Triveni Turbine (TRIV IN)

Rating: ACCUMULATE | CMP: Rs103 | TP: Rs124

August 5, 2019

Q1FY20 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY20E	FY21E	FY20E	FY21E
Rating	**ACCUMULATE**		**ACCUMULATE**	
Target Price	**124**		**124**	
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.)	3.7	4.4	3.7	4.4
% Chng.	-	-		

Key Financials - Consolidated

Y/e Mar	FY18	FY19	FY20E	FY21E
Sales (Rs. m)	7,511	8,400	9,485	10,539
EBITDA (Rs. m)	1,578	1,513	1,798	2,092
Margin (%)	*21.0*	*18.0*	*19.0*	*19.9*
PAT (Rs. m)	960	1,002	1,211	1,427
EPS (Rs.)	2.9	3.1	3.7	4.4
Gr. (%)	*(22.3)*	*6.6*	*20.9*	*17.8*
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	*22.4*	*22.6*	*25.7*	*25.9*
RoCE (%)	*32.4*	*29.6*	*33.9*	*33.9*
EV/Sales (x)	4.5	3.9	3.5	3.1
EV/EBITDA (x)	21.3	21.7	18.3	15.4
PE (x)	35.3	33.1	27.4	23.3
P/BV (x)	7.5	7.7	6.5	5.6

Key Data	TRVT.BO | TRIV IN
52-W High / Low	Rs.130 / Rs.81
Sensex / Nifty	36,700 / 10,863
Market Cap	Rs.33bn/ $ 471m
Shares Outstanding	323m
3M Avg. Daily Value	Rs.5.64m

Shareholding Pattern (%)

Promoter's	67.78
Foreign	11.50
Domestic Institution	16.10
Public & Others	4.62
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.1)	(1.1)	(12.3)
Relative	7.6	(1.3)	(10.3)

Ashwani Sharma
ashwanisharma@plindia.com | 91-22-66322247

Khushboo Parekh
khushbooparekh@plindia.com | 91-22-66322257

Strong 1QFY20 numbers, Order backlog declines

Triveni Turbine Ltd (TRIV) reported strong set of numbers with revenue/PAT up 24%/62% YoY, led by pre-ponement of few large orders in the domestic market and 280bps YoY expansion in EBITDA margin (in-line with management guidance). While order inflow (OI) was lower 10% YoY, enquiry pipeline looks encouraging from sectors like molasses based distilleries, pulp paper, process co-generation and steel & cement. Order backlog (OB) was down 7% YoY which management is confident of higher year end number. The company has successfully penetrated its products in new geographies like Middle East, Africa and some parts of South East Asia. We expect Aftermarket segment also to benefit due to presence in newer international geographies. GE Triveni JV registered a total revenue of ~Rs578 mn with a profit after tax of ~ Rs86 mn during the quarter. Management has maintained guidance for double digit revenue growth and expansion in margin in FY20. We have maintained our numbers and expect TRIV to deliver revenue/PAT CAGR of 12/19% over next two years (FY19-21E). The stock is currently trading at 27/23x FY20/FY21E. We maintain Accumulate with TP of Rs124 (28x FY21E).

1QFY20 results beat on all counts: Revenue was up 24% YoY to Rs2.1 bn (PLe Rs1.9 bn), mainly led by 84% YoY growth in domestic market due to preponement of certain deliveries in the domestic market. However, export sales were down 10%YoY due to higher base last year. Product revenue (81% of sales) was up 32% YoY, aftermarket down 1% YoY. EBITDA margin improved 230bps YoY to 21.9% (PLe 19%) mainly due to lower employee cost and other expenses. Interest cost was higher at Rs9.6 mn compared to Rs0.1 mn in 1QFY19. Other income was down 10% YoY at Rs31 mn. Profit share from JV came in higher at Rs35.7 mn against loss of Rs1.1 mn in 1QFY19. Hence PAT for the quarter grew 62% YoY at Rs307 mn (PLe Rs217 mn).

OB declined due to lower OI and strong execution: Order inflow during 1QFY20 fell 10% YoY to Rs2.2 bn with Domestic/Overseas OI down 9%/13% YoY. In the domestic market, OI was lumpy and was impacted due to general elections and ongoing weak conditions. Management indicated strong enquiry pipeline from sectors like molasses based distilleries, pulp paper, process co-generation and steel & cement. With recent biofuel policy and ethanol blending programs, the enquiry levels from ethanol distilleries has been healthy (4-5 per month with 20% conversion ratio). Typically, a 160KLD ethanol facility has ~10-12MW of captive power requirement. Overall OB stands lower at Rs7.2 bn, down 7% YoY, with Product/Aftermarket -9.2%/+9.2% YoY.

GE-TL JV update: GE-TTL JV reported revenue of Rs578 mn and PAT of Rs80 mn against net loss in 1QFY19. OI during the quarter was Rs208 mn and OB stands at Rs920 mn. In June 2019, TRIV filed a petition before National Company Law Tribunal against its JV partner GE alleging misconduct by the latter in the JV between the two and the matter is sub-judice.

Exhibit 1: Q1FY20 Result Overview (Rs mn)

Y/e March	1QFY20	1QFY19	*YoY gr. (%)*	4QFY19	FY20E	FY19	*YoY gr. (%)*
Net Revenue	**2,136**	**1,718**	***24.4***	**2,396**	**9,485**	**8,400**	***12.9***
EBITDA	**437**	**303**	***44.2***	**456**	**1,798**	**1,513**	***18.9***
EBITDA Margin (%)	*20.5*	*17.7*		*19.0*	*19.0*	*18.0*	
Other Income	31	34	*(9.6)*	55	196	162	*21.4*
Depreciation	50	48	*4.2*	53	203	201	*1.0*
Interest	10	0		7	6	11	*(50.0)*
Profit before Tax	**409**	**289**	***41.2***	**396**	**1,785**	**1,462**	***22.1***
Tax	137	98		136	600	492	
Reported PAT	**307**	**190**	***61.5***	**283**	**1,211**	**1,002**	***20.9***
Adjusted PAT	**307**	**190**	***61.5***	**283**	**1,211**	**1,002**	***20.9***
Net Margin (%)	*14.4*	*11.1*		*11.8*	*12.8*	*11.9*	
Adjusted EPS	**0.9**	**0.6**	***64.8***	**0.9**	**3.7**	**3.1**	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Net Revenues	**7,511**	**8,400**	**9,485**	**10,539**
YoY gr. (%)	*0.9*	*11.8*	*12.9*	*11.1*
Cost of Goods Sold	3,853	4,691	5,112	5,480
Gross Profit	3,658	3,709	4,373	5,059
Margin (%)	*48.7*	*44.2*	*46.1*	*48.0*
Employee Cost	881	991	1,119	1,244
Other Expenses	1,200	1,205	1,456	1,723
EBITDA	**1,578**	**1,513**	**1,798**	**2,092**
YoY gr. (%)	*(5.2)*	*(4.2)*	*18.9*	*16.4*
Margin (%)	*21.0*	*18.0*	*19.0*	*19.9*
Depreciation and Amortization	191	201	203	222
EBIT	**1,387**	**1,311**	**1,595**	**1,870**
Margin (%)	*18.5*	*15.6*	*16.8*	*17.7*
Net Interest	5	11	6	6
Other Income	81	162	196	238
Profit Before Tax	**1,463**	**1,462**	**1,785**	**2,102**
Margin (%)	*19.5*	*17.4*	*18.8*	*19.9*
Total Tax	478	492	600	707
Effective tax rate (%)	*32.7*	*33.6*	*33.6*	*33.6*
Profit after tax	**985**	**971**	**1,185**	**1,395**
Minority interest	-	-	-	-
Share Profit from Associate	(25)	32	26	31
Adjusted PAT	**960**	**1,002**	**1,211**	**1,427**
YoY gr. (%)	*(22.3)*	*4.4*	*20.9*	*17.8*
Margin (%)	*12.8*	*11.9*	*12.8*	*13.5*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**960**	**1,002**	**1,211**	**1,427**
YoY gr. (%)	*(22.3)*	*4.4*	*20.9*	*17.8*
Margin (%)	*12.8*	*11.9*	*12.8*	*13.5*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	960	1,002	1,211	1,427
Equity Shares O/s (m)	**330**	**323**	**323**	**323**
EPS (Rs)	**2.9**	**3.1**	**3.7**	**4.4**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
Non-Current Assets				
Gross Block	**2,673**	**3,169**	**3,389**	**3,609**
Tangibles	2,626	3,126	3,346	3,566
Intangibles	47	43	43	43
Acc: Dep / Amortization	**416**	**618**	**821**	**1,043**
Tangibles	416	618	821	1,043
Intangibles	-	-	-	-
Net fixed assets	**2,257**	**2,551**	**2,568**	**2,565**
Tangibles	2,210	2,508	2,525	2,523
Intangibles	47	43	43	43
Capital Work In Progress	385	43	150	150
Goodwill	-	-	-	-
Non-Current Investments	113	146	146	146
Net Deferred tax assets	(78)	(141)	(141)	(141)
Other Non-Current Assets	41	45	51	57
Current Assets				
Investments	91	50	50	50
Inventories	1,807	2,168	2,449	2,721
Trade receivables	2,078	1,750	1,976	2,195
Cash & Bank Balance	126	272	343	916
Other Current Assets	598	233	520	577
Total Assets	**7,527**	**7,408**	**8,350**	**9,488**
Equity				
Equity Share Capital	330	323	323	323
Other Equity	4,191	4,011	4,756	5,633
Total Networth	**4,521**	**4,334**	**5,079**	**5,956**
Non-Current Liabilities				
Long Term borrowings	1	-	-	-
Provisions	43	68	55	61
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,465	1,166	1,368	1,492
Other current liabilities	1,420	1,700	1,706	1,838
Total Equity & Liabilities	**7,527**	**7,409**	**8,350**	**9,488**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY18	FY19	FY20E	FY21E
PBT	1,438	1,462	1,785	2,102
Add. Depreciation	191	201	203	222
Add. Interest	5	11	6	6
Less Financial Other Income	81	162	196	238
Add. Other	28	(162)	(196)	(238)
Op. profit before WC changes	1,662	1,513	1,798	2,092
Net Changes-WC	(252)	195	(534)	(305)
Direct tax	(497)	(428)	(600)	(707)
Net cash from Op. activities	**913**	**1,280**	**663**	**1,080**
Capital expenditures	(475)	(154)	(327)	(220)
Interest / Dividend Income	5	162	196	238
Others	(28)	3	(6)	(7)
Net Cash from Invt. activities	**(498)**	**11**	**(137)**	**11**
Issue of share cap. / premium	-	(7)	-	-
Debt changes	(3)	25	(13)	6
Dividend paid	(476)	(189)	(467)	(549)
Interest paid	(5)	(11)	(6)	(6)
Others	-	(962)	29	31
Net cash from Fin. activities	**(485)**	**(1,144)**	**(457)**	**(518)**
Net change in cash	**(70)**	**147**	**70**	**574**
Free Cash Flow	913	1,280	663	1,080

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY19	Q3FY19	Q4FY19	Q1FY20
Net Revenue	**2,172**	**2,113**	**2,396**	**2,136**
YoY gr. (%)	*(1.1)*	*27.6*	*(1.9)*	*24.4*
Raw Material Expenses	1,143	1,210	1,437	1,209
Gross Profit	1,030	904	959	927
Margin (%)	*47.4*	*42.8*	*40.0*	*43.4*
EBITDA	**451**	**359**	**400**	**437**
YoY gr. (%)	*(3.9)*	*8.2*	*(32.6)*	*44.2*
Margin (%)	*20.7*	*17.0*	*16.7*	*20.5*
Depreciation / Depletion	48	53	53	50
EBIT	**403**	**306**	**348**	**387**
Margin (%)	*18.5*	*14.5*	*14.5*	*18.1*
Net Interest	-	3	7	10
Other Income	54	18	55	31
Profit before Tax	**456**	**321**	**396**	**409**
Margin (%)	*21.0*	*15.2*	*16.5*	*19.1*
Total Tax	153	105	136	137
Effective tax rate (%)	*33.5*	*32.7*	*34.3*	*33.6*
Profit after Tax	**304**	**216**	**260**	**271**
Minority interest	-	-	-	-
Share Profit from Associates	(2)	12	23	36
Adjusted PAT	**301**	**228**	**283**	**307**
YoY gr. (%)	*5.9*	*17.8*	*(20.0)*	*61.5*
Margin (%)	*13.9*	*10.8*	*11.8*	*14.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**301**	**228**	**283**	**307**
YoY gr. (%)	*5.9*	*17.8*	*(20.0)*	*61.5*
Margin (%)	*13.9*	*10.8*	*11.8*	*14.4*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**301**	**228**	**283**	**307**
Avg. Shares O/s (m)	323	323	323	323
EPS (Rs)	**0.9**	**0.7**	**0.9**	**0.9**

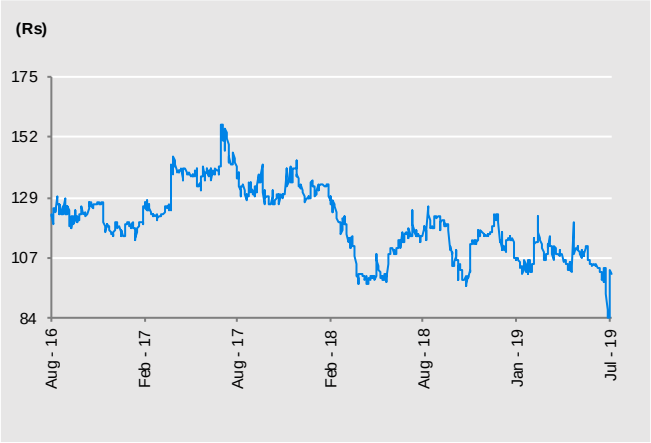
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY18	FY19	FY20E	FY21E
Per Share(Rs)				
EPS	2.9	3.1	3.7	4.4
CEPS	3.5	3.7	4.4	5.1
BVPS	13.7	13.4	15.7	18.4
FCF	2.8	4.0	2.1	3.3
DPS	-	-	-	-
Return Ratio(%)				
RoCE	32.4	29.6	33.9	33.9
ROIC	23.0	21.2	24.5	27.3
RoE	22.4	22.6	25.7	25.9
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	118	120	118	119
Valuation(x)				
PER	35.3	33.1	27.4	23.3
P/B	7.5	7.7	6.5	5.6
P/CEPS	29.4	27.6	23.5	20.1
EV/EBITDA	21.3	21.7	18.3	15.4
EV/Sales	4.5	3.9	3.5	3.1
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Price Chart



Recommendation History

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

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Reduce	1,296	1,394
2	Apar Industries	Accumulate	795	588
3	Bharat Electronics	Accumulate	120	98
4	BHEL	Hold	77	73
5	Cummins India	BUY	841	760
6	Engineers India	BUY	139	120
7	GE T&D India	Hold	179	175
8	Kalpataru Power Transmission	BUY	624	482
9	KEC International	BUY	352	333
10	Larsen & Toubro	BUY	1,710	1,400
11	Power Grid Corporation of India	BUY	224	211
12	Siemens	Accumulate	1,263	1,358
13	Thermax	Accumulate	1,147	1,058
14	Triveni Turbine	Accumulate	124	105
15	Voltamp Transformers	BUY	1,505	1,160

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Ashwani Sharma- MBA, Ms. Khushboo Parekh- MBA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have 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

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Ashwani Sharma- MBA, Ms. Khushboo Parekh- MBA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all o the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and 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 Prabhudas Lilladher Pvt. Ltd. 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, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com | Bloomberg Research Page: PRLD <GO>

AMNISH AGGARWAL

Digitally signed by AMNISH AGGARWAL
DN: c=IN, o=Prabhudas Lilladher Private Limited, ou=organisation, cn=AMNISH AGGARWAL, serialNumber=7a0f136918d1d5a8a9635386fe4b18b7040a72f4a1bf5313e3d8b3ca14e5e4, postalCode=400015, 2.5.4.20=c98c37ca6a8c78a11d0e42a4b0014e984bff135dc144961 1d9bb6d2d0944318cd, st=Maharashtra
Date: 2019.08.05 18:55:12 +05'30'