

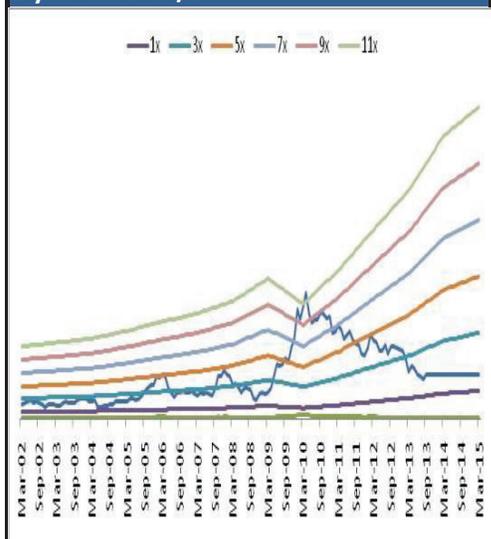
Result update	Buy
CMP	141
Target Price	225
Previous	NA
Upside	60%
Change from	0%

Market Data	
BSE Code	532178
NSE Symbol	ENGINEERSIN
52wk Range	121/257
Mkt Capital	4,813
Average Daily	127,676
Nifty	5,593

Stock Performance-%			
	1M	1yr	YTD
Absolute	4.7	(32.7)	(8.8)
Rel. to Nifty	6.2	(39.1)	(7.2)

Share Holding Pattern-%			
	1QFY14	4QFY13	3QFY13
Promoters	80.4	80.4	80.4
FII	4.8	4.5	4.8
DII	7.8	7.8	7.7
Others	7.0	7.3	7.1

1 yr Forward P/B



Currently the markets in a topsy-turvy mode and investor sentiment is at its weakest, at this point safety of capital is more important than chasing aggressive returns. Investing in these circumstances becomes easy and gainful when you get a fundamentally strong PSU such as EIL which has a huge order book providing a clear visibility to the future growth prospects. Moreover a consistent dividend payout makes it even more attractive. Stock has corrected significantly in the past few trading sessions partly on anticipation of probable equity dilution through FPO and possible delays in key refinery projects that would likely defer earning accretion in the current year. The stock is attractively valued at the current price but would likely underperform the broader market until clarity on anticipated equity dilution/FPO is received. However, the business of EIL continues to remain positive on the long term. This is why the stock is being recommended by us in the Choice Scrip section in this issue.

Growth Story

Engineers India Ltd. (EIL) is a consultancy company & is one of Asia's leading design, engineering and turnkey contracting company providing an array of project services from conceptualization, planning, designing, engineering and construction of projects in the fields of oil & gas, mining & metallurgy, infrastructure etc. The company is also working in diversified areas of water & waste management and has made inroads into the areas of nuclear, solar and thermal power. It has also expanded its operations internationally, and has provided a wide range of engineering consultancy services in the Middle East, North Africa and South East Asia. The company currently has nearly ten such alliances including three overseas JVs. Company continues to win orders in international geographies mainly Middle East and expects further momentum through FY14. Company fundamental strength and consistently good performance over the past five years is what makes company a safe bet in the present market conditions. Company bottomline has been growing at a five year CAGR of 35%, while topline grew even faster at 48% during the same period. Considering that EIL provides specialised services to the oil & gas sector, where growth opportunities are immense, EIL's growth looks sustainable going forward. 34% of total energy consumption continues to be on account of oil & gas. Besides, with refining capacities and additions continuing to take place with estimated capacities to touch 241 Million Metric Tonnes (MMT) by 2012 and 302MMT by 2017, there is potential for ample projects in the sector, which would help drive FII's future growth.

Management Guidance FY14E

- Management has stated that the company enjoys margins similar to domestic jobs in the international projects. Currently company derives nearly 10-12 % of revenues from international jobs and expects it to maintain going ahead.

Engineers India Ltd.

- Management believes that the company will benefit from several pending orders from various PSU refineries over the next few years.
- Company believes that HPCL Ratnagiri refinery and petrochemical project which is estimated to cost Rs. 35,000 Cr might flow in Q4FY14 or FY15.
- Management believes that this PSU project could entail consultancy opportunity to EIL of nearly Rs. 1500 Cr to Rs. 2000 Cr.

Result Highlights 1QFY14

Company posted a yoy sales de growth. Its Sales declined by 38.4 % yoy, mainly on account of a 66 % de-growth in Lump Sum Turnkey (LSTK) projects. EBITDA margins improved on account of higher share of consultancy revenues and better margins there. Other Income also de grew by 7.1 % yoy AT Rs. 68.03 Cr, PAT stood at Rs. 129.34 Cr, down 16.2 % yoy. Capital employed increased by 18.4 % yoy at Rs. 2340 cr. Company's Consultancy EBIT margins in Q1FY14 stood at 39.2 % down by 2.40 % yoy and LSTK projects experienced a 3.30 % decline yoy to 7.1 %. The share of Consultancy in overall sales was 67.5 % as against 40.2 % in Q1FY13. EIL's current order book stands at around Rs. 2960 Cr and the order inflow for Q1FY14 stood at Rs.110 Cr. EIL has meaningful investment in XII year plan in Hydrocarbon space which offers immense business opportunity. Company's consultancy business enjoys strong margins and will continue for coming quarters also. Company's current order backlog is around Rs. 2100 Cr in consultancy business. EIL has limited exposure of around 8% in overseas geographies which is expected to increase over a period of time.

Outlook

Company has recently won the order from CPCL which will start contributing towards the end of this year. We believe, orders in consultancy may provide some cushion to the margins, going forward. However, inflow continues to remain weak. Execution cycle for the current order book is stretched at two years. Thus, a revenue de-growth is expected in FY14E too.

Valuation

The stock is currently trading at 8.6x FY15E EPS with a negative bias in case the order inflow scenario slumps. The company's FPO is planned in Q2FY14E. However in the turning O&G scenario the company will turnaround faster thus one can buy into this stock. At current price of Rs. 141, the stock is trading at P/E of 7.55 x for FY14E and 7.94 x the FY15E. EIL could post EPS of Rs. 16.40 for FY14E and Rs. 15.60 for FY15E. EIL stock has corrected significantly in the past few trading sessions partly on anticipation of probable equity dilution through FPO and possible delays in key refinery projects that would likely defer earning accretion in the current year. The stock is attractively valued at the current price but would likely underperform the broader market until clarity on anticipated equity dilution/FPO is received. However, the business of EIL continues to remain positive on the long term. One can 'BUY' on to EIL with an Short term price target of Rs 150 and for Medium to Long term investment it would be for Rs. 225.