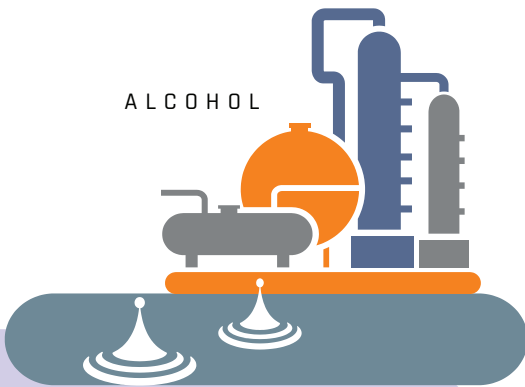




Investing **In Growth,** Capitalising **On Opportunities**

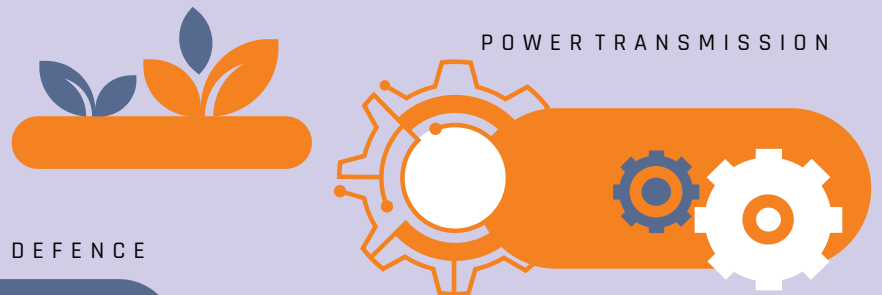
ALCOHOL



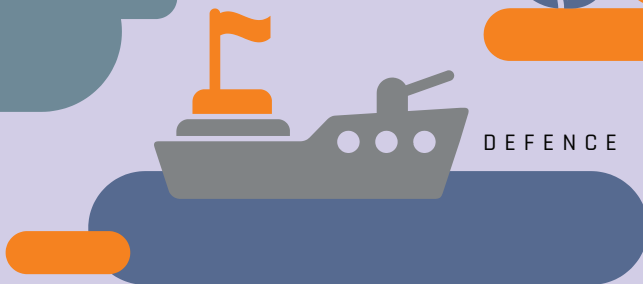
SUGAR



POWER TRANSMISSION



DEFENCE



WATER SOLUTIONS



Accumulate

Key Data

DATE	15.09.2023
Reco Price	370-375
Target	480
Sector	Sugar
BSE Code	532356
NSE Code	TRIVENI
Face Value (Rs.)	1.00
Market Cap (Mn)	85,400
52-week High/Low (Rs)	390/ 240

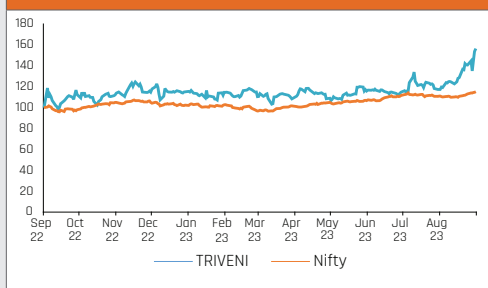
Source : NSE, BSE

Shareholding pattern (June-2023)

	%
Promoters	60.98
DII's	8.21
FII's	4.23
Public	26.58
Total	100.00

Source : NSE, BSE

Price Performance



Rebase to 100

Retail Research

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Triveni Engineering and Industries Ltd

Company Background

Triveni Engineering and Industries Limited (TRIVENI), was incorporated in 1932 and is engaged in various industries, including sugar and alcohol production (including ethanol), power co-generation, power transmission, industrial gears and gearboxes, defense, water treatment solutions, and FMCG brands. It is the second-largest sugar producer in India.

TRIVENI is an India-based company primarily involved in diversified businesses, which are categorized into two segments: Sugar & Allied Businesses and Engineering Business. The Sugar & Allied Business segment primarily includes sugar manufacturing and alcohol distillation, while the Engineering Business segment focuses on the production of high-speed gears, gearboxes, and the provision of water/wastewater treatment solutions.

The company is an integrated and diversified conglomerate operating in the fields of sugar, ethanol, and engineering. It strategically locates itself in the sugarcane-rich western and central belt of Uttar Pradesh (UP).

Outlook and Valuation

TRIVENI is primarily an integrated sugar manufacturing company, but it also engages in the production of high-speed gears and project implementation in the fields of water and wastewater treatment and pollution control. The expected rise in demand for ethanol manufacturing and capacity expansion in the distillery business are poised to drive growth in the future. We believe that Triveni Engineering and Industries Limited is well-positioned to capitalize on these opportunities.

Going ahead, **we expect the company's revenue to grow at a CAGR of ~16% over FY23-FY26E**. Hence, we recommend Triveni Engineering and Industries Limited with a target price of Rs 480 based on FY26E EPS of Rs 31.9 with a forward PE Valuation multiple of 15; it looks value BUY with growth potential at current levels. Hence, **we recommend ACCUMULATE rating for the long term**.

Financial Snapshot

Particulars (in Mn.)	FY23	FY24E	FY25E	FY26E	CAGR % (FY23 - FY26E)
Sales	56,168.4	65,155.3	75,580.2	87,673.0	16.0%
EBITDA	6,175.5	8,109.3	9,406.7	10,911.8	20.9%
Adjusted PAT*	5,328.0	5,070.9	5,843.0	6,984.8	9.4%
EPS	24.3	23.2	26.7	31.9	
Debt/Equity (x)	0.35	0.26	0.23	0.18	

Note: Adjusted PAT* includes excluding minority interest and exceptional items.

Source: Company, ACMIL Retail Research

Company at a Glance

- Integrated and diversified conglomerate in the fields of sugar, ethanol, and engineering. Strategically located in the sugarcane-rich western and central belt of Uttar Pradesh.
- Among the top three sugar manufacturers in India and the second highest supplier of ethanol.
- A dominant market player in the engineered-to-order turbo gearbox industry.
- An efficient, sustainable, and comprehensive water/wastewater treatment solutions provider across the entire water cycle.

Company & Business Overview

The Company holds the position of being one of India's largest integrated sugar manufacturers and one of the largest ethanol manufacturers. It also makes significant contributions in Power Transmission and Water and wastewater treatment solutions. TRIVENI currently operates seven sugar mills in Khatauli, Deoband, and Sabitgarh (all in western Uttar Pradesh), as well as in Chandanpur, Rani Nangal, Milak Narayanpur (all in central Uttar Pradesh), and Ramkola (eastern Uttar Pradesh). The Company's Power Transmission (Gears) manufacturing facility is located in Mysuru, while the Water & Wastewater treatment business is based in Noida.

The Company operates six co-generation power plants across five sugar units, with a total grid-connected co-generation capacity of 104.5 MW. It also has state-of-the-art distilleries in Muzaffarnagar (MZN) - two facilities, Sabitgarh (SBT), and Milak Narayanpur (MNP) in Uttar Pradesh, with a combined capacity of 660 KLPD. These facilities can produce Ethanol, Extra Neutral Alcohol (ENA), Rectified Spirit (RS), and Denatured Spirit (SDS) using a mix of sugarcane-based feedstocks and grain. Additionally, the Company produces Dried Distillers Grain with Solubles (DDGS) as a co-product from grain operations, which is well-received in the market. The Company is also involved in the manufacturing of Indian Made Indian Liquor (IMIL).

The Company is known for producing premium quality multi-grade crystal sugar, raw sugar (as per market/export requirements), refined sugar, and pharmaceutical sugar. All of the sugar units are FSSC 22000 certified. The sugar is supplied not only to household consumers but also to bulk consumers. The Company has strong supply chain relationships with leading multinational beverage, food & FMCG companies, pharmaceutical companies, and leading confectionery producers. It also has a significant presence in the branded sugar market through its brand "Shagun."

Business Segments

- A) **Sugar:** The Company offers a diverse range of premium quality multi-grade (large, medium, small) crystal, refined, and pharmaceutical-grade sugars for various industries. Sixty percent of its portfolio consists of refined sugar.
- B) **Alcohol:** TRIVENI provides bottling solutions through its existing distillery in Muzaffarnagar (MZN) to effectively utilize reserved molasses for sale to country liquor units. This facilitates forward integration of its distillery operations. Its product range includes Ethanol, Extra Neutral Alcohol (ENA), and Rectified Spirits.
- C) **Water Solutions:** TRIVENI offers a wide array of innovative water/wastewater treatment solutions across all major water usage segments. These solutions encompass raw and process water treatment, desalination, sewage treatment, wastewater and effluent treatment, recycling, and zero liquid discharge, among others.
- D) **Power Transmission Business:** The Company stands as one of the largest manufacturers of engineered-to-order turbo gears, providing Multi-Stage Gear Drives, Single Input and Multiple Output configurations, and Planetary Gearboxes, among other products.
- E) **Defence:** TRIVENI supplies propulsion gearboxes and other critical gearboxes, gas turbine generators for auxiliary power, steam turbines for complex turbo-auxiliaries, fin stabilizers, critical turbo and motor-driven pumps, propulsion system integration, and propulsion shafting.

Company Caters to a wide range of Industries

1. The sugar business serves industries:



Beverage



FMCG



Food



Pharma



Confectionary

2. The alcohol business services :



Oil Marketing
Companies

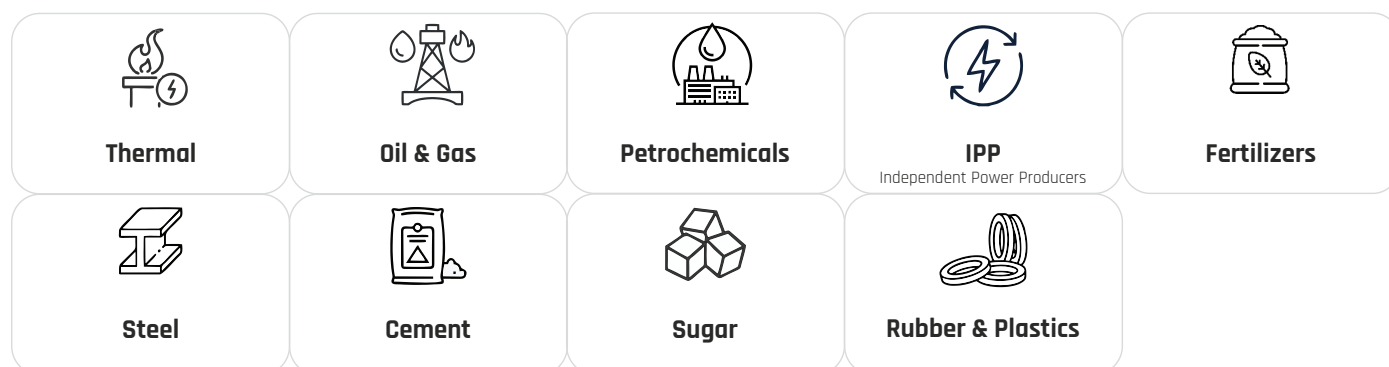


Liquor Industry



Alcohol Based
Chemicals

3. The power transmission business



Performance over the years

Particulars	FY18	FY19	FY20	FY21	FY22	FY23
Area under sugarcane (Hectares)	1,83,423	1,94,159	1,91,840	1,95,537	1,98,376	2,04,092
Sugarcane crushed (mmt)	8.4	8.0	8.7	8.5	8.4	9.3
Sugar produced (mmt)	1.0	0.9	1.0	0.9	0.9	1.0
Net recovery (%)	11.4	11.8	11.5	11.0	10.6	10.2
Gross recovery (%)	11.4	11.8	12.0	11.9	11.7	11.5

Source: Company Investor Presentation, ACMIIL Retail Research

Investment Rationale

Largest Sugar Producers in India with Efficient Operations

TRIVENI is one of the country's largest sugar manufacturers, with plans to increase its sugar production capacity from 61,000 TCD to 63,000 TCD. It maintains one of the highest recovery rates in Uttar Pradesh. Over the medium term, a higher diversion toward ethanol may moderate net recovery rates to some extent. However, this impact is likely to be offset by increased contributions from the distillery division with a favorable feedstock mix.

Guarding Against Cyclicity in the Sugar Business

The company's forward-integrated operations and engineering business help mitigate the cyclical nature of the sugar business. Improved overall business scale, increased revenue diversification from the distillery, engineering, and water treatment businesses may lead to an upgrade. Furthermore, significant improvements in gross recovery rates and sustained firm sugar prices driven by favorable demand-supply dynamics would reduce volatility in cash flows from the sugar business (excluding distillery), improving operating profitability and debt coverage metrics.

Capacity Expansion in Multi-feed Distillery for Operational Flexibility

TRIVENI currently operates four alcohol-producing facilities with a capacity of 660 KLPD (Kilo liters per day), including 60 KLPD grain-based, 200 KLPD multi-feed, and 400 KLPD molasses-based. The company plans to expand capacity to 1,110 KLPD (60 KLPD grain-based, 650 KLPD multi-feed, 400 KLPD molasses-based). Multi-feed distilleries will provide operational flexibility, allowing the company to adapt to changes in relative price dynamics by shifting between feedstocks.

Built on an Expanding Opportunity Landscape

TRIVENI is a leading and diversified industrial conglomerate with core competencies in sugar, alcohol, power transmission, and water & wastewater treatment. It holds the position of one of India's largest integrated sugar manufacturers and one of the largest ethanol manufacturers, while also making significant contributions in power transmission and water & wastewater treatment solutions.

Ethanol momentum steady

We estimate that a sugar-based ethanol production capacity of 8.5bn ltr and grain-based capacity of 3.5bn litre, totaling 12bn litre, is already in place; this is sufficient to achieve 15% ethanol blending over the next couple of years. Given the government's intention to diversify the feedstock (broken rice, maize, non-edible grains) beyond sugarcane, we believe incremental capacity creations are likely to be in the grain-based distilleries segment.



Impact of capex programme undertaken

Planned capex related to the modernization, de-bottlenecking, rationalization of capacities and efficiency improvement activities at Khatauli, Deoband and Sabitgarh sugar units resulted in higher crushing numbers across all three units. This helped the company to record the highest-ever sugarcane crush in SS 2022-23 at 9.33 MMT (Million Metric Tons), an increase of 11% over the previous season. The company, for the first time, crossed 9 MMT of total crushing figure.

Growth Outlook Improved by Capacity Expansion in the Distillery Business

Management expects higher sugarcane availability and crush in the current season, aided by a normal monsoon season. Realizations are expected to remain high year-on-year. Profitability is anticipated to improve due to cost-control measures and enhanced operating efficiencies. Thus, the company is well-positioned to achieve steady revenue growth with sustained improvement in EBITDA margin in the coming years.

Defense Verticals for Further Growth in Make in India

TRIVENI's defense business has ventured into the specialized vertical of propulsion shafting, aligning with the Atmanirbhar Bharat policy of the Government of India. This initiative is expected to enable participation in various other shafting projects for the Navy. The company is also developing multiple product lines for naval applications, including stabilizers, lightweight gearboxes, propulsion shafting & systems, steering gear, and special application pumps.

Power Transmission Business for Further Growth

The company's power transmission business is actively participating in numerous indigenous projects, expanding its presence in the aftermarket business. The 'Make in India' initiative has created new opportunities for diverse engineering products. TRIVENI has developed expertise and strong relationships in the Asian subcontinent, supporting its growth in international markets, both for new products and the aftermarket business. There are plans to expand its service footprint in high-potential international regions to capture high-growth opportunities.

Strategic Location Advantage

TRIVENI operates seven state-of-the-art sugar units strategically located in the sugarcane-rich areas of Uttar Pradesh. These units are FSSC 22000 certified, ensuring strict compliance with the most stringent quality benchmarks and best-in-class manufacturing processes

Solution for Water & Wastewater Treatment

The company offers complete Turnkey / EPC (Engineering Procurement and Construction) solutions for water and wastewater/ sewage treatment. It also caters to the complete needs of water and wastewater collection and distribution networks, including design, construction, operation, and management. Additionally, the company manufactures equipment for the wide spectrum of the water and wastewater treatment industry and designs, builds, and operates water and wastewater management systems using various models, including EPC, PPP (Public Private Partnerships), HAM (Hybrid Annuity Model), and BOOT (Build Own Operate Transfer).

Favorable Policy for Sugar Export

The government sets the export quota for the sugar industry each year, encouraging sugar companies to export surplus sugar production after meeting domestic requirements. Export margins are high, and a favorable export policy encourages domestic sugar companies to produce more for exports.

Divestment Strategy for Focus on Core Assets

The company divested its 21.85% stake in Triveni Turbine Limited (TTL) in FY23, unlocking significant value. This strategic move aligns with the focus on expanding core assets and facilitates long-term succession planning. The funds from the divestment were utilized for the buy-back of the company's own shares in FY23.

Engaged in farmer training program to improve production and yield of cane

TRIVENI is consistently partnering with the sugarcane farmers in their catchment areas through a multi-pronged development strategy. These farmer engagement programs are focused on variety substitution and yield maximization as a way to improve quality cane availability. It also focuses on integrated crop protection programme, encompassing biological and mechanical control measures to prevent crop disease.

Industry Overview

Government incentives and interventions have played a pivotal role in making India's sugar industry self-sustainable. Supported by various government schemes such as timely export incentives, the sugar release quota mechanism, minimum sale price (MSP), and more, India has risen to become the world's largest sugar producer. The sustained government commitment to the Ethanol Blended Petrol (EBP) program has further bolstered the sustainability of the sugar industry, creating new opportunities for industry players.

Under the Ethanol Blending Programme (EBP) launched by the government, Oil Marketing Companies (OMC) currently sell petrol blended with ethanol up to 10%. The government aims to double this quantity by 2024-25, a target the sugar industry is actively working to achieve. Ethanol production is a national priority aimed at reducing dependence on fuel imports and transitioning toward green energy sources.

The robust growth potential in the water and wastewater treatment solutions sector from 2022 to 2029 is driving the expansion of this segment. Government programs and policies, such as the National Rural Drinking Water Program (NRDWP), Jal Jeevan Mission (JJM), and the National Mission for Clean Ganga (NMCG), are further facilitating growth and investment opportunities. Notably, the Water business is also emerging as a promising opportunity in international markets.

The Indian industrial gear industry is estimated to be approximately USD 500 million, with the high-speed gear market accounting for around USD 30 million. Government policies related to infrastructure development, ethanol blending, the revival of fertilizer units, and the Greenfield and brownfield expansion of refineries primarily drive this industry. Anticipated higher capacity utilization is expected to increase maintenance expenditure, driving growth in the aftermarket business.

Key Industry Growth Drivers

- The Indian industrial gear market is expected to grow by approximately 6-7% across all segments. The high-speed gear industry's growth is being driven by the Ethanol Blended Petrol (EBP) program, capacity enhancements in refineries, investments in petrochemical complexes associated with refineries, and the increasing demand for captive power across all sectors.
- The Ethanol Blending Programme (EBP) aims to achieve a 20% blending rate by FY2025-26. This goal necessitates an additional 700 crore liters of ethanol production every year, creating significant opportunities for businesses in the boiler, sugar plant, and distillery sectors.
- The Indian Government, along with state governments, is focusing on enhancing the country's water security. This includes revising surface wastewater discharge norms in line with the National Green Tribunal (NGT) order and recognizing a high potential for the rehabilitation of existing and new Sewage Treatment Plants (STPs).

Story in Charts (Values in Mn.)

Exhibit 1: Sales Growth

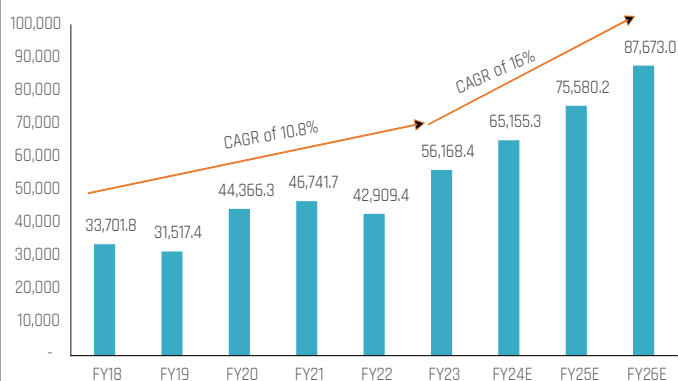


Exhibit 2: EBITDA

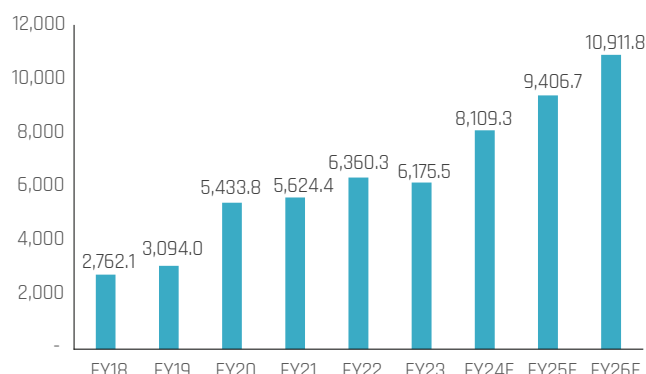


Exhibit 3: Adjusted PAT*

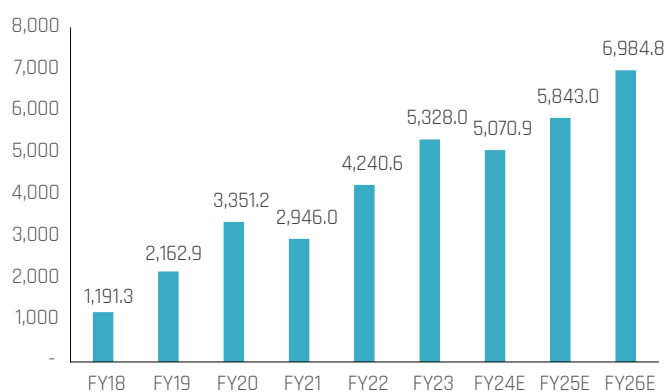


Exhibit 4: Product wise breakup

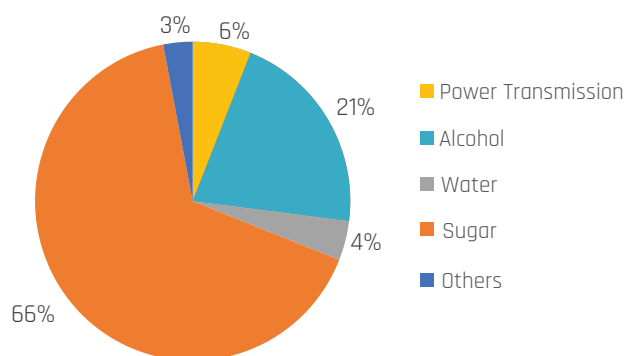


Exhibit 5: Debt/Equity (x)

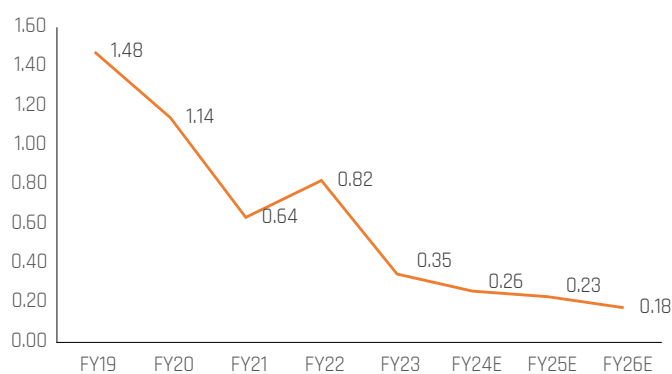
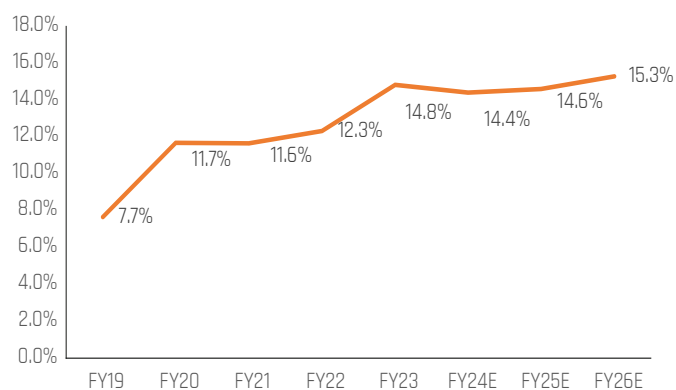


Exhibit 6: ROCE (%)



Source: Company, ACMIIL Retail Research

Financial Statements

Consolidated Profit & Loss Statement:

Particulars (In ₹ Mn.)	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Sales	33,701.8	31,517.4	44,366.3	46,741.7	42,909.4	56,168.4	65,155.3	75,580.2	87,673.0
Expenses	30,939.7	28,423.4	38,932.5	41,117.3	36,549.1	49,992.9	57,046.1	66,173.5	76,761.2
EBITDA	2,762.1	3,094.0	5,433.8	5,624.4	6,360.3	6,175.5	8,109.3	9,406.7	10,911.8
Other Income	333.2	833.5	564.5	280.4	730.0	14,963.0	10.0	15.0	20.0
Depreciation	553.6	569.5	748.9	790.9	807.5	934.8	1,066.8	1,329.5	1,343.6
Interest	853.4	679.9	793.3	516.3	545.3	567.4	291.2	301.6	275.2
PBT	1,688.3	2,678.1	4,456.1	4,597.6	5,737.5	19,636.3	6,761.3	7,790.6	9,313.1
Tax	497.0	515.2	1,104.9	1,651.6	1,496.9	1,718.3	1,690.3	1,947.7	2,328.3
PAT	1,191.3	2,162.9	3,351.2	2,946.0	4,240.6	17,918.0	5,070.9	5,843.0	6,984.8
Adjusted PAT*	1,191.3	2,162.9	3,351.2	2,946.0	4,240.6	5,328.0	5,070.9	5,843.0	6,984.8
Adjusted EPS*	4.6	8.4	13.5	12.2	17.5	24.3	23.2	26.7	31.9

Note: Adjusted PAT* includes excluding minority interest and exceptional items.

Source: Company, ACMIIL Retail Research

Risks and concerns

- TRIVENI's profitability, like that of other sugar mills, remains susceptible to the policies of the Government of Uttar Pradesh and the Central Government regarding cane prices. Therefore, the company's performance can be adversely affected by a disproportionate increase in cane prices in any given year.
- Profitability remains vulnerable to the government's policies on international sugar trade, domestic quotas, sugar Minimum Support Price (MSP), remunerative ethanol prices, and interest subvention loans for distillery capacity expansion.
- The increasing threat of an El Nino weather phenomenon poses a risk to the expected boost in sugar supplies. This factor can significantly impact the company's profitability.



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