

Company Overview

Part of the Triveni group, Triveni Turbine Limited (TTL) is one of the world's largest manufacturers of sub-30 MW steam turbines which finds its application in industrial & renewable power solutions. This Noida based company was the result of a demerger from parent Triveni Engineering & Industries which continues to hold ~ 21.8 % stake in the same. TTL enjoys market leadership in the Indian sub-30 MW steam turbine market with a dominant 60 % share, a position it has been able to maintain in this duopolistic market for the past decade despite strong competition from Siemens. It has ramped up its exports over the past 2 years and boasts of a track record of over 3,000 steam turbines installed and 12 GW power generation capacity created in over 70 countries. It also entered into a joint venture with global major General Electric in 2010 where it offers a portfolio of steam turbine products of 30.1 MW to 100 MW for the global industrial power generation market. TTL undertakes the production of both sub-30 MW & 30.1-100 MW range of steam turbines in its manufacturing facilities in Bengaluru & Sompura. TTL complements this product range with a comprehensive offering of aftermarket services such as supply of spare parts, maintenance, refurbishment & other services.

Investment Rationale

Market leader in Indian 30 MW Steam Turbine Segment

TTL is the market leader in the Indian segment of 30 MW steam turbine where the market is duopolistic in nature. TTL commands 60% market share in this segment and were also one of the fore-most steam turbine manufacturers. It is a 700 MW market with major competition coming from Siemens. The major market for these smaller powered turbines is basically in 3 segments: Dedicated captive power generation, co-generation and renewable energy. TTL enjoys a significant moat considering its market leadership in its 30 MW steam turbine segment which can also be seen by its 182 Intellectual Property Filings and commercialization of over 50 models from its R&D advance product program.

No threats of New Entrants

A unique feature or point to be considered is that these steam turbines are not standardized products but are customized to suit the specific functional requirements of the buyer. Since bigger players do not prefer to venture into such smaller orders of customized low power turbines which leaves opportunity for TTL to come into play because every order is unique and it takes around 8-10 months to execute the order, TTL has the leverage to grab these orders with its position in the market.

Flatish industry expected to recover

TTL has continued its dominance in the 30MW steam turbines but its domestic sales has remained almost flatish over the previous years. A key factor for this flatish growth is because of the investment cycle which has failed to pick up in the last 3-4 years. This was witnessed due to a decrease in domestic orders from FY15 to FY16 and the domestic revenues not able to keep the robust pace growth in its export segment. With an uptick in the earnings of its major clients in its steel, cements and sugar industry, there will be a gradual increase in the domestic order book of the company.

Focus towards Export and Aftermarket Services to drive growth

The sluggishness in the domestic segment and increase in export revenue share from FY16 being 36% to 53% in FY17 and its export segment driving the revenues at 31.9% CAGR from FY 14 to FY17 and the export business for TTL is a high margin business. Globally in Europe the major projects for biomass waste require turbines which are the ones manufactured by TTL and in the Middle East the opportunity in the oil & gas has not yet been fully utilized and thus leaves scope for TTL to grab these sizable opportunities. The aftermarket services provided are maintenance and servicing, spare parts and refurbishing services to customers. It constitutes around 26% of its total revenues and has been growing at a rate of approx. 19% and the more the increase in its export or domestic segment, more will be the revenues from the aftermarket services.

Valuation & Outlook

Triveni Turbines is expected to benefit from strong global shift toward small size power plants which based on alternative fuels and expected recovery in domestic markets on account of strengthening balance-sheets of Sugar, Cement and steel companies which are its key clients. With improving volumes TTL is expected to benefit from operating leverage and better pricing which is expected to add to margins further contributing to profitability. The company remained near debt free and free cash flow company ever since its inception which is commendable job being in cyclical industry. TTL is expected to report better numbers since H2 of FY18 on back of recovery in domestic and strong order book which stood at 720cr at end of Q1FY18. We expect the EPS to surge from 3.6 to 4.8 by FY19 hence we value this company at 33 times its FY19 Earnings which is in line with its 3 year average and assign target price of Rs158.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (Rs)	133
Target Price (Rs)	158
BSE code	533655
NSE Symbol	TRITURBINE
Bloomberg	TRIV IN
Reuters	TRVT.BO

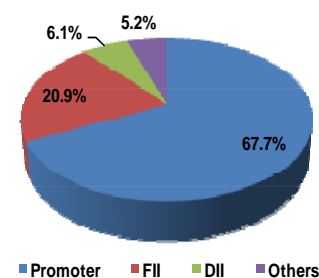
Key Data

Nifty	9,927
52WeekH/L(Rs)	167/112
O/s Shares (mn)	329
Market Cap (Rs Bn)	44
Face Value (Rs)	1

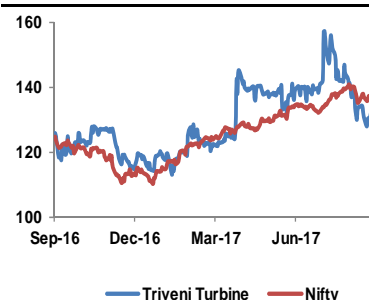
Average volume

3 months	137,710
6 months	132,570
1 year	152,510

Share Holding Pattern (%)



Relative Price Chart



Research Team

022-61596407



Fundamental Pick

Key Financials

YE March (Rs. mn)	FY14	FY15	FY16	FY17	FY18E	FY19E
Revenue	5,180	6,508	7,129	7,446	8,429	9,407
<i>Growth%</i>	-22.2%	25.6%	9.6%	4.4%	13.2%	11.6%
EBITDA	1,076	1,251	1,596	1,678	1,939	2,201
<i>Growth%</i>	-33.7%	16.2%	27.6%	5.1%	15.5%	13.5%
Net Profit	668	932	1,094	1,192	1,365	1,571
<i>Growth%</i>	-35.4%	39.6%	17.3%	9.0%	14.6%	15.0%
Diluted EPS (Rs.)	2.0	2.8	3.3	3.6	4.2	4.8
<i>Growth%</i>	-35.4%	39.6%	17.3%	9.0%	14.6%	15.0%

Key Ratios

EBITDA(%)	20.8%	19.2%	22.4%	22.5%	23.0%	23.4%
NPM (%)	12.9%	14.3%	15.3%	16.0%	16.2%	16.7%
RoE (%)	38.2%	40.8%	36.5%	29.5%	26.0%	23.5%
BV/Per Share (Rs.)	5	7	9.1	12.3	16.0	20.3

Valuation Ratios

P/E (x)	65.7x	47.1x	40.1x	36.8x	32.1x	27.9x
EV/EBITDA (x)	40.9x	35.1x	27.3x	26.0x	22.6x	19.9x
Market Cap./ Sales (x)	8.5x	6.7x	6.2x	5.9x	5.2x	4.7x

Source: Company, BP Equities Research



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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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