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## Robust revenue performance backed by strong Execution of Turnkey projects

RATING	BUY
CMP	104
Price Target	128
Potential Upside	23%
Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	139/93
Mkt Capital (Rs Cr)	6521
Free float (%)	48%
Avg. Vol 1M (,000)	1825
No. of Shares (Cr)	63
Promoters Pledged %	0%

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	2476	2971	3503
EBITDA	376	419	487
EBIT	344	396	465
PAT	363	384	450
EPS (Rs)	6	6	7
EPS gr (%)	-6%	7%	17%
ROE (%)	16%	15%	16%
ROCE (%)	17%	15%	16%
P/B (X)	3.1	2.7	2.6
EV/EBITDA (x)	25.5	20.7	18.5
P/E (x)	20.3	17.2	14.6

### 1QFY20 Result Update

- Revenue grew by 28% YoY to Rs 735 Cr. Revenue from the turnkey segment grew by 16% YoY while Consultancy revenue grew by 38% YoY.
- Adjusted Revenue was up by 11% YoY to Rs 640 Cr which is in line with our estimates of Rs 660 Cr Revenue includes Rs 96.62 Cr of variation order in Consultancy (overseas) business.
- The EBITDA grew by 62% and EBITDA margin was up by 391 bps.
- Bottom line was up by 44% YoY to Rs 124 Cr compared to Rs 87 Cr in Q1FY19.
- Company has provided provision of Rs 26 Cr in Q1FY20 for the investment into oil fields in Gujarat.
- During the quarter company received the order inflow worth Rs 944 Cr. The Order Book at the end of 1QFY20 stood at Rs 11429 Cr with Order mix of 42:58 in Consultancy and Turnkey segment respectively.

### Healthy Revenue Growth

1QFY20 witnessed strong revenue growth of 26% with turnkey segment rising 16% YoY to Rs 290 Cr. Revenue includes Rs 96.62 Cr of variation order in Consultancy business. While consultancy segment has reported revenue of Rs 445, up by 38% YoY. The revenue mix during the quarter changed from 56:44 in 1QFY19 to 60:40 in 1QFY20 for Consultancy and turnkey respectively. The EBITDA margin improved by 391 bps to 19% with EBITDA being Rs 139 Cr from Rs 86 Cr in 1QFY19. The PAT grew by 43% from Rs 87 Cr in 1QFY19 to Rs 124 Cr in 1QFY20. Order inflow during the quarter stood at Rs 944 Cr while the Order Book stood at Rs 11429 Cr. The Order Book mix also witnessed a change with 53:47 in 1QFY19 to 42:58 for Consultancy and Turnkey respectively.

### Increased Revenue Guidance to 15-20%

The execution of the turnkey projects continues to remain strong and has reported growth of 16% in Q1FY20. The execution is likely to remain strong as the execution on couple of large projects is in full swing. The CPCL project in Chennai is completed 52-54% and the remaining portion is likely to complete in FY20. The management expect to place plant and machinery orders for the BPCL refinery project in Balmer, Rajasthan and execution at the project site is expected to start from Q4FY20 or early Q1FY21. The progress on other projects in consultancy business is progressing well. Considering the strong execution in Q1FY20, management has increased its revenue guidance from 15% to 15-20% for the FY20.

### Robust Order Pipeline

Order pipeline for the company continuous to remain strong with large numbers of projects are likely to coming up for the refinery capacity expansion. The Kaveri Basin green filed refinery projects of 9 mmtpa is expected to come up for the bidding next year. The EIL has completed the feasibility study for the Mangalore refinery expansion from 15 mmtpa to 20 mmtpa. EIL also targets order from the strategic reserve programme some orders from cross country pipeline projects. Management expects some small petchem orders from GAIL. The Bina refinery has plan for expansion from 7.8 mmtpa to 15 mmtpa but currently project is postpone and likely to come up in 2021-22. The management target to secure orders worth Rs 2000-2500 Cr and mostly for consultancy business.

### View and Valuation

Robust execution momentum is likely to continue in turnkey business on the back of advance execution level of couple of large projects. The performance of the consultancy segment has improved and will remain strong going forward. The large BPCL refinery project is expected to start contribution in revenue from Q4FY20 or early Q1FY21. The bid pipeline is robust with strong opportunity in the hydrocarbon spaces. We largely maintain our estimates and value ENGINEERSIN at Rs 128 (18x FY21E EPS) and maintain our BUY rating on the stock.

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## 1QFY20 Results

Fig in Rs Cr

FINANCIALS	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	573	681	577	613	735	28%	20%	1,824	2,476	35.7%
Other Op. Income	-	-	-	-	-	-	-	-	-	-
Net Sales	573	681	577	613	735	28%	20%	1,824	2,476	35.7%
Other Income	52	61	52	60	58	12%	-2%	176	222	26.2%
Total Income	626	743	629	672	793	27%	18%	2,000	2,698	34.9%
COGS	236	331	230	265	284	20%	7%	310	1,052	238.9%
Expenditure	487	590	482	519	595	22%	15%	1,397	2,100	50.4%
EBITDA	86	91	95	93	139	61%	49%	427	376	-12.1%
Depreciation	6	6	5	6	6	4%	-1%	24	22	-6.3%
EBIT	81	86	90	88	134	65%	53%	403	344	-14.8%
Interest	0	0	0	0	0	21%	-25%	1	1	110.7%
PBT	133	147	141	147	192	44%	31%	579	565	-2.5%
Tax	46	49	50	52	68	46%	31%	196	201	2.8%
PAT	87	98	91	95	124	43%	31%	383	363	-5.2%

## Concall Highlights

- Increase Revenue growth guidance from 15% earlier to 15-20% for FY20.
- Margin will be in the range of 25-30% for FY20 for consultancy and 5% for Turnkey.
- Rs 70-80 Cr has been invested in oil fields in Gujarat and Rs 26 Cr impaired during the quarter.
- Completion of major OB projects excluding Rajasthan refinery will be focus area and they will be in the third stage of execution.
- Rajasthan refinery major orders will get placed and execution work will commence at the site next year.
- Company won its first refinery project in Magnolia of Rs 500 Cr (USD 72.8 Mn) in May 2019.
- Rs 1800 Cr of order inflow is been targeted in FY20. Till date order inflows are Rs 900 Cr including change order of Rs 200 Cr (Rs 90 Cr already booked in 1QFY20).
- First phase of total Rs 675 Cr of Panipat refinery project has been awarded of worth Rs 30 Cr balance will be come in subsequent phases.
- First phase of BPCL order of Rs 56 Cr has been recorded in order inflows. The second phase will be of Rs 200-300 Cr which will come in 2QFY21.
- HMEL petro chemical expansion huge order is expected.
- Kaveri basin refinery at Nagapattinam is been targeted by company. It is green field project and expected Rs 800-900 Cr from the project. DPR has been submitted to client.
- MRPL refinery expansion is expected to come up.
- Numaligrah refinery pipeline project is targeted.
- Vizag project 50-54% has been completed and substantial portion will be executed in FY20.
- Petro chemical order from GAIL is targeted.

## Revenue Mix

Fig in Rs Cr

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
Consultancy-Dom.	322	285	279	289	295	307	302	8%	-1%
Consultancy:- Int.	63	52	43	43	48	46	142	228%	212%
<b>Sub Total</b>	<b>385</b>	<b>337</b>	<b>322</b>	<b>332</b>	<b>343</b>	<b>352</b>	<b>445</b>	<b>38%</b>	<b>26%</b>
Turnkey	89	172	251	349	234	260	290	16%	12%
<b>Total</b>	<b>473</b>	<b>510</b>	<b>573</b>	<b>681</b>	<b>577</b>	<b>613</b>	<b>735</b>	<b>28%</b>	<b>20%</b>

## Order Book

Fig in Rs Cr

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
Consultancy-Dom.	3,307	3,620	2,934	3,866	3,694	3,967	4,204	43%	6%
Consultancy:- Int.	1,223	1,094	927	1,028	923	345	628	-32%	82%
<b>Sub Total</b>	<b>4,530</b>	<b>4,714</b>	<b>3,861</b>	<b>4,894</b>	<b>4,617</b>	<b>4,312</b>	<b>4,832</b>	<b>25%</b>	<b>12%</b>
Turnkey	3,771	3,699	3,368	6,566	6,170	6,876	6,597	96%	-4%
<b>Total</b>	<b>8,301</b>	<b>8,413</b>	<b>7,229</b>	<b>11,460</b>	<b>10,787</b>	<b>11,189</b>	<b>11,429</b>	<b>58%</b>	<b>2%</b>

## Order Inflow

Fig in Rs Cr

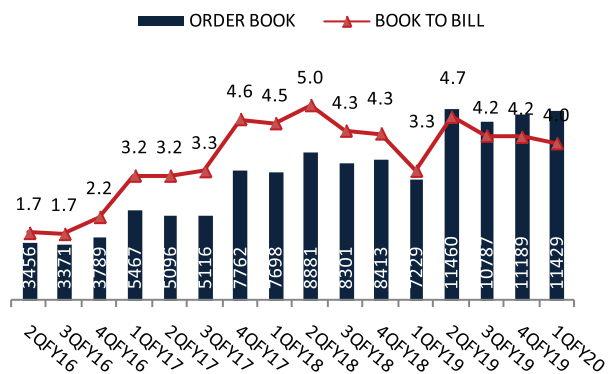
	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
Consultancy-Dom.	107	65	36	1,312	49	98	195	443%	99%
Consultancy:- Int.	7	9	47	9	29	6	749	1482%	11973%
<b>Sub Total</b>	<b>114</b>	<b>74</b>	<b>83</b>	<b>1,320</b>	<b>78</b>	<b>104</b>	<b>944</b>	<b>1034%</b>	<b>806%</b>
Turnkey	-	-	-	4,292	13	-	-	NA	NA
<b>Total</b>	<b>114</b>	<b>74</b>	<b>83</b>	<b>5,612</b>	<b>91</b>	<b>104</b>	<b>944</b>	<b>1034%</b>	<b>806%</b>

## EBIT MARGIN (%)

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
Consultancy	37	27	28	29	30	29	39	11.0	10.0
Turnkey	12	7	6	5	6	6	3	(3.0)	NA
<b>Blended Margin</b>	<b>27</b>	<b>10</b>	<b>14</b>	<b>13</b>	<b>16</b>	<b>14</b>	<b>25</b>	<b>10.6</b>	<b>10.4</b>

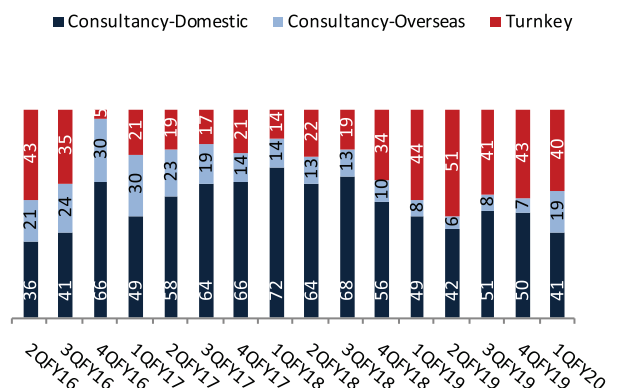
## Exhibit: Order Book to Book to Bill

Healthy Order book provides strong revenue visibilities



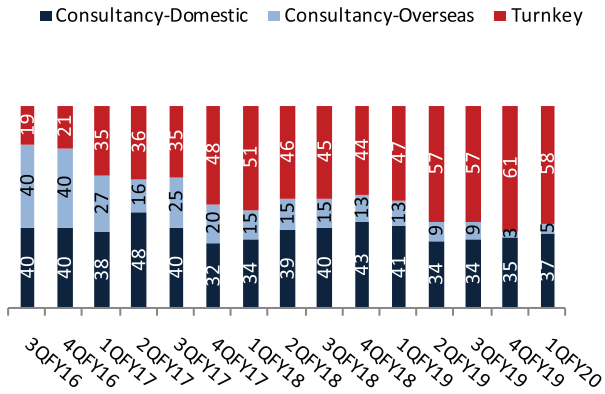
## Exhibit: Order Book Mix (%)

With Rajasthan Refinery projects Turnkey dominate order book



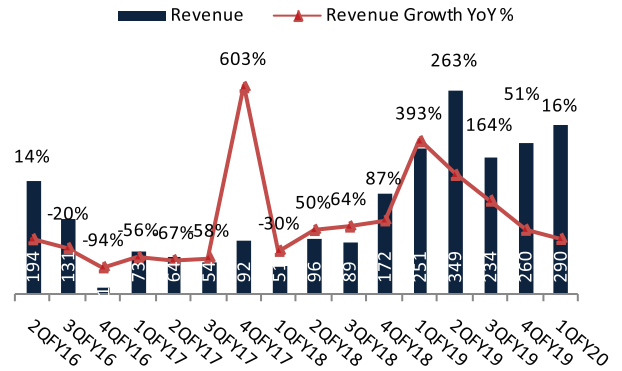
## Exhibit: Order Book Mix (%)

With large projects under execution Turnkey led the Revenue growth



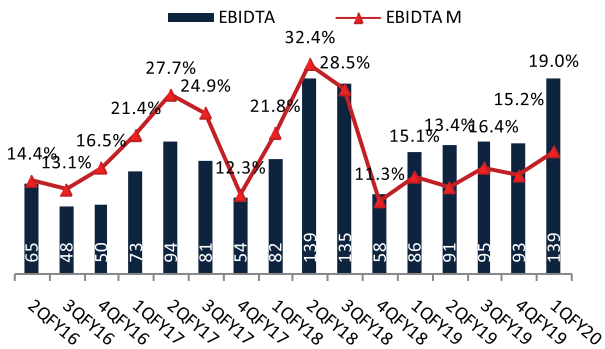
## Exhibit: Turnkey Revenue and Revenue Growth (%)

With large refinery project revenue momentum is expected to remain strong

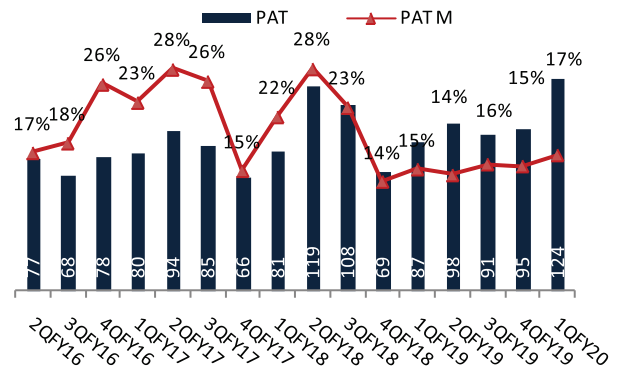


## Exhibit: EBITDA and EBITDA M %

EBITDA M Compressed as result of increased contribution of Turnkey in Total Revenue



## Exhibit: PAT and PAT M %



## Financial Details

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	1,846	1,741	1,541	1,480	1,824	2,476	2,971	3,503
Change (%)	-27%	-6%	-12%	-4%	23%	36%	20%	18%
<b>EBITDA</b>	<b>386</b>	<b>232</b>	<b>208</b>	<b>314</b>	<b>427</b>	<b>376</b>	<b>419</b>	<b>487</b>
Change (%)	-35%	-40%	-10%	51%	36%	-12%	11%	16%
Margin (%)	21%	13%	14%	21%	23%	15%	14%	14%
Depr & Amor.	15	20	25	23	24	22	23	22
<b>EBIT</b>	<b>371</b>	<b>212</b>	<b>183</b>	<b>292</b>	<b>403</b>	<b>344</b>	<b>396</b>	<b>465</b>
Int. & other fin. Cost	-	0	0	3	1	1	1	1
Other Income	336	273	247	222	176	222	201	225
<b>EBT</b>	<b>707</b>	<b>485</b>	<b>430</b>	<b>511</b>	<b>579</b>	<b>565</b>	<b>595</b>	<b>690</b>
Exp Item	-	-	-	-	-	-	-	-
Tax	224	172	149	181	196	201	212	240
Minority Int & P/L share of Ass.	-	-	(3)	(0)	(0)	(3)	-	-
<b>Reported PAT</b>	<b>483</b>	<b>313</b>	<b>278</b>	<b>330</b>	<b>383</b>	<b>360</b>	<b>384</b>	<b>450</b>
<b>Adjusted PAT</b>	<b>483</b>	<b>313</b>	<b>278</b>	<b>330</b>	<b>383</b>	<b>360</b>	<b>384</b>	<b>450</b>
Change (%)	-24%	-35%	-11%	19%	16%	-6%	7%	17%
Margin(%)	26%	18%	18%	22%	21%	15%	13%	13%

### Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	168	168	168	337	316	316	316	316
Reserves	2,353	2,540	2,653	2,508	2,025	2,031	2,139	2,265
Networth	2,522	2,708	2,822	2,845	2,341	2,347	2,455	2,581
Debt	0	-	-	-	-	-	-	-
Other Non Cur Liab	24	23	28	25	27	13	13	13
Total Capital Employed	2,522	2,708	2,822	2,845	2,341	2,347	2,455	2,581
Net Fixed Assets (incl CWIP)	253	291	305	328	309	300	297	295
Non Cur Investments	13	4	23	152	217	269	269	269
Other Non Cur Asst	289	288	338	315	353	370	370	370
Non Curr Assets	554	584	667	795	879	939	936	934
Inventory	1	1	1	1	1	7	8	10
Debtors	354	420	376	399	562	427	570	672
Cash & Bank	1,812	2,478	2,661	2,358	2,537	2,716	2,511	2,818
Other Curr Assets	1,096	500	459	844	534	675	777	911
Curr Assets	3,263	3,400	3,498	3,601	3,634	3,825	3,866	4,411
Creditors	283	246	203	223	217	245	293	346
Provisons	443	394	349	456	467	476	572	674
Other Curr Liab	544	556	755	725	1,437	1,679	1,466	1,729
Curr Liabilities	1,270	1,252	1,315	1,526	2,145	2,403	2,334	2,751
Net Curr Assets	1,992	2,147	2,183	2,076	1,489	1,422	1,532	1,659
Total Assets	3,817	3,983	4,164	4,396	4,514	4,763	4,801	5,345

## Financial Details

### Cash Flow

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	707	485	430	511	579	565	595	690
(inc)/Dec in Working Capital	(196)	(13)	68	86	314	257	(315)	180
Non Cash Op Exp	15	20	25	23	24	22	23	22
Int Paid (+)	(0)	(0)	(60)	(8)	(3)	-	-	-
Tax Paid	(213)	(161)	(153)	(166)	(280)	(201)	(212)	(240)
others	(226)	(259)	(221)	(209)	(35)	1	1	1
CF from Op. Activities	85	65	88	236	599	644	93	653
(inc)/Dec in FA & CWIP	(82)	(63)	(31)	(45)	(29)	(13)	(20)	(20)
Free Cashflow	3	1	57	191	570	631	73	633
(Pur)/Sale of Inv	(45)	662	122	(367)	356	-	-	-
others	294	(424)	(21)	610	(163)	(452)	-	-
CF from Inv. Activities	167	174	70	197	165	(465)	(20)	(20)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	-	-	-	-	1	-	-	-
Int. Paid	-	-	-	-	-	(1)	(1)	(1)
Div Paid (inc tax)	256	240	162	284	892	-	276	324
others	-	-	-	-	1	-	-	-
CF from Fin. Activities	(256)	(240)	(162)	(284)	(892)	(1)	(277)	(325)
Inc(Dec) in Cash	(4)	(1)	(4)	150	(129)	178	(204)	307
Add: Opening Balance	20	16	13	9	159	2,537	2,716	2,511
Closing Balance	16	15	9	159	30	2,715	2,511	2,818

### Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	19%	12%	10%	12%	16%	15%	16%	17%
ROCE	15%	8%	6%	10%	17%	15%	16%	18%
Asset Turnover	0.48	0.44	0.37	0.34	0.40	0.52	0.62	0.66
Debtor Days	70	88	89	98	112	63	70	70
Inv Days	0	0	0	0	0	1	1	1
Payable Days	56	52	48	55	43	36	36	36
Int Coverage	Na	742	740	92	690	279	318	374
P/E	16	21	21	30	26	20	17	15
Price / Book Value	3	2	2	3	4	3	3	3
EV/EBITDA	15	39	40	38	29	26	21	18
FCF per Share	0	0	2	3	9	10	1	10
Div Yield	2.9%	2.6%	2.8%	2.9%	2.3%	0.0%	3.5%	4.1%

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Analyst's ownership of the stocks mentioned in the Report	NIL
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