July 05, 2024

Triveni Turbine Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - Working capital facilities	129.5	179.5	[ICRA]AA+(Stable); reaffirmed and assigned for enhanced limits
Non-fund based - Working capital facilities	495.0	670.0	[ICRA]A1+; reaffirmed and assigned for enhanced limits
Total	**624.5**	**849.5**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation takes into account Triveni Turbine Limited's (TTL) multi-year high order book of Rs. 1,553 crore as on March 31, 2024, a robust order intake and the continued favourable investment cycle in various end-user industries in India and overseas. The current order book lends revenue visibility at 0.9 times of the previous year's operating income (OI) amid the ongoing capacity expansion in various key end-user segments in both the domestic and global markets. Further, the rating is supported by TTL's healthy revenue and operating profits and its robust debt coverage metrics in FY2023-FY2024 along with expectations of these financial metrics remaining robust, going forward.

The company's order book remains fairly diversified in terms of the end-user industries, covering the renewable, cement, steel, sugar and distillery sectors among others. The diversified end-user base, coupled with TTL's recent foray into American Petroleum Institute (API)-compliant turbines for the oil and gas sector, an expanding market size and the limited number of players, augurs well for the company.

The ratings continue to factor in the company's market leadership in steam turbines, its long track record in the industry, a strong after-sales service network and its technical and cost competitiveness. The company's operating income is expected to improve over the medium term owing to a healthy current order book along with its diversified geographical presence. The competitive edge from value engineering, the faster turnaround to customers and the constant focus on introducing designs to better suit the evolving customer requirements are also expected to support the operating income. These factors aided a healthy profitability and steady accruals in the recent past as well. The low working capital intensity of operations, driven by access to advances from customers, and the healthy cash accretion over the years have resulted in a debt-free capital structure and strong coverage indicators. Also, the company's liquidity profile is expected to be strong with no major debt-funded planned capital expenditure and a favourable working capital intensity.

The ratings, however, are constrained by the sensitivity of the order book to the capex cycle of the end-user industries, competition from various global players and the counterparty risks due to its exposure to capital-intensive sectors like sugar and cement that have moderate credit profiles. In light of the sizeable exposure to exports, TTL remains exposed to the risks emanating from slower execution in the international markets following any disruption in economic activity amid the ongoing geopolitical tensions. Nevertheless, the company's diversified customer and geographical base, its varied end users, the in-house engineering capabilities with a high level of product efficiency and reliability, the technological advancement and ability to expand the product portfolio and the faster turnaround time to customers have allowed it to build a strong pipeline of orders and compete with large players having global presence.

The Stable outlook on the rating reflects ICRA's opinion that TTL will continue to benefit from its established position as a leading manufacturer of steam turbines with a healthy and well-diversified order backlog and a strong financial profile.

Key rating drivers and their description

Credit Strengths

Leading position in domestic market – TTL holds a dominant position in the domestic steam turbines market, aided by a healthy pipeline of orders and strong research, development and engineering capabilities. Further, TTL witnessed a strong order inflow of Rs. 1,878 crore in FY2024, compared to an order booking of Rs. 1,605 crore in FY2023, backed by the healthy capex cycles in various end-user industries, including captive power plants and waste heat recovery systems, renewable power solutions, process co-generation and waste-to-energy systems as well as from export market.

Geographically diverse presence across various end-user markets with healthy current order book position- TTL's steam turbines are used in diverse industries, ranging from sugar, steel, cement, chemicals, pulp and paper, fertilisers, distillery, waste-to-energy, biogas, palm oil and food processing. The company's presence in South Asia, the West Asia and some African markets has been relatively long. In the last few years, it has expanded its presence across markets like Europe and South America. TTL's unexecuted order book of Rs. 1,553 crore as on March 31, 2024 (0.9 times of OI) is fairly diversified in terms of the end-user industries. TTL's current order book lends strong medium-term revenue visibility as the order execution period is generally 6-12 months for the product segment and 3-9 months for the after-market segment.

Focus on exports and refurbishing markets supports profitability – TTL's operating profits are supported by a healthy proportion of after-market sales (where the company sells spares and services its own, other turbines and other rotating equipment) and exports, wherein the contributions are higher than the domestic product segment. The after-market business has been boosted by TTL's expanding presence and the growing refurbishment needs for the existing equipment for better efficiency. The operating profit margin stood at 19.3% in FY2024 (18.9% in FY2023), aided by a favourable revenue mix with a higher proportion from export sales. Going forward, the profitability is expected to remain strong, driven by a healthy share of revenues from the export and after market segments.

Strong financial profile and liquidity – The high value-additive nature of TTL's operations has resulted in healthy profitability over the years. The company remains debt-free and the strong accruals ensure that it will continue to have a conservative capital structure. The working capital requirements are partly funded by advances from customers, leading to a healthy liquidity profile for the company over the years. TTL has around Rs. 883 crore of cash and current investments as on March 31, 2024, indicating a strong liquidity position. The significant cash generation has increased the net worth base, adding to the company's financial flexibility.

Credit Challenges

Order booking and revenues sensitive to capex cycle in end-user industries – While the capex cycle in both the domestic and export markets has picked up over the last couple of years, TTL's order booking and, hence the revenues remain vulnerable to the capex cycle of the end-user industries. However, the diversification across geographies and end-users mitigates this risk to an extent.

Intense competition - TTL competes with large players that benefit from the operational, technical and financial support from global parent companies. However, the company, too, has been able to compete with and gain market share globally. In addition, it has continued to maintain its dominant presence through experienced engineering and manufacturing capabilities, good coverage of after-sales services and faster turnaround to its customers.

Exposure to counterparty risks - The company is vulnerable to counterparty credit risk due to its exposure to capital-intensive sectors like sugar, cement etc. that have moderate credit profiles. Nonetheless, the risk is mitigated by favourable contractual terms that ensure partial upfront payment from customers. Also, TTL's extremely diversified customer base helps to reduce the risk.

Liquidity position: Strong

The company's liquidity profile remains strong with healthy operating cash flows, sizeable cash and current investments of around Rs. 883 crore as on March 31, 2024 along with sufficient cushion in fund based limits. Further, the company remained debt-free. Additionally, there are no immediate plans to deploy the available cash surplus with the capex plans remaining modest.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company demonstrates a significant growth in its scale and operating profits, driven by a substantial growth in order bookings, scaling up of after-market business and diversification into new segments, while maintaining strong credit metrics and liquidity profile.

Negative factors – ICRA could downgrade the ratings if there is a sustained slowdown in the domestic and export markets, resulting in weak order booking and/or deferred execution or an elongated working capital cycle, thereby impacting the company's cash flows and profitability. Any large debt-funded capex and acquisition, or a sharp reduction in liquidity could also result in an unfavourable rating action.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has considered the consolidated financial statement of TTL; the list of entities consolidated are provided in Annexure II

About the company

Triveni Turbine Limited (TTL) is an established industrial steam turbine manufacturing company and holds a leadership position in the sub-100-MW capacity turbine category. Over the years, the company has completed more than 6,000 installations in the domestic and export markets across over 20 industries. Its manufacturing plants are located at Sompura and Peenya in Bengaluru.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	1,247.6	1,653.9
PAT	192.9	269.5
OPBDIT/OI	18.9%	19.3%
PAT/OI	15.5%	16.3%
Total outside liabilities/Tangible net worth (times)	0.8	0.7
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	92.9	119.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Jul 05, 2024	Apr 14, 2023	-	Mar 25, 2022
1	**Fund-based – Working capital facilities**	Long Term	179.5	[ICRA]AA+(Stable)	[ICRA]AA+ (Stable)	-	[ICRA]AA (Positive)
2	**Non-fund based – Working capital Facilities**	Short Term	670.0	[ICRA]A1+	[ICRA]A1+	-	[ICRA]A1+
3	**Non-fund based – Unallocated facilities**	Short Term	-	-	-	-	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based - Working capital facilities	Simple
Non-fund based - Working capital facilities	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based - Working capital facilities	NA	NA	NA	179.5	[ICRA]AA+(Stable)
NA	Non-fund based -Working capital facilities	NA	NA	NA	670.0	[ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	TTL Ownership	Consolidation Approach
Triveni Turbines Europe Private Limited (wholly owned subsidiary)	100%	Full Consolidation
Triveni Turbines DMCC (stepdown subsidiary)	100%	Full Consolidation
Triveni Turbines Africa Pvt. Ltd. (stepdown subsidiary)	100%	Full Consolidation
Triveni Energy Solutions Ltd. (Formerly known as GE Triveni Limited) (wholly owned subsidiary)	100%	Full Consolidation
TSE Engineering (Pty) Ltd (stepdown subsidiary)	100%	Full Consolidation
Triveni Turbines Americas Inc (w.e.f. 16 February 2024) (wholly owned subsidiary)	100%	Full Consolidation
Triveni Sports Private Limited (Joint Venture)	50%	Equity Method

Source: Annual report FY2023

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About ICRA Limited:

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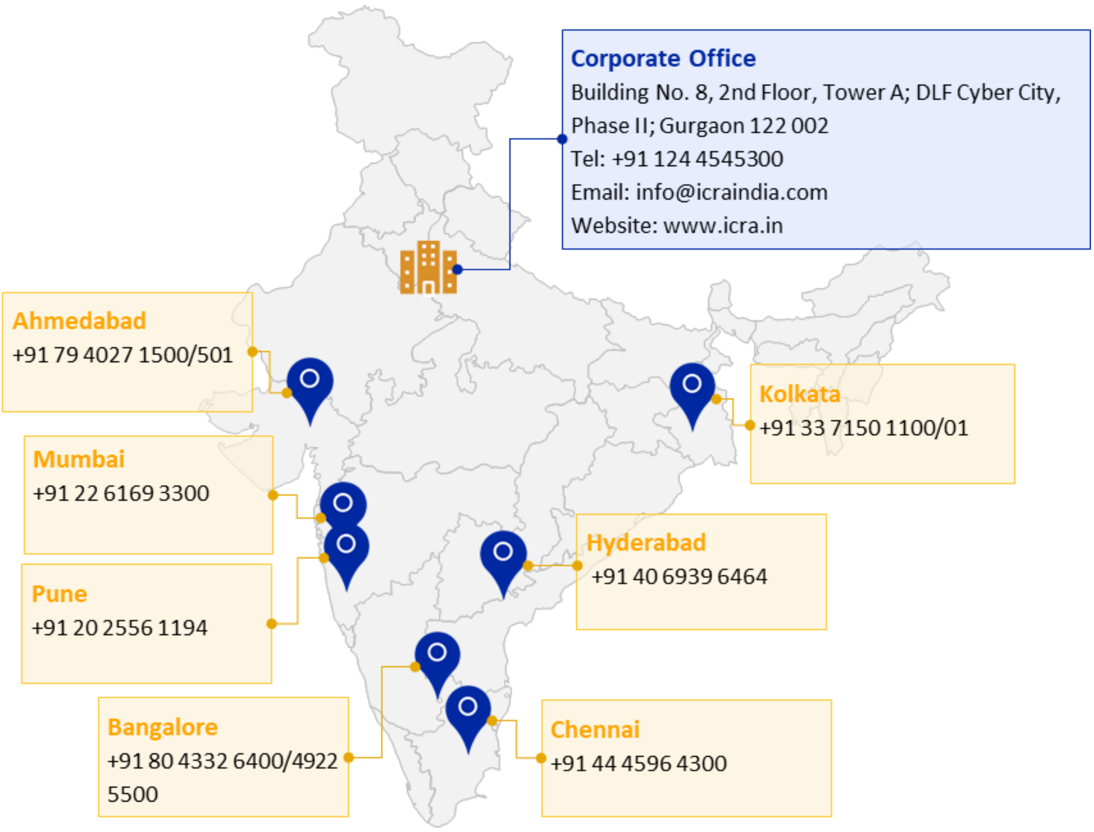

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