MOTILAL OSWAL | MORNING INDIA

12 November 2024

2QFY25 Result Update | Sector: Capital Goods

Triveni Turbine

Estimate changes	
TP change	
Rating change	

Bloomberg	TRIV IN
Equity Shares (m)	318
M.Cap.(INRb)/(USDb)	206 / 2.4
52-Week Range (INR)	844 / 350
1, 6, 12 Rel. Per (%)	-14/8/37
12M Avg Val (INR M)	840

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Sales	20.3	26.5	35.6
EBITDA	4.4	5.4	7.3
PAT	3.7	4.6	6.2
EPS (INR)	11.6	14.3	19.5
GR. (%)	36.5	24.2	35.7
BV/Sh (INR)	38.5	48.8	62.9
Ratios			
ROE (%)	33.6	32.9	34.9
RoCE (%)	33.8	33.0	35.0
Valuations			
P/E (X)	56.0	45.1	33.2
P/BV (X)	16.8	13.2	10.3
EV/EBITDA (X)	46.0	36.7	27.0
Div Yield (%)	0.5	0.6	0.8

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	55.8	55.8	55.8
DII	11.5	12.3	11.7
FII	28.1	27.5	27.7
Others	4.6	4.3	4.8

FII includes depository receipts

CMP: INR648 TP: INR830 (+28%) Buy

Export growth continues to impress

Triveni Turbine (TRIV)'s 2QFY25 results exceeded our expectations on both the revenue and profitability front. The company reported a revenue/EBITDA/PAT growth of 29%/50%/41% YoY in 2QFY25. Domestic order inflows grew 4% YoY, as inquiry generation in the preceding two quarters was impacted by elections. Export ordering growth continued to be robust at 50% YoY. Domestic order inflow pipeline will see an uptick in ensuing quarters with healthy inquiries from distilleries, municipal solid waste, cement, steel, process co-generation, chemicals, petchem, etc. We maintain our revenue estimates while increasing our margin estimates for FY25, based on 1HFY25 performance and order book mix. We reiterate our BUY rating with an unchanged TP of INR830, based on 48x two-year forward earnings.

2QFY25 results show continued outperformance

Revenue came in line with our estimates at INR5b (up 29% YoY), backed by robust execution of the opening order book of INR17.2b. Domestic/export revenue grew 32%/26% YoY during the quarter. EBITDA at INR1.1b jumped 50% YoY, 11% ahead of our estimates, on account of operating leverage benefits as gross margin was flat YoY. PAT at INR910m (8% above estimates) clocked a 41% YoY growth despite a much higher effective tax rate (26.7% vs 22.8% in 2QFY24). Other income grew 35% YoY to INR196m. Order inflows rose 25% YoY to INR5.7b, driven largely by inflows from exports with domestic/export growth of 4%/50% YoY. This took the closing order book to INR17.9b (+22% YoY). For 1HFY25, the company reported revenue/EBITDA/PAT growth of 26%/43%/37%, while FCF grew 54% YoY to INR1.5b. For 2HFY25, we build in 20%/33%/36% growth in revenue/EBITDA/PAT.

Strong growth in export inflows offset weakness in domestic orders

Domestic ordering remained weak in the last few quarters on account of finalization delays owing to the election cycle. Accordingly, 1HFY25 order inflows grew at a mere 3% YoY. However, the company is confident of an improvement, as indicated by improving inquiries in 2QFY25 from steel, cement, municipal solid waste, chemicals, biomass, petrochemicals, etc. Over the long term, TRIV believes the domestic market will grow at a sustainable pace of 10-15%. In contrast, export inquiry generation and order inflows continue to be robust, with order inflows growing 63% in 1HFY25. As a result, the order book is tilted toward exports (61% share), vs. a 41% share in FY23. While Europe, Americas, and the Middle East are seeing robust traction, SE Asia has been tepid. API, bio-mass-based process co-generation, paper and pulp, renewable solutions, etc. were some of the main segments to witness growth. Besides this, the aftermarket has also seen breakthrough orders from steam and non-steam-based turbines from a diverse set of customers.

Margins to be on the higher side in the near term

With the order book mix being skewed toward exports, which have a superior margin profile, TRIV is confident of sustaining the current level of margins in the near term. However, in the medium to long term, the company's focus would be to grow the topline, while further margin expansion will be a function of vendor diversification, sourcing imports from low-cost geographies, and an overall endeavor to streamline costs.