

## 3R MATRIX

	+	=	-
Right Sector (RS)	<span style="color: green;">■</span>	<span style="color: grey;">■</span> ✓	<span style="color: orange;">■</span>
Right Quality (RQ)	<span style="color: green;">■</span> ✓	<span style="color: grey;">■</span>	<span style="color: orange;">■</span>
Right Valuation (RV)	<span style="color: green;">■</span> ✓	<span style="color: grey;">■</span>	<span style="color: orange;">■</span>

+ Positive = Neutral - Negative

## What has changed in 3R MATRIX

	Old		New
RS	<span style="color: grey;">■</span>	↔	<span style="color: grey;">■</span>
RQ	<span style="color: green;">■</span>	↔	<span style="color: green;">■</span>
RV	<span style="color: green;">■</span>	↔	<span style="color: green;">■</span>

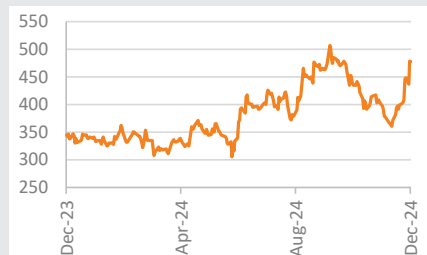
## Company details

Market cap:	Rs. 10,463 cr
52-week high/low:	Rs. 518 / 266
NSE volume: (No of shares)	12.3 lakh
BSE code:	532356
NSE code:	TRIVENI
Free float: (No of shares)	8.5 cr

## Shareholding (%)

Promoters	61.0
FII	6.6
DII	10.0
Others	22.5

## Price chart



## Price performance

(%)	1m	3m	6m	12m
Absolute	9.8	28.5	37.3	30.6
Relative to Sensex	9.3	24.7	26.9	5.1

Mirae Asset Sharekhan Research, Bloomberg

## Triveni Engineering &amp; Industries Ltd

## Restructuring to enhance shareholders value

Miscellaneous

Sharekhan code: TRIVENI

Reco/View: Buy



CMP: Rs. 478

Price Target: Rs. 582



Upgrade
 Maintain
 Downgrade

## Summary

- Triveni Engineering & Industries (TEIL) has proposed a strategic restructuring to simplify business structure and enhance shareholders' value in the long run.
- For every 137 shares of Sir Shadi Lal Enterprises (SSEL), the shareholders will receive 100 shares of TEIL. Further, the power transmission business (PTB) will be demerged and listed into separate entity in the ratio of 3:1.
- Demerger of PTB (including gears and defence business segments) will enable each business to sharpen its focus and help in fast scale-up of business in the long run.
- Stock trades at 27x/22x/19x its FY2025E/26E/27E earnings. We maintain our Buy on the stock with revised PT of Rs. 582.

Triveni Engineering & Industries (TEIL) has approved a composite scheme of arrangement among Triveni Engineering & Industries (TEIL), Sir Shadi Lal Enterprises (SSEL) and Triveni Power Transmission business (PTB). Under the scheme, for every 137 equity shares of SSEL of a face value of Rs. 10 each will receive 100 equity shares of face value of Rs. 1 each of TEIL. Further, the PTB division comprising gears and defence businesses will be demerged and listed as Triveni Power Transmission (TPT). For every 3 equity shares of TEIL of face value Re.1, shareholders will receive one equity share of TPT at a face value of Rs. 2 each. Demerged entity represents 4.75% of the total turnover of TEIL. SSEL's amalgamation would optimise resources and rationalise costs to improve profitability, while PTB demerged would help scale up its core business (including gears and defence) in the coming years. Overall, strategic restructuring is focused towards enhancing shareholders' value in long run.

- Amalgamation of SSEL:** SSEL will first be merged with TEIL and after that TPT (gear & defence business) will be demerged and listed as a separate entity. For every 137 equity shares of SSEL of face value of Rs. 10 each will receive 100 equity shares of face value of Rs. 1 each of TEIL. Both companies manufacture sugar and alcohol/ethanol. The proposed amalgamation would lead to consolidation of all operations pertaining sugar, ethanol and alcohol under one entity. It will create and provide operational synergies, economies of scale, optimum utilization of resources, elimination of duplication and rationalisation of administrative expenses, which will lead to savings in the costs. The company in its Q2 concall indicated of strong turnaround in the business in quarters ahead.
- Demerger and listing of PTB into separate entity:** The power transmission business (PTB) consisting of gears & defence business segments will be demerged and listed into separate entity - Triveni Power Transmission (TPT). For every 3 equity shares of TEIL of a face value Re.1 the shareholders will receive 1 equity share of TPT of face value of Rs. 2 each. Demerged entity represents 4.75% of the total turnover of TEIL. Demerger of PTB business into a separate entity will enable each business to sharpen its focus and organize its activities and resources to improve its offerings to their respective customers.
- Focus on fast scale-up of PTB business:** The outstanding order book with PTB business stood at Rs. 345crore at end of September 2024. Along with industrial growth, market share gains and new product launches will be one of the key factors for growth of PTB business in medium to long run. Large focus is on R&D at the PTB business to improve efficiency and setting up global standards. In the defence business, the business expects increased order booking from key segments going forward. As PTB is entering the next phase of growth, the transfer and vesting of the PTB Undertaking into separate entity would result in focused management attention and efficient administration to maximize its potential.

## Our Call

**View - Maintain Buy with revised PT of Rs. 582:** Strategic restructuring including amalgamation of SSEL in TEIL and demerger of gear and defence business into separate entity will enhance shareholders' value in the long run. We maintain our earnings estimates and will make relevant changes once restructuring happens. Stock has seen a good run-up in last one month and is currently trading at 27x, 22x and 19x its FY2025E/26E/27E earnings. We maintain our Buy recommendation on the stock with revised price target of Rs. 582 (rolling it over to FY2027E earnings).

## Key Risks

Any sharp fall in sugar production, substantial increase SAP rate or delay in commissioning of distillery capacity would act as a key risk to our earnings estimates.

## Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Net Revenue	5,617	5,220	5,336	6,024	6,652
EBITDA margin (%)	11.0	12.0	11.6	12.2	12.5
Adjusted PAT	420	395	387	479	554
Adjusted EPS (Rs.)	4.0	18.1	17.7	21.9	25.3
P/E (x)	24.0	26.5	27.1	21.8	18.9
EV/EBIDTA (x)	18.5	18.9	17.8	14.8	12.9
RoNW (%)	19.1	14.2	12.6	14.0	14.3
RoCE (%)	16.1	14.2	12.9	14.8	15.9

Source: Company; Mirae Asset Sharekhan estimates

## Scheme of arrangement – details of exchange ratio and shareholding pattern

Amalgamation of SSEL: For every 137 equity shares of the Amalgamating Company of face value of Rs. 10 each held in the Amalgamating Company - SSEL will be entitled to receive 100 equity shares of face value of Re.1 each of TEIL.

### Details of likely change in the shareholding pattern of TEIL

Particulars	Before effectiveness of the scheme		After effectiveness of the amalgamation	
	No. of eqty shares	%	No. of eqty shares	%
Promoters	133491162	61.0	133491162	60.6
Public	85406806	39.0	86871854	39.4
<b>Total</b>	<b>218897968</b>	<b>100</b>	<b>220363016</b>	<b>100</b>

Source: Company; Mirae Asset Sharekhan Research

**Demerger of PTB:** For every 3 equity shares of TEIL of face value Re.1 the shareholders will receive 1 equity share of TPT of face value of Rs. 2 each.

### Shareholding pattern of Triveni Power Transmission (TPT)

Particulars	Before effectiveness of the scheme		After effectiveness of the amalgamation	
	No. of eqty shares	%	No. of eqty shares	%
Promoters	31300000	100.0	75797054	72.4
Public	0	0.0	28957285	27.6
<b>Total</b>	<b>31300000</b>	<b>100</b>	<b>104754339</b>	<b>100</b>

Source: Company; Mirae Asset Sharekhan Research

**Outlook and Valuation**

■ **Sector Outlook – Eyeing better prospects for SY 2024-25**

With an estimated opening balance as on October 1, 2024 of ~8.3 million tonnes for the sugar season (SS) 2024-25, domestic sales of ~29.4 million tonnes, the closing stock is expected ~8.9 million tonnes. This is after considering diversion of ~4 million tonnes of sugar equivalent into ethanol. Hence, industry expects the government to allow exports at an appropriate time to capitalize on high international sugar prices. The industry also keenly awaits revision in the Minimum Selling Price (MSP) of sugar which is vital for the sustainability of the industry.

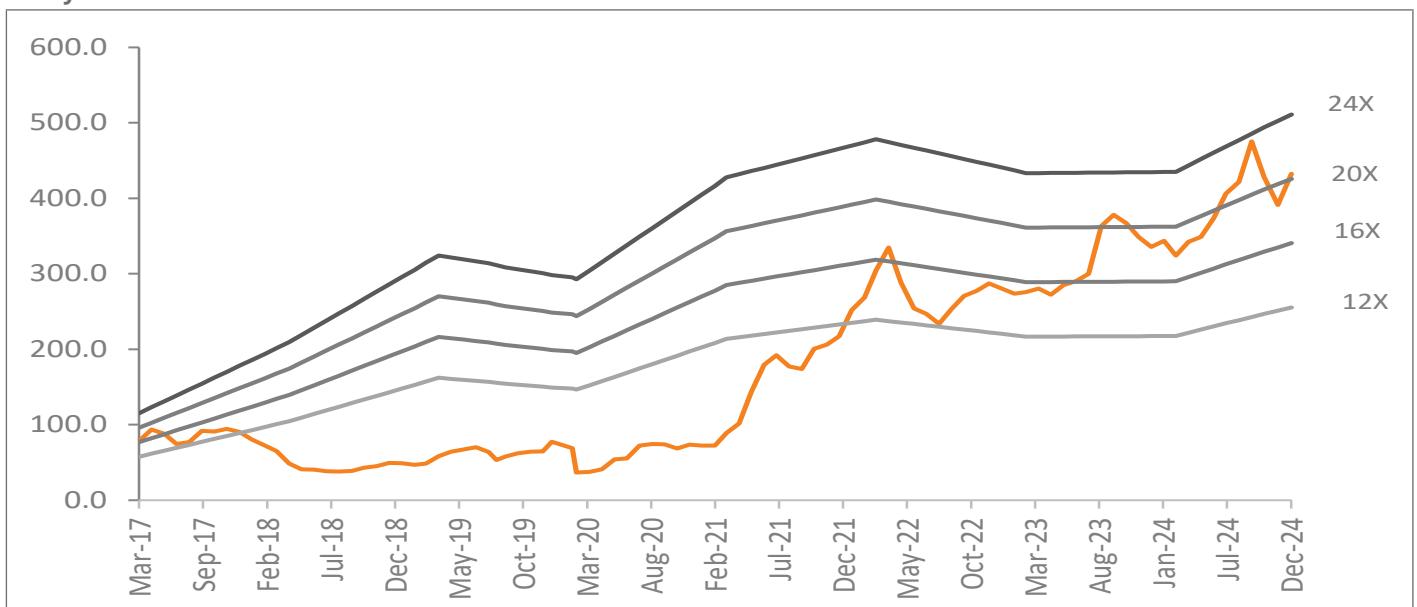
■ **Company Outlook – Distillery under pressure; sugar and power transmission to drive good growth**

The management expects sugarcane availability and crushing to be higher in the coming season. Realisations are expected to stay high y-o-y due to a decreased global demand-supply gap. With favourable weather and a lot of back-end work on variety of sugar, the sugar production for sugar year 2024-25 would be much better. Favourable government policy (including likely allowing of sugar exports) will boost sugar business performance. The company has maintained its guidance of 21 crore litre of ethanol production with a variance of +5% to -5% for FY2025. The engineering business has a strong order book of Rs. 2,071 crore.

■ **Valuation – Maintain Buy with revised PT of Rs. 582**

Strategic restructuring including amalgamation of SSEL in TEIL and demerger of gear and defence business into separate entity will enhance shareholders’ value in the long run. We maintain our earnings estimates and will make relevant changes once restructuring happens. Stock has seen a good run-up in last one month and is currently trading at 27x, 22x and 19x its FY2025E/26E/27E earnings. We maintain our Buy recommendation on the stock with revised price target of Rs. 582.

**One-year forward PE band**



Source: Company; Mirae Asset Sharekhan Research

**Peer Comparison**

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Balrampur Chini	27.6	25.7	19.8	17.4	16.2	13.5	12.6	12.5	13.9
Triveni Engineering	26.5	27.1	21.8	18.9	17.8	14.8	14.2	12.9	14.8

Source: Company; Mirae Asset Sharekhan estimates

## About the company

TEIL is the largest integrated sugar manufacturer in India and the market leader in its engineering businesses comprising high-speed gears, gearboxes, and water and wastewater treatment solutions. TEIL currently has seven sugar mills in operation at Khatauli, Deoband, Sabitgarh (in western UP), Chandanpur, Rani Nangal, and Milak Narayanpur (Central UP) and Ramkola (Eastern UP). While the company's gears and defence products manufacturing facility is located at Mysuru, the water and wastewater treatment business is located at Noida. The company currently operates six co-generation power plants located across five sugar units and two molasses-based distilleries in UP, located at Muzaffarnagar and Sabitgarh. The company has a multi-feed distillery at Milak Narayanpur. TEIL manufactures IMIL at its Muzaffarnagar distillery.

## Investment theme

TEIL will be one of the key beneficiaries of improving fundamentals of the sugar industry in India with the government focusing on reducing the cyclicity in the industry to achieve stable realisation and better profitability in the coming years. Expansion in distillery capacity will drive strong growth for the distillery business, which will add to overall profitability. Further, increased MSPs and higher international sugar prices will keep sugar realisation stable despite higher sugar production. This will help EBITDA margin to improve from 12% in FY2024 to 12.5% in FY2027. Higher profitability along with stable working capital management will help cash flows to improve in the coming years. Thus, the balance sheet is expected to strengthen further in the coming years. n.

## Key Risks

- ◆ Any significant increase in global sugar production would impact export realisation.
- ◆ Any change in sugar export or ethanol blending policies would affect business fundamentals.

## Additional Data

### Key management personnel

Dhruv M Sawhney	Chairman-Managing Director
Tarun Sawhney	Executive Director - Managing Director
Suresh Taneja	Group CFO
Geeta Bhalla	Group General Manager & Company Secretary & Compliance Officer

Source: Company

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	DSP Investment Managers Pvt Ltd	4.32
2	Goel Anil Kumar	3.49
3	Nippon Life India Asset Management Ltd	1.31
4	Devabhaktuni Manohar	1.06
5	Mahindra Manulife Investment Management Ltd	1.01
6	Goel Seema	1.01
7	Dimensional Fund Advisors LP	0.89
8	IDFC Mutual Fund	0.46
9	Bank of India Investment Managers Pvt Ltd	0.39
10	Principal Financial Group Inc	0.24

Source: Bloomberg (old data)

Mirae Asset Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

## Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

**DISCLAIMER**

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on [www.sharekhan.com](http://www.sharekhan.com)

---

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Ms. Binkle R. Oza; Tel: 022-62263303; email id: [complianceofficer@sharekhan.com](mailto:complianceofficer@sharekhan.com)

For any complaints/grievance, email us at [igc@sharekhan.com](mailto:igc@sharekhan.com) or you may even call Customer Service desk on - 022- 41523200/022-69920600.