Triveni TURBINES

From	:	22-01-2016
To	:	23-11-2017
Performance	:	40%
Recommendation	:	CLOSED

Background & Business

TTL is a leading manufacturer of steam turbines with nearly 60% market share in domestic market, which it has retained for nearly past decade. Being the dominant player in the domestic industry which mainly caters to sugar, cement, food processing, chemicals, paper and fertilizers, it has faced deterioration in domestic order book due to overall industrial slowdown. However, the domestic market (~60% of TTL's consolidated revenues) is expected to stage a recovery over the next 1 – 2 years led by strong Government reforms trajectory leading to revival in corporate capex. TTL's exports have done exceedingly well, supporting the slowdown in domestic business. Exports contributed ~46% to consolidated sales for Q4FY18. With the enquiry book from the international market steadily growing, order inflow is also following suit.

Exit Rationale

For a company like TTL, performance should always be evaluated based on its full year or half year numbers. FY18 was a weak year for TTL due to global slowdown in the steam segment, however Q4FY18 showed some signs of revival. In Q2FY18 concall, management commented that effects of GST are stretched for longer period and may continue further too, giving clear indications of likely continuation of weakness in coming quarters. TTL derives ~50% of its business from domestic market which has also witnessed in FY18. According to the management, due to slowdown in domestic market, the competition amongst the major producers have become intense which in turn is impacting the prices and the margins. While enquiries and order book growth for TLL has always remained healthy, conversion of these orders into revenues has become a challenge for the company.

Outlook as on EXIT Date

As explained above, weak show at domestic as well as export level in FY18, stretched effects of GST and loss reported by GETL owing to deferment of delivery by an Africa based customer are some of the key reasons which impacted the overall performance of the company. Also, at the price of Rs. 140 (Exit price dated 23rd November 2017), TTL was trading at 37xs its FY17 EPS of Rs. 3.7. which was quite expensive as there were no signs of recovery in company's financial metrics for near to medium term. Effectively we had recommended "Exit" on TTL.

However, we will continue to monitor developments in the company and would take a re-look at owning the stock as and when the performance improves.

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