

Triveni Turbine

Estimate changes



TP change



Rating change



Bloomberg	TRIV IN
Equity Shares (m)	318
M.Cap.(INRb)/(USD\$b)	135 / 1.6
52-Week Range (INR)	457 / 262
1, 6, 12 Rel. Per (%)	2/-5/38
12M Avg Val (INR M)	397

Financials Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Net Sales	16.5	21.5	28.0
EBITDA	3.2	4.2	5.5
PAT	2.6	3.3	4.4
EPS (INR)	8.1	10.4	13.7
GR. (%)	33.1	29.4	31.7
BV/Sh (INR)	29.7	37.2	47.1

Ratios

ROE (%)	30.1	31.2	32.6
RoCE (%)	30.2	31.3	32.7

Valuations

P/E (X)	52.9	40.8	31.0
P/BV (X)	14.3	11.4	9.0
EV/EBITDA (X)	42.0	31.7	23.9
Div Yield (%)	0.5	0.7	0.9

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	55.8	55.8	55.9
DII	12.5	11.7	15.5
FII	27.3	27.7	23.2
Others	4.4	4.8	5.4

FII Includes depository receipts

CMP: INR426

TP: INR540 (+27%)

Buy

Export strategy shaping up well; growth levers intact

Triveni Turbine (TRIV)'s results were ahead of our expectations. The company reported a revenue/EBITDA/PAT growth of 33%/33%/30% YoY in 3QFY24. Order inflow growth was healthy at 28% YoY, mainly driven by exports, while domestic inflows were weak during the quarter. We remain positive on TRIV due to: 1) its market leadership position in the sub-30MW turbine market, where the inquiry pipeline is strong despite weaker domestic inflows currently, 2) the higher share of exports and aftermarket, which is resulting in a better margin profile, and 3) rising scope of API turbines. We tweak our estimates to factor in higher costs as the company enters new markets for expanding its aftermarket presence and roll forward our valuation to Mar'26E. We maintain our BUY rating with a revised TP of INR540.

Result reflects strong, higher-than-expected YoY growth in revenue/EBITDA/PAT

Revenue at INR4.3b (+33% YoY) was led by healthy inflows and a strong order book. Product/aftermarket revenue growth stood at 44%/15% YoY. EBITDA grew 33% YoY to INR8.4b despite a 54% YoY growth in other expenses. There was a healthy ~220bp/170bp YoY/QoQ gross margin expansion to 50.8%, driven by a higher share of exports and aftermarket. EBITDA margin at 19.4% was flattish YoY/QoQ. PAT at INR6.8b rose 30% YoY despite a higher effective tax rate (27.9% vs. 24.9% in 3QFY23) largely led by robust operational performance and higher other income (+44% YoY). Order inflow stood at INR5.3b and grew by 28% YoY. Domestic orders witnessed a 7% YoY decline, while export orders grew 67% YoY. The order book stood strong at INR15.7b with a 52%/48% domestic/export mix. TRIV is continuously increasing its share of exports and aftermarket in the overall order book. The overall inquiry pipeline was up 14% YoY during 3QFY24.

Decline in domestic orders was more than offset by robust export inflows

Domestic orders dropped 7% YoY during the quarter, mainly due to delays in finalization of orders from domestic customers. However, the inquiry pipeline on domestic market rises 57% YoY, which will translate into order inflows in the coming quarters. The decline in domestic order inflows was more than compensated by a 67% YoY increase in export inflows driven by geographies such as the US, MENA, SE Asia, Europe, Turkey etc. Weakness was seen in East Asia market. Segments such as renewable, geothermal, biomass, waste heat recovery, industrials, and API contributed to the growth. TRIV caters to a diverse range of industries such as sugar, distilleries, steel, cement, textiles, chemicals, oil and gas, pulp and paper, petrochemicals, fertilizers, metals, palm oil, food processing, solvent extraction, etc. and is gaining from improving market share across geographies despite the global turbine market being largely stagnant. With its leadership positioning across the sub-30MW turbine market, the company has been able to grow its overall order book by 28% YoY.

Increasing share of exports and aftermarket to aid margins going forward

TRIV is continuously expanding its geographical presence and is now present in 80 countries for exports. Export share stood at 46% of sales in 9MFY24 vs. 42% in 9MFY23. Aftermarket share has also improved to 33% vs. 30% in 9MFY23. TRIV is gaining from improved brand awareness, international references, and expanding share of exports and aftermarket. It is also gaining share in aftermarket from local players as well as from other OEMs. To penetrate further into the aftermarket in new geographies like North America, TRIV has incorporated an entity in the US, which will necessitate upfront costs and resources for building a base in the US.

Witnessing an uptick in API turbines

TRIV is witnessing healthy demand traction across API turbines from both domestic and international markets. The inquiry levels have improved across oil & gas and fertilizers, in both domestic and international markets, which are also translating into order inflows in this segment. Though share of API turbines is much smaller in overall revenues, margins are much better.

We expect a strong 31% CAGR in PAT over FY23-26

We expect TRIV's revenue/EBITDA/PAT to clock a CAGR of 31%/32%/31% over FY23-26. Backed by a comfortable negative working capital cycle, strong margins, and low capex requirements, we expect its OCF and FCF to report a CAGR of 39% and 45% over the same period, respectively.

Valuation and view

The stock is currently trading at 41X/31X FY25E/26E P/E. We tweak our estimates to factor in higher costs as the company enters new markets for expanding its aftermarket presence. We roll forward our valuation to Mar'26E. We reiterate our BUY rating with a revised TP of INR540. Key risks to our recommendation would come from slower-than-expected order inflow growth, lower-than-expected margins, and a slowdown in global geographies.

Consolidated - Quarterly Earning

Y/E March	FY23			FY24E				FY23			FY24E		(INR m)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY23	FY24E	FY24E	Est	
											3QE	Var (%)	
Gross Sales	2,590	2,930	3,258	3,698	3,764	3,878	4,317	4,569	12,476	16,528	4,259	1	
YoY Change (%)	40.7	41.9	44.7	56.3	45.3	32.4	32.5	23.6	46.4	32.5	30.7		
Total Expenditure	2,104	2,373	2,627	3,034	3,055	3,134	3,480	3,702	10,138	13,371	3,432		
EBITDA	487	557	631	663	709	744	837	867	2,338	3,157	827	1	
Margins (%)	18.8	19.0	19.4	17.9	18.8	19.2	19.4	19.0	18.7	19.1	19.4		
Depreciation	51	49	49	50	49	51	55	77	199	232	55	-1	
Interest	2	2	1	5	7	6	6	6	10	17	2	283	
Other Income	75	108	119	125	133	144	171	65	426	516	112	53	
PBT before EO expense	508	614	700	733	786	830	947	857	2,555	3,424	882	7	
PBT	508	614	700	733	786	830	947	857	2,555	3,424	882	7	
Tax	124	151	174	177	177	190	264	287	626	918	222		
Rate (%)	24.5	24.5	24.9	24.2	22.5	22.9	27.9	33.5	24.5	26.8	25.2		
MI & Profit/Loss of Asso. Cos.									3				
Reported PAT	383	463	526	556	610	640	683	570	1,925	2,506	660	4	
Adj PAT	383	463	526	556	610	640	683	570	1,925	2,506	660	4	
YoY Change (%)	18.0	66.0	24.8	68.4	59.0	38.2	29.8	2.5	167.4	29.9	25.4		
Margins (%)	14.8	15.8	16.1	15.0	16.2	16.5	15.8	12.5	15.4	15.2	15.5		



Conference call highlights

- There is robust traction across renewable energy, industrial turbines, API turbines, biomass, and aftermarket services, which is visible in the inquiry book (+14% YoY).
- The company believes domestic private capex is showing encouraging signs and there isn't a sudden spurt in investment, which is expected to be more sustainable going forward.
- The foray into the US market via the incorporation of a wholly owned subsidiary is expected to open up vast opportunities in the US and adjacent geographies. The subsidiary will cater to the installed base of turbines, primarily on the aftermarket side. Notably, consolidation in the steam turbine industry has led to underservicing of customers. Vis-à-vis product sales, refurbishment presents faster scaling-up potential, which the company envisages to focus on. There will be more clarity on this entity in 4QFY24.
- Given the entry into the US market, there would be certain upfront costs in terms of personnel and setting up a local presence. On a consolidated basis, staff costs are likely to go up by 15% in FY24 and 20% in FY25 as the higher share of aftermarket calls for a significant addition to the existing employee base.
- Though 3QFY24 domestic revenues declined by 7% YoY, on a 9MFY24 basis it was flattish as order finalizations got delayed owing to the festive period and weak enquiry levels in 2QFY24. There aren't any structural concerns in the domestic market and the company expects the growth momentum to continue.
- Barring East Asia which is muted, other international geographies such as MENA, Turkey, SE Asia, Europe, etc. are witnessing robust traction from industrial, renewable, API turbine, and aftermarket sides.
- Margin expansion levers for the near-to-medium term are very much intact, as the company intends to improve the product mix and further increase the share of aftermarket and export revenue.
- Owing to the global change in energy mix, the company sees ample opportunities to continue its growth trajectory. The company aspires to sustain the growth momentum witnessed in the past two years going forward.

Key Exhibits

Exhibit 1: Record order book at INR15.7b



Source: Company, MOFSL

Exhibit 2: All-time high order inflow at INR5.3b



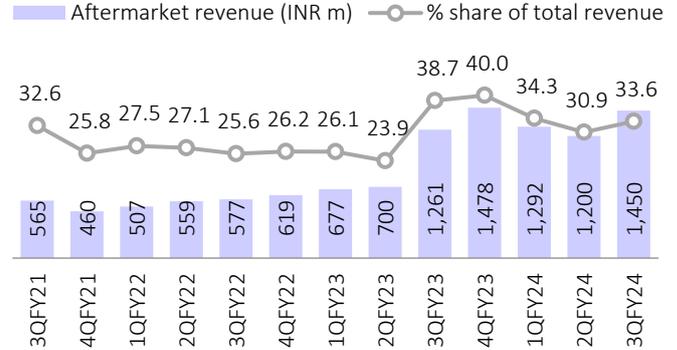
Source: Company, MOFSL

Exhibit 3: Robust 3QFY24 revenue growth at 33%



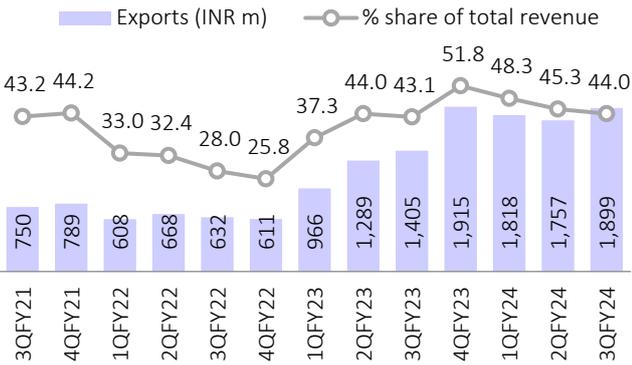
Source: Company, MOFSL

Exhibit 4: Share of aftermarket has inched up QoQ



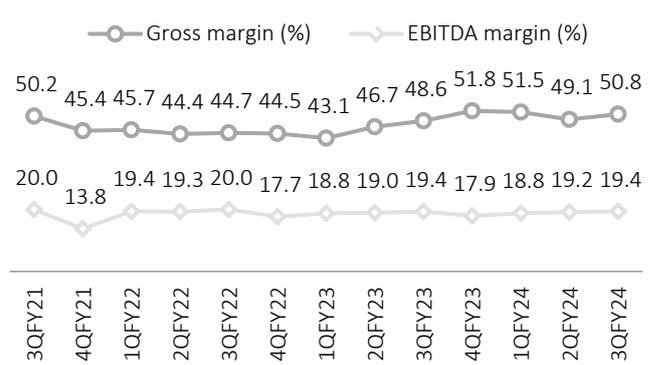
Source: Company, MOFSL

Exhibit 5: Export share has largely been stable



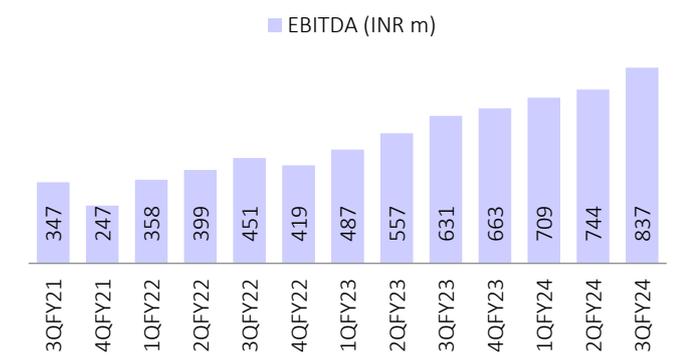
Source: Company, MOFSL

Exhibit 6: Healthy gross margin expansion YoY



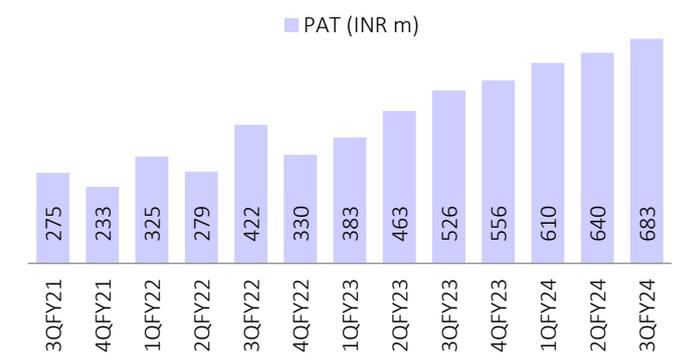
Source: Company, MOFSL

Exhibit 7: EBITDA growth was at 33% YoY (INR m)



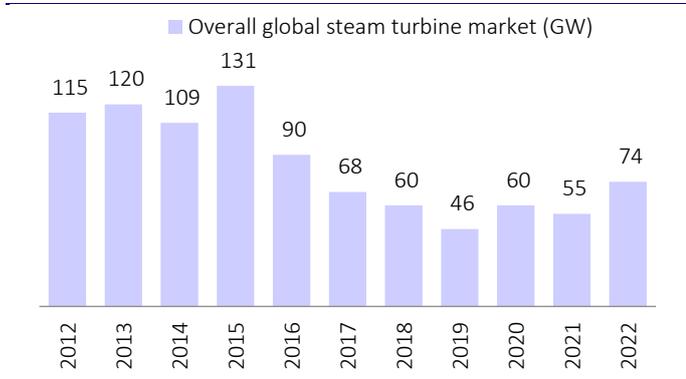
Source: Company, MOFSL

Exhibit 8: PAT growth stood at 30% YoY (INR m)



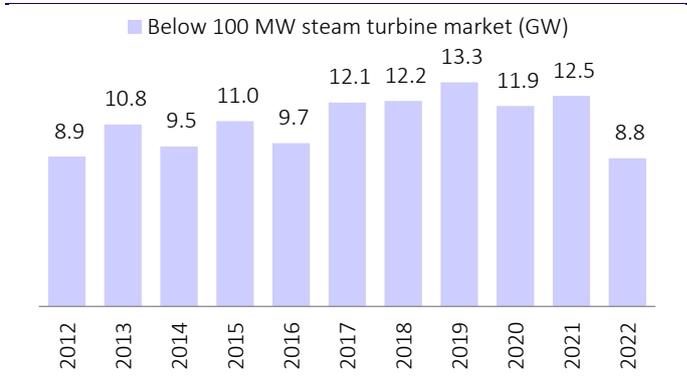
Source: Company, MOFSL

Exhibit 9: Overall global steam turbine market has declined...



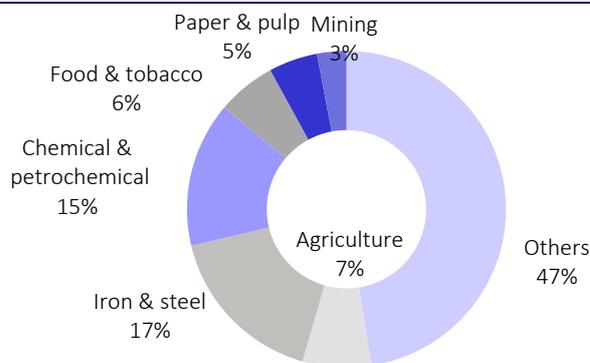
Source: Company, MOFSL

Exhibit 10: ...while below 100MW market (where TRIV operates) has remained flattish over the past decade



Source: Company, MOFSL

Exhibit 11: Breakdown of energy demand



Source: Industry, Company, MOFSL

Exhibit 12: Changes to our estimates

(INR M)	FY24E			FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	16,528	16,379	0.9	21,528	21,602	(0.3)	27,965	28,003	(0.1)
EBITDA	3,157	3,161	(0.1)	4,166	4,288	(2.9)	5,467	5,615	(2.6)
EBITDA (%)	19.1	19.3	-20 bps	19.4	19.9	-50 bps	19.6	20.1	-50 bps
Adj. PAT	2,563	2,515	1.9	3,318	3,377	(1.8)	4,369	4,446	(1.7)
EPS (INR)	8.1	7.9	1.9	10.4	10.6	(1.8)	13.7	14.0	(1.7)

Source: MOFSL

Valuation and view

The stock is currently trading at 41X/31X FY25E/26E P/E. We tweak our estimates to factor in higher costs as the company enters new markets for expanding its aftermarket presence. We roll forward our valuation to Mar'26E. We reiterate our BUY rating with a revised TP of INR540 (based on 39X Mar'26E earnings).

Key risks

Slowdown in capex initiatives; intensified competition; technology disruption; inability to innovate and launch new products; and geopolitical headwinds resulting in a sharp slowdown in exports and aftermarket segments.

Financials and Valuation

Income Statement							(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	8,179	7,026	8,522	12,476	16,528	21,528	27,965
change%	(2.6)	(14.1)	21.3	46.4	32.5	30.2	29.9
Gross Profit	1,557	1,476	1,626	2,338	3,157	4,166	5,467
Gross margin%	19.0	21.0	19.1	18.7	19.1	19.4	19.5
Total Expense	6,622	5,550	6,896	10,138	13,371	17,362	22,498
EBITDA	1,557	1,476	1,626	2,338	3,157	4,166	5,467
EBITDA Margin%	19.0	21.0	19.1	18.7	19.1	19.4	19.5
Depreciation	201	202	203	199	232	254	276
EBIT	1,356	1,274	1,424	2,139	2,925	3,911	5,191
Interest and finance charge	33	11	10	10	17	22	28
other income	237	244	253	426	516	542	673
PBT Before EO	1,559	1,506	1,666	2,555	3,424	4,432	5,836
PBT after EO	1,559	1,321	3,648	2,555	3,424	4,432	5,836
Total Tax	342	296	946	626	861	1,114	1,467
Tax Rate%	21.9	22.4	25.9	24.5	25.1	25.1	25.1
Minority Interest	-	-	0	3	-	-	-
Reported PAT	1,218	1,025	2,702	1,925	2,563	3,318	4,369
Adjusted PAT	1,218	1,025	2,702	1,925	2,563	3,318	4,369
change%	21.5	(0.7)	(40.5)	167.5	33.1	29.4	31.7
margin%	14.9	14.6	31.7	15.4	15.5	15.4	15.6

E: MOFSL estimates

Balance Sheet							(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	323	323	323	318	318	318	318
Total Reserves	4,978	6,052	8,242	7,286	9,131	11,520	14,666
Networth	5,302	6,376	8,566	7,604	9,449	11,838	14,984
Other Liability + Def Tax Liabilities	72	51	35	44	44	44	44
Minority Interest	-	-	8	10	10	10	10
Capital Employed	5,383	6,427	8,610	7,657	9,503	11,891	15,037
Gross Block	3,153	3,342	3,449	3,820	4,220	4,620	5,020
Less: Accum Dep	727	903	1,071	1,214	1,446	1,700	1,976
Fixed Asset (Net Block)	2,426	2,440	2,378	2,606	2,774	2,919	3,043
CWIP	64	-	33	54	54	54	54
Goodwill	-	-	-	-	-	-	-
Total Investment	1,571	3,010	4,866	3,880	5,380	7,380	9,880
Curr. Assets Loans & Advances	3,476	2,804	3,341	4,010	5,588	7,579	9,846
Inventory	1,727	1,596	1,617	2,000	2,717	3,539	4,597
Account Receivables	1,253	771	1,015	1,293	1,811	2,359	3,065
Cash and Bank	684	1,164	2,731	2,849	3,049	3,521	4,635
Loans and Advances	2	0	0	-	-	-	-
Current Liab and Provision	2,839	2,992	4,738	5,742	7,341	9,562	12,422
Account Payables	617	745	1,091	1,143	1,494	1,946	2,528
Other current liabilities	1,995	2,076	3,403	4,260	5,434	7,078	9,194
Provision	227	171	245	339	413	538	699
Net Current Assets	638	(187)	(1,397)	(1,732)	(1,754)	(1,983)	(2,576)
Application of Funds	5,383	6,427	8,610	7,657	9,503	11,891	15,037

E: MOFSL estimates

Financials and Valuation

Ratios							
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	3.8	3.7	3.9	6.1	8.1	10.4	13.7
Cash EPS	4.5	4.3	4.5	6.7	8.8	11.2	14.6
Book Value	16.7	20.1	26.9	23.9	29.7	37.2	47.1
DPS	0.5	2.2	1.6	1.6	2.3	2.9	3.8
Payout (incl. div. text)	16.1	69.4	18.5	26.0	28.0	28.0	28.0
Valuation (X)							
P/E	110.9	115.6	109.5	70.1	52.7	40.7	30.9
Cash P/E	95.2	98.5	94.0	63.6	48.3	37.8	29.1
Price/ Book Value	25.5	21.2	15.8	17.8	14.3	11.4	9.0
EV/Sales	16.5	19.1	15.6	10.6	8.0	6.1	4.7
EV/EBITDA	86.6	91.0	81.6	56.7	42.0	31.7	23.9
Div Yield (%)	0.1	0.5	0.4	0.4	0.5	0.7	0.9
Profitability Ratios (%)							
ROE%	25.3	20.0	16.5	23.8	30.1	31.2	32.6
ROCE%	25.8	20.1	16.6	23.9	30.2	31.3	32.7
Turnover Ratios (%)							
Asset Turnover (x)	1.5	1.1	1.0	1.6	1.7	1.8	1.9
Debtors (No. of days)	56	40	43	38	40	40	40
Inventory (No. of days)	77	83	69	59	60	60	60
Creditors (No. of days)	28	39	47	33	33	33	33
Leverage Ratios (%)							
Net Debt/ Equity (x)	(0.4)	(0.7)	(0.9)	(0.9)	(0.9)	(0.9)	(1.0)

E: MOFSL estimates

Cash Flow Statement							(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Adj EBITDA	1,557	1,476	1,626	2,338	3,157	4,166	5,467
Non-Cash Op. Exp (Inc)	203	47	2,224	416	500	520	645
(Inc)/Dec in Wkg Cap	594	796	1,570	230	22	229	593
Tax Paid	(414)	(323)	(902)	(628)	(861)	(1,114)	(1,467)
Other Operating Activities	(64)	(123)	(184)	(399)	17	22	28
CF. From Op Activity	1,877	1,873	4,334	1,957	2,834	3,822	5,266
(Inc)/Dec in FA & CWIP	(115)	(132)	(148)	(384)	(400)	(400)	(400)
Free Cashflows	1,762	1,740	4,187	1,573	2,434	3,422	4,866
(Pur)/ Sale of inv	(1,178)	(2,026)	(3,617)	1,111	(1,500)	(2,000)	(2,500)
others	4	13	(98)	136	-	-	-
CF. From Inv Activity	(1,173)	(2,012)	(3,714)	1,246	(1,500)	(2,000)	(2,500)
(Inc)/ Dec in net worth	-	-	-	-	-	-	-
(Inc)/dec in Debt	11	(2)	(20)	(1)	-	-	-
Interest Paid	(33)	(11)	(10)	(10)	(17)	(22)	(28)
Dividend Paid (Incl. tax)	(162)	0	(711)	(501)	(718)	(929)	(1,223)
CF. From Fin Activity	(201)	(16)	(740)	(2,847)	(734)	(950)	(1,251)
(Inc)/dec in cash	388	(288)	(268)	(28)	199	472	1,115
Add: Opening Balance	296	1,452	2,998	2,878	2,849	3,049	3,521
Closing Balance	684	1,164	2,731	2,849	3,049	3,521	4,635

E: MOFSL estimates

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Explanation of Investment Rating	
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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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