

Price: 382

Recommendation: Buy

Industry: Sugar

Sector: Fast Moving Consumer Goods

Report Date: 03-Apr-2025

Triveni Engineering & Industries Limited is advancing through strategic initiatives and business developments. With consolidated revenues of 4,060 crore, the company is enhancing its Power Transmission business and expanding ethanol production. The focus on indigenization and government initiatives like Aatmanirbhar Bharat are expected to open new opportunities. Despite challenges, Triveni is optimistic about growth, particularly in the sugar sector, with anticipated increases in cane crush and sugar prices.

Sales		Profit & Loss		Profitability Matrix	
Current Year	5289 Cr	Operating Profit(Year)	444 Cr	Operating Profit Margin	8.40 %
Previous Year	5614 Cr	Operating Profit(Quarter)	94.5 Cr	EBITDA Margin	12.78 %
Current Quarter	1216 Cr	PAT (Year)	392 Cr	Net Profit Margin	7.51 %
Previous Quarter	1471 Cr	PAT (Quarter)	56.7 Cr	EPS	10.6
Revenue (QYoY)	1311 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	35.9	Sales Growth	-3.81 %	Sales Growth	-17.34 %
PEG Ratio	2.59	PAT Growth	-21.44 %	Sales Growth QYoY	-7.25 %
EV/EBITDA	17.5	EPS Growth	-40.78 %	PAT Growth	-499.3 %
P/B	2.91	Dividend Yield	0.92	PAT Growth QYoY	-58.61 %
Capital Allocation		Holdings		Leverage	
RoE	14.1 %	Promoter	61.0 %	Debt/Equity	0.14
RoA	8.37 %	FII	5.18 %	Debt	394 Cr
RoCE	14.8 %	DII	9.71 %	Market Cap	8363 Cr
RoIC	10.8 %	Public	24.2 %	Enterprise value	8578 Cr
		No of Shares	21.9 Cr	Cash Equivalents	179 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Triveni Engineering & Industries Limited's recent conference call highlighted several strategic initiatives and business developments. The company reported consolidated revenues of 4,060 crore for the nine-month period, marking a 3.6% increase, though profitability was subdued due to lower margins in the Sugar and Alcohol businesses. A significant new initiative is the government's announcement of a 1 million tonne sugar export for SS 2024-25, with Triveni allocated nearly 32,000 tonnes. The company is also benefiting from policy measures like the revised ethanol procurement price for Oil Marketing Companies, which has been increased to 57.97 per litre from C-heavy molasses. This is expected to improve margins in their ethanol production.

In terms of business strategies, Triveni is focusing on enhancing its Power Transmission business, with an incremental capex of 60 crore to increase capacity to 700 crore by September 2026. The company is also pursuing a Composite Scheme of Arrangement, which includes the amalgamation of Sir Shadi Lal Enterprises with Triveni Engineering and the transfer of the Power Transmission Business to Triveni Power Transmission Limited. This restructuring aims to unlock value and streamline operations. The Engineering businesses have shown robust growth, with the order book reaching an all-time high of 2,356 crore, a 52.4% year-on-year increase, indicating strong future prospects.

The company's diversification schemes include expanding its ethanol production capabilities, with a focus on using FCI rice and maize as feedstocks. This shift is expected to broaden margins and enhance profitability. The Alcohol business saw a revenue increase of 4.4% in Q3 FY 25, driven by higher grain operations, although profitability was impacted by lower sales volumes of high-margin ethanol from molasses. The Water business also showed improved profitability due to the reversal of certain provisions, despite a decline in revenues due to delayed orders.

Looking ahead, Triveni is optimistic about future growth, particularly in the sugar sector, where they anticipate a 15% increase in cane crush. The company is also poised to benefit from rising sugar prices, which have increased by 10% over three months. The Power Transmission business is expected to grow due to major infrastructure investments and market share gains. The company's focus on indigenization and the government's Aatmanirbhar Bharat initiative are expected to open new opportunities. However, challenges remain, such as the need for a higher Minimum Selling Price for sugar and the impact of weather on sugarcane recovery rates. Overall, while the company is on a positive trajectory, further improvements in policy and market conditions could enhance its performance.

TRIVENI Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Triven.Engg.Ind.	8363.00	35.86	14.12%	-17.34%	-7.24%	499.79%	-58.61%
Sh.Renuka Sugar	6172.43			1.44%	-14.79%	-813.00%	-18.58%
Bannari Amm.Sug.	4722.46	51.70	9.36%	-11.04%	-45.14%	-15.93%	-57.68%
Dalmia Bharat	3179.45	11.70	8.52%	-9.19%	44.15%	-10.08%	-8.33%
Bajaj Hindusthan	2503.60		-1.90%	27.26%	-15.22%	-34.54%	-604.18%

Aspect	Commentary
Revenue	The company experienced a decline in revenue, with current year sales at 5289 Cr compared to 5614 Cr the previous year. This indicates a contraction in sales performance, which could be attributed to market conditions or internal challenges. The quarterly comparison also shows a decrease, suggesting a need for strategic adjustments to boost sales.
Profit & Loss	Operating profit for the year stands at 444 Cr, with a quarterly figure of 94.5 Cr. The PAT for the year is 392 Cr, indicating a solid profit base despite revenue challenges. However, the quarterly PAT of 56.7 Cr suggests potential volatility in earnings, necessitating careful financial management to sustain profitability.
Profitability Matrix	The operating profit margin is 8.40%, with an EBITDA margin of 12.78% and a net profit margin of 7.51%. These figures reflect moderate profitability, with room for improvement in cost management and operational efficiency to enhance margins and overall financial health.
Valuation Matrix	The trailing P/E ratio is 35.9, indicating a high valuation relative to earnings. The PEG ratio of 2.59 suggests growth expectations are priced in. EV/EBITDA is 17.5, and P/B is 2.91, reflecting market confidence but also potential overvaluation risks if growth does not materialize as expected.
Growth (YoY)	Year-over-year growth metrics show a decline, with sales growth at -3.81% and PAT growth at -21.44%. EPS growth is significantly negative at -40.78%, highlighting challenges in maintaining earnings growth. The dividend yield of 0.92% offers some return to shareholders despite growth setbacks.
Growth (QoQ)	Quarter-over-quarter growth figures are concerning, with sales growth at -17.34% and PAT growth at -499.3%. These declines indicate significant short-term challenges, possibly due to market conditions or operational issues, requiring immediate strategic interventions to stabilize performance.
Capital Allocation	Return on Equity (RoE) is 14.1%, with Return on Assets (RoA) at 8.37% and Return on Capital Employed (RoCE) at 14.8%. These figures suggest efficient capital use, though there is potential to enhance returns through strategic investments and improved operational efficiency.
Holdings	Promoter holding is strong at 61.0%, with FII at 5.18% and DII at 9.71%. Public holding is 24.2%, indicating a balanced ownership structure. The number of shares stands at 21.9 Cr, reflecting a stable shareholder base, which can provide support for long-term strategic initiatives.
Leverage	The debt/equity ratio is low at 0.14, with total debt at 394 Cr. This indicates a conservative leverage position, providing financial flexibility. The market cap is 8363 Cr, with an enterprise value of 8578 Cr, suggesting a strong market position and potential for growth with prudent financial management.

Analyst viewpoint: Triveni Engineering & Industries Limited displays a compelling growth narrative fueled by strategic initiatives in both its core and emerging business sectors. The recent quarter showcased a revenue growth of 3.6% on a year-on-year basis, propelled by enhanced operations in the power transmission segment and a robust order book that has increased by an impressive 52.4%. The company's aggressive capex plans to expand its capacity to 700 crore by FY2026 and the strategic focus on ethanol production, aided by favorable policy adjustments, underscore its commitment to sustaining growth. Such strategic allocation of capital, coupled with strong promoters' confidence at a 61% shareholding, positions Triveni to capitalize effectively on upcoming market opportunities in the rapidly changing industrial landscape.

While Triveni's financials reveal occasional short-term volatility, such as a recent quarter-on-quarter PAT contraction, these are counterbalanced by robust long-term growth drivers. The company's earnings potential is buoyed by the anticipated price rise in sugar and infrastructure advancements which promise increased market share. Additionally, Triveni's low debt-to-equity ratio of 0.14 reflects financial prudence, providing ample room for further strategic investments. Investors should remain vigilant of the somewhat elevated P/E ratio indicative of high market expectations, yet our optimism remains anchored in the company's strategic foresight and government-backed sectoral growth initiatives, making Triveni an attractive buy in the short to mid-term horizon.

Please read detailed disclosure on next page.

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BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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