

India

ADD (no change)

Consensus ratings*: Buy 8 Hold 0 Sell 0

Current price:	Rs271
Target price:	Rs387
Previous target:	Rs394
Up/downside:	42.8%
InCred Research / Consensus:	14.4%
Reuters:	
Bloomberg:	TRE IN
Market cap:	US\$902m
	Rs65,504m
Average daily turnover:	US\$3.4m
	Rs248.1m
Current shares o/s:	241.8m
Free float:	31.6%
*Source: Bloomberg	

Key changes in this note

- ▶ PAT estimates adjusted by (17) % / (1) % for FY23F/24F.
- ▶ Revise target price to Rs387 (Rs394 earlier).



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(1.7)	21.1	25.5
Relative (%)	(7.9)	16.6	23.2

Major shareholders	% held
Promoter & Promoter Group	68.4
DSP AMC	3.3
Nippon AMC	1.3

Analyst(s)



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Triveni Engineering and Industries Ltd

Major disinvestment goes through

- 2QFY23 earnings hit due to high-cost inventory carried forward in the sugar segment. New capacity to be added in the distillation segment until FY24F.
- TEIL has divested its stake in Triveni Turbines and ~50% of the sale proceeds is being used for share buyback. No decision yet on the remaining proceeds.
- Retain ADD rating with a new target price of Rs387 (Rs394 earlier).

Sugar segment

The 2QFY23 performance of Triveni Engineering and Industries (TEIL) was hit because of higher raw material cost. The cost of raw materials (inventory carried forward) was higher due to higher SAP (state advised price) and lower yields. However, the new sugar year (SY) holds opportunity as initial readings suggest better yields and lower instances of crop disease. TEIL has been allocated an export quota of 2,04,898 t in the first tranche. Most of the export quota has been contracted and will be realized during the current financial year. Realization in the export market was ~Rs3-4/kg higher than in the domestic market.

Ethanol segment

The ethanol segment's performance during the quarter was subdued as new capacity was not fully commissioned because of shortage of raw materials. However, the company is now gearing up for a progressively mega capex that would increase its capacity to 1,110 klpd. The company has multi-feed plants, and it will decide in a timely manner on the feed route as the situation remains dynamic. New prices of ethanol for the ethanol supply year (ESY) have been announced but, in our view, they are below expectations.

Share buyback

TEIL's board has approved the buyback of the company's shares at a maximum price of Rs350/share for a total amount not exceeding Rs8,000m. The maximum number of equity shares to be bought back would be 2,28,57,142, or around 9.45% of the paid-up share capital. The buyback is through the tender route. Promoters to participate in the buyback. The funds for the buyback would be from ~50% of the divestment made in Triveni Turbines.

Valuation and risks

We adjust our PAT estimates by (17)% & (1)% for FY23F & FY24F, respectively, based on 2QFY23 numbers. We retain ADD rating on TEIL with a slightly lower target price of Rs387 (Rs394 earlier) or 13x FY24F P/E. Downside risks: There are two types of risks - climatic and regulatory. Climatic risk: Rainfall plays the most important role, as without water there will be no cultivation of the key raw material which is sugarcane. Regulatory risk: Purchase price of sugarcane is regulated by the government by way of SAP and FRP (fixed remunerative price). Prices of key byproducts such as ethanol, ENA, electricity, and molasses are also regulated by the government.

Financial Summary	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue (Rsm)	44,366	46,742	42,909	54,674	61,660
Operating EBITDA (Rsm)	5,424	5,578	6,344	6,075	9,494
Net Profit (Rsm)	3,147	2,921	3,783	17,200	6,367
Core EPS (Rs)	12.4	11.9	15.4	18.0	26.3
Core EPS Growth	63.7%	(4.0%)	29.3%	16.2%	46.7%
FD Core P/E (x)	21.77	22.72	17.32	3.81	10.29
DPS (Rs)	0.0	0.0	0.0	0.4	1.3
Dividend Yield	0.00%	0.00%	0.00%	0.13%	0.49%
EV/EBITDA (x)	15.13	13.43	12.74	11.13	7.14
P/FCFE (x)	11.28	(33.49)	3.87	0.00	45.90
Net Gearing	101.2%	55.1%	80.1%	5.8%	5.4%
P/BV (x)	5.02	4.21	3.43	1.81	1.55
ROE	25.4%	20.2%	21.5%	15.7%	16.2%
% Change In Core EPS Estimates				(0.25%)	(0.01%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results summary

Rs m	2QFY23	1QFY23	%QoQ	2QFY22	%YoY
Revenue From Operations	13,459	12,257	9.8%	10,685	26.0%
Cost of Goods Sold	10,856	9,262	17.2%	7,893	37.5%
Employee Expenses	842	780	7.9%	658	28.0%
Other Expenses	1,308	1,076	21.5%	1,062	23.2%
EBITDA	454	1,139	-60.2%	1,073	-57.7%
Depreciation	234	218	7.4%	203	15.4%
EBIT	220	921	-76.1%	870	-74.7%
Other Income	117	99	18.8%	86	35.5%
Interest Expenses	172	217	-20.7%	121	41.5%
Exceptional Items	14,012	0	NA	0	NA
Profit/(Loss) of Associates	80	84	NA	380	NA
Profit Before Tax	14,257	887	1507.7%	1,215	1073.8%
Tax Expenses	379	222	70.6%	290	30.8%
Profit After Tax	13,878	664	1988.4%	925	1400.8%
Key Ratios	2QFY23	1QFY23	%QoQ	2QFY22	%YoY
EBITDA Margin	3.4%	9.3%	-592bp	10.0%	-667bp
EBIT Margin	1.6%	7.5%	-588bp	8.1%	-651bp
PBT Margin	105.9%	7.2%	9,869bp	11.4%	9456bp
PAT Margin	103.1%	5.4%	9,769bp	8.7%	9446bp
Tax Rate	2.7%	25.1%	-2,241bp	23.9%	-2121bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Rs m	Old estimates		New estimates		Change (%)	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue	54,046	61,421	54,674	61,660	1.2%	0.4%
EBITDA	7,632	9,416	6,075	9,494	-20.4%	0.8%
EBITDA Margin (%)	14.1%	15.3%	11.1%	15.4%	-301bp	7bp
PAT	20,639	6,446	17,200	6,367	-16.7%	-1.2%
EPS (Rs)	85	27	71	26	-16.7%	-1.2%

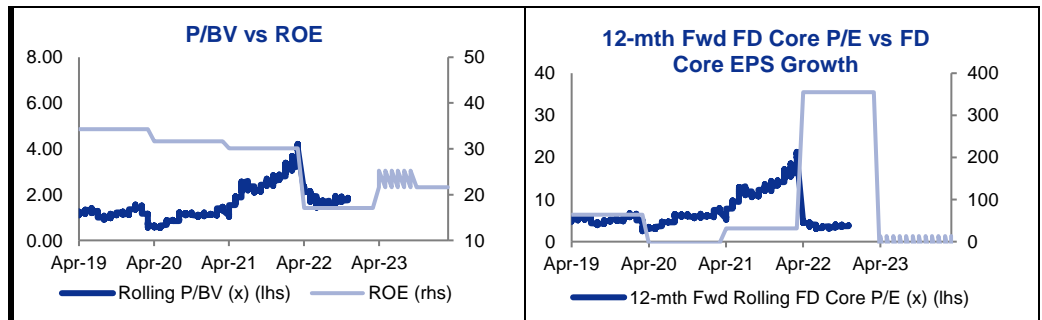
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: One-year forward P/E



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Total Net Revenues	44,366	46,742	42,909	54,674	61,660
Gross Profit	11,848	12,381	14,318	13,846	17,510
Operating EBITDA	5,424	5,578	6,344	6,075	9,494
Depreciation And Amortisation	(749)	(791)	(807)	(839)	(955)
Operating EBIT	4,675	4,787	5,537	5,237	8,539
Financial Income/(Expense)	(423)	(208)	(323)	(507)	(49)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	4,252	4,579	5,213	4,730	8,489
Exceptional Items		(7)	67	14,012	
Pre-tax Profit	4,252	4,572	5,280	18,742	8,489
Taxation	(1,105)	(1,652)	(1,497)	(1,542)	(2,122)
Exceptional Income - post-tax					
Profit After Tax	3,147	2,921	3,783	17,200	6,367
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	3,147	2,921	3,783	17,200	6,367
Recurring Net Profit	3,147	2,925	3,735	4,340	6,367
Fully Diluted Recurring Net Profit	3,147	2,925	3,735	4,340	6,367

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
EBITDA	5,424	5,578	6,344	6,075	9,494
Cash Flow from Invt. & Assoc.					
Change In Working Capital		(1,783)	3,051	(3,598)	(3,062)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	(423)	(208)	(323)	(507)	(49)
Tax Paid		(791)	(807)	(839)	(955)
Cashflow From Operations	5,001	2,796	8,264	1,131	5,427
Capex	1,072	869	2,911	(1,500)	(4,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	1,072	869	2,911	(1,500)	(4,000)
Debt Raised/(repaid)		(5,646)	5,739		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid			(725)	(86)	(318)
Preferred Dividends					
Other Financing Cashflow		(734)	59		
Cash Flow From Financing	(6,379)	(6,379)	5,073	(86)	(318)
Total Cash Generated	6,074	(2,715)	16,248		1,109
Free Cashflow To Equity	6,074	(1,981)	16,915	(86)	1,427
Free Cashflow To Firm	6,867	4,181	11,721	(86)	2,207

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Total Cash And Equivalents	329	126	279	13,479	13,327
Total Debtors	2,680	2,084	2,668	2,996	3,379
Inventories	19,121	17,338	20,369	23,967	27,029
Total Other Current Assets	4,382	2,522	2,261	3,012	3,396
Total Current Assets	26,512	22,069	25,577	43,453	47,131
Fixed Assets	10,749	10,675	10,654	13,880	16,925
Total Investments	1,533	1,578	1,934	1,134	1,134
Intangible Assets					
Total Other Non-Current Assets	1,663	1,875	4,810	820	925
Total Non-current Assets	13,946	14,127	17,398	15,834	18,984
Short-term Debt	9,434	5,616	12,406	12,406	12,406
Current Portion of Long-Term Debt					
Total Creditors	11,223	9,311	5,928	5,314	5,993
Other Current Liabilities	791	722	484	164	185
Total Current Liabilities	21,448	15,649	18,817	17,884	18,584
Total Long-term Debt	4,436	3,089	3,192	3,192	3,192
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	4,436	3,089	3,192	3,192	3,192
Total Provisions	1,188	1,902	1,837	1,970	2,048
Total Liabilities	27,072	20,640	23,846	23,045	23,824
Shareholders Equity	13,387	15,557	19,129	36,242	42,291
Minority Interests					
Total Equity	13,387	15,557	19,129	36,242	42,291

Key Ratios					
	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue Growth	40.8%	5.4%	(8.2%)	27.4%	12.8%
Operating EBITDA Growth	78.4%	2.8%	13.7%	(4.2%)	56.3%
Operating EBITDA Margin	12.2%	11.9%	14.8%	11.1%	15.4%
Net Cash Per Share (Rs)	(54.63)	(35.48)	(63.35)	(8.76)	(9.39)
BVPS (Rs)	54.00	64.34	79.11	149.89	174.90
Gross Interest Cover	5.89	9.27	10.15	6.73	10.95
Effective Tax Rate	26.0%	36.1%	28.3%	8.2%	25.0%
Net Dividend Payout Ratio				1.8%	3.8%
Accounts Receivables Days	20.79	18.60	20.21	18.91	18.87
Inventory Days	226.22	193.64	240.68	198.18	210.80
Accounts Payables Days	78.24	73.33	62.24	35.77	39.52
ROIC (%)	17.4%	18.0%	22.6%	15.2%	21.8%
ROCE (%)	16.7%	17.8%	18.0%	11.7%	15.2%
Return On Average Assets	11.9%	12.5%	14.0%	10.2%	13.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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