



COMPANY NAME	: Triveni Turbine
BSE Code	: 533655
Time Duration	: 1 year
CMP	: ₹97.20 (as on 17 Oct., 2019)
Target Price	: ₹130

The Mid bridge recommendation for the October month is Triveni Turbines Ltd. It is a Bangalore based industrial steam turbine manufacturer and service producer. The company is engaged in manufacturing of steam turbines of 5 to 30 MW capacity. Previously, the company was a part of Triveni engineering and industries group before demerging in October 2010. It has installed around 3000 plus turbines to cater for nearly 18 industries across 70 countries.

Its manufacturing plants are located in Peenya and Somapura in Bangalore, India. It holds the pole position in the domestic market with a 60 per cent market share. Its product has diversified applications across various industries, such as steel, sugar, cement, paper, chemicals, and carbon black.

### Sustainable Business Model

The business model of Triveni turbines puts it in a comfortable position. Steam turbine has wide-ranging applications in captive energy generation. Captive energy is generated in major industries, such as cement, sugar, paper & pulp, and chemicals & fertilizers. The sugar industry requires 4.3 MW energy per day for crushing 1000 tonnes of canes. Such high energy is predominantly procured from captive energy. The company, with its manufacturing capacity of 5 to 30 MW, displays a massive scope for growth. It has 50 per cent revenue contribution from renewables, such as sugar co generation and biomass.

During FY19, the renewable power capacity stands at 78 GW. The Indian government has a target to take the total capacity to 175 GW in FY22.

### Aftermarket Sales Segment

The aftermarket sales and service segment has a share of 25 per cent in the company's total revenue. The segment adds value to the manufacturing business. It gives an edge to the company in keeping customers in house even after the sales. Irrespective of the manufacturer, the company has also started to cater to other than in-house clients in the recent years. This results in an increase in the market opportunity and, eventually, reflects on the

revenue growth. Further, with the rising number of installed turbines, the revenue contribution can be higher and result in higher margins, too.

After sales service in steam turbine industry has a high scarcity of players, which can cater value needs of the customers. In addition to this the industry comes with high margin opportunity. Historically after sales market has margin in range of 40 per cent. The segment also further strengthens the top line in times of slowdowns. The delayed capex has ability to attract choice of refurbishing the existing turbines.

### Strong geographical mix

The company's revenue mix stands at 40 per cent from exports and 60 per cent from the domestic market. It has 60 per cent market share in the domestic market. In case of exports, the company has its presence in about 70 countries and has enquiries coming from more than 130 countries. Exposure to the international markets helps to negate the slowdown in the domestic market. Even in case when global industries are facing slowdown, which impacted its export order intake, it showed a marginal improvement due to less export related expenses. Hence company has been focusing on international penetration. In FY12, it had export contribution of just 12 per cent on total revenues, which reached 40 per cent in FY19. During first quarter of current fiscal year, its export order booking increased by 6 per cent Y-o-Y, thus, implementing the growth guidance of at least 20 per cent for the fiscal year 2019-20.

### Robust Order Book Status

The company has been able to consistently maintain its order inflow consistently in range of 1 year revenue estimates. In FY12, company had revenue of Rs. 630 Crore and was standing on outstanding order book of Rs. 495 Crore. Its current outstanding order book stood at Rs. 724.1 Crore. The order book mix consisted of 48 per cent from international orders. The order booking was subdued on account of general elections and can be expected to come to normal in H2FY20.

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DSJ Pvt. Ltd. : C - 305, Trade Center, North Main Road, Near Axis Bank, Opp. Lane no. 6, Koregaon Park, Pune - 411001 | For Customer Service : 020-49072626 OR service@dsj.in

Registered Office Address: 419-A, 4th Floor, Arun Chambers, Tardeo, Next to AC Market, Mumbai - 400034

CIN No. : CIN-U22120MH2003PTC139276 SEBI Research Analyst - INH000006396

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## Opportunities in Industrial Revival

The Triveni turbine has enough headroom for optimum gains from industrial revival, owing to its well established place in the market. Its dominance in domestic market and diversified geographical presence, globally, has put it in a comfortable position. The highest procurement of captive energy is in the sugar and cement sectors. As of the end of FY19, sugar industry requires around 10 GW of cogeneration power. On account of the rising demand, the co-generation capacity is expected to reach up to 22 GW in FY22. This is a very important trigger for steam turbine companies. As Triveni Turbine has highest market share, it can be a direct beneficiary.

## Financial Performance

Looking at its financial performance, its revenue grew by at a CAGR of 10%. The top line growth has not seen much pick up due to the change in the industry dynamics and some business mix from the company. The company had a revenue mix spread across co-generation and sugar co-generation of 43 per cent, 25 per cent, and just 12 per cent of independent power producers

(IPP) in FY16. However, the share of sugar co-generation has gone up to 50 per cent in FY19. The strong monsoon spread during the year is expected to push the sugar order booking in recent years.

The company had clocked an operating margin of 18 per cent in FY19. The margins were impacted due to a higher share of exports in comparison to domestic sales. The export has higher expenses due to compliance obligations in terms of regulatory requirements. The margins are expected to gain after a stable order booking and rupee depreciation in recent times. The return of equity in 23 per cent and its three years average is 25 per cent.

## Valuations and Outlook

The stock is currently trading at TTM EPS of Rs. 3.46 and TTM PE multiple of 29x. The five year average PE multiple is 40x. Slow paced order booking in the first quarter due to general elections depicted the price in the stock. However we see the pick-up in order booking in H2FY20E and FY21E to result in revenue growth of 20 per cent. Hence, with view of strong order booking and changes in industry dynamics, we recommend BUY with price target of Rs. 130.

Inc/Exp Statement(Standalone) (Rs in Crore)					
Description	201903	201803	201703	201603	201503
Net Sales	846.40	616.17	500.64	483.59	476.37
Total Income	850.35	619.63	501.77	486.01	479.22
Total Expenditure	682.05	498.57	405.50	392.61	390.73
PBIDT	168.30	121.06	96.27	93.41	88.49
PAT	83.74	64.29	50.36	49.85	45.42
Dividend %	160.00	140.00	100.00	200.00	80.00
Adj. EPS(Rs)	41.06	31.52	24.69	24.44	22.27

Inc/Exp Statement(Consolidated) (Rs in Crore)					
Description	201903	201803	201703	201603	201503
Net Sales	839.99	751.09	744.61	712.92	650.77
Total Income	856.17	759.23	773.60	734.16	684.25
Total Expenditure	686.74	591.54	576.79	553.31	525.67
PBIDT	169.44	167.69	196.81	180.86	158.58
PAT	97.06	98.47	119.20	109.38	93.22
Dividend %		100.00	120.00	110.00	85.00
Adj. EPS(Rs)	3.10	2.91	3.74	3.42	2.74



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