

TRIVENI ENGINEERING AND INDUSTRIES LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.272.50 (As on 1st Mar 2023)

TARGET PRICE : Rs.341.00

FACE VALUE : Re.1

BSE CODE : 532356

NSE CODE : TRIVENI





Triveni Engineering and Industries Ltd. is a diversified, integrated and sustainable organisation, rooted in innovation, quality and customer centricity. The Company is one of the largest integrated Sugar and Ethanol manufacturers in India and a dominant player in its Engineering businesses.

ABOUT THE COMPANY

With its 18+ world class facilities, the Company's business segments are Sugar, Alcohol, Power Transmission and Water & Wastewater treatment solutions. The Company is preferred partner to domestic and multinational Original Equipment Manufacturers (OEMs) for gears/gearboxes. It is a reliable supplier to Indian Navy for Turbo Alternator Turbines (TAT) and turbo-pumps, for its indigenous submarine programme.

COMPANY OVERVIEW



Integrated and diversified conglomerate in areas of sugar, ethanol and engineering



Located strategically in sugarcane-rich western and central belt of Uttar Pradesh



One of India's leading sugar & ethanol manufacturers

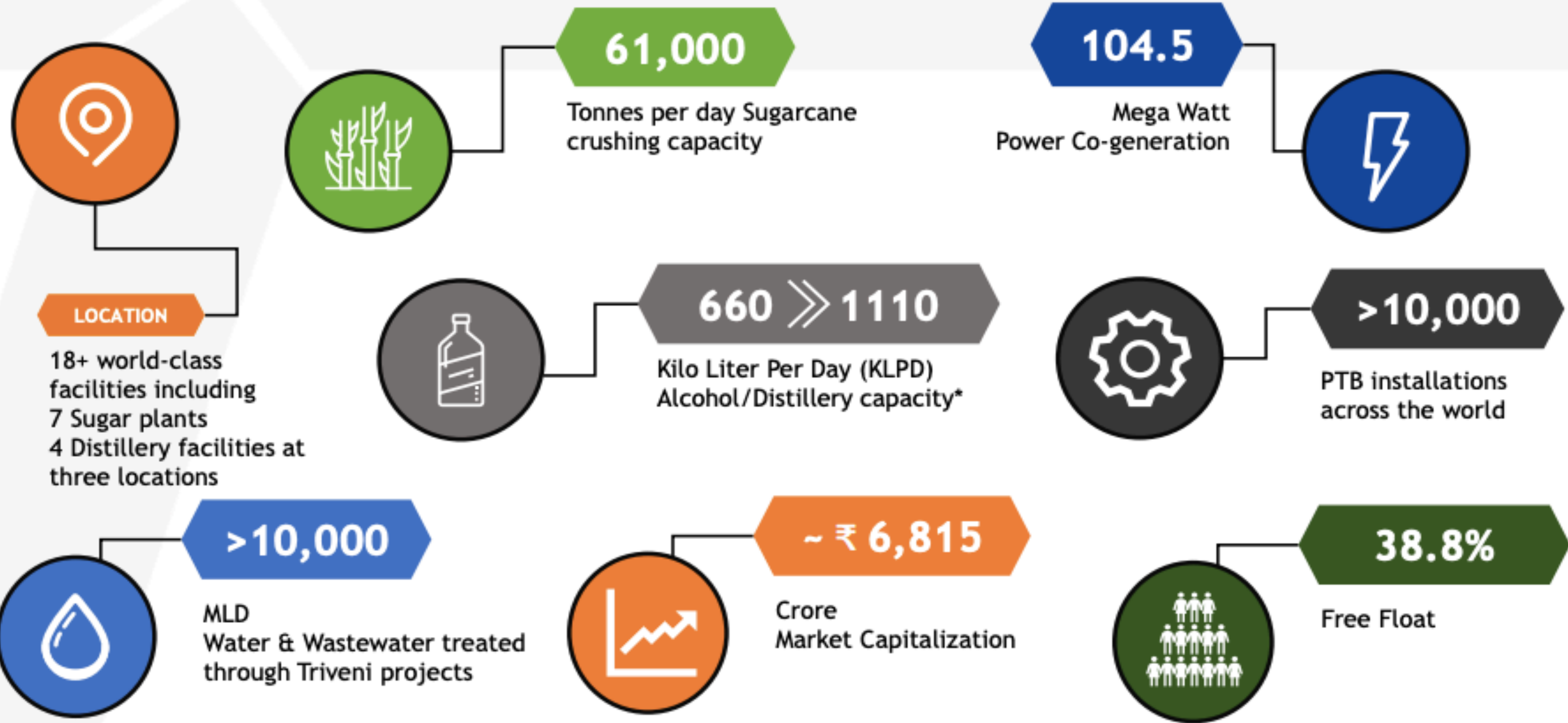


Efficient, sustainable and complete water/wastewater treatment solutions provider, across the water cycle



Dominant market player in the engineered-to-order turbo gearbox industry

TRIVENI AT A GLANCE



INDIA FOOTPRINT

~206K

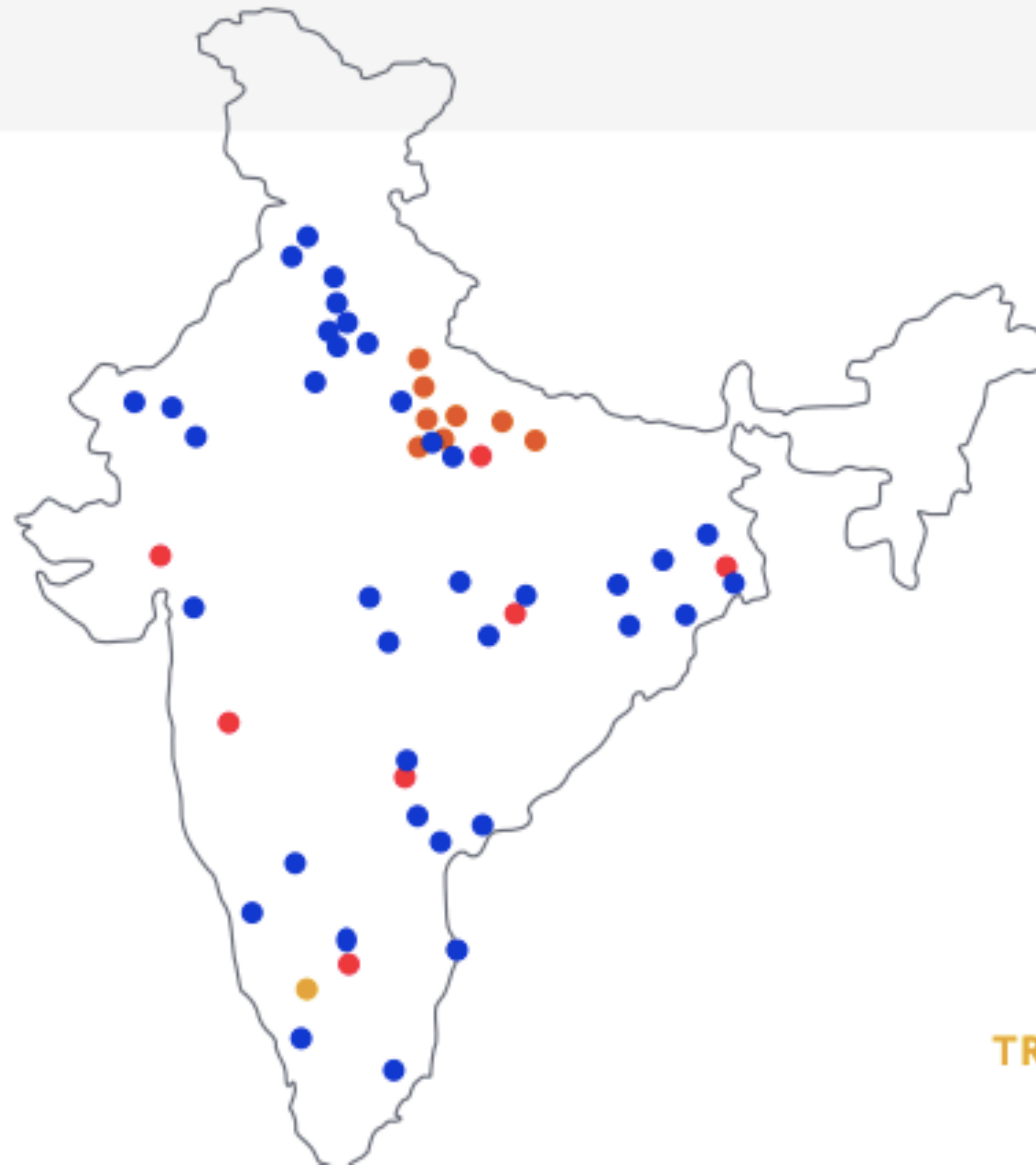
Hectare Area
under Sugarcane

300K+

Farmer Network

~61,000

Tonnes per day
crushing capacity



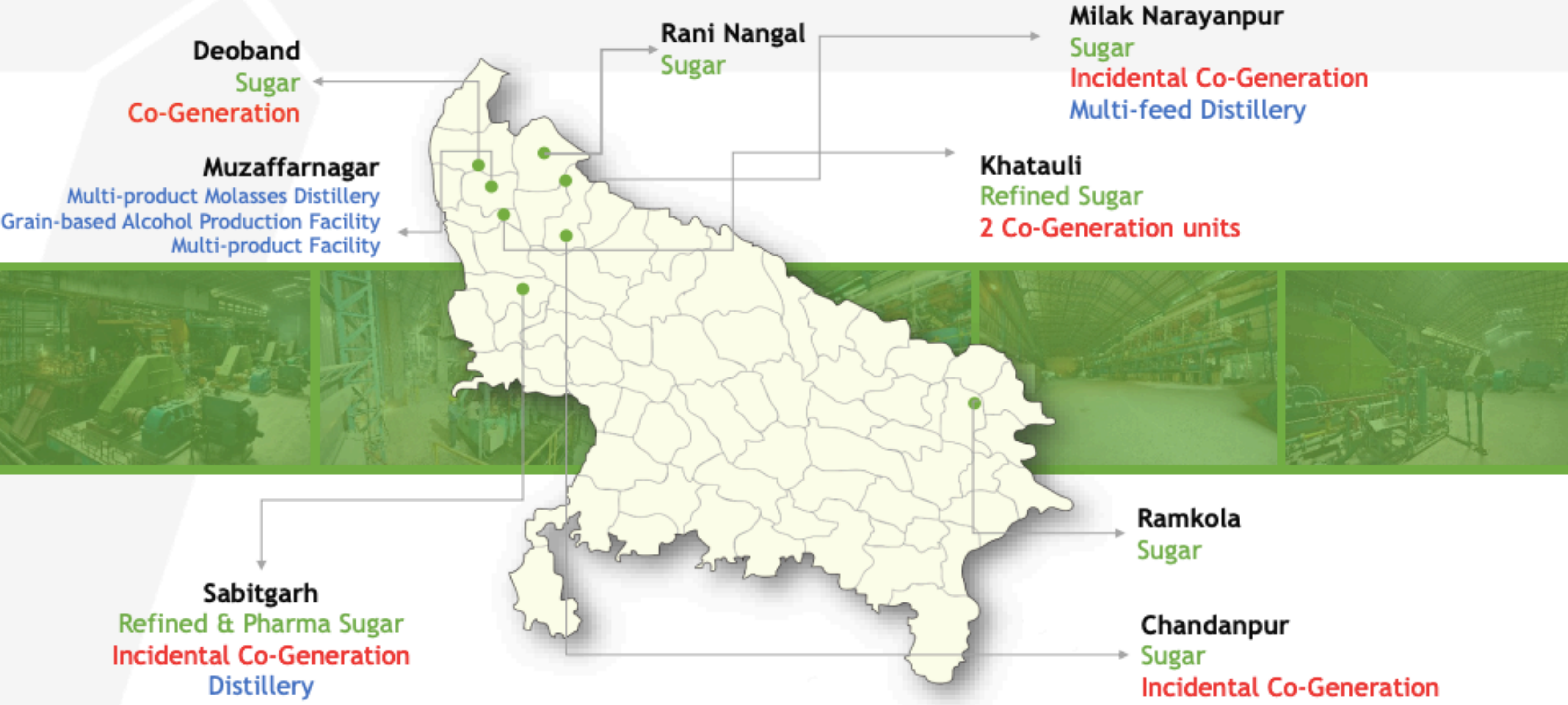
TEIL PLANTS ●

TRIVENI WATER PROJECTS ●

OUR SERVICE LOCATIONS ●

TRIVENI POWER TRANSMISSION ●

OUR SUGAR & DISTILLERY UNITS' LOCATIONS



STRIVING TO GO BEYOND COMPLIANCE TO ADDRESS RISKS THAT THREATEN THE ENVIRONMENT



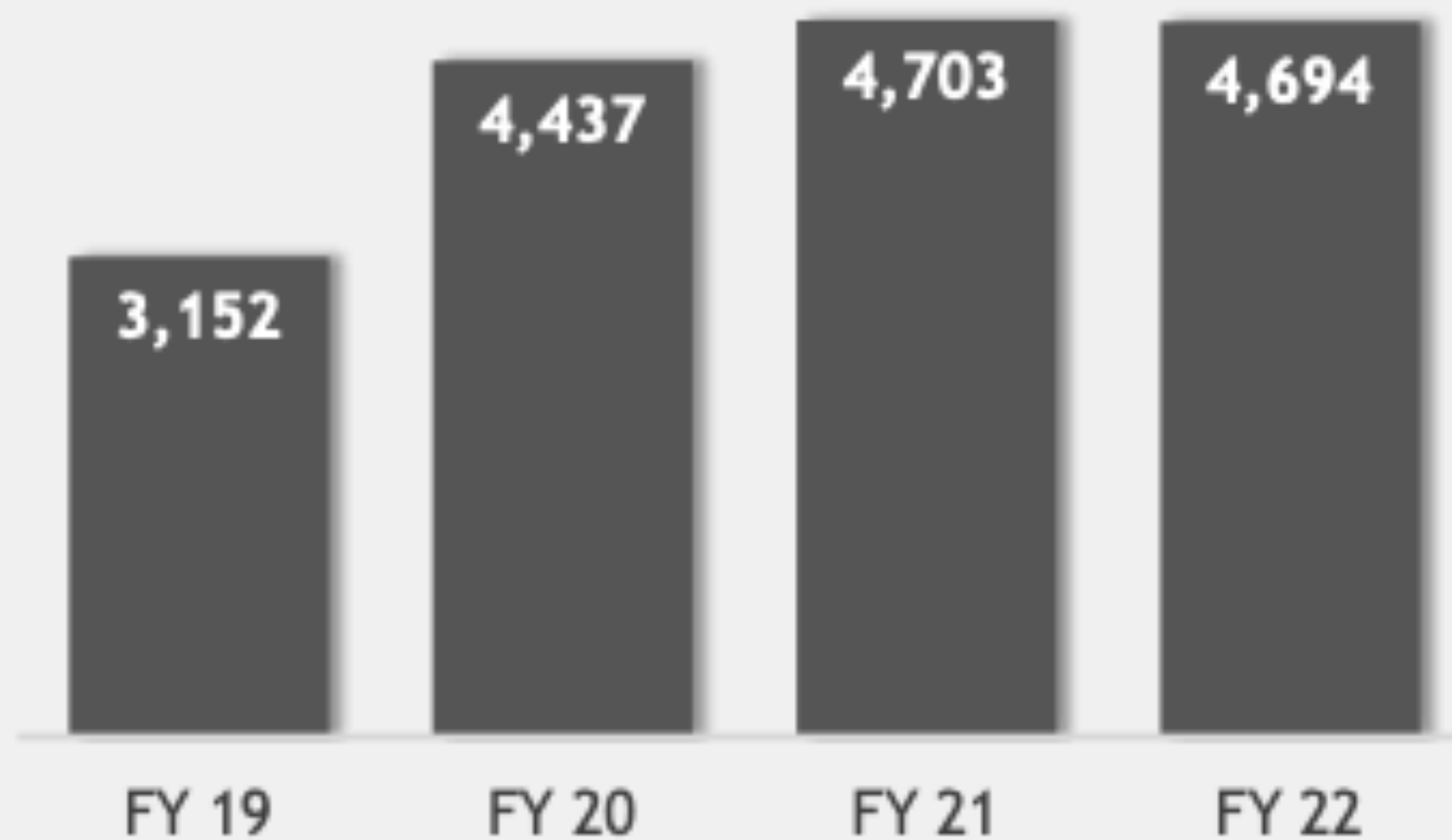
WELL DIVERSIFIED AND GROWING REVENUE BASE

₹ Crore

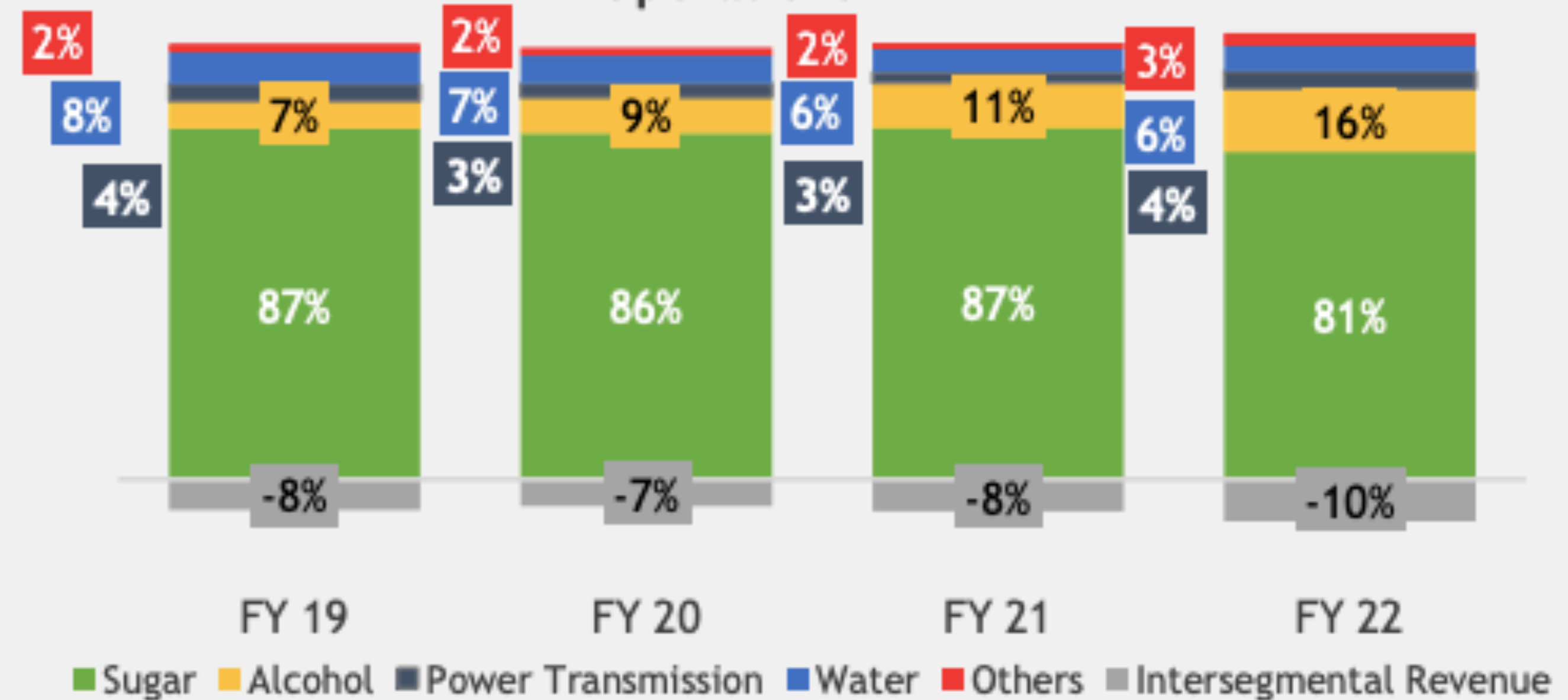
FY 19-22 Revenue CAGR 14.2%

Rising non-sugar contribution from 13% to 19% during FY 2019-22

Revenue from Operations (Gross)*



Segment-wise Contribution to Revenue from Operations#



Revenue growth of 14.2% p.a. during FY 2019-2022 with increasing contribution from other businesses

PROGRESSIVELY INCREASING PROFITABILITY WITH HEALTHY CONTRIBUTION FROM NON-SUGAR BUSINESSES

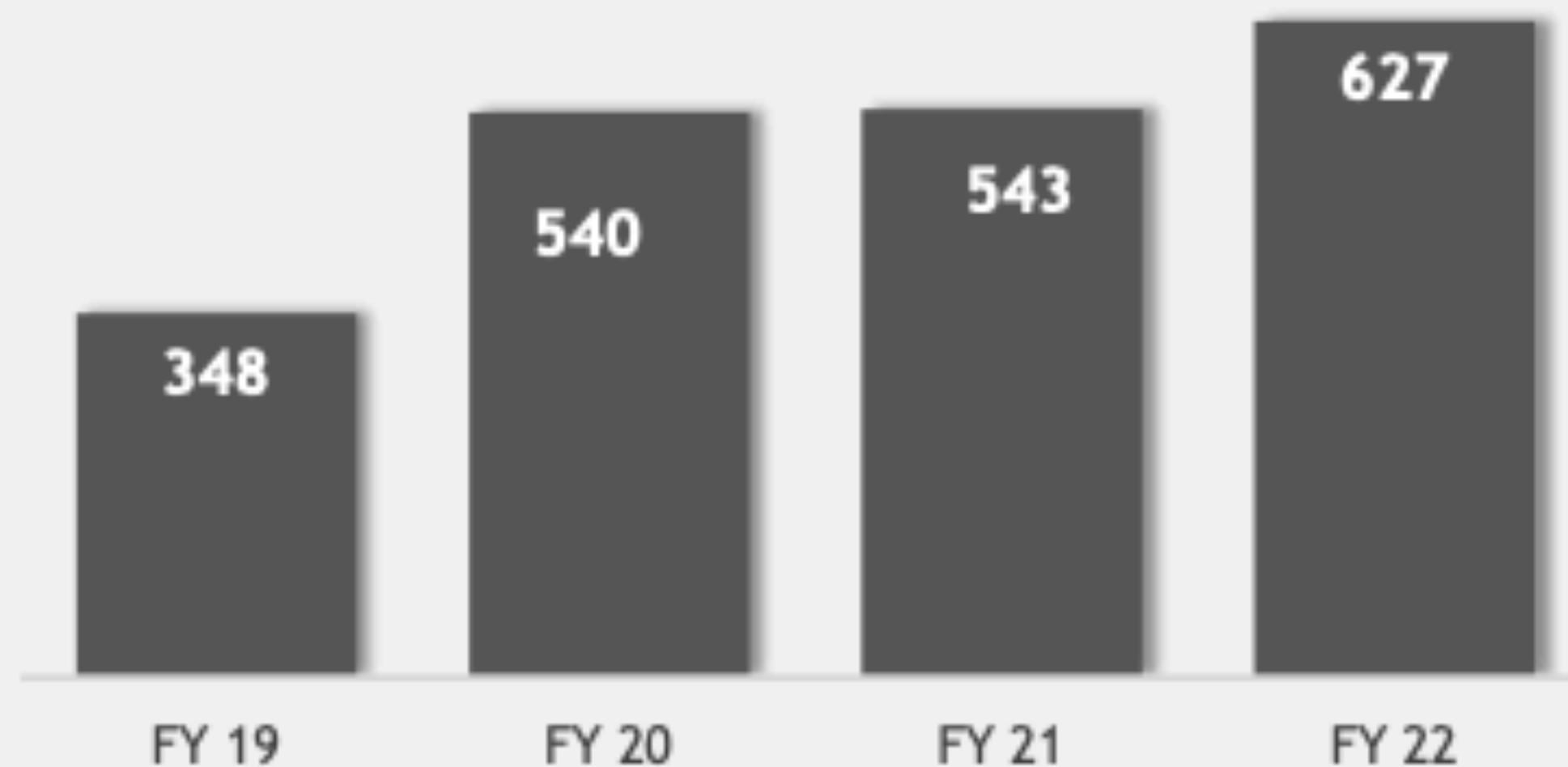


₹ Crore

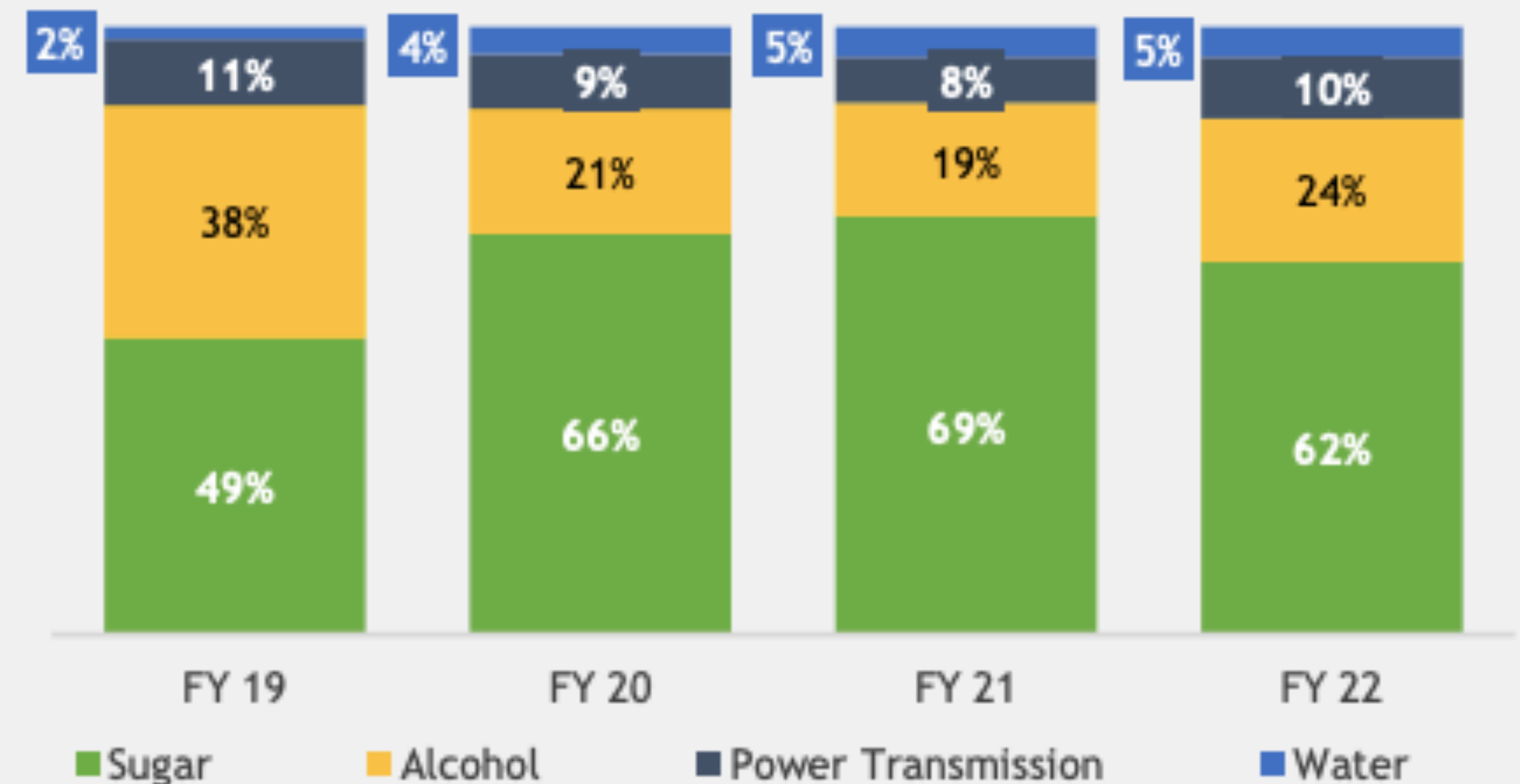
FY 19-22 PBIT CAGR 21.6%

Sugar contribution of 62% in FY 2022

Profit Before Interest and Tax (PBIT)



Segment-wise PBIT Contribution



PBIT growth of 21.6% p.a. during FY 2019-2022

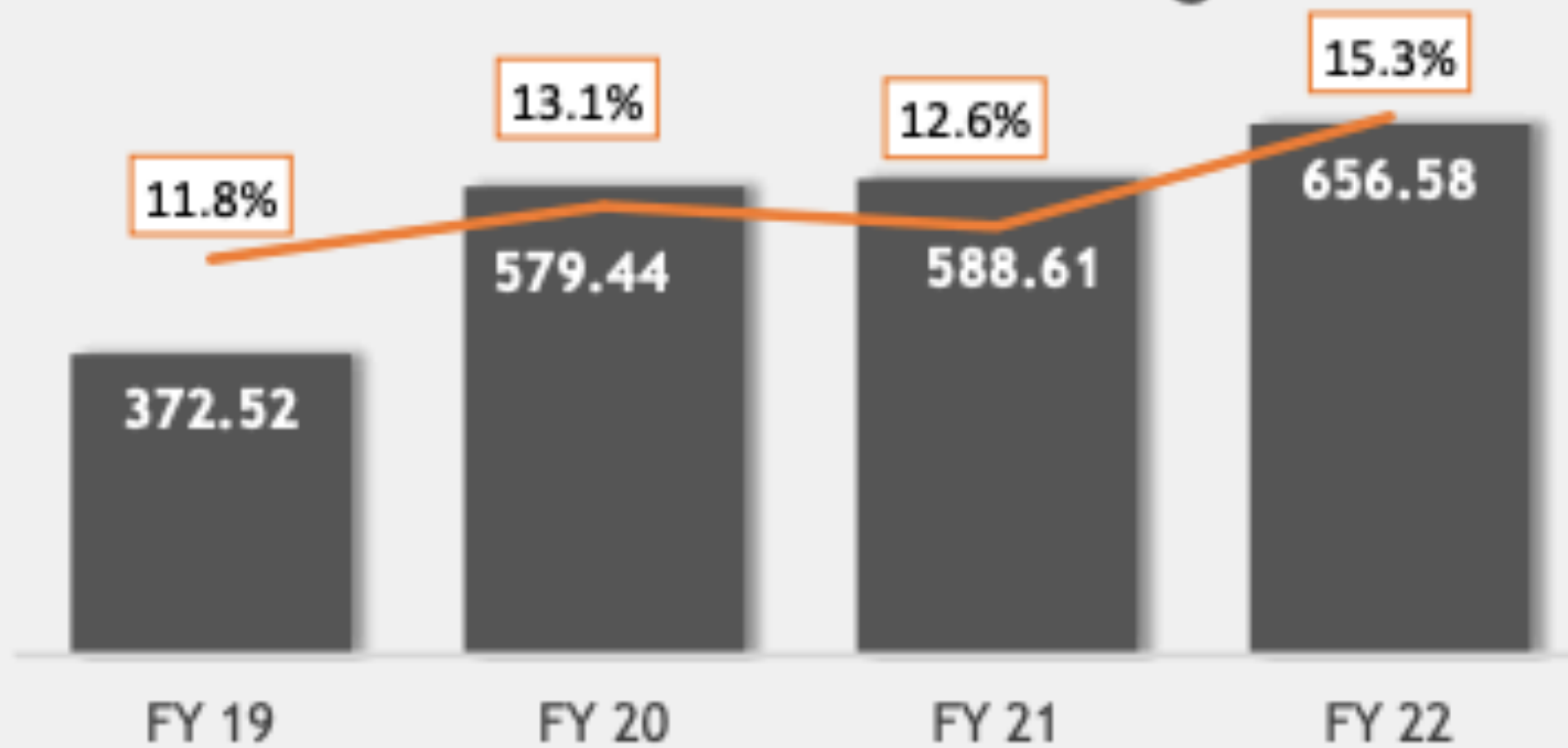
HIGHEST EVER PROFITABILITY ACHIEVED IN FY 22



₹ Crore

FY 22 EBITDA Growth 11.6% y-o-y

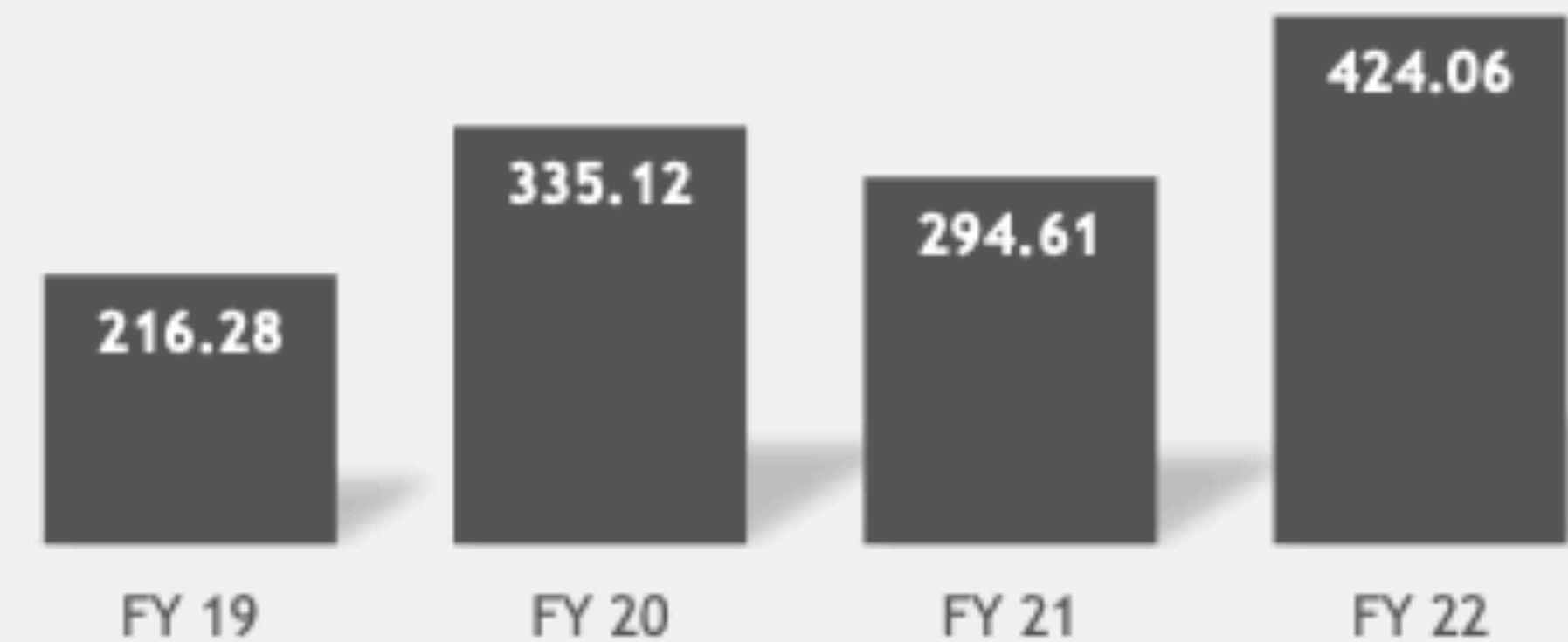
EBITDA and EBITDA Margins*



*EBITDA margins calculated on Revenue net of excise duty

FY 22 PAT Growth 43.9% y-o-y

Profit After Tax (PAT)



Highest ever EBITDA and PAT in FY 22

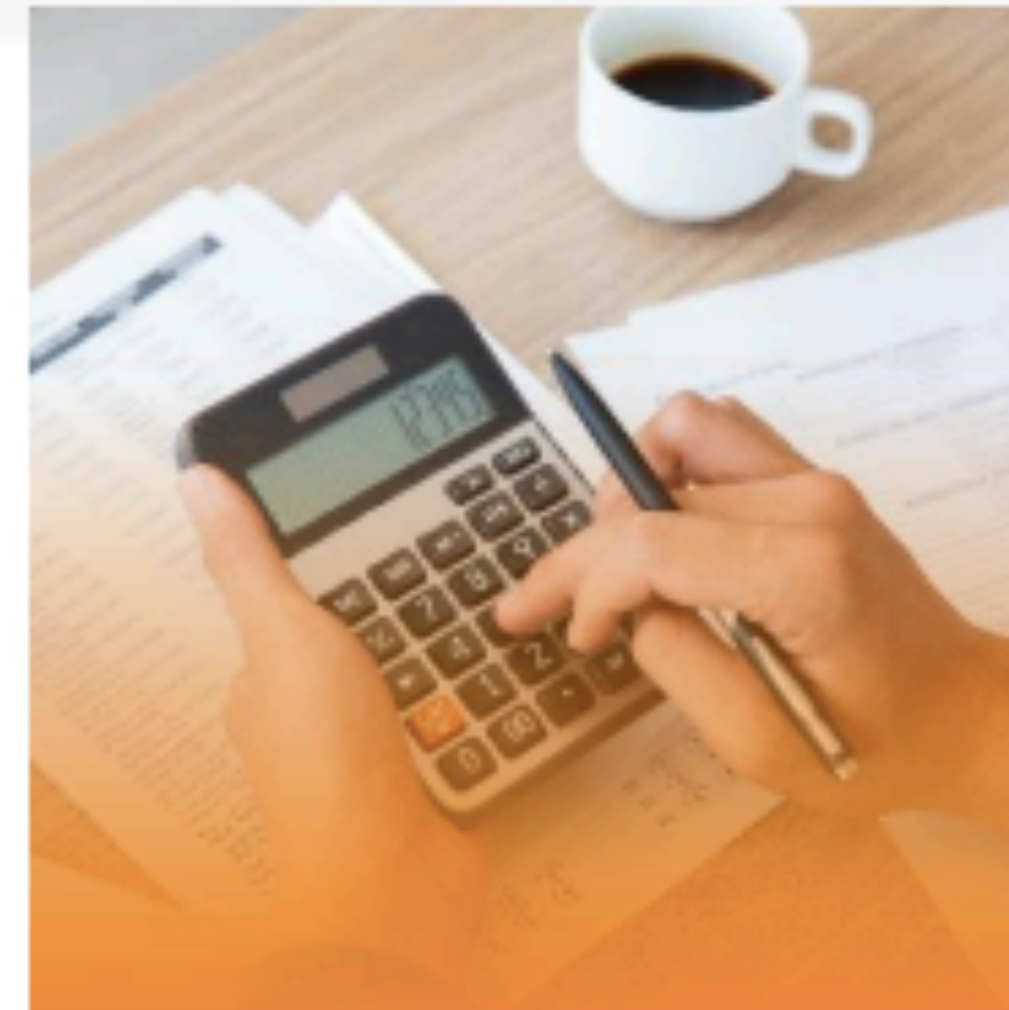
KEY HIGHLIGHTS OF 9M FY 23 RESULTS



Revenue from Operations (Net of excise duty) at ₹4034.28 crore, an increase of 25.3%



Profit before exceptional items and tax at ₹ 311.87 crore



Profit after Tax at ₹ 1601.49 crore

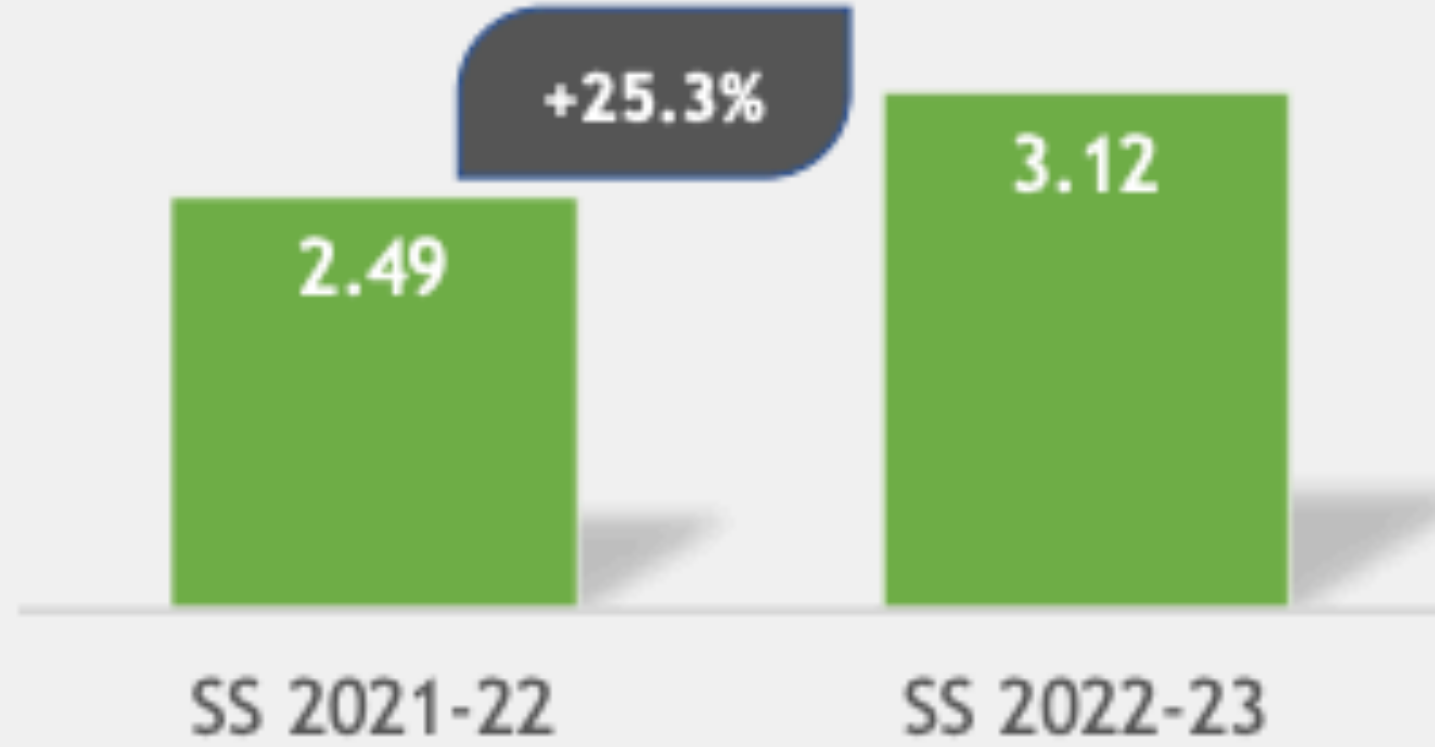


The Board of Directors approved capex of ₹ 90 crore for Sugar business and ₹ 100 crore for Power Transmission business

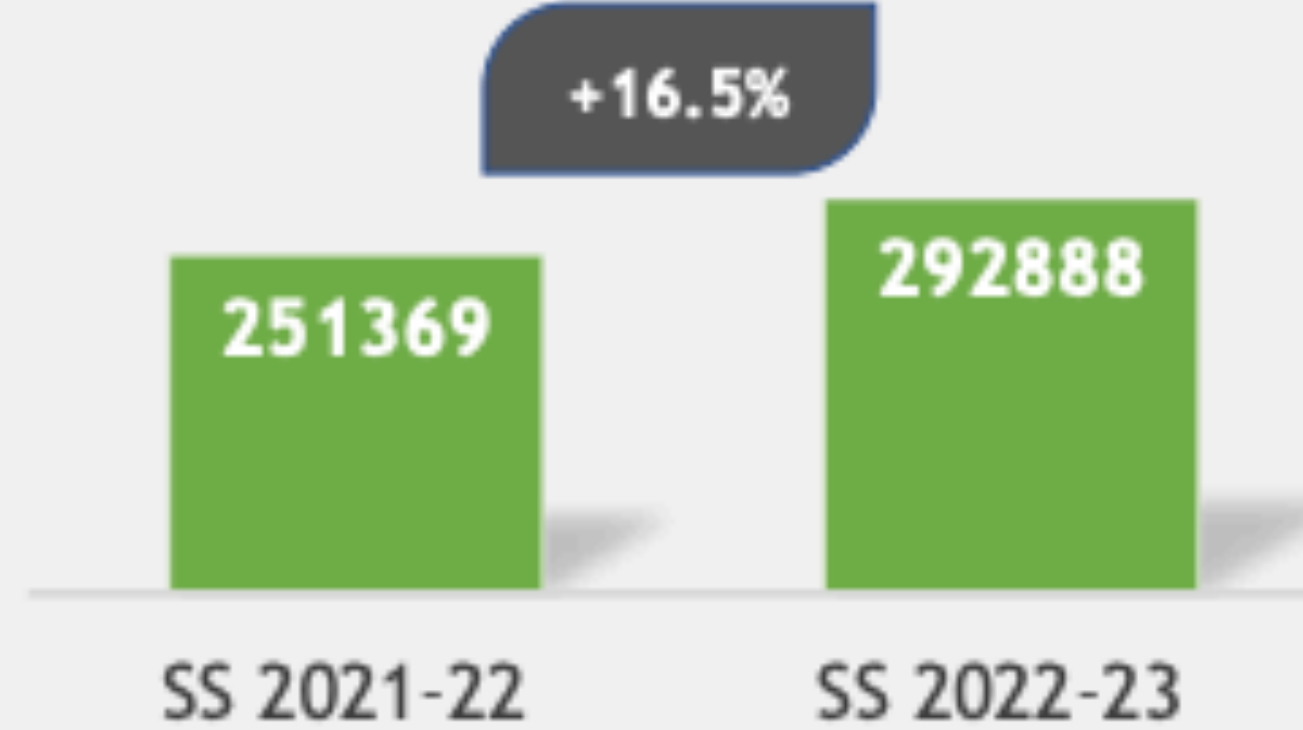
SUGAR: PERFORMANCE IN SUGAR SEASON

SUGAR

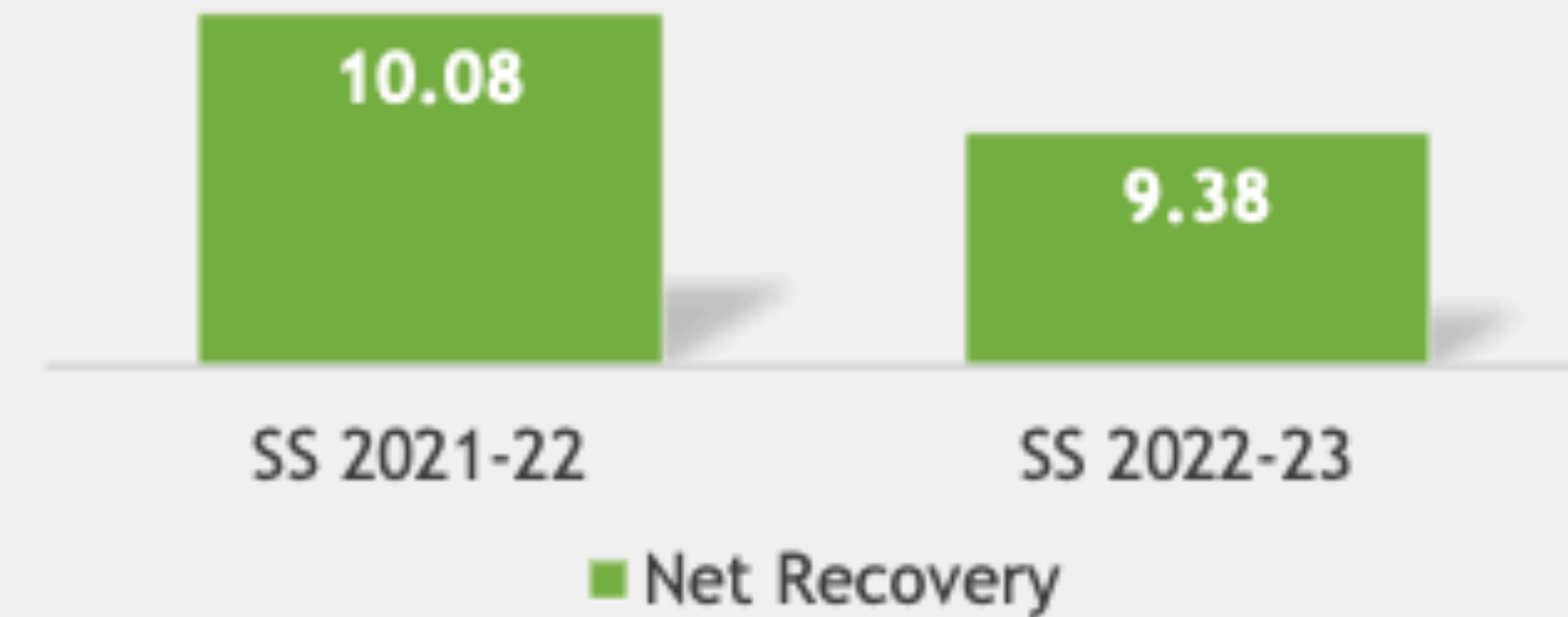
Sugarcane Crushed (Million Tonnes)



Sugar Production (Tonnes)



Recovery (%)

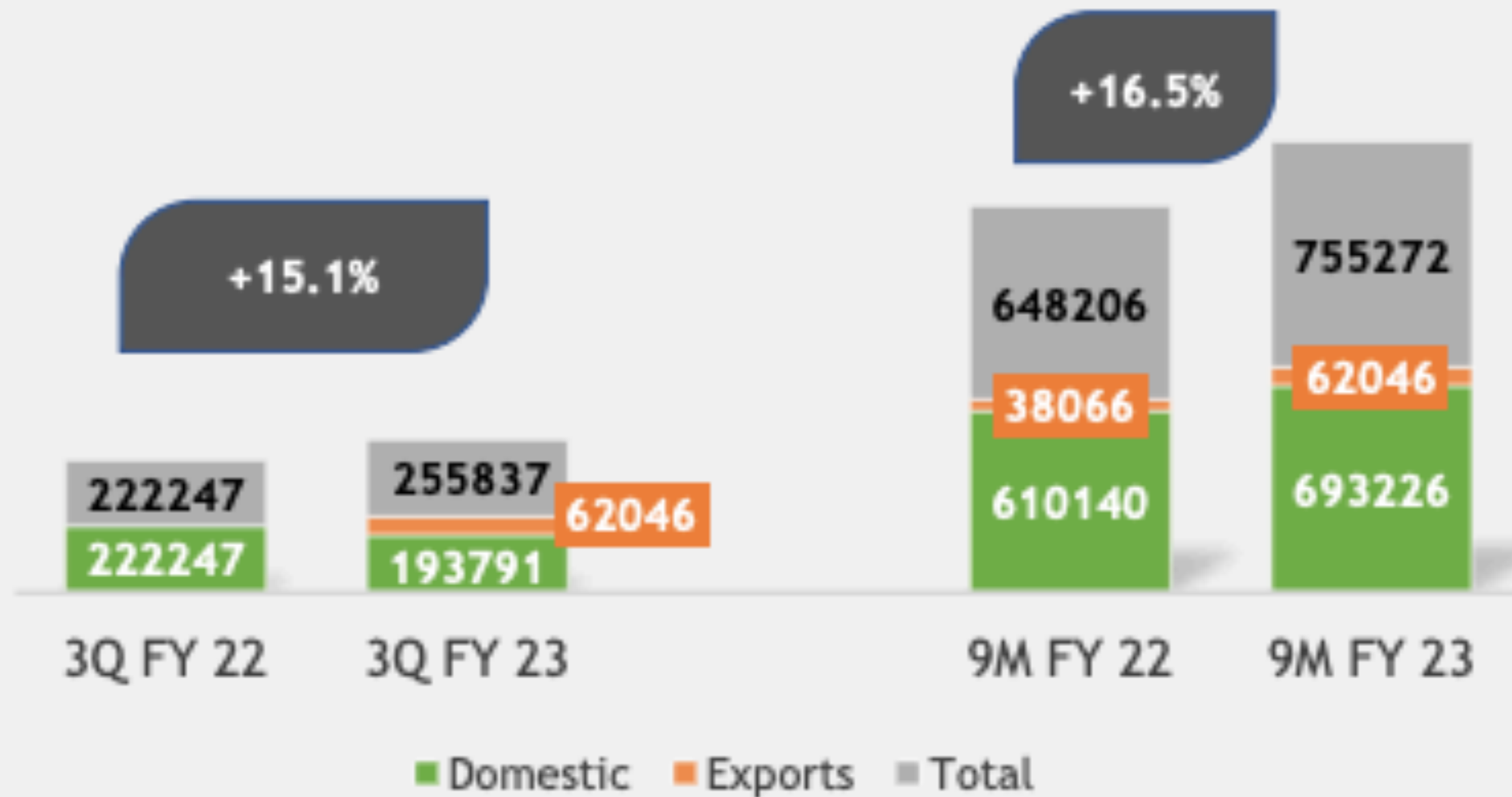


Materially higher crush in SS 2022-23 owing to the modernisation, debottlenecking at three sugar facilities

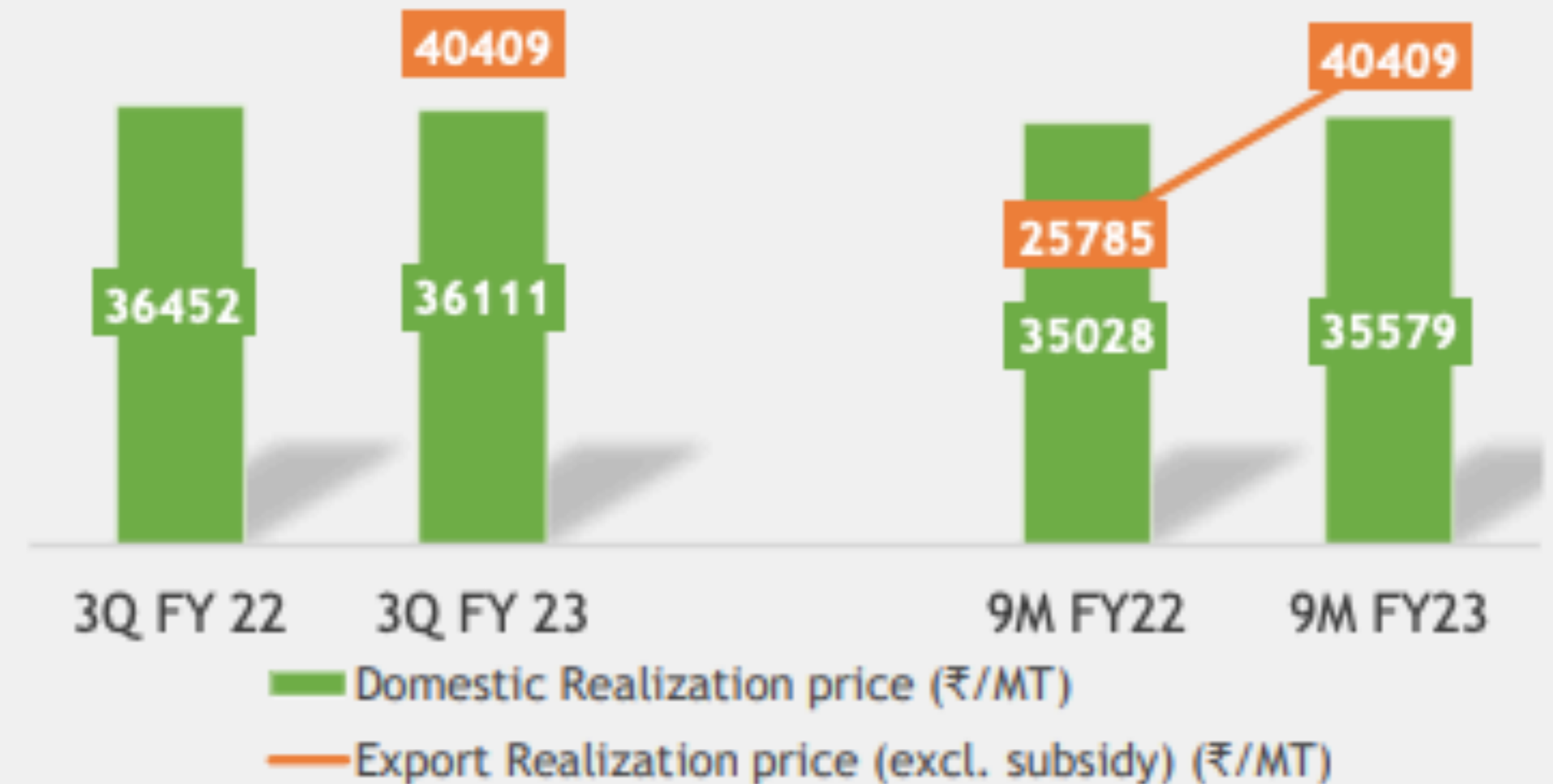
SUGAR: HIGHER DISPATCHES AND REALISATIONS

SUGAR

Domestic Sugar Dispatches (Tonnes)



Domestic Realization price (₹/MT)



Higher sales volumes and realizations

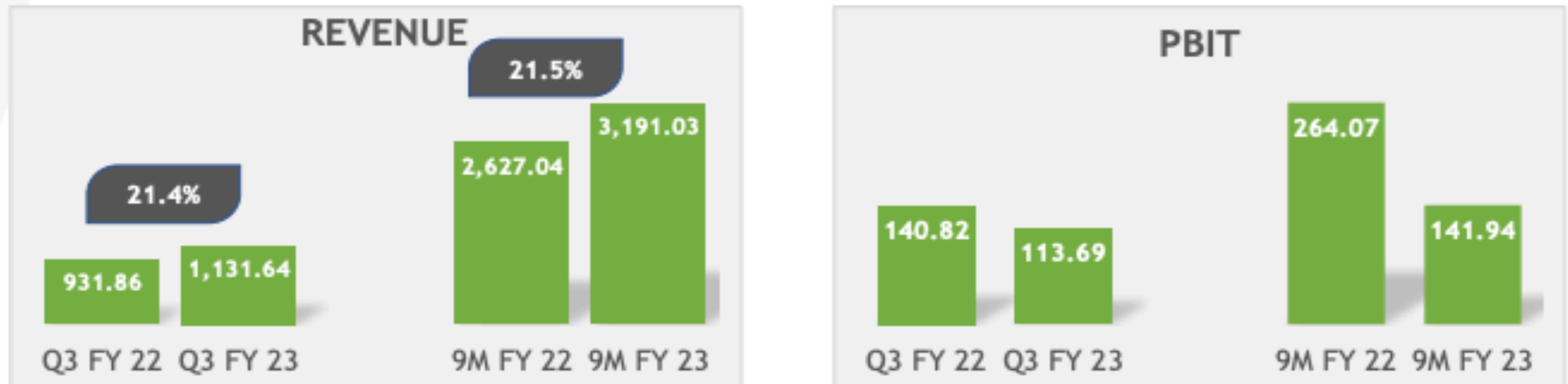
Achieved sugar exports of 135034 tonnes (including sale of quota for 72988 tonnes) during Q3 FY 23 out of total export quota of 204868 tonnes

SUGAR: HIGHER REVENUES; PROFITABILITY IMPACTED IN Q3 / 9M FY 23



SUGAR

₹ Crore



Revenues boosted by higher sales volumes and sugar realisations

Profitability in sugar business is lower as the cost of sugar sold pertaining to the previous season includes the impact of sugarcane price increase for the Season 2021-22 and higher cost of sugar produced in the current season due to transitory lower recoveries

9M FY 22 included export subsidy of ₹ 57 crore relating to the previous period

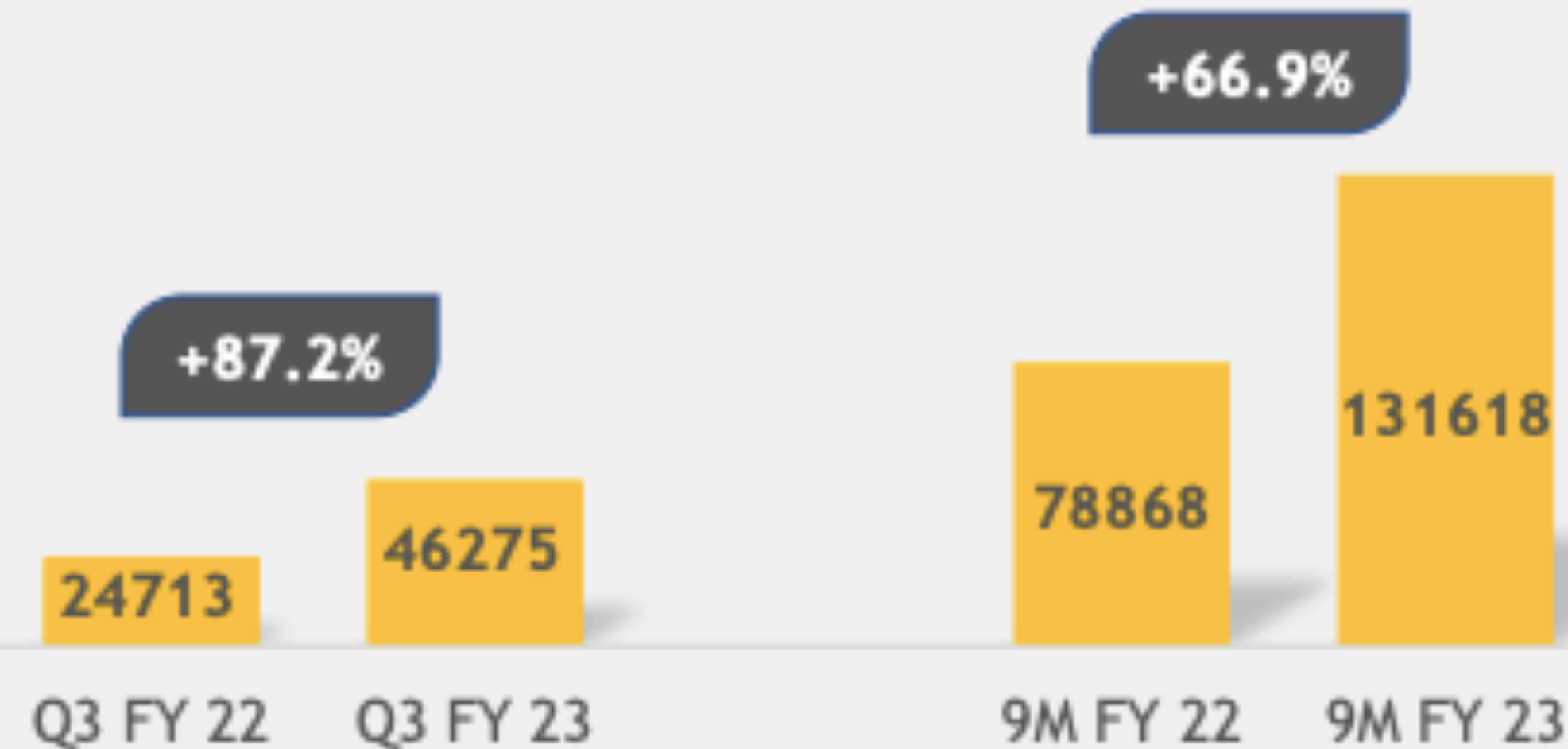
The sugar inventory as on December 31, 2022 was 23.93 lakh quintals, which is valued at around ₹ 34.4/kg

HIGHER ALCOHOL REALISATIONS AND SALES IN Q3/9M FY 23

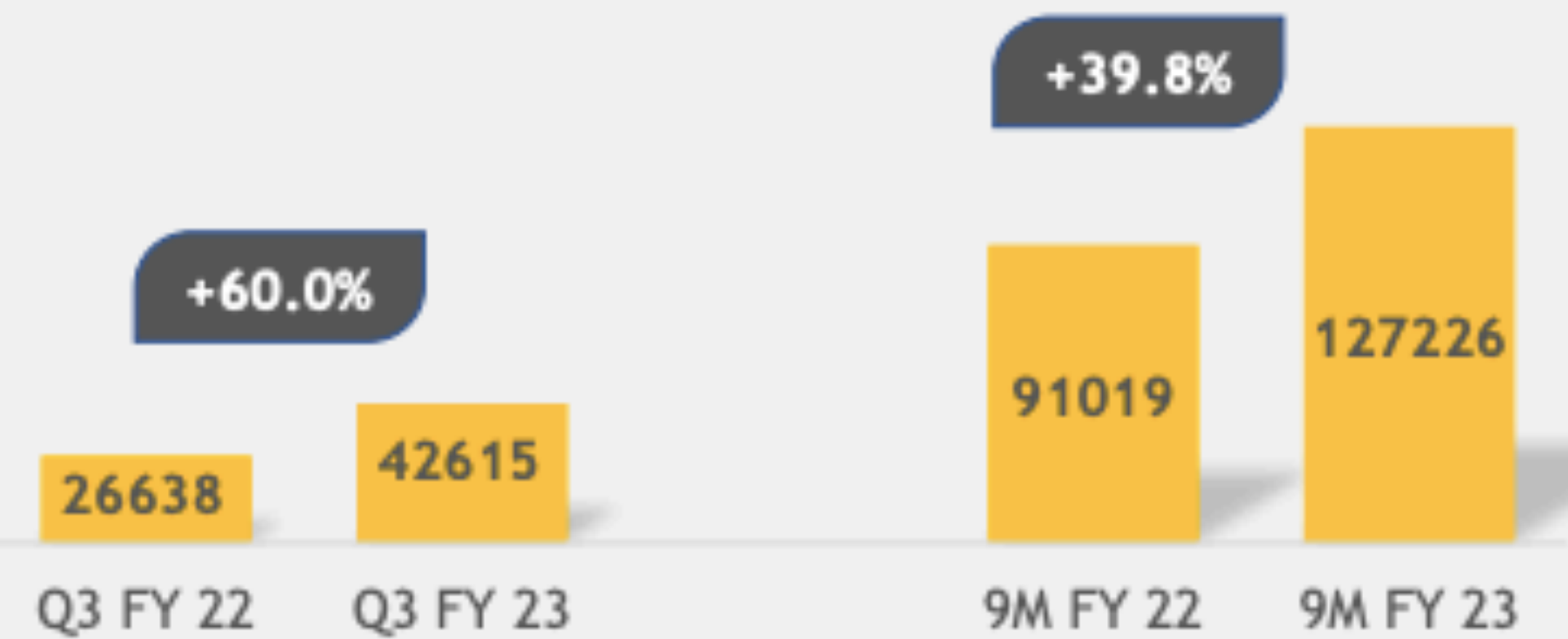


ALCOHOL

Alcohol Production (KL)



Alcohol Sales (KL)



Avg. Realisation (₹/litre)



Additional capacity commissioned in 9M FY 23 leading to higher volumes

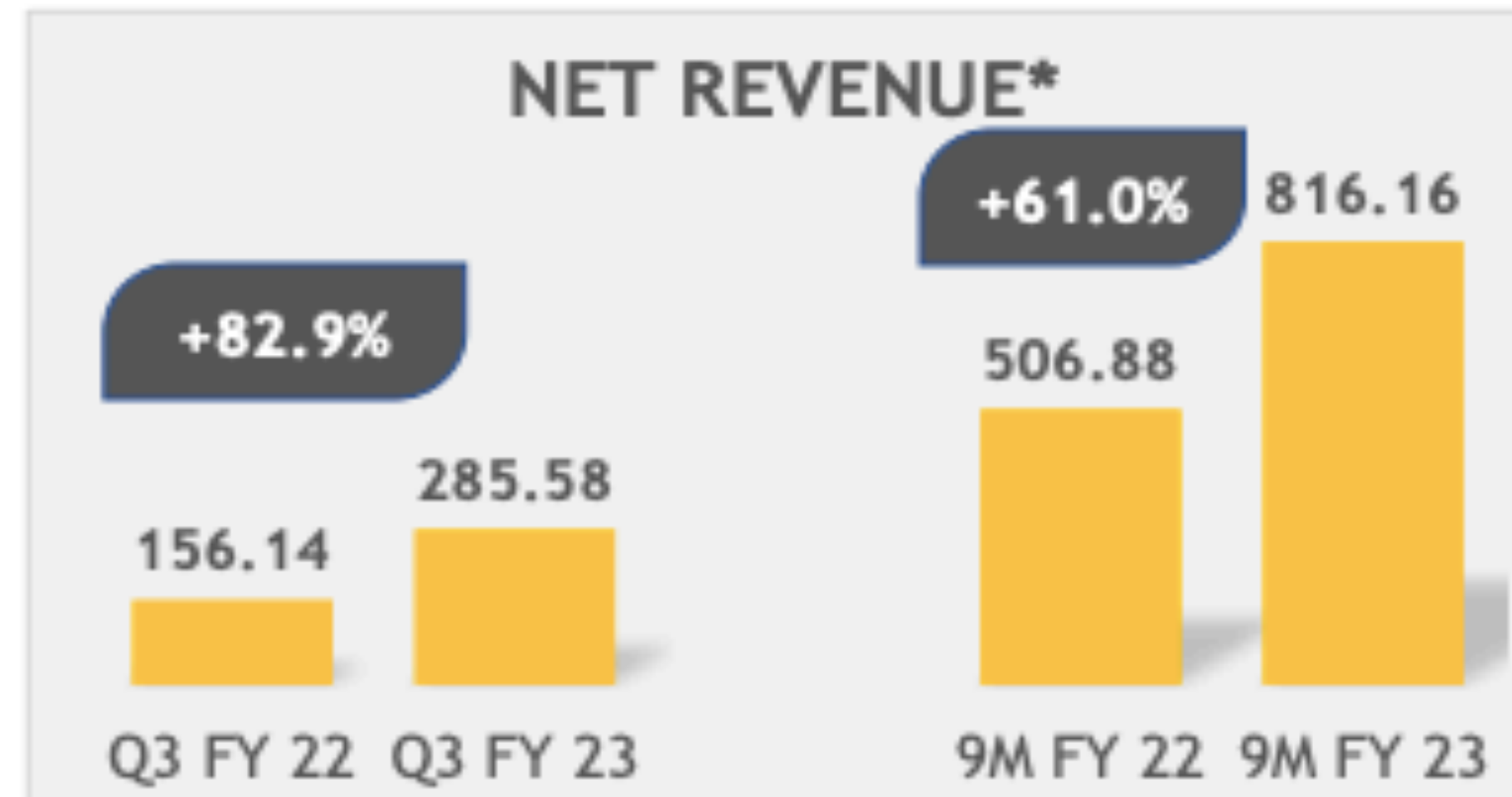
Ethanol produced from B-heavy constitutes 57% and 72% of the sales volume in the current quarter and nine-month period as against 88% and 80% last year

Sale of ethanol produced from grain accounted for 33% and 20% of total sales volumes in the current quarter and nine-month period

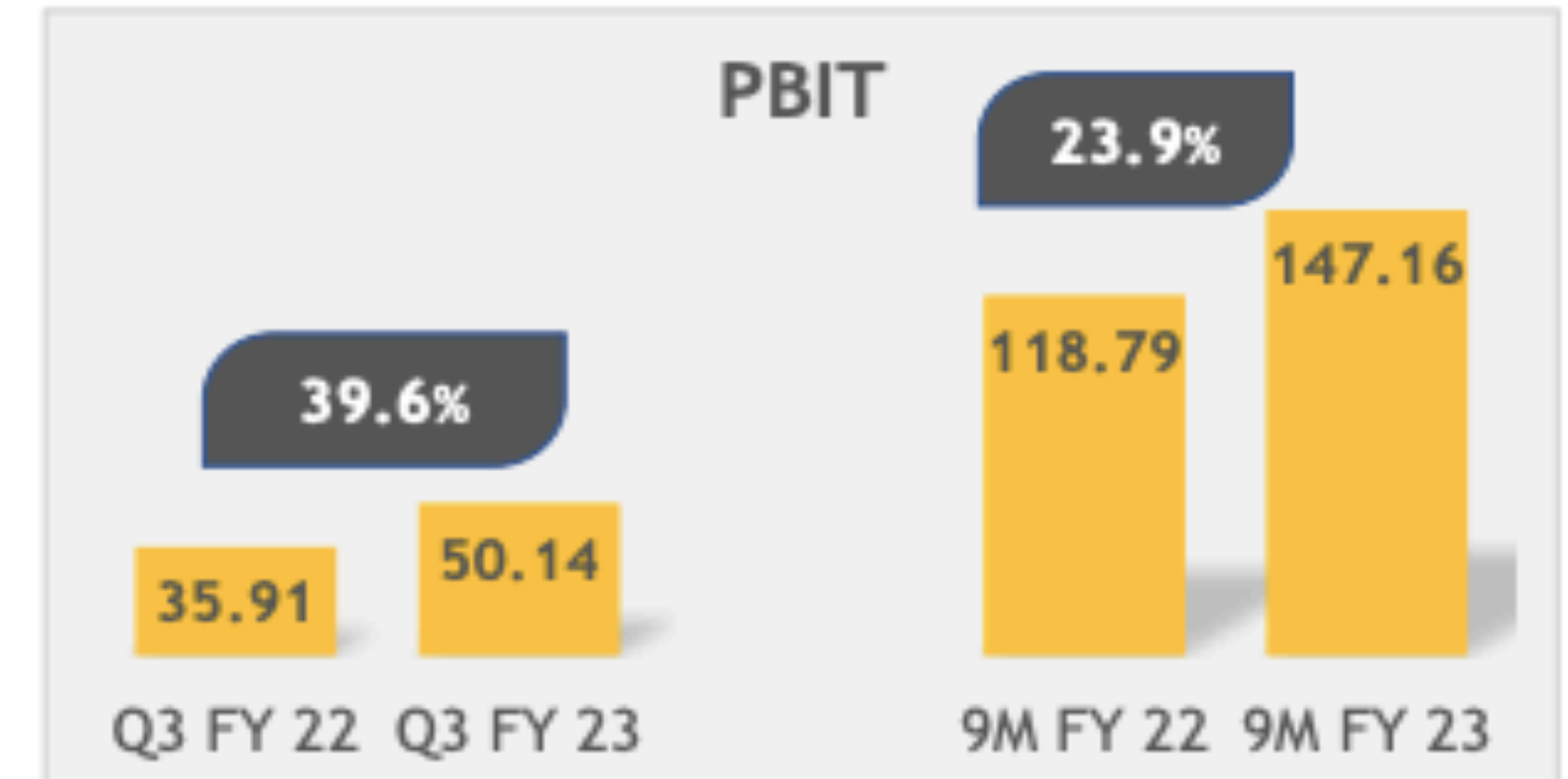
— ADDITIONAL DISTILLATION CAPACITIES ADDED IN 9M FY 23

₹ Crore

ALCOHOL



* Revenue net of excise duty



Additional capacities commissioned in 9M FY 23 resulting in increased sales volumes

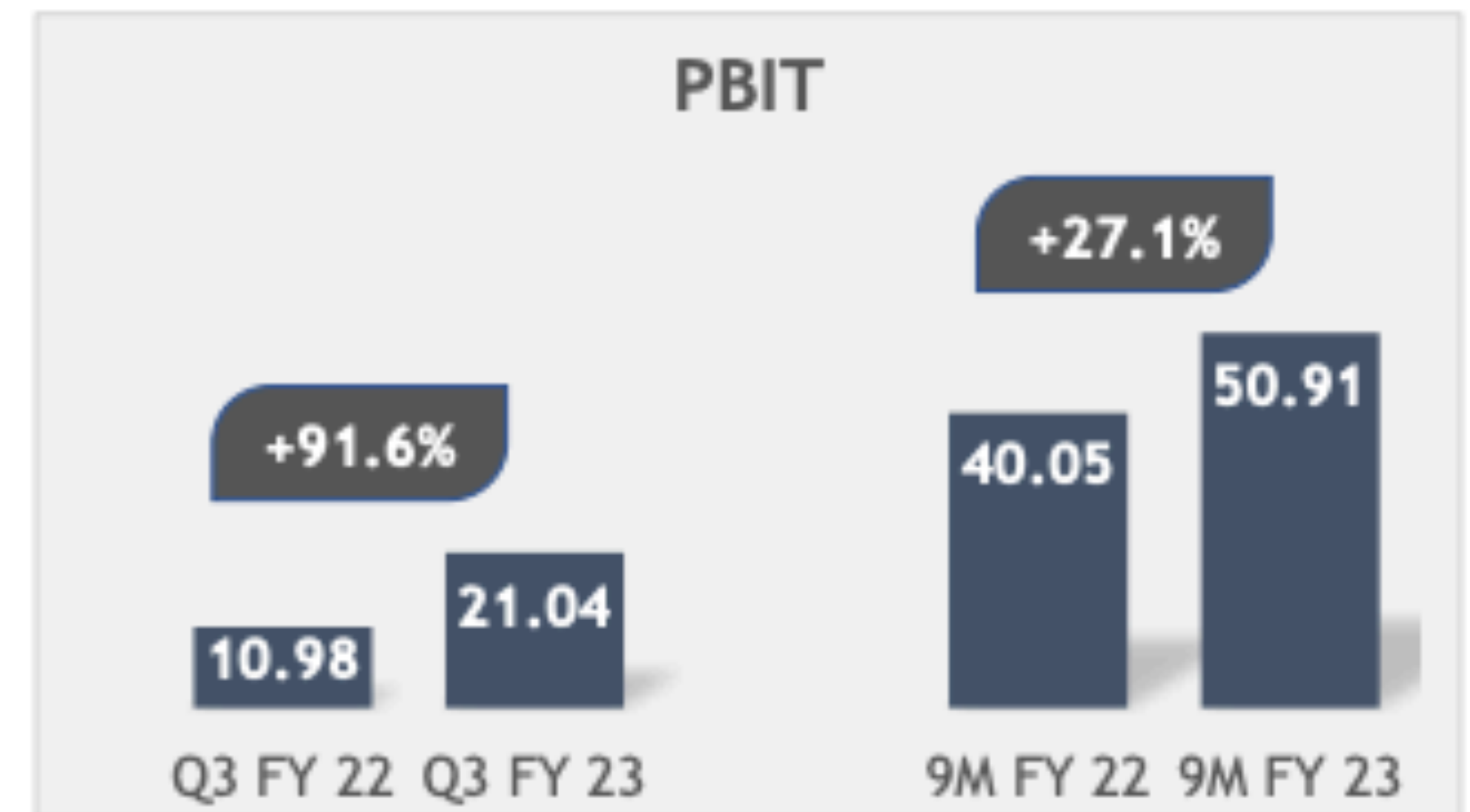
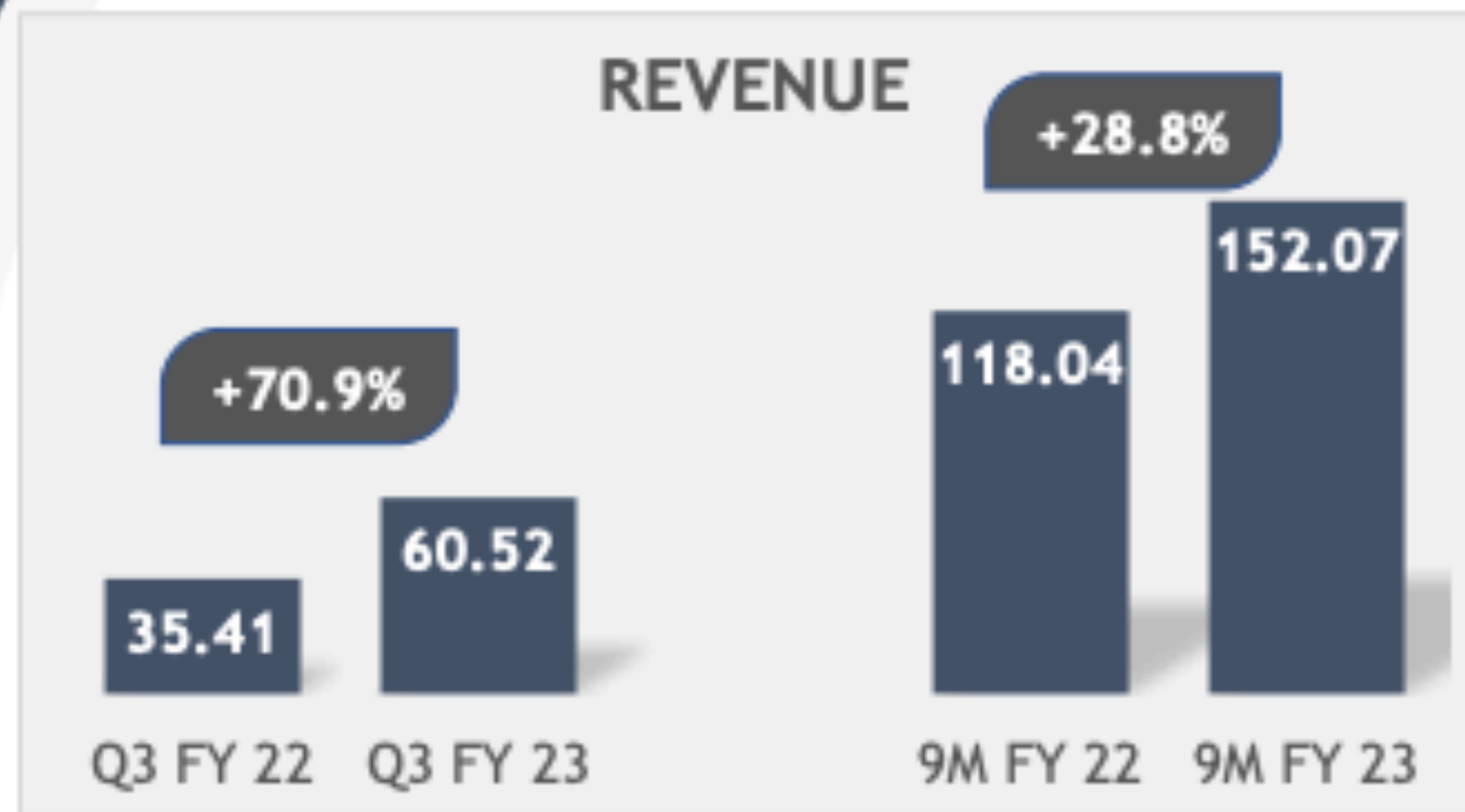
Aggregate distillation capacity 660 KLPD

The profitability has been impacted due to increased transfer price of B-heavy molasses, initial stabilization period of distilleries and relatively lower margin with grain as feedstock.

POWER TRANSMISSION CONTINUES ITS GROWTH PATH

₹ Crore

POWER TRANSMISSION



Domestic market showing encouraging signs due to various Government policies and overall economic growth

Following the expiration of High Speed Licence Agreement with Lufkin Gears LLC in January 2023, the Company will pursue the high-speed high-power segment independently, and is confident of enhancing market share in its identified target markets.

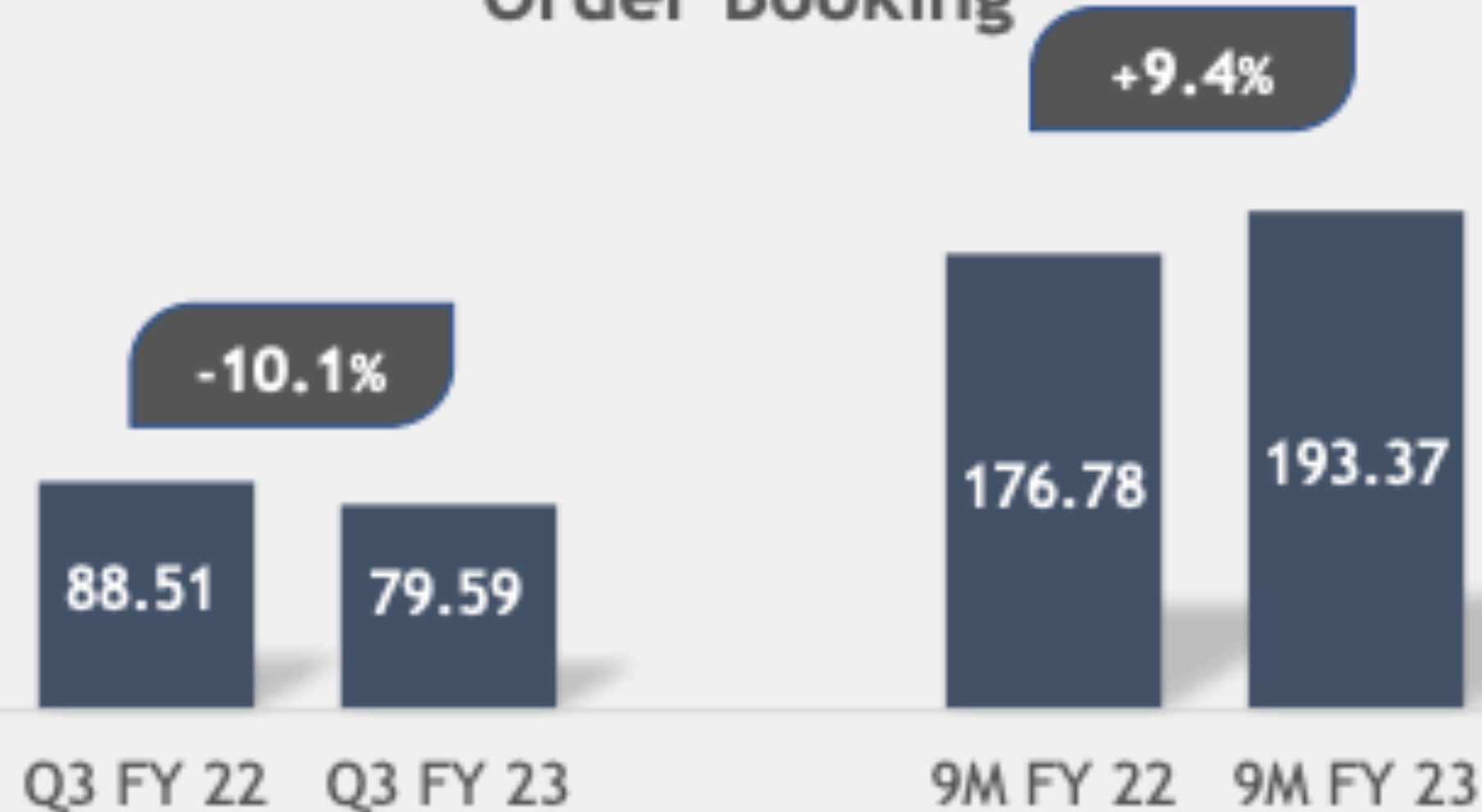
POWER TRANSMISSION CLOSING ORDER BOOK UP 23% y-o-y



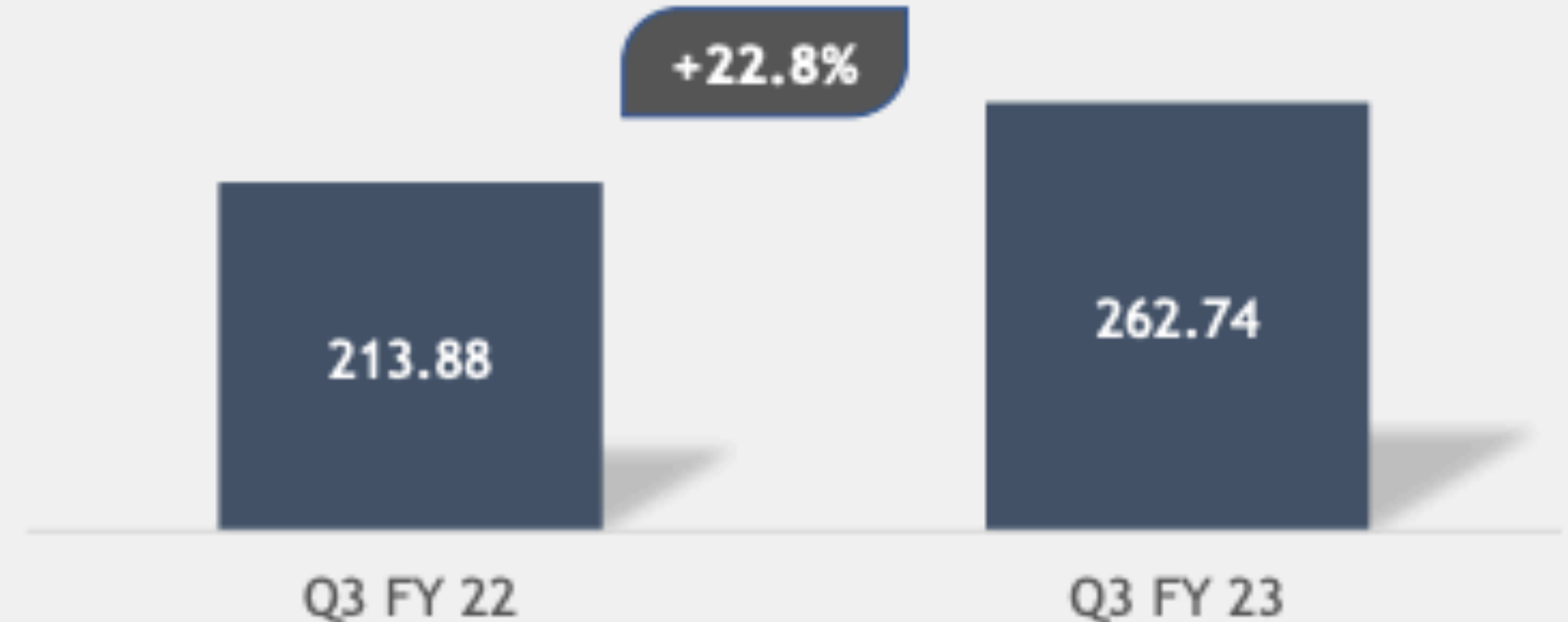
₹ Crore

POWER TRANSMISSION

Order Booking



Closing Order Book

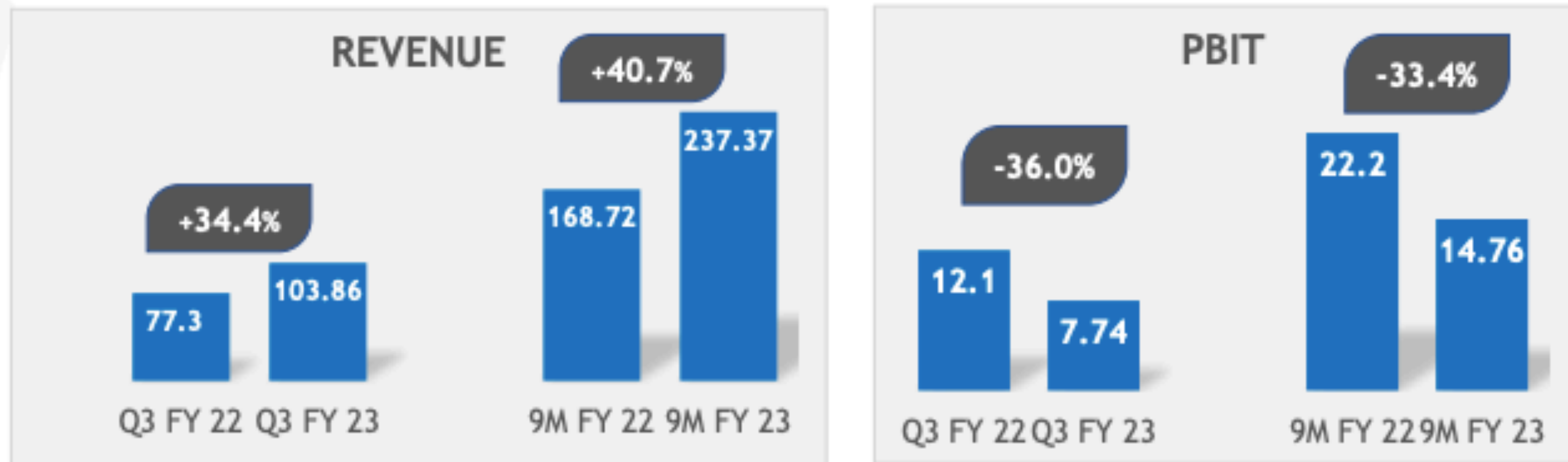


Some challenges especially in export markets in 9M FY 23, however with good momentum in order booking, expect these to be resolved in the coming quarters

Outstanding order book as on December 31, 2022 stood at ₹ 262.74 crore including long duration orders of ₹ 120.62 crore

CONTINUED IMPROVEMENT IN WATER BUSINESS REVENUES

WATER



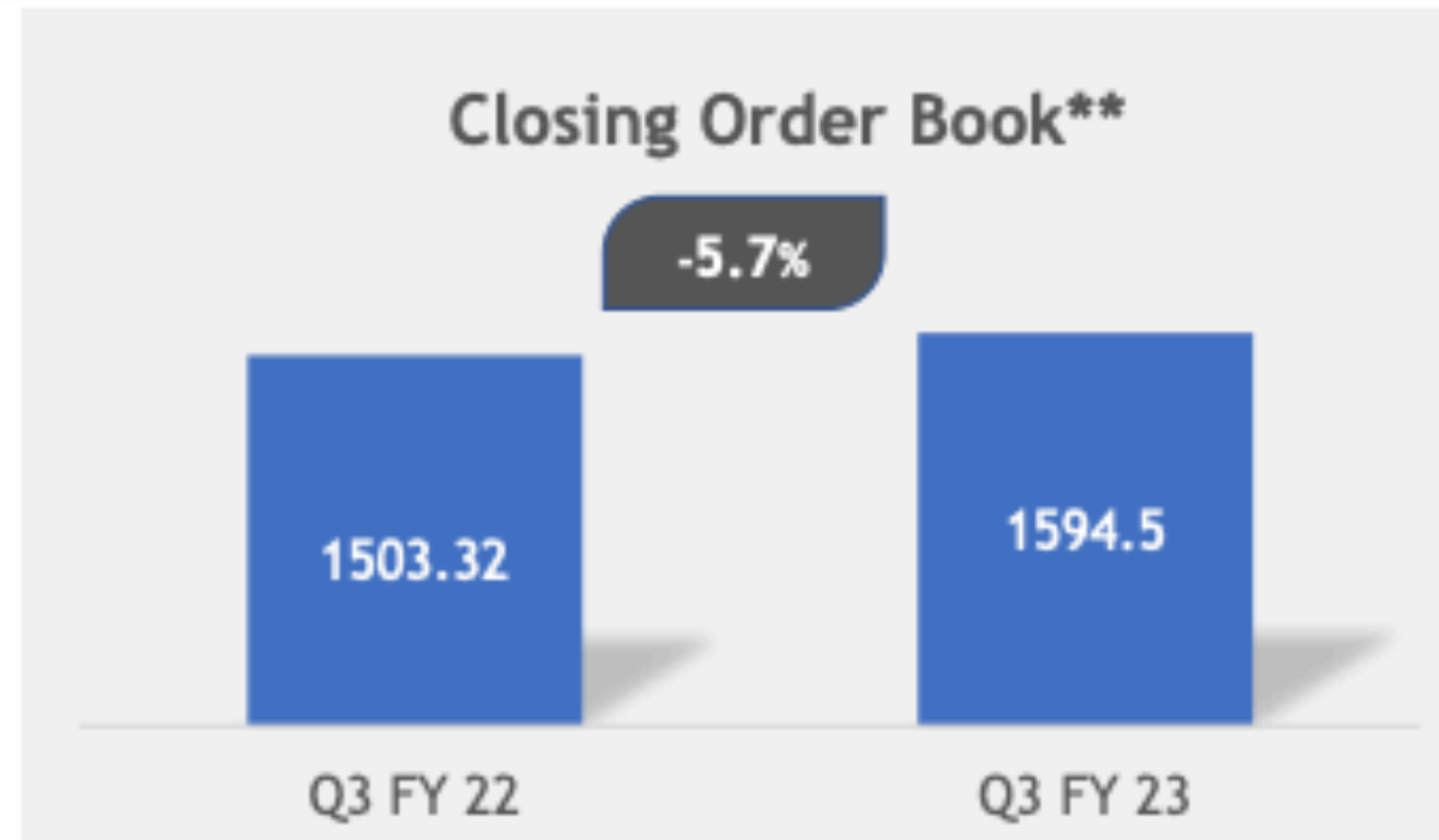
Water business revenues improved in Q3 FY 23

The orders received in 9M FY 23 stood at ₹ 190.45 crore excluding O&M orders

WATER BUSINESS ORDER BOOKING REMAINS ROBUST

₹ Crore

WATER



Expecting robust order booking in the coming quarters and is well placed in certain bids being evaluated both domestically and internationally

Long duration O&M orders in hand are Q3 FY 23: ₹ 930 crore

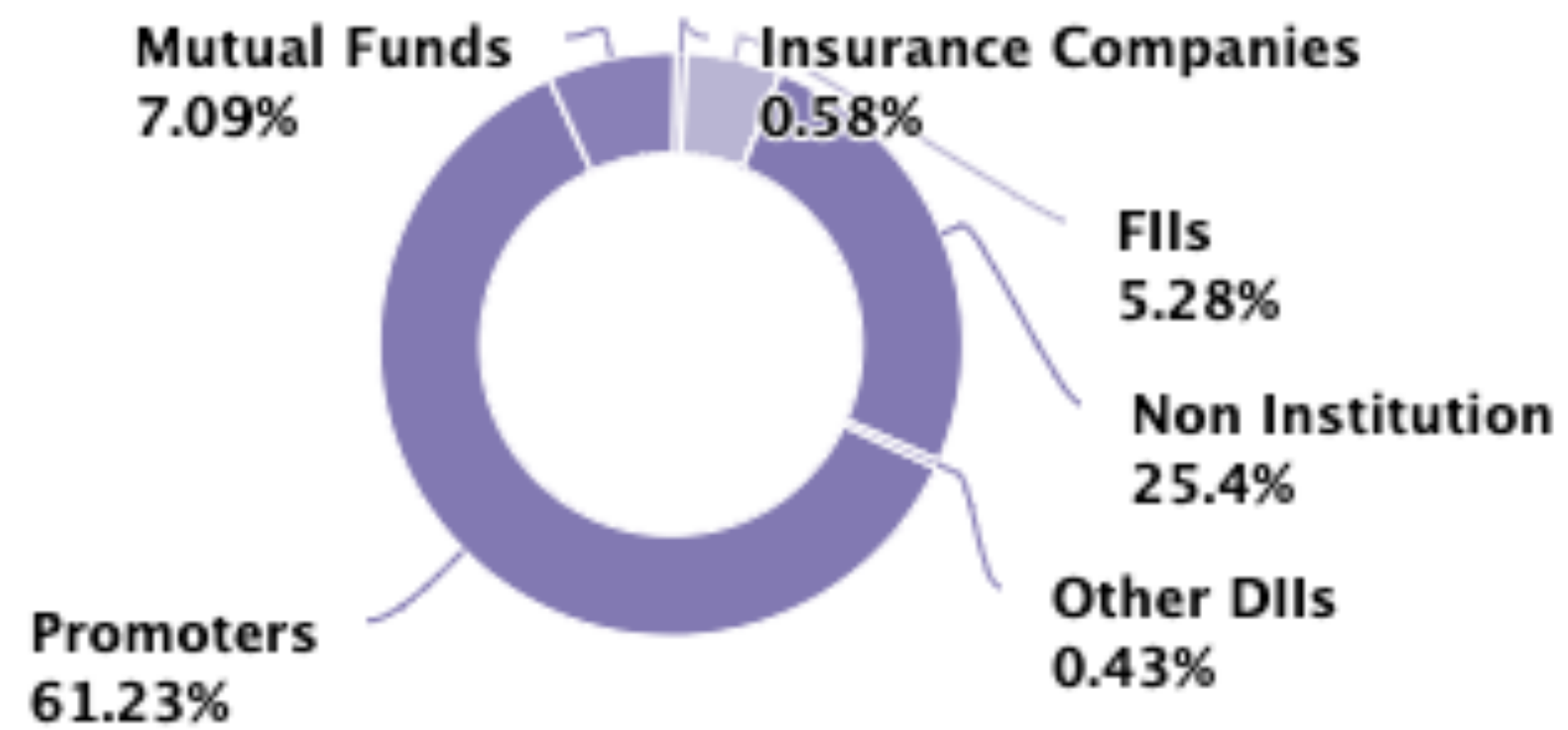
Yearly Results

YEARLY RESULTS OF TRIVENI ENGINEERING AND INDUSTRIES (in Rs. Cr.)	MAR '22	MAR '21	MAR '20	MAR '19	MAR '18
Net Sales/Income from operations	4,694.04	4,703.35	4,436.63	3,151.74	3,370.70
Total Income From Operations	4,694.04	4,703.35	4,436.63	3,151.74	3,370.70
EXPENDITURE					
Consumption of Raw Materials	3,114.69	3,214.92	3,010.68	2,751.90	2,581.45
Purchase of Traded Goods	26.25	22.01	22.29	19.25	16.74
Increase/Decrease in Stocks	-281.77	199.14	218.83	-539.82	-8.66
Employees Cost	302.65	270.76	255.76	223.87	202.40
Depreciation	80.74	79.09	74.89	56.95	55.37
Other Expenses	897.82	438.31	385.90	387.65	302.88
P/L Before Other Inc., Int., Excpt. Items & Tax	553.66	479.12	468.28	251.94	220.52
Other Income	22.19	30.40	36.27	63.63	15.44
P/L Before Int., Excpt. Items & Tax	575.85	509.52	504.55	315.57	235.96
Interest	54.53	51.63	79.33	67.99	85.34
P/L Before Exceptional Items & Tax	521.32	457.89	425.22	247.58	150.62
Exceptional Items	-6.71	0.67	--	--	--
P/L Before Tax	514.61	458.56	425.22	247.58	150.62
Tax	149.69	165.16	110.49	51.53	49.70
P/L After Tax from Ordinary Activities	364.92	293.40	314.73	196.05	100.92
Net Profit/(Loss) For the Period	364.92	293.40	314.73	196.05	100.92
Share Of P/L Of Associates	59.14	1.21	20.39	20.23	18.22
Net P/L After M.I & Associates	424.06	294.61	335.12	216.28	119.14
Equity Share Capital	24.18	24.18	24.79	25.79	25.79
Reserves Excluding Revaluation Reserves	1,888.68	1,531.50	1,313.87	1,114.73	920.56
EPS BEFORE EXTRA ORDINARY					
Basic EPS	17.54	12.01	13.32	8.39	4.62
Diluted EPS	17.54	12.01	13.32	8.39	4.62
EPS AFTER EXTRA ORDINARY					
Basic EPS.	17.54	12.01	13.32	8.39	4.62
Diluted EPS.	17.54	12.01	13.32	8.39	4.62

Key Financial Ratios

KEY FINANCIAL RATIOS OF TRIVENI ENGINEERING AND INDUSTRIES (in Rs. Cr.)	MAR 22	MAR 21	MAR 20	MAR 19	MAR 18
PER SHARE RATIOS					
Basic EPS (Rs.)	17.54	12.01	13.32	8.39	4.62
Diluted EPS (Rs.)	17.54	12.01	13.32	8.39	4.62
Cash EPS (Rs.)	18.43	15.41	15.71	9.81	6.06
Book Value [ExclRevalReserve]/Share (Rs.)	79.12	64.35	53.99	44.22	36.69
Book Value [InclRevalReserve]/Share (Rs.)	79.12	64.35	53.99	44.22	36.69
Revenue from Operations/Share (Rs.)	177.49	193.34	178.93	122.19	130.67
PBDIT/Share (Rs.)	27.16	24.35	23.37	14.45	11.29
PBIT/Share (Rs.)	23.82	21.08	20.35	12.23	9.15
PBT/Share (Rs.)	21.29	18.97	17.15	9.60	5.84
Net Profit/Share (Rs.)	15.09	12.14	12.69	7.60	3.91
NP After MI And SOA / Share (Rs.)	17.54	12.19	13.52	8.38	4.62
PROFITABILITY RATIOS					
PBDIT Margin (%)	15.30	12.59	13.06	11.82	8.64
PBIT Margin (%)	13.42	10.90	11.37	10.01	7.00
PBT Margin (%)	11.99	9.81	9.58	7.85	4.46
Net Profit Margin (%)	8.50	6.27	7.09	6.22	2.99
NP After MI And SOA Margin (%)	9.88	6.30	7.55	6.86	3.53
Return on Networth/Equity (%)	22.16	18.93	25.03	18.96	12.58
Return on Capital Employed (%)	23.83	24.60	26.01	19.49	22.17
Return on Assets (%)	9.86	8.13	8.28	5.68	3.92
Total Debt/Equity (X)	0.82	0.56	1.04	1.41	1.17
Asset Turnover Ratio (%)	1.12	129.12	109.65	82.83	111.16
LIQUIDITY RATIOS					
Current Ratio (X)	1.36	1.43	1.26	1.18	1.01
Quick Ratio (X)	0.28	0.31	0.35	0.21	0.21
Inventory Turnover Ratio (X)	1.65	2.70	2.32	1.49	2.13
Dividend Payout Ratio (NP) (%)	17.10	0.00	8.13	8.34	5.41
Dividend Payout Ratio (CP) (%)	14.36	0.00	6.65	6.60	3.69
Earnings Retention Ratio (%)	82.90	0.00	91.87	91.66	94.59
Cash Earnings Retention Ratio (%)	85.64	0.00	93.35	93.40	96.31
COVERAGE RATIOS					
Interest Coverage Ratios (%)	12.04	9.87	6.36	4.64	2.76
Interest Coverage Ratios (Post Tax) (%)	12.04	9.87	6.36	4.64	2.76
VALUATION RATIOS					
Enterprise Value (Cr.)	9,055.33	2,901.95	2,260.40	3,160.78	2,158.73
EV/Net Operating Revenue (X)	2.11	0.62	0.51	1.00	0.64
EV/EBITDA (X)	13.79	4.93	3.90	8.48	7.41
MarketCap/Net Operating Revenue (X)	1.75	0.44	0.20	0.50	0.31
Retention Ratios (%)	82.89	0.00	91.86	91.65	94.58
Price/BV (X)	3.93	1.31	0.68	1.38	1.11
Price/Net Operating Revenue	1.75	0.44	0.20	0.50	0.31
Earnings Yield	0.06	0.14	0.37	0.14	0.11

Shareholding Pattern an on Dec'22



Summary

- ❖ On quarterly basis, the Company delivered robust performance in Q3 of FY'23, with Net Sales up by 48.67% i.e. Rs.1658.71 crs in Dec'22 versus Rs.1115.69 crs in Dec'21. However, the Net Profits increased by 13.18% i.e. Rs.147.28 crs in Dec'22 as compared to Rs.130.12 crs in Dec'21.
- ❖ Considering sound financials and fine fundamentals, the Company is available at a good price of Rs.272.50 with its 52 week low at Rs.211.05 and 52 week high at Rs.374.50.
- ❖ In view of the Promoters holding majority stake around 61.23% as well as its consistent performance, it is fair to assume that the Management is working towards growth of the Company.
- ❖ The Shareholding Pattern as on Dec'22, shows the FIIs and the Other DIIs altogether stood with 5.71% stake. Whereas, the Mutual Fund Houses own 7.09% holdings in the Company.
- ❖ It is reassuring to see that Triveni Engineering and Industries Ltd. is held by DSP MF, NIPPON INDIA MF, MAHINDRA MANULIFE MF, ITI MF, BANK OF INDIA MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 22.16% & 23.83% respectively as on Mar'22.
- ❖ For the year ending Mar'22, Triveni Engineering and Industries Ltd. has declared an equity dividend of 325.00% i.e. Rs.3.25 per equity share. The Company has a good dividend track report and has consistently declared dividends for the last 5 years.

Disclosure

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I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website www.Amiteshwar.in which is primarily focused on research of Multi-Cap stocks of India.

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1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

Note: Subject Company is a company on which buy/sell recommendation or target price is given or changed in the research report.

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2. **Sell Recommendation:** The subscribers can sell the shares of the subject company when they receive a return of 25% on the market price when the subject company was recommended.