

Triveni Engg. & Industries Ltd –MP

CMP Rs52, Target Rs47

Sector: Sugar

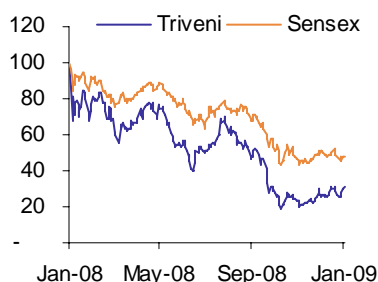
Sensex:	9,330
CMP (Rs):	52
Target price (Rs):	47
Downside (%):	9.4
52 Week h/l (Rs):	174/30
Market cap (Rscr) :	1,315
6m Avg vol ('000Nos):	2,138
No of o/s shares (mn):	258
FV (Re):	1
Bloomberg code:	TRE IN
Reuters code:	TREI.BO
BSE code:	532356
NSE code:	TRIVENI

Prices as on 19 Jan, 2009.

Shareholding pattern

December '08	(%)
Promoters	68.1
Institutions	24.6
Non promoter corp hold	1.6
Public & others	5.7

Share price trend



- ⊕ Improved sugar realizations drives revenues by 5.3% yoy
- ⊕ Margins improved by 305bps yoy as low cost inventory contributed to sales during the quarter
- ⊕ PAT declined 7% on higher interest expense and tax outgo
- ⊕ OPM likely to remain depressed on higher cane SAP; engineering order book growth susceptible to slowdown; assign MARKET PERFORMER rating with target price of Rs47

Result table

(Rs m)	Q1 F9/09	Q1 F9/08	% yoy	F9/08
Net sales	3,657	3,474	5.3	15,965
Material costs	(1,847)	(2,106)	(12.3)	(9,622)
Personnel costs	(342)	(290)	17.8	(1,194)
Other overheads	(642)	(399)	60.8	(2,062)
Operating profit	826	679	21.7	3,087
OPM (%)	22.6	19.5	305 bps	19.3
Depreciation	(205)	(201)	2.0	(797)
Interest	(283)	(191)	47.6	(982)
Other income	4	21	(80.4)	37
PBT	343	308	11.3	1,346
Tax	(103)	(51)	101.6	(230)
Effective tax rate (%)	(30.0)	(16.6)		(17.1)
Adjusted PAT	240	257	(6.6)	1,115
Adj. PAT margin (%)	6.6	7.4	-83 bps	7.0
Reported PAT	240	257	-7%	1,115
Ann. EPS (Rs)	3.7	4.0	-7%	4.3

Source: Company, India Infoline Research

Revenues rise 5% yoy due to improved realizations

Triveni Engg. witnessed 5% yoy rise in revenues, on account of improved sugar realizations. Revenue contribution from sugar division increased to 61% from 47% during the quarter, while that of engineering stood at 22% against 31%. Revenues from steam turbine business declined by 26.5% yoy due to rescheduling of deliveries as a result of general economic slowdown.

Margins expand on sale of low cost inventory

Cane price for the company during the quarter was charged at State Advised Price (SAP) at Rs1,400 per ton thus leading to an increase in raw material expenditure by 26.4% yoy. However, it benefited by 14.1ppt as it utilized its low cost inventory. It carried sugar inventory of 0.26mn tons as of September 2008, valued at a cane price of Rs1,100 per ton.

PAT dips on higher interest cost and tax

Interest expense jumped 48% yoy on higher debt burden and likely increase in working capital. This coupled with higher tax during the quarter led to a 7% yoy decline in net profit.

Sugar realizations to improve but Order book susceptible to slowdown: Assign MP

Sugar output is projected to decline 24% in 2008-09 season to about 20mn tons with closing stocks estimated at about four months of consumption in September 2009. The company could benefit from improved sugar realizations but material volume growth is unlikely given the lack of fresh capacity additions.

Additionally engineering business, dominated by steam turbines, could witness slowdown in order inflow as industrial clients scale down fresh purchases. Given the lack of clarity on cane pricing in UP and reasonable valuations (6.9x EV/EBITDA on FY10 earnings), we assign Market Performer rating with a target price of Rs47.

Financial summary

Y/e 30 Sep (Rs m)	F9/06	F9/07*	F9/08	F9/09E	F9/10E
Revenues	12,161	19,285	16,376	18,374	19,655
yoy growth (%)	26.6	58.6	(15.1)	12.2	7.0
Operating profit	2,303	2,284	3,211	3,314	3,488
OPM (%)	18.9	11.8	19.6	18.0	17.7
Pre-exceptional PAT	1,549	703	1,220	1,227	1,396
Reported PAT	1,549	681	1,220	1,227	1,396
yoy growth (%)	55.7	(56.0)	79.1	0.5	13.8
EPS (Rs)	6.0	2.6	4.7	4.8	5.4
P/E (x)	8.6	19.6	11.0	10.9	9.6
Price/Book (x)	2.4	1.9	1.7	1.5	1.3
EV/EBITDA (x)	7.4	10.1	7.7	7.7	6.9
Debt/Equity (x)	0.7	1.4	1.4	1.4	1.1
ROE (%)	41.5	10.8	16.1	14.2	14.3
ROCE (%)	24.8	10.7	12.9	12.0	12.2

Source: Company, India Infoline Research

*Accounting period changed from April-March to Oct-Sep; figures for 18-month period

Recommendation parameters for fundamental reports:

Buy – Absolute return of over +10%

Market Performer – Absolute return between -10% to +10%

Sell – Absolute return below -10%

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