

# Triveni Turbine

BSE SENSEX 81,560 S&P CNX 24,936

CMP: INR747 TP: INR830 (+11%) Buy



Bloomberg	TRIV IN
Equity Shares (m)	318
M.Cap.(INRb)/(USDb)	237.4 / 2.8
52-Week Range (INR)	844 / 311
1, 6, 12 Rel. Per (%)	5/43/59
12M Avg Val (INR m)	778

### Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Sales	20.3	26.5	35.6
EBITDA	4.2	5.4	7.3
PAT	3.5	4.5	6.2
EPS (INR)	11.0	14.3	19.4
GR. (%)	30.5	29.4	35.8
BV/Sh (INR)	38.1	48.4	62.4

### Ratios

ROE (%)	32.3	33.0	35.0
RoCE (%)	32.5	33.2	35.2

### Valuations

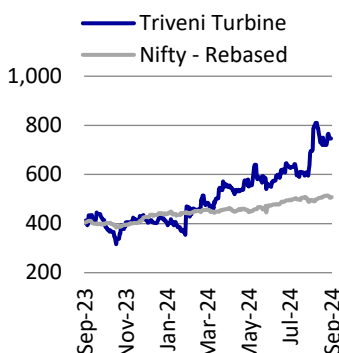
P/E (X)	67.3	52.0	38.3
P/BV (X)	19.5	15.3	11.9
EV/EBITDA (X)	55.6	42.4	31.2
Div Yield (%)	0.4	0.5	0.7

### Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	55.8	55.8	55.8
DII	12.3	12.7	12.6
FII	27.5	27.3	26.8
Others	4.3	4.2	4.8

FII Includes depository receipts

### Stock performance (one-year)



## Growth strategies bearing fruit

Triveni Turbine (TRIV) in its annual report emphasized its strategy to expand its footprint in key international geographies, widen its product offerings, scale up its aftermarket business and continue its focus on innovation. Despite weakness in domestic markets, TRIV posted healthy growth in revenue, profitability and order inflows in FY24. We expect TRIV to continue to benefit from international order inflows, particularly from the ongoing global shift toward renewables, while domestic inflows will ramp up in the next few quarters from key end-user industries such as steel, cement, chemicals, sugar, distilleries, paper and pulp. We slightly raise our margin estimates and roll forward our target price. We maintain BUY with a revised TP of INR830, based on 48x Sep'26E EPS.

## Global scenario – share of renewables on the rise

The global steam turbine market has been in a downtrend (120GW in 2013 to 81GW in 2023), largely led by the decreasing share of coal-based power generation, in which utility turbines find application (~90% of total market). However, the shift away from fossil fuels is playing out gradually, with its share in the global steam turbine market falling to 67% in 2023 from 75% in 2013, which augurs well for TRIV. Notably, the shift is more pronounced in the below-100MW range, with the share of thermal renewables (biomass, waste to energy, waste heat recovery) rising to 67% in 2023 from 42% in 2013. During CY2023, the below-100MW steam turbine market (TRIV's addressable market) has grown by 3% YoY, excluding China and Japan, driven by growth in decentralized steam-based renewable turbines.

## Analysis of inflows of global players – Baker Hughes and Siemens Energy AG

TRIV competes with players like Siemens AG and Baker Hughes in international markets. We compare the relevant segments of Baker Hughes and Siemens Energy with those of TRIV. Baker Hughes reports its product and aftermarket division under the gas technology equipment and gas technology services. Siemens Energy reports its turbine business under the category of industrial steam turbines. Our analysis of inflows and revenues of the turbine segment for these companies reinforces the fact that revenues from the international market are continuously growing and this is also reflected in improved profitability of these companies. For Baker Hughes, order inflows for product and aftermarket declined YoY, but the strong order book resulted in a healthy revenue trajectory, with revenues up 37% YoY for 2QCY24 (Exhibits 3 and 4). Siemens Energy's order inflows also declined YoY, but revenues were up 16% YoY in the last quarter (Exhibit 5). TRIV is trying to gain market share from unorganized players in global markets.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Share of exports and aftermarket remains high

For TRIV, the share of exports has gone up to 46% in FY24 from 35% in FY16. This share is poised to increase further with the company's foray into the US market, where it is increasing employee headcount and setting up offices. TRIV maintained its share in aftermarket YoY at 33% of sales in FY24, aided by more order inflows and its ability to refurbish higher-range utility turbines, which helps the company to gain access to a wider TAM.

### Domestic order inflow weak in FY24; pickup expected in few quarters

In FY24, domestic order inflows declined by 8% due to delays in finalization from key end-user industries, along with elections and a high base of FY23. The company believes this is a transient situation as the structural demand drivers from sugar, distillery, steel, cement, pulp and paper, food processing and chemicals are intact. The management is sanguine about the domestic outlook, led by improved bank and corporate balance sheets, which is expected to support capacity expansion in the manufacturing sector. Notably, domestic enquiries saw healthy growth, largely from sugar and distilleries, followed by process industries, which should translate into orders going ahead.

### Focus on innovation continues; R&D spending at all-time high

As a percentage of sales, TRIV has maintained its R&D spending in ~1% in the past few years as it focuses on making technological innovations and keeping up with global competition. Accordingly, its R&D spending has grown at a 22% CAGR over FY20-24, resulting in the filing of 374 IPRs to date. It has already begun work on nascent technologies such as sCO<sub>2</sub> (supercritical carbon dioxide), which are highly energy efficient and use CO<sub>2</sub> as a feedstock instead of steam. The company is on the verge of the commercialization of this technology, which currently finds applications in niche segments. In FY24, TRIV's R&D focus areas were a) developing high-speed products in the lower MW range with improved efficiency, b) customizing products for niche markets, c) offering enhanced aero-solutions to the industrial turbine market, and d) advancing sustainable technology programs toward commercialization.

### Key order wins

The company's international foray in the SADC region was further bolstered in FY24 by the renewal of a contract as a new multi-year rate contract from the strategic services contract for utility turbines. Similarly, it won orders for API drive and power turbines in Asia and East Europe.

### Financial outlook

We expect TRIV's to clock a CAGR of 29%/32%/32% in revenue/EBITDA/PAT over FY24-27E. Backed by a comfortable negative working capital cycle, strong margins and low capex requirements, we expect a CAGR of 39%/42% in OCF/FCF over FY24-27E.

### Valuation and view

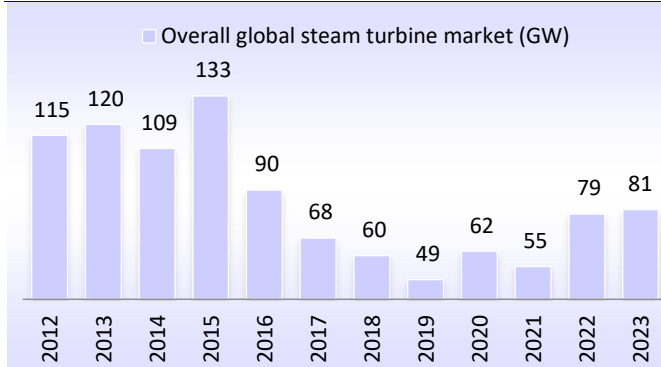
The stock is currently trading at 52x/38x FY26E/27E P/E. We maintain our **BUY** rating on TRIV with a revised TP of INR830. We slightly tweak our estimates to factor in higher margins.

### Key risks and concerns

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.

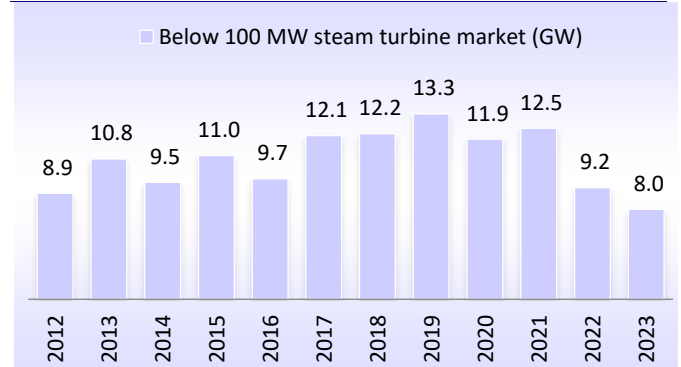
## Global demand scenario and performance of players

**Exhibit 1: Overall global steam turbine market size across markets (GW)**



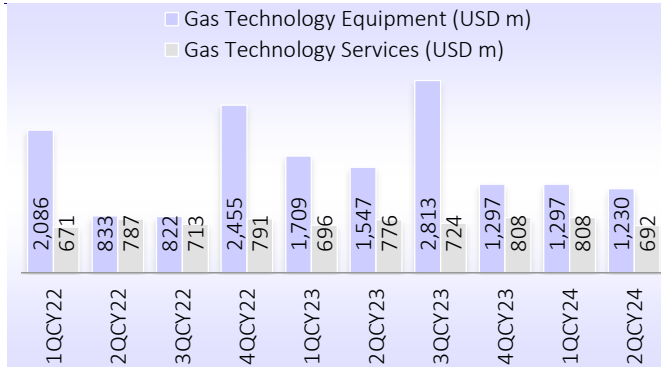
Source: Company, MOFSL

**Exhibit 2: Below-100MW global steam turbine market size (GW)**



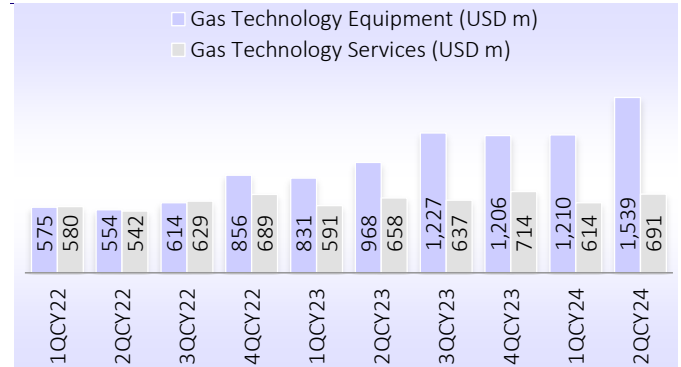
Source: Company, MOFSL

**Exhibit 3: Baker Hughes – order inflow trend for its product and aftermarket solutions (USD m)**



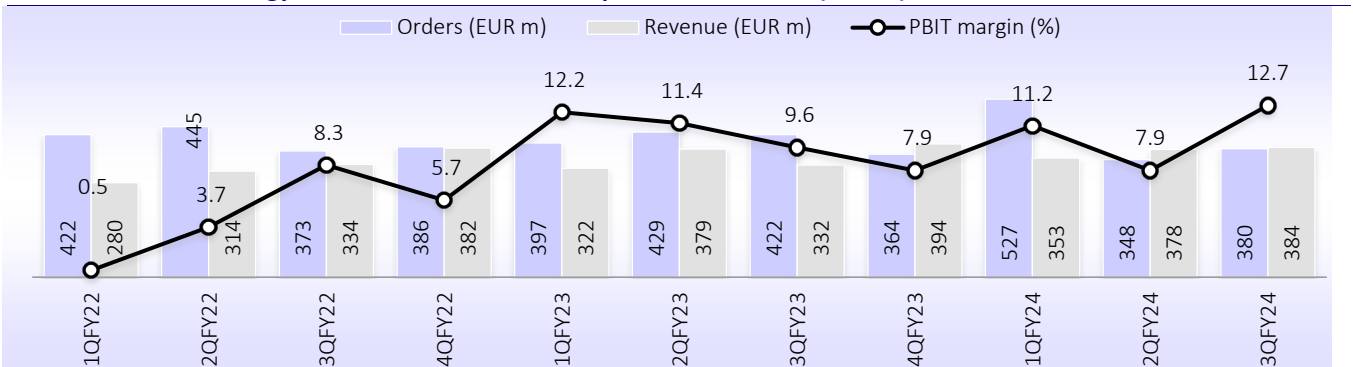
Source: Company, MOFSL

**Exhibit 4: Baker Hughes - Revenue growth remained strong over the last few quarters (USD m)**



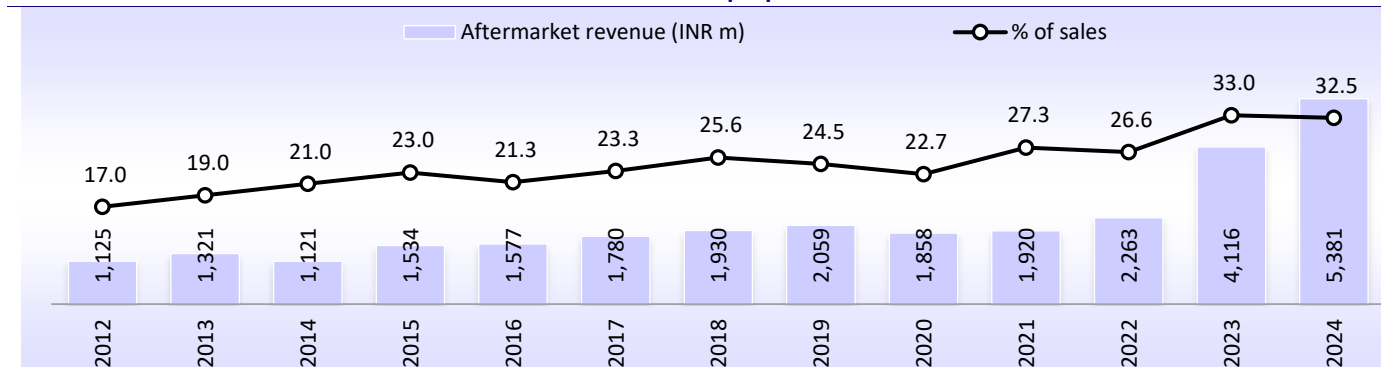
Source: Company, MOFSL

**Exhibit 5: Siemens Energy – Industrial steam turbines performance trend (EUR m)**



Source: Company, MOFSL

**Exhibit 6: Aftermarket revenues for TRIV remained stable YoY as proportion of overall revenue**



Source: Company, MOFSL

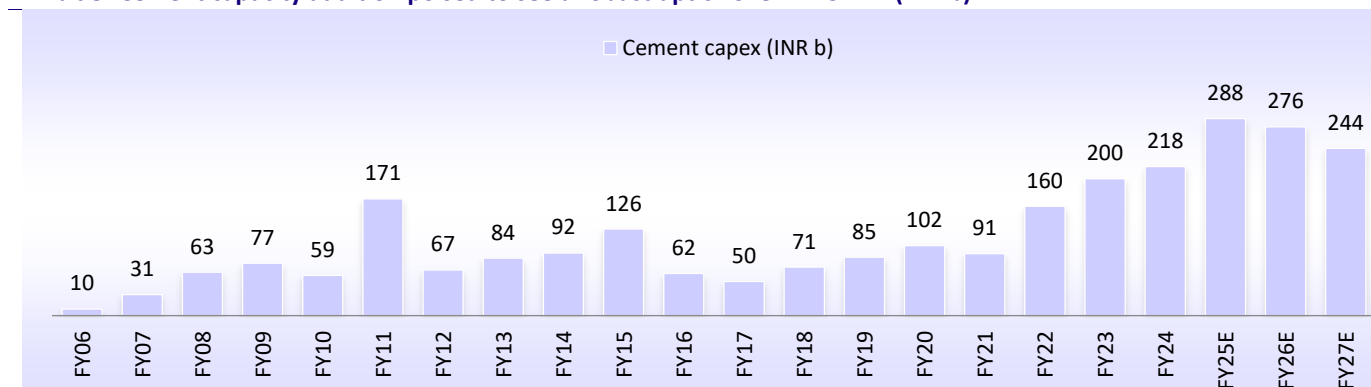
## Domestic orders poised for an uptick

**Exhibit 7: Capex trend across key sectors under our coverage (INR b)**

Sector	FY23	FY24	FY25E	FY26E
Automobile	457	621	691	724
Cement	266	299	345	327
Chemical	90	77	72	66
Metals and mining	839	1,034	1,024	996
Oil and Gas	2,077	2,207	2,361	2,379
Pharmaceuticals	237	219	164	143
FMCG	45	81	56	57
<b>Total across these key sectors</b>	<b>4,011</b>	<b>4,538</b>	<b>4,713</b>	<b>4,692</b>

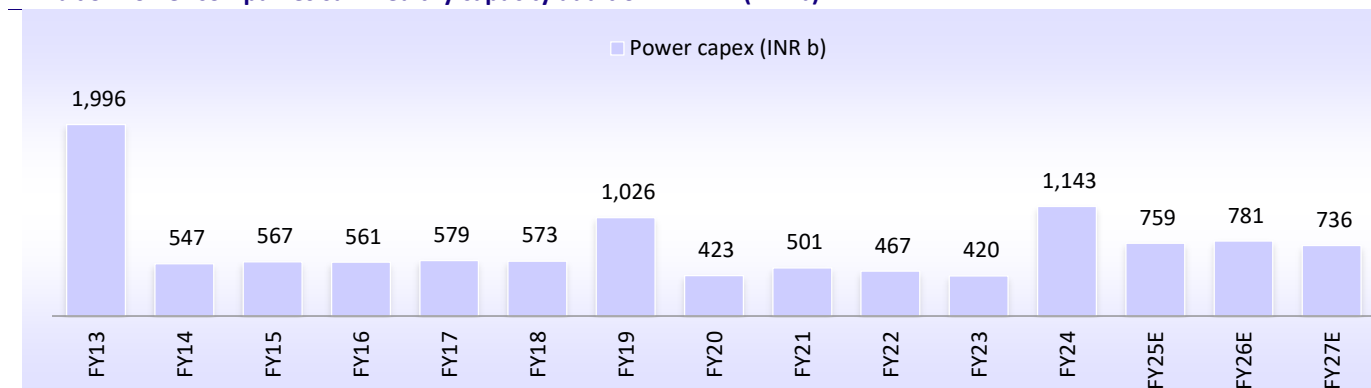
Source: MOFSL

**Exhibit 8: Cement capacity addition poised to see a robust uptick over FY25-27E (INR b)**



Source: MOFSL

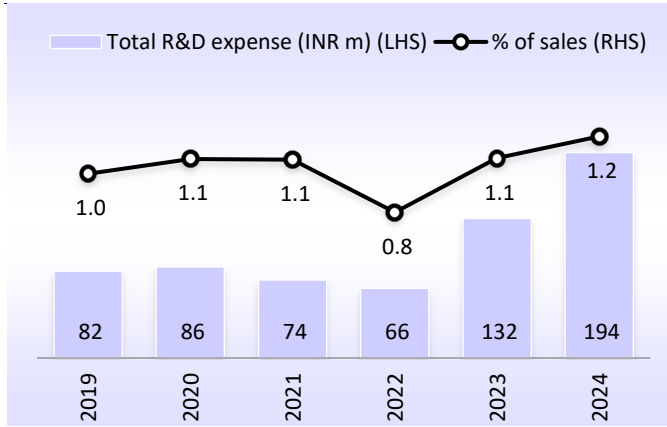
**Exhibit 9: Power companies saw healthy capacity addition in FY24 (INR b)**



Source: MOFSL

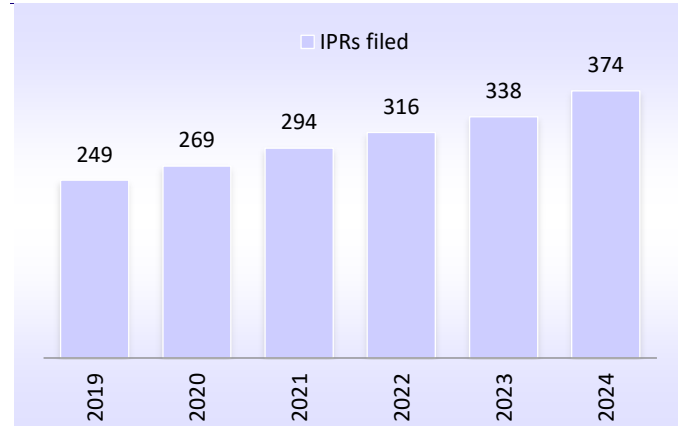
**Continued focus on R&D and innovation**

**Exhibit 10: Consistent spending on R&D and innovation...**



Source: Company, MOFSL

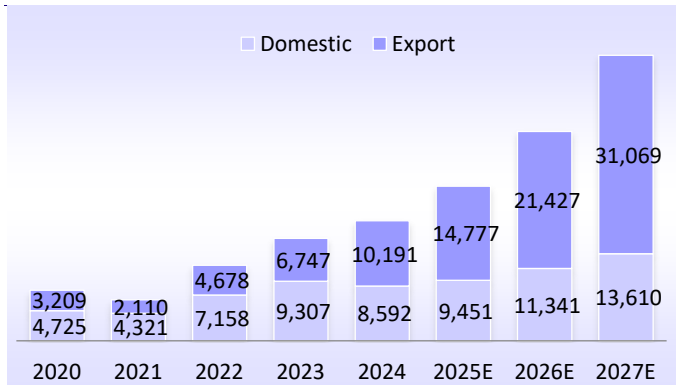
**Exhibit 11: ...resulting in increasing number of IPR filings**



Source: Company, MOFSL

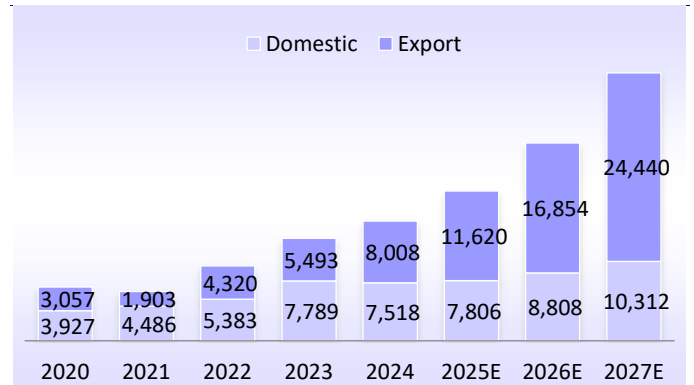
**Financial outlook**

**Exhibit 12: We expect order inflow momentum to remain stable (INR m)**



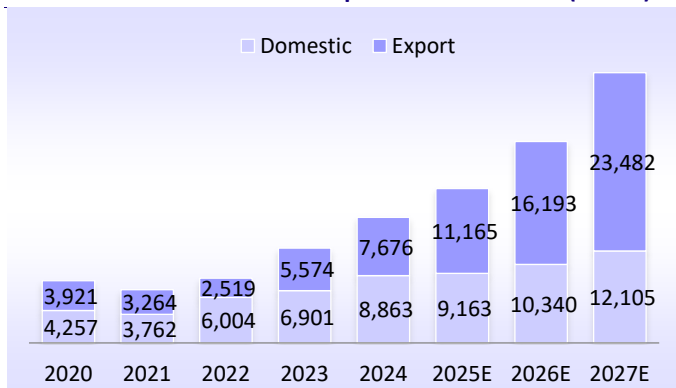
Source: Company, MOFSL

**Exhibit 13: Order book on a strong footing led by healthy inquiry levels and a foray into newer markets (INR m)**



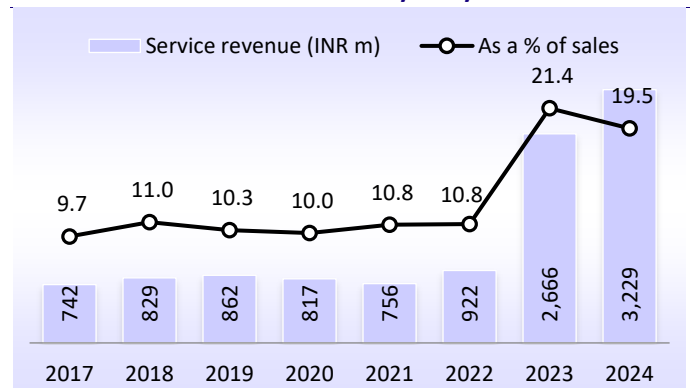
Source: Company, MOFSL

**Exhibit 14: Overall revenue to post a CAGR of 29% (INR m)**



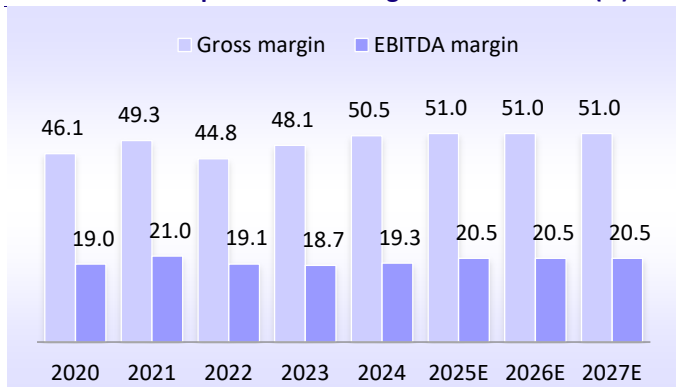
Source: Company, MOFSL

**Exhibit 15: TRIV has made a healthy foray into Service**



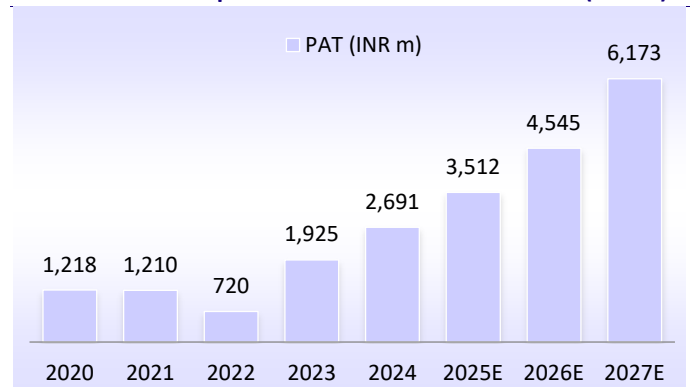
Source: Company, MOFSL

**Exhibit 16: We expect EBITDA margin at around 20% (%)**



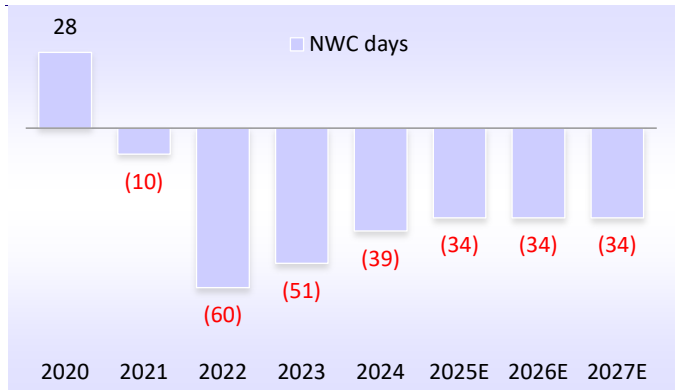
Source: Company, MOFSL

**Exhibit 17: PAT to post CAGR of 32% over FY24-27E (INR m)**



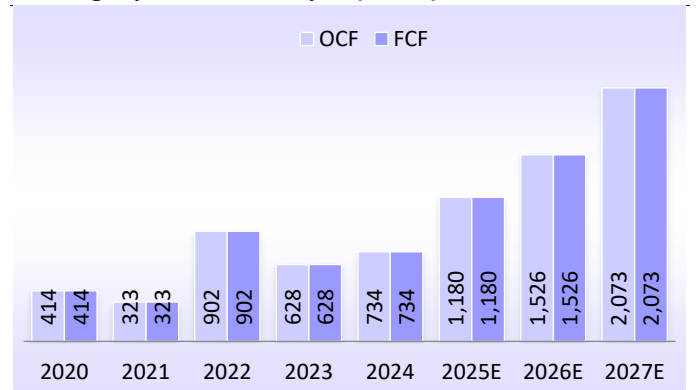
Source: Company, MOFSL

**Exhibit 18: NWC days declined continuously; expected to be at comfortable levels**



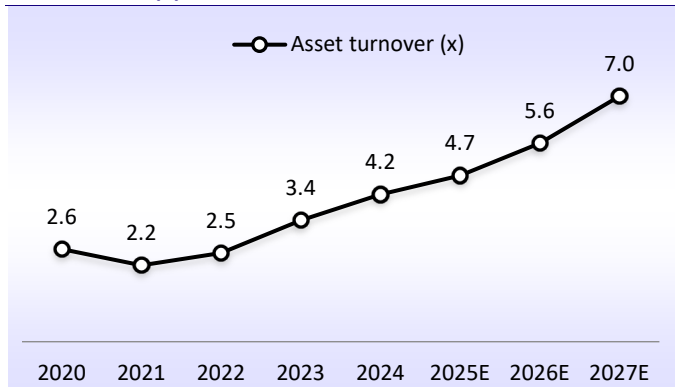
Source: Company, MOFSL

**Exhibit 19: OCF and FCF to remain healthy on negative working capital and low capex (INR m)**



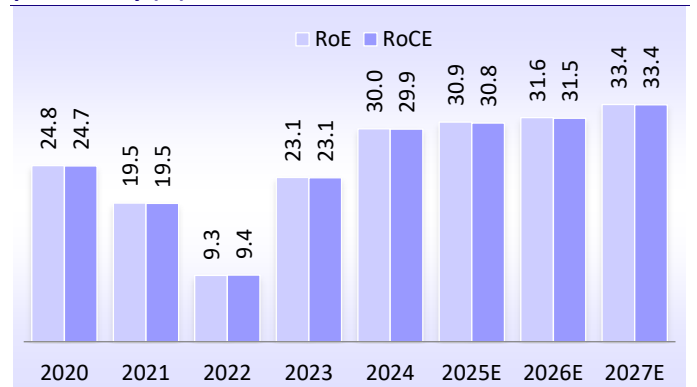
Source: Company, MOFSL

**Exhibit 20: Asset turnover to inch up on higher aftermarket contribution (x)**



Source: Company, MOFSL

**Exhibit 21: Return ratios to remain strong on healthy profitability (%)**



Source: Company, MOFSL

## Financials and valuations

Consolidated – Income Statement							(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>7,026</b>	<b>8,522</b>	<b>12,476</b>	<b>16,539</b>	<b>20,328</b>	<b>26,533</b>	<b>35,587</b>
Change (%)	-14.1	21.3	46.4	32.6	22.9	30.5	34.1
Employees Cost	870	1,029	1,285	1,613	2,134	2,786	3,737
Other Expenses	1,118	1,164	2,381	3,547	4,066	5,307	7,117
<b>Total Expenditure</b>	<b>5,550</b>	<b>6,896</b>	<b>10,138</b>	<b>13,351</b>	<b>16,161</b>	<b>21,093</b>	<b>28,292</b>
% of Sales	79.0	80.9	81.3	80.7	79.5	79.5	79.5
<b>EBITDA</b>	<b>1,476</b>	<b>1,626</b>	<b>2,338</b>	<b>3,188</b>	<b>4,167</b>	<b>5,439</b>	<b>7,295</b>
Margin (%)	21.0	19.1	18.7	19.3	20.5	20.5	20.5
Depreciation	202	203	199	208	249	271	293
<b>EBIT</b>	<b>1,274</b>	<b>1,424</b>	<b>2,139</b>	<b>2,980</b>	<b>3,919</b>	<b>5,169</b>	<b>7,003</b>
Int. and Finance Charges	11	10	10	27	20	27	36
Other Income	244	253	426	624	794	929	1,279
<b>PBT bef. EO Exp.</b>	<b>1,506</b>	<b>1,666</b>	<b>2,555</b>	<b>3,578</b>	<b>4,692</b>	<b>6,071</b>	<b>8,246</b>
EO Items	-185	1,982	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>1,321</b>	<b>3,648</b>	<b>2,555</b>	<b>3,578</b>	<b>4,692</b>	<b>6,071</b>	<b>8,246</b>
Total Tax	296	946	626	883	1,180	1,526	2,073
Tax Rate (%)	22.4	25.9	24.5	24.7	25.1	25.1	25.1
Minority Interest	0	0	3	4	0	0	0
<b>Reported PAT</b>	<b>1,025</b>	<b>2,702</b>	<b>1,925</b>	<b>2,691</b>	<b>3,512</b>	<b>4,545</b>	<b>6,173</b>
<b>Adjusted PAT</b>	<b>1,168</b>	<b>1,234</b>	<b>1,925</b>	<b>2,691</b>	<b>3,512</b>	<b>4,545</b>	<b>6,173</b>
Change (%)	-4.1	5.6	56.1	39.8	30.5	29.4	35.8
Margin (%)	16.6	14.5	15.4	16.3	17.3	17.1	17.3

Consolidated – Balance Sheet							(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	323	323	318	318	318	318	318
Total Reserves	6,052	8,242	7,286	9,280	11,809	15,081	19,526
<b>Net Worth</b>	<b>6,376</b>	<b>8,566</b>	<b>7,604</b>	<b>9,598</b>	<b>12,127</b>	<b>15,399</b>	<b>19,844</b>
Minority Interest	0	8	10	15	15	15	15
Total Loans	0	2	0	0	0	0	0
Deferred Tax Liabilities	51	35	44	89	89	89	89
<b>Capital Employed</b>	<b>6,427</b>	<b>8,610</b>	<b>7,657</b>	<b>9,702</b>	<b>12,231</b>	<b>15,503</b>	<b>19,948</b>
Gross Block	3,342	3,449	3,820	4,118	4,518	4,918	5,318
Less: Accum. Deprn.	903	1,071	1,214	1,370	1,618	1,889	2,181
<b>Net Fixed Assets</b>	<b>2,440</b>	<b>2,378</b>	<b>2,606</b>	<b>2,748</b>	<b>2,900</b>	<b>3,029</b>	<b>3,137</b>
Capital WIP	0	33	54	14	14	14	14
<b>Total Investments</b>	<b>3,010</b>	<b>4,866</b>	<b>3,880</b>	<b>4,662</b>	<b>6,635</b>	<b>9,135</b>	<b>11,635</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>3,969</b>	<b>6,072</b>	<b>6,859</b>	<b>9,113</b>	<b>11,711</b>	<b>15,110</b>	<b>20,969</b>
Inventory	1,596	1,617	2,000	2,263	3,342	4,362	5,850
Account Receivables	771	1,015	1,293	1,781	2,228	2,908	3,900
Cash and Bank Balance	1,164	2,731	2,849	4,025	4,554	5,769	8,440
Loans and Advances	0	0	0	0	0	0	0
Other Current Assets	437	709	716	1,044	1,588	2,072	2,779
<b>Curr. Liability &amp; Prov.</b>	<b>2,992</b>	<b>4,738</b>	<b>5,742</b>	<b>6,835</b>	<b>9,029</b>	<b>11,785</b>	<b>15,807</b>
Account Payables	745	1,091	1,143	1,746	1,838	2,399	3,217
Other Current Liabilities	2,076	3,403	4,260	4,585	6,683	8,723	11,700
Provisions	171	245	339	505	508	663	890
<b>Net Current Assets</b>	<b>977</b>	<b>1,333</b>	<b>1,117</b>	<b>2,278</b>	<b>2,682</b>	<b>3,325</b>	<b>5,162</b>
<b>Appl. of Funds</b>	<b>6,427</b>	<b>8,610</b>	<b>7,657</b>	<b>9,702</b>	<b>12,231</b>	<b>15,503</b>	<b>19,948</b>



## Financials and valuations

Ratios							
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>3.7</b>	<b>3.9</b>	<b>6.1</b>	<b>8.5</b>	<b>11.0</b>	<b>14.3</b>	<b>19.4</b>
Cash EPS	4.3	4.5	6.7	9.1	11.8	15.1	20.3
BV/Share	20.1	26.9	23.9	30.2	38.1	48.4	62.4
DPS	2.2	1.6	1.6	2.4	3.1	4.0	5.4
Payout (%)	69.4	18.5	26.0	28.0	28.0	28.0	28.0
<b>Valuation (x)</b>							
P/E	202.3	191.6	122.8	87.8	67.3	52.0	38.3
Cash P/E	172.5	164.5	111.3	81.5	62.9	49.1	36.6
P/BV	37.1	27.6	31.1	24.6	19.5	15.3	11.9
EV/Sales	33.5	27.4	18.7	14.0	11.4	8.7	6.4
EV/EBITDA	159.4	143.7	99.9	72.9	55.6	42.4	31.2
Dividend Yield (%)	0.3	0.2	0.2	0.3	0.4	0.5	0.7
FCF per share	5.5	13.2	4.9	7.5	11.0	15.8	21.8
<b>Return Ratios (%)</b>							
RoE	20.0	16.5	23.8	31.3	32.3	33.0	35.0
RoCE	20.1	16.6	23.9	31.6	32.5	33.2	35.2
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	2.1	2.5	3.3	4.0	4.5	5.4	6.7
Asset Turnover (x)	1.1	1.0	1.6	1.7	1.7	1.7	1.8
Inventory (Days)	83	69	59	50	60	60	60
Debtor (Days)	40	43	38	39	40	40	40
Creditor (Days)	39	47	33	39	33	33	33
<b>Leverage Ratio (x)</b>							
Current Ratio	1.3	1.3	1.2	1.3	1.3	1.3	1.3
Interest Cover Ratio	112.1	139.6	215.0	112.0	192.8	194.8	196.8
Net Debt/Equity	-0.7	-0.9	-0.9	-0.9	-0.9	-1.0	-1.0

Consolidated – Cash Flow Statement							(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	1,321	3,648	2,555	3,576	4,692	6,071	8,246
Depreciation	202	203	199	208	249	271	293
Interest & Finance Charges	11	10	10	27	20	27	36
Direct Taxes Paid	-323	-902	-628	-734	-1,180	-1,526	-2,073
(Inc)/Dec in WC	796	1,570	230	181	125	571	834
<b>CF from Operations</b>	<b>2,007</b>	<b>4,529</b>	<b>2,366</b>	<b>3,258</b>	<b>3,907</b>	<b>5,413</b>	<b>7,335</b>
Others	-134	-195	-409	-547	0	0	0
<b>CF from Operating incl EO</b>	<b>1,873</b>	<b>4,334</b>	<b>1,957</b>	<b>2,710</b>	<b>3,907</b>	<b>5,413</b>	<b>7,335</b>
(Inc)/Dec in FA	-132	-148	-384	-312	-400	-400	-400
<b>Free Cash Flow</b>	<b>1,740</b>	<b>4,187</b>	<b>1,573</b>	<b>2,399</b>	<b>3,507</b>	<b>5,013</b>	<b>6,935</b>
(Pur)/Sale of Investments	-2,026	-3,617	1,111	-1,811	-2,000	-2,500	-2,500
Others	13	-98	136	150	0	0	0
<b>CF from Investments</b>	<b>-2,144</b>	<b>-3,862</b>	<b>862</b>	<b>-1,973</b>	<b>-2,400</b>	<b>-2,900</b>	<b>-2,900</b>
Issue of Shares	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-2	-20	-1	0	0	0	0
Interest Paid	-11	-10	-10	-27	-20	-27	-36
Dividend Paid	0	-711	-501	-731	-983	-1,273	-1,728
Others	-2	1	-2,335	14	27	0	0
<b>CF from Fin. Activity</b>	<b>-16</b>	<b>-740</b>	<b>-2,847</b>	<b>-744</b>	<b>-977</b>	<b>-1,299</b>	<b>-1,764</b>
<b>Inc/Dec of Cash</b>	<b>-288</b>	<b>-268</b>	<b>-28</b>	<b>-6</b>	<b>530</b>	<b>1,214</b>	<b>2,671</b>
Opening Balance	658	593	325	297	291	821	2,035
<b>Closing Balance</b>	<b>1,164</b>	<b>2,731</b>	<b>2,849</b>	<b>4,025</b>	<b>4,554</b>	<b>5,769</b>	<b>8,440</b>

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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