

Industry
Bloomberg
BSE CODE

Eng. & Cons.
ENGR IN
532178

RATING	BUY
CMP	111
Price Target	125
Potential Upside	13%

Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	129/92
Mkt Capital (Rs Cr)	7014
Free float (%)	48%
Avg. Vol 1M (,000)	1910
No. of Shares (Crs)	63
Promoters Pledged %	0%

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	2476	2915	3523
EBITDA	376	432	498
EBIT	344	408	477
PAT	363	384	526
EPS (Rs)	6	6	8
EPS gr (%)	-6%	7%	37%
ROE (%)	16%	15%	16%
ROCE (%)	17%	15%	17%
P/B (X)	3.1	2.9	2.7
EV/EBITDA (x)	25.5	21.1	18.9
P/E (x)	20.3	18.3	13.3

RESEARCH ANALYST

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Muted Revenue Performance, Turnkey projects will back up robust revenue performance

2QFY20 Result Update

- EIL reported revenue growth of 7% YoY to Rs 730 Cr. Revenue from the turnkey segment grew by 6% YoY while Consultancy revenue grew by 7% YoY.
- The EBITDA grew by 19% YoY to Rs 109 Cr and EBITDA margin was improved by 152 bps to 14.9% on account of higher-margin in Turnkey. The turnkey segment reported 8% compared to 5-6% average margin.
- The bottom line was down by 32% YoY to Rs 67 Cr compared to Rs 98 Cr in 2QFY19 on account of adjustment of deferred tax on account of the adoption of the new tax rate regime.
- During the quarter company received the order inflow worth Rs 167 Cr. The Order Book at the end of 2QFY20 stood at Rs 10759 Cr with Order mix of 43:57 from Consultancy and Turnkey segment respectively.

Muted Revenue Performance

Revenue was up by 7% YoY to Rs 724 Cr as against our estimated growth of 15% YoY. Current order book is dominated by the turnkey orders and due to heavy monsoon; execution across the projects was impacted. Turnkey has reported revenue growth of 6% YoY while Consultancy business has reported 7% YoY growth largely in line with our expectation. Despite the muted revenue growth operating margin has improved by 150 bps on account of better than expected EBITDA margin on turnkey business. Turnkey has reported margin of 8% compared to average range of 5-6%. However PAT de-grew by 32% from Rs 98 Cr in 2QFY19 to Rs 67 Cr in 2QFY20 on account of adjustment of deferred tax on account of adoption of new tax rate regime. Order inflow during the quarter stood at Rs 167 Cr while the Order Book stood at Rs 10759 Cr. The Order Book mix was 43:57 from Consultancy and Turnkey respectively.

Robust Order Pipeline

Order book as on 30th Sep 2019 is Rs 10759 Cr and company expects many projects to come up going forward. Order pipeline is expected to be strong with large numbers of projects are likely to coming up for the refinery capacity expansion. Panipat projects with the value of Rs 617 Cr, Indian Oil will be deciding for main project investment and expect go ahead in Q4FY21. NRL project tendering is expected to be in 4QFY20. Kaveri Basin refinery is a targeted project for FY21. GAIL's petro chemical project is expected to materialize in FY21. HMEL Cracker complex expansion is also on the card. Company is already working on the HMEL project. MRPL refinery expansion is expected come up by end of FY21 or start of FY22. 1-2 variation orders are expected in International market. Mid size order from Middle East are expected.

View and Valuation

Turnkey business is likely to provide robust momentum with large projects in advance level of execution. Consultancy segment will remain strong going forward. Indian oil projects are under execution and large BPCL refinery project is expected to start contribution in revenue from 4QFY20 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 125 (15x FY21E EPS) and maintain our HOLD rating on the stock.

2QFY20 Results

Fig in Rs Cr

FINANCIALS	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ%	H1FY19	H1FY20	YoY %
Net Sales	681	577	613	735	730	7%	-1%	1,255	1,465	16.8%
Other Op. Income	-	-	-	-	-	-	-	-	-	-
Net Sales	681	577	613	735	730	7%	-1%	1,255	1,465	16.8%
Other Income	61	52	60	58	63	3%	9%	114	122	7.0%
Total Income	743	629	672	793	794	7%	0%	1,368	1,587	16.0%
COGS	331	230	265	284	332	0%	17%	567	616	8.5%
Expenditure	590	482	519	595	621	5%	4%	1,077	1,217	13.0%
EBITDA	91	95	93	139	109	19%	-22%	178	249	39.8%
Depreciation	6	5	6	6	6	2%	2%	11	12	2.9%
EBIT	86	90	88	134	103	20%	-23%	167	237	42.3%
Interest	0	0	0	0	0	48%	23%	1	1	34.2%
PBT	147	141	147	192	166	13%	-13%	280	358	28.0%
Tax	49	50	52	68	100	103%	47%	95	167	75.5%
PAT	98	91	95	124	67	-32%	-46%	184	191	3.4%

Concall Highlights

- Maintained Revenue growth guidance of 15-20% for FY20.
- Maintained Margin guidance in the range of 25-30% for FY20 for consultancy and 5% for Turnkey
- PAT was impacted from Rs 97 Cr to Rs 67 Cr on account of adjustment of deferred tax assets due to reduction of corporate tax.
- Turnkey was slightly impacted due to rains in some parts. Execution will pick in H2FY20 is expected to pick up. Margin will be in the range of 4-5%.
- Barmer project has started execution and construction activities are picking up. Expecting full pace of work picking up in FY21.
- Indian Oil project inflow of Rs 30 Cr has been recorded and Rs 27 Cr of project is expected by end of FY20.
- BPCL project, phase 1 of Rs 56 Cr is under execution and main project is in the range of Rs 200-300 Cr, execution is expected commence by mid of FY21.
- Kaveri Basin refinery project is likely to bid out in FY21.
- GAIL's petrochemical project is expected to materialize in FY21.
- HMEL Cracker complex expansion is targeted. Company is already doing the project for HMEL.
- MRPL refinery expansion is expected by end of FY21 or start of FY22.
- 1-2 variation orders are expected in International Market.
- Mid size order from Middle East are expected.
- Variation order from Dangote for expansion is expected for the undergoing project which is done by company.
- Beyond FY21 upcoming projects are: BINA Refinery and MRPL.
- Order Inflow of Rs 1800-2000 Cr is expected in FY20 (including NRL project). Till date order inflow is Rs 1400 Cr.
- PDIL merger has been scrapped.
- FY21 growth is expected to be in the range of 5-10% and in FY22 there will be jump in revenue due to execution commencement of HPCL, Barmer etc.

Revenue Mix

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
Consultancy-Dom.	285	279	289	295	307	302	290	0%	-4%
Consultancy:- Int.	52	43	43	48	46	142	64	48%	-55%
Sub Total	337	322	332	343	352	445	354	7%	-20%
Turnkey	172	251	349	234	260	290	370	6%	27%
Total	510	573	681	577	613	735	724	6%	-2%

Order Book

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
Consultancy-Dom.	3,620	2,934	3,866	3,694	3,967	4,204	4,022	4%	-4%
Consultancy:- Int.	1,094	927	1,028	923	345	628	655	-36%	4%
Sub Total	4,714	3,861	4,894	4,617	4,312	4,832	4,677	-4%	-3%
Turnkey	3,699	3,368	6,566	6,170	6,876	6,597	6,082	-7%	-8%
Total	8,413	7,229	11,460	10,787	11,189	11,429	10,759	-6%	-6%

Order Inflow

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
Consultancy-Dom.	65	36	1,312	49	98	195	151	-89%	-23%
Consultancy:- Int.	9	47	9	29	6	749	16	89%	-98%
Sub Total	74	83	1,320	78	104	944	167	-87%	-82%
Turnkey	-	-	4,292	13	-	-	-	NA	NA
Total	74	83	5,612	91	104	944	167	-97%	-82%

Ebit Margin (%)

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
Consultancy	27	28	29	30	29	39	27	(2.0)	(12.0)
Turnkey	7	6	5	6	6	3	8	3.0	NA
Blended Margin	10	14	13	16	14	25	17	4.7	(7.5)

Exhibit: Order Book to Book to Bill

Healthy Order book provides strong revenue visibilities

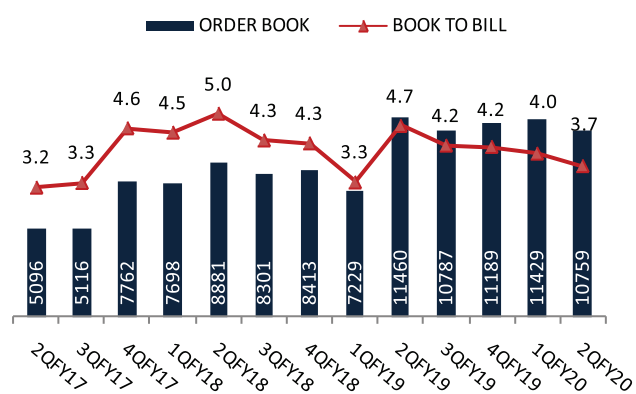


Exhibit: Order Book Mix (%)

With Rajasthan Refinery projects Turnkey dominate order book

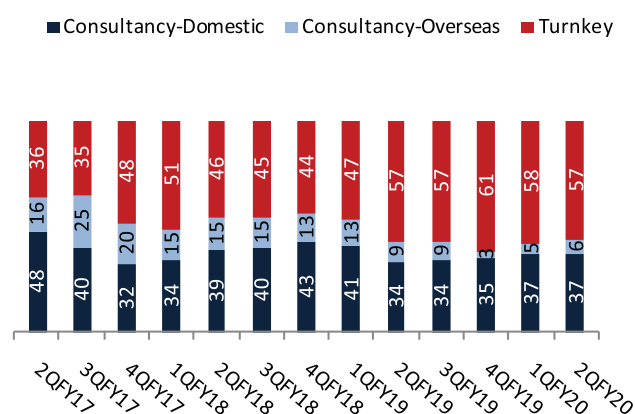


Exhibit: Revenue Mix (%)

With large projects under execution Turnkey led the Revenue growth

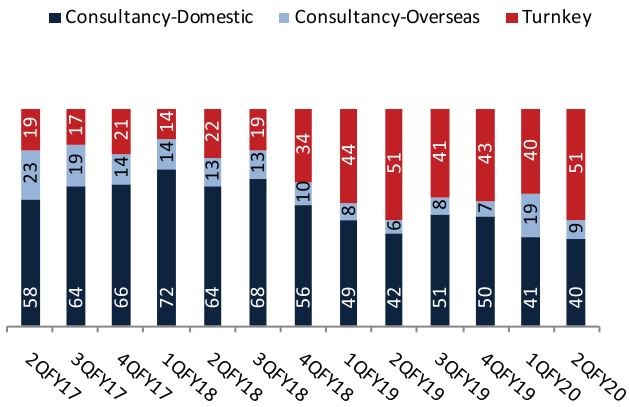


Exhibit: Turnkey Revenue and Revenue Growth (%)

With large refinery project revenue momentum is expected to remain strong

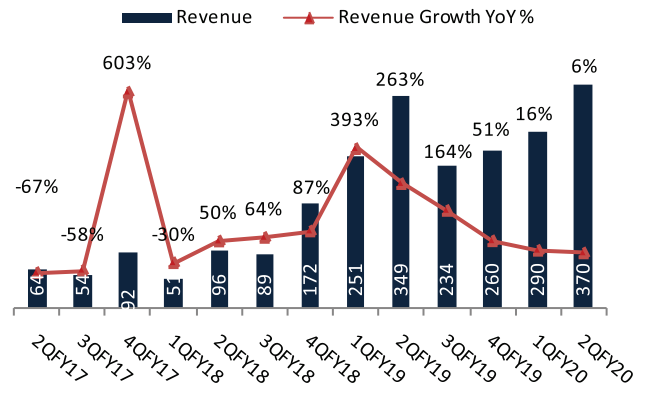


Exhibit: EBITDA and EBITDA M %

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

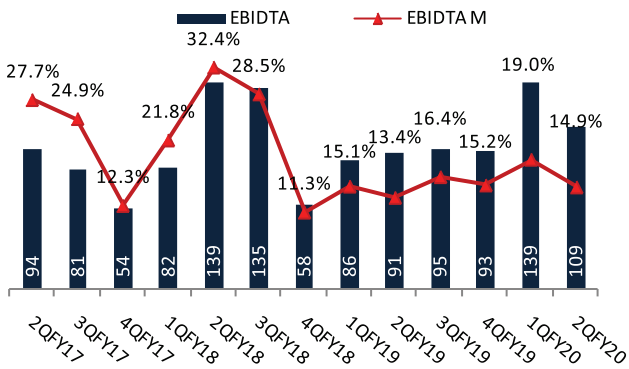
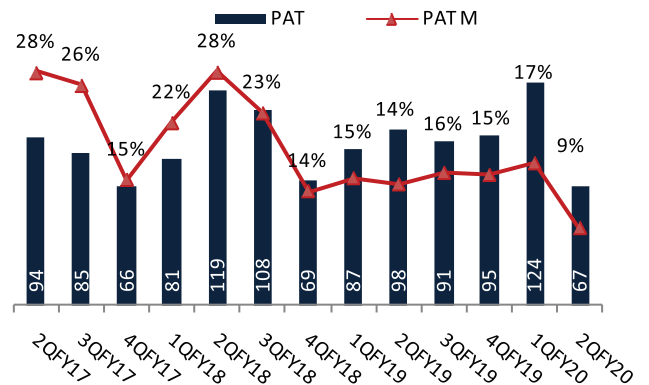


Exhibit: PAT and PAT M %



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	2,915	3,523
Change (%)	-27%	-6%	-12%	-4%	23%	36%	18%	21%
EBITDA	386	232	208	314	427	376	432	498
Change (%)	-35%	-40%	-10%	51%	36%	-12%	15%	15%
Margin (%)	21%	13%	14%	21%	23%	15%	15%	14%
Depr & Amor.	15	20	25	23	24	22	24	22
EBIT	371	212	183	292	403	344	408	477
Int. & other fin. Cost	-	0	0	3	1	1	1	2
Other Income	336	273	247	222	176	222	199	228
EBT	707	485	430	511	579	565	606	703
Exp Item	-	-	-	-	-	-	-	-
Tax	224	172	149	181	196	201	223	177
Minority Int & P/L share of Ass.	-	-	(3)	(0)	(0)	(3)	-	-
Reported PAT	483	313	278	330	383	360	384	526
Adjusted PAT	483	313	278	330	383	360	384	526
Change (%)	-24%	-35%	-11%	19%	16%	-6%	7%	37%
Margin(%)	26%	18%	18%	22%	21%	15%	13%	15%

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	2,286
Networth	2,522	2,708	2,822	2,845	2,341	2,347	2,455	2,602
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	2,602
Net Fixed Assets (incl CWIP)	253	291	305	328	309	300	296	294
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	935	933
Inventory	1	1	1	1	1	7	8	10
Debtors	354	420	376	399	562	427	559	676
Cash & Bank	1,812	2,478	2,661	2,358	2,537	2,716	2,493	2,847
Other Curr Assets	1,096	500	459	844	534	675	762	916
Curr Assets	3,263	3,400	3,498	3,601	3,634	3,825	3,822	4,449
Creditors	283	246	203	223	217	245	288	348
Provisions	443	394	349	456	467	476	561	678
Other Curr Liab	544	556	755	725	1,437	1,679	1,438	1,739
Curr Liabilities	1,270	1,252	1,315	1,526	2,145	2,403	2,290	2,767
Net Curr Assets	1,992	2,147	2,183	2,076	1,489	1,422	1,533	1,682
Total Assets	3,817	3,983	4,164	4,396	4,514	4,763	4,758	5,382

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	19%	12%	10%	12%	16%	15%	16%	20%
ROCE	15%	8%	6%	10%	17%	15%	17%	18%
Asset Turnover	0.48	0.44	0.37	0.34	0.40	0.52	0.61	0.65
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	280	312
P/E	16	21	21	30	26	20	18	13
Price / Book Value	3	2	2	3	4	3	3	3
EV/EBITDA	15	39	40	38	29	26	21	19
FCF per Share	0	0	2	3	9	8	1	12
Div Yield	2.9%	2.6%	2.8%	2.9%	2.3%	5.0%	3.3%	4.5%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	707	485	430	511	579	574	606	703
(inc)/Dec in Working Capital	(196)	(13)	68	86	314	343	(334)	205
Non Cash Op Exp	15	20	25	23	24	22	24	22
Int Paid (+)	(0)	(0)	(60)	(8)	(3)	(0)	-	-
Tax Paid	(213)	(161)	(153)	(166)	(280)	(222)	(223)	(177)
others	(226)	(259)	(221)	(209)	(35)	(169)	1	2
CF from Op. Activities	85	65	88	236	599	549	75	755
(inc)/Dec in FA & CWIP	(82)	(63)	(31)	(45)	(29)	(32)	(20)	(20)
Free Cashflow	3	1	57	191	570	517	55	735
(Pur)/Sale of Inv	(45)	662	122	(367)	356	(24)	-	-
others	294	(424)	(21)	610	(163)	52	-	-
CF from Inv. Activities	167	174	70	197	165	(4)	(20)	(20)
inc/(dec) in NW	-	-	-	-	-	-	0	-
inc/(dec) in Debt	-	-	-	-	1	-	-	-
Int. Paid	-	-	-	-	-	-	(1)	(2)
Div Paid (inc tax)	256	240	162	284	892	362	276	379
others	-	-	-	-	1	-	-	-
CF from Fin. Activities	(256)	(240)	(162)	(284)	(892)	(362)	(278)	(380)
Inc(Dec) in Cash	(4)	(1)	(4)	150	(129)	183	(223)	354
Add: Opening Balance	20	16	13	9	159	30	2,716	2,493
Closing Balance	16	15	9	159	30	214	2,493	2,847

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