

Retail Equity Research (South India Focus)
Triveni Turbine Ltd
Capital Goods

Reduce

12M Investment Period

Rating as per Small Cap

CMP Rs 100 TARGET Rs 92 RETURN -7% ↓
(Closing: 06-08-19)

BSE CODE : 533655 NSE CODE: TRITURBINE
BLOOMBERG CODE: TRIV:IN SENSEX : 36,977

KEY CHANGES:

TARGET ↓

RATING ↓

EARNINGS ↓

Strong execution but weak inflows to impact outlook ...

Triveni Turbine Ltd (TTL) is the domestic market leader in steam turbines up to 30 MW. The Company designs and manufactures steam turbines up to 100 MW, and delivers robust, reliable and efficient end-to-end solutions.

- Q1FY20 revenue grew by 24% YoY aided by preponement of domestic turbine deliveries, while export revenue declined by 10% YoY due to high base effect.
- Despite the drop in gross margin by 417bps YoY, EBITDA margin improved by 281bps YoY driven by value engineering and cost reduction measures while PAT grew by 61% YoY.
- Q1FY20 order inflow de-grew by 10% YoY due to slowdown in the economy and general election.
- TTL has filed a petition against GE before NCLT for misconduct in the GE-TTL venture which will impact JV's business globally.
- Given weak order inflow and muted outlook on global business due to allegation with GE, we downgrade our rating to 'Reduce' from 'Hold' and value at a P/E of 21x on FY21E earnings.

Strong top-line...

Q1FY20 revenue grew by 24.4% YoY to Rs214cr (above estimate) aided by preponement of domestic turbine deliveries while export revenue declined by 10% YoY due to a high base effect. Revenue from product increased by 33% YoY to Rs172cr whereas contribution from aftermarket was flat at Rs41cr. Performance of GE-Triveni JV was healthy with revenue of Rs 58cr (174% YoY) and a PAT of ~Rs1cr. Triveni has filed a petition against GE before the NCLT for misconduct in the GE-TTL venture. Company claimed that, GE and its group companies have acted in a manner which is against the interest of GE-TTL JV by failing to promote the JV's business globally. The matter is sub judice and is not affecting their current business.

Weak order inflow will impact forward guidance...

Q1FY20 order book declined by 7% YoY to Rs724cr due to 10% YoY de-growth in order inflow. Total outstanding order book to sales ratio now stands at 0.8x providing lack of top-line visibility in the coming years. Export order inflow was decreased by 13% YoY at Rs 86cr while the order book increased by 6% at 350cr due to delay in execution. The management said that the enquiry book is strong and expects a strong order inflow from the international market. Domestic order enquiry is likely to pick up due to investments in ethanol and process co-gen sectors mainly Sugar and Pulp & Paper and cement sectors while lack of revival in core sector will have an impact in order bookings.

Healthy margins driven by value engineering...

Gross margin sharply declined by 417bps YoY to 43.3% in Q1FY20 due to higher material cost while EBITDA margin improved by 281bps YoY to 20.5% driven by value engineering and cost reduction measures. Healthy margins and a marginal decline in tax rate supported a robust growth (61.5% YoY) in earnings at Rs 31cr. However, given weak order inflow and muted order book have an impact on earnings outlook going forward we, therefore, reduce FY20E/21E EPS estimate by 2% & 8% respectively.

Valuations

Slowdown in new enquiry generation and order finalisation in the domestic market to impact execution going forward. Given weak order inflow and muted outlook on global business due to allegation with GE, we downgrade our rating to 'Reduce' from 'Hold' and value at a P/E of 21x on FY21E earnings.

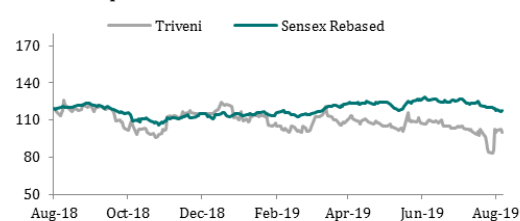
Company Data

Market Cap (cr)	Rs. 3,295
Enterprise Value (cr)	Rs. 3,268
Outstanding Shares (cr)	32
Free Float	32.22%
Dividend Yield	0.01%
52 week high	Rs130
52 week low	Rs81
6m average volume (cr)	1.35
Beta	0.75
Face value	Rs.1

Shareholding (%)	Q3FY19	Q4FY19	Q1FY20
Promoters	67.73	67.78	67.78
FII's	13.49	11.72	11.50
MFs/Insti	13.68	15.56	16.10
Public	5.10	4.94	4.46
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	-4%	-2%	-14%
Absolute Sensex	-2%	0%	-2%
Relative Return*	-2%	-2%	-12%

*over or under performance to benchmark index



Consolidated (cr)	FY19A	FY20E	FY21E
Sales	840	936	1,018
Growth (%)	11.5	11.4	8.7
EBITDA	151	187	209
EBITDA Margin(%)	18.0	20.0	20.5
PAT Adj.	100	125	139
Growth (%)	4.4	24.9	10.8
Adj.EPS	3.0	3.8	4.2
Growth (%)	4.4	24.9	10.8
P/E	32.9	26.3	23.8
P/B	7.5	6.2	5.2
EV/EBITDA	21.6	17.4	15.3
ROE (%)	22.6	26.2	24.3
D/E	0.0	0.0	0.0

Antu Eapen Thomas
Research Analyst

Quarterly Financials (Consolidated)

Profit & Loss

Rs (cr)	Q1FY20	Q1FY19	YoY Growth %	Q4FY19	QoQ Growth %
Sales	214	172	24.4	240	-10.9
EBITDA	44	30	44.2	40	9.2
EBITDA margins %	20.5	17.7	281bps	16.7	377bps
Depreciation	5	5	4.2	5	-5.1
EBIT	39	26	51.7	35	11.4
Interest	0.96	0.01		0.74	29.7
Other Income	3	3	-9.6	6	-44.1
Exceptional Items					
PBT	41	29	41.2	40	3.3
Tax	14	10	39.7	14	1.1
Share of profit from Associate					
Minority Interest	4	(0.1)		2	55.2
Reported PAT	31	19	61.5	28	8.6
Adjustments	-	-		-	
Adj PAT	31	19	61.5	28	8.6
No. of Shares	32	32		32	
EPS (Rs)	0.9	0.6	61.5	0.9	8.6

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	933	1,052	936	1,018	0.3	(3.3)
EBITDA	187	218	187	209	0.1	(4.3)
Margins (%)	20.0	20.7	20.0	20.5	0bps	22bps
Adj. PAT	128	150	125	139	(2.2)	(7.6)
EPS	3.9	4.5	3.8	4.2	(2.2)	(7.6)

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Sales	766	753	840	936	1018
% change	3.5	(1.6)	11.5	11	9
EBITDA	167	158	151	187	209
% change	6	(6)	(4)	24	11
Depreciation	15	19	20	21	23
EBIT	152	139	131	166	185
Interest	0	1	1	1	1
Other Income	29	8	16	18	20
PBT	180	146	146	183	204
% change	11	(19)	0	25	12
Tax	61	48	49	61	65
Tax Rate (%)	34	33	34	34	32
Reported PAT	124	96	100	125	139
Adj.*	1	0	0	0	0
Adj. PAT	123	96	100	125	139
% change	9.5	(21.9)	4.4	25	11
No. of shares (cr)	33	33	32	32	32
Adj EPS (Rs)	3.7	2.9	3.0	3.8	4.2
% change	9.5	(21.9)	4.4	24.9	10.8
DPS (Rs)	0.5	0.7	1.2	1.2	1.2

BALANCE SHEET

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Cash	18	13	27	38	93
Accounts Receivable	152	209	176	205	237
Inventories	146	181	217	263	297
Other Cur. Assets	52	63	40	51	64
Investments	13	20	19	21	24
Gross Fixed Assets	252	263	313	333	353
Net Fixed Assets	227	221	251	252	253
CWIP	10	39	4	4	4
Intangible Assets	5	5	4	3	3
Def. Tax (Net)	(11)	(8)	(14)	(12)	(11)
Other Assets	19	3	2	2	2
Total Assets	631	745	727	827	966
Current Liabilities	212	271	272	291	326
Provisions	15	13	15	16	18
Debt Funds	0	0	0	0	0
Other Liabilities	0	9	6	0	0
Equity Capital	33	33	32	32	32
Reserves & Surplus	371	419	401	488	589
Shareholder's Fund	404	452	433	521	622
Total Liabilities	631	745	727	827	966
BVPS	12	14	13	16	19

CASH FLOW

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Net inc. + Depn.	195	165	166	204	227
Non-cash adj.	(59)	(71)	(34)	(60)	(63)
Changes in W.C	(51)	(46)	23	(67)	(40)
C.F. Operation	82	48	155	77	124
Capital exp.	(83)	(41)	(16)	(23)	(23)
Change in inv.	(80)	(7)	1	(2)	(3)
Other invest.CF	89	21	(8)	(2)	(2)
C.F - Investment	(74)	(26)	(23)	(26)	(28)
Issue of equity	0	0	0	0	0
Issue/repay debt	0	0	(3)	(6)	0
Dividends paid	(18)	(23)	(38)	(38)	(38)
Other finance.CF	1	0	(77)	6	(2)
C.F - Finance	(18)	(8)	(117)	(39)	(41)
Chg. in cash	(10)	14	15	11	55
Closing cash	18	13	27	38	93

RATIOS

Y.E March	FY17A	FY18A	FY19A	FY20E	FY21E
Profitab & Return					
EBITDA margin (%)	21.8	20.9	18.0	20.0	20.5
EBIT margin (%)	19.9	18.4	15.6	17.7	18.2
Net profit mgn.(%)	16.1	12.7	11.9	13.4	13.6
ROE (%)	35.0	22.4	22.6	26.2	24.3
ROCE (%)	23.5	14.7	15.8	17.5	16.4
W.C & Liquidity					
Receivables (days)	68.2	87.4	83.7	74.4	79.3
Inventory (days)	141.7	154.7	154.7	173.3	188.7
Payables (days)	86.3	114.1	60.9	39.8	67.4
Current ratio (x)	1.6	1.6	1.6	1.8	2.0
Quick ratio (x)	0.8	0.8	0.6	0.7	0.7
Turnover & Leverage					
Gross asset T.O (x)	3.9	2.9	2.9	2.9	3.0
Total asset T.O (x)	1.3	1.1	1.1	1.2	1.1
Int. covge. ratio (x)	458.6	261.7	117.1	131.6	132.0
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	4.3	4.4	3.9	3.5	3.1
EV/EBITDA (x)	19.6	20.8	21.6	17.4	15.3
P/E (x)	26.8	34.3	32.9	26.3	23.8
P/BV (x)	8.3	7.4	7.5	6.2	5.2

Recommendation Summary

Dates	Rating	Target
11-Sept-2017	*Accumulate	148
22-March-2018	Reduce	101
25-May-2018	Hold	111
02-Aug-2018	Accumulate	131
05-Nov-2018	Accumulate	126
24-May-2019	Hold	114
07-Aug-2019	Reduce	92



Source: Bloomberg, Geojit Research.

Investment Criteria

Large Cap Stocks;		Mid Cap and Small Cap;			
Buy	-	Upside is above 10%.	Buy	-	Upside is above 15%.
Hold	-	Upside is between 0% - 10%.	Accumulate	-	Upside is between 10% - 15%.
Reduce	-	Downside is more than 0%.	Hold	-	Upside is between 0% - 10%.
Neutral	-	Not Applicable	Reduce/Sell	-	Downside is more than 0%.
			Neutral	-	Not Applicable

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Neutral- The analyst has no investment opinion on the stock under review

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