compared to 20.7% in 2QFY19 mainly on account of lower employee cost and other expenses. Tax rate for the quarter came lower at 11.7% (PLe ~21.9%) compared to 20.7% in 2QFY19. Hence, PAT for the quarter grew 67% YoY at Rs502 mn (PLe Rs374 mn). In 1HFY20, the turnover grew 19% with domestic sales showing a growth of 55% while the international sales were down 8%. PAT in 1HFY20 grew by 65% YoY at Rs809 mn.

OI and OB impacted due lower exports: Order inflow during 2QFY20 fell 3% YoY to Rs2.1 bn where domestic order inflow doubled compared to 2QFY19 and exports de-grew by 65%. Order inflow in exports market was lower mainly on account of postponement of order finalization. Internationally, concentration has been good due to diversification across geographies. Sectors like Biomass, Waste to Heat Recovery and Pulp & paper has been receiving high enquiries in the export markets. Central & South America enquiries have revived. South East Asia and Africa are also witnessing healthy traction in enquiries. Europe is witnessing slowdown but scope for waste to energy and biomass is encouraging and has seen good enquires as well, Turkey has been exceptional and have received Power orders for the same. In domestic market, management indicated strong enquiry pipeline from sectors Distillery segment (Ethanol taking off well), Pulp & Paper, process (Food, Chemical, Pharma, Fertilizer). Textile witnessed good enquiries but is taking some time for order finalization. Overall OB stands lower at Rs6.9 bn, down 11.5% YoY, with Product/Aftermarket -14.6%/+12.6% YoY.

GE-TL JV update: GE-TTL JV reported revenue of Rs993 mn and PAT of Rs187 mn in 1HFY20. Order inflow during 1HFY20 was Rs764 mn. TRIV had filed a petition in the National Company Law Tribunal and the matter is sub-judice. This is not affecting the company's current business.

Exhibit 1: Q2FY20 Result Overview (Rs mn)

| Y/e March | Q2FY20 | Q2FY19 | YoY gr. (%) | Q1FY20 | QoQ gr (%) | H1FY20 | H1FY19 | YoY gr. (%) |
|-------------------|--------|--------|-------------|--------|------------|--------|--------|-------------|
| Net Revenue | 2,473 | 2,172 | 13.9 | 2,136 | 15.8 | 4,610 | 3,890 | 18.5 |
| EBITDA | 529 | 451 | 17.4 | 437 | 21.0 | 966 | 754 | 28.2 |
| EBITDA Margin (%) | 21.4 | 20.7 | | 20.5 | | 21.0 | 19.4 | |
| Other Income | 53 | 54 | (2.8) | 31 | 69.9 | 83 | 88 | (5.4) |
| Depreciation | 51 | 48 | 7.3 | 50 | 3.0 | 101 | 96 | 5.7 |
| Interest | 9 | 0 | | 10 | (8.3) | 18 | 1 | |
| Profit before Tax | 521 | 456 | 14.3 | 409 | 27.6 | 930 | 746 | 24.7 |
| Tax | 61 | 153 | | 137 | | 198 | 251 | |
| Reported PAT | 502 | 301 | 66.8 | 307 | 63.6 | 809 | 491 | 64.7 |
| Adjusted PAT | 502 | 301 | 66.8 | 307 | 63.6 | 809 | 491 | 64.7 |
| Net Margin (%) | 20.3 | 13.9 | | 14.4 | | 17.6 | 12.6 | |
| Adjusted EPS | 1.6 | 0.9 | | 0.9 | | 2.5 | 1.5 | |

Source: Company, PL

Financials

Income Statement (Rs m)

| Y/e Mar | FY19 | FY20E | FY21E | FY22E |
|-------------------------------|--------------|--------------|---------------|---------------|
| Net Revenues | 8,400 | 9,485 | 10,539 | 11,732 |
| YoY gr. (%) | 11.8 | 12.9 | 11.1 | 11.3 |
| Cost of Goods Sold | 4,691 | 5,112 | 5,480 | 6,101 |
| Gross Profit | 3,709 | 4,373 | 5,059 | 5,631 |
| Margin (%) | 44.2 | 46.1 | 48.0 | 48.0 |
| Employee Cost | 991 | 1,119 | 1,244 | 1,384 |
| Other Expenses | 1,205 | 1,456 | 1,723 | 2,035 |
| EBITDA | 1,513 | 1,798 | 2,092 | 2,212 |
| YoY gr. (%) | (4.2) | 18.9 | 16.4 | 5.7 |
| Margin (%) | 18.0 | 19.0 | 19.9 | 18.9 |
| Depreciation and Amortization | 201 | 203 | 222 | 240 |
| EBIT | 1,311 | 1,595 | 1,870 | 1,972 |
| Margin (%) | 15.6 | 16.8 | 17.7 | 16.8 |
| Net Interest | 11 | 6 | 6 | 6 |
| Other Income | 162 | 209 | 281 | 574 |
| Profit Before Tax | 1,462 | 1,798 | 2,145 | 2,540 |
| Margin (%) | 17.4 | 19.0 | 20.4 | 21.6 |
| Total Tax | 492 | 453 | 541 | 640 |
| Effective tax rate (%) | 33.6 | 25.2 | 25.2 | 25.2 |
| Profit after tax | 971 | 1,345 | 1,604 | 1,900 |
| Minority interest | - | - | - | - |
| Share Profit from Associate | 32 | 26 | 31 | 37 |
| Adjusted PAT | 1,002 | 1,371 | 1,635 | 1,937 |
| YoY gr. (%) | 4.4 | 36.8 | 19.3 | 18.4 |
| Margin (%) | 11.9 | 14.5 | 15.5 | 16.5 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 1,002 | 1,371 | 1,635 | 1,937 |
| YoY gr. (%) | 4.4 | 36.8 | 19.3 | 18.4 |
| Margin (%) | 11.9 | 14.5 | 15.5 | 16.5 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 1,002 | 1,371 | 1,635 | 1,937 |
| Equity Shares O/s (m) | 323 | 323 | 323 | 323 |
| EPS (Rs) | 3.1 | 4.2 | 5.1 | 6.0 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY19 | FY20E | FY21E | FY22E |
|---------------------------------------|--------------|--------------|--------------|---------------|
| Non-Current Assets | | | | |
| Gross Block | 3,169 | 3,389 | 3,609 | 3,829 |
| Tangibles | 3,126 | 3,346 | 3,566 | 3,786 |
| Intangibles | 43 | 43 | 43 | 43 |
| Acc: Dep / Amortization | 618 | 821 | 1,043 | 1,283 |
| Tangibles | 618 | 821 | 1,043 | 1,283 |
| Intangibles | - | - | - | - |
| Net fixed assets | 2,551 | 2,568 | 2,565 | 2,545 |
| Tangibles | 2,508 | 2,525 | 2,523 | 2,503 |
| Intangibles | 43 | 43 | 43 | 43 |
| Capital Work In Progress | 43 | 150 | 150 | 150 |
| Goodwill | - | - | - | - |
| Non-Current Investments | 146 | 146 | 146 | 147 |
| Net Deferred tax assets | (141) | (141) | (141) | (141) |
| Other Non-Current Assets | 45 | 51 | 57 | 63 |
| Current Assets | | | | |
| Investments | 50 | 50 | 50 | 50 |
| Inventories | 2,168 | 2,449 | 2,721 | 3,029 |
| Trade receivables | 1,750 | 1,976 | 2,195 | 2,444 |
| Cash & Bank Balance | 272 | 389 | 1,114 | 2,064 |
| Other Current Assets | 233 | 520 | 577 | 643 |
| Total Assets | 7,408 | 8,396 | 9,686 | 11,257 |
| Equity | | | | |
| Equity Share Capital | 323 | 323 | 323 | 323 |
| Other Equity | 4,011 | 4,854 | 5,860 | 7,050 |
| Total Network | 4,334 | 5,177 | 6,183 | 7,374 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | - | - | - | - |
| Provisions | 68 | 55 | 61 | 68 |
| Other non current liabilities | - | - | - | - |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | - | - | - | - |
| Trade payables | 1,166 | 1,317 | 1,463 | 1,628 |
| Other current liabilities | 1,700 | 1,706 | 1,838 | 2,046 |
| Total Equity & Liabilities | 7,409 | 8,396 | 9,686 | 11,257 |

Source: Company Data, PL Research



Cash Flow (Rs m)

| Y/e Mar | FY19 | FY20E | FY21E | FY22E |
|--|----------------|--------------|--------------|--------------|
| PBT | 1,462 | 1,798 | 2,145 | 2,540 |
| Add. Depreciation | 201 | 203 | 222 | 240 |
| Add. Interest | 11 | 6 | 6 | 6 |
| Less Financial Other Income | 162 | 209 | 281 | 574 |
| Add. Other | (162) | (209) | (281) | (574) |
| Op. profit before WC changes | 1,513 | 1,798 | 2,092 | 2,212 |
| Net Changes-WC | 195 | (586) | (282) | (261) |
| Direct tax | (428) | (453) | (541) | (640) |
| Net cash from Op. activities | 1,280 | 758 | 1,270 | 1,311 |
| Capital expenditures | (154) | (327) | (220) | (220) |
| Interest / Dividend Income | 162 | 209 | 281 | 574 |
| Others | 3 | (6) | (7) | (7) |
| Net Cash from Invst. activities | 11 | (124) | 54 | 346 |
| Issue of share cap. / premium | (7) | - | - | - |
| Debt changes | 25 | (13) | 6 | 7 |
| Dividend paid | (189) | (528) | (630) | (746) |
| Interest paid | (11) | (6) | (6) | (6) |
| Others | (962) | 29 | 31 | 37 |
| Net cash from Fin. activities | (1,144) | (518) | (598) | (708) |
| Net change in cash | 147 | 116 | 725 | 950 |
| Free Cash Flow | 1,280 | 758 | 1,270 | 1,311 |

Source: Company Data, PL Research

Key Financial Metrics

| Y/e Mar | FY19 | FY20E | FY21E | FY22E |
|----------------------------|-------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 3.1 | 4.2 | 5.1 | 6.0 |
| CEPS | 3.7 | 4.9 | 5.7 | 6.7 |
| BVPS | 13.4 | 16.0 | 19.1 | 22.8 |
| FCF | 4.0 | 2.3 | 3.9 | 4.1 |
| DPS | - | - | - | - |
| Return Ratio(%) | | | | |
| RoCE | 29.6 | 33.5 | 32.9 | 29.1 |
| ROIC | 21.2 | 27.6 | 31.0 | 31.6 |
| RoE | 22.6 | 28.8 | 28.8 | 28.6 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | (0.1) | (0.1) | (0.2) | (0.3) |
| Net Working Capital (Days) | 120 | 120 | 120 | 120 |
| Valuation(x) | | | | |
| PER | 33.6 | 24.6 | 20.6 | 17.4 |
| P/B | 7.8 | 6.5 | 5.5 | 4.6 |
| P/CEPS | 28.0 | 21.4 | 18.1 | 15.5 |
| EV/EBITDA | 22.1 | 18.5 | 15.6 | 14.3 |
| EV/Sales | 4.0 | 3.5 | 3.1 | 2.7 |
| Dividend Yield (%) | - | - | - | - |

Source: Company Data, PL Research

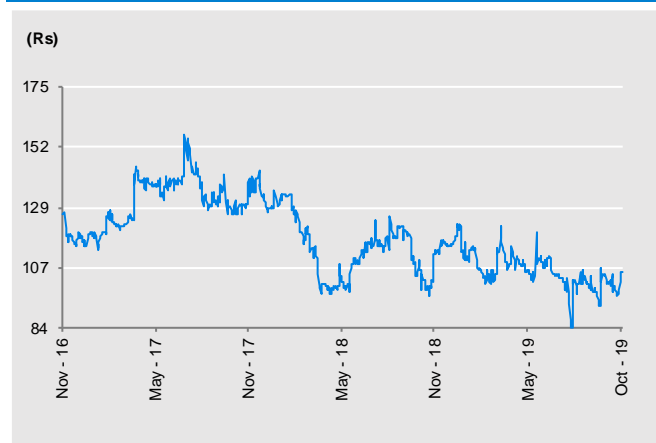
Quarterly Financials (Rs m)

| Y/e Mar | Q3FY19 | Q4FY19 | Q1FY20 | Q2FY20 |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Net Revenue | 2,113 | 2,396 | 2,136 | 2,473 |
| YoY gr. (%) | 27.6 | (1.9) | 24.4 | 13.9 |
| Raw Material Expenses | 1,210 | 1,437 | 1,209 | 1,310 |
| Gross Profit | 904 | 959 | 927 | 1,163 |
| Margin (%) | 42.8 | 40.0 | 43.4 | 47.0 |
| EBITDA | 359 | 400 | 437 | 529 |
| YoY gr. (%) | 8.2 | (32.6) | 44.2 | 17.4 |
| Margin (%) | 17.0 | 16.7 | 20.5 | 21.4 |
| Depreciation / Depletion | 53 | 53 | 50 | 51 |
| EBIT | 306 | 348 | 387 | 478 |
| Margin (%) | 14.5 | 14.5 | 18.1 | 19.3 |
| Net Interest | 3 | 7 | 10 | 9 |
| Other Income | 18 | 55 | 31 | 53 |
| Profit before Tax | 321 | 396 | 409 | 521 |
| Margin (%) | 15.2 | 16.5 | 19.1 | 21.1 |
| Total Tax | 105 | 136 | 137 | 61 |
| Effective tax rate (%) | 32.7 | 34.3 | 33.6 | 11.7 |
| Profit after Tax | 216 | 260 | 271 | 461 |
| Minority interest | - | - | - | - |
| Share Profit from Associates | 12 | 23 | 36 | 42 |
| Adjusted PAT | 228 | 283 | 307 | 502 |
| YoY gr. (%) | 17.8 | (20.0) | 61.5 | 66.8 |
| Margin (%) | 10.8 | 11.8 | 14.4 | 20.3 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 228 | 283 | 307 | 502 |
| YoY gr. (%) | 17.8 | (20.0) | 61.5 | 66.8 |
| Margin (%) | 10.8 | 11.8 | 14.4 | 20.3 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 228 | 283 | 307 | 502 |
| Avg. Shares O/s (m) | 323 | 323 | 323 | 323 |
| EPS (Rs) | 0.7 | 0.9 | 0.9 | 1.6 |

Source: Company Data, PL Research

Price Chart

Recommendation History



| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|------------|----------|-------------------|
| 1 | 3-Oct-19 | Accumulate | 143 | 102 |
| 2 | 5-Aug-19 | Accumulate | 124 | 103 |
| 3 | 4-Jul-19 | Accumulate | 124 | 105 |
| 4 | 21-May-19 | Accumulate | 124 | 110 |
| 5 | 5-Apr-19 | BUY | 132 | 111 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------------|------------|---------|------------------|
| 1 | ABB | Reduce | 1,442 | 1,461 |
| 2 | Apar Industries | Accumulate | 814 | 550 |
| 3 | Bharat Electronics | Hold | 118 | 113 |
| 4 | BHEL | Hold | 63 | 47 |
| 5 | Cummins India | Hold | 543 | 540 |
| 6 | Engineers India | BUY | 156 | 112 |
| 7 | GE T&D India | Hold | 202 | 184 |
| 8 | Kalpataru Power Transmission | BUY | 704 | 483 |
| 9 | KEC International | BUY | 352 | 271 |
| 10 | Larsen & Toubro | BUY | 1,800 | 1,432 |
| 11 | Power Grid Corporation of India | BUY | 224 | 199 |
| 12 | Siemens | BUY | 1,722 | 1,526 |
| 13 | Thermax | Accumulate | 1,300 | 1,153 |
| 14 | Triveni Turbine | Accumulate | 143 | 102 |
| 15 | Voltamp Transformers | BUY | 1,601 | 1,128 |

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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