

Orders pipeline remains robust...

About the stock: Engineers India (EIL), established in 1965, is an Indian public sector Navratna company, primarily present into two segments - Engineering Consultancy and LSTK (Lump Sum Turnkey). EIL's business operations span the hydrocarbon value chain as well as diversified areas of Metallurgy, Infrastructure, Bio Fuels & Green Hydrogen. The company is also present in international markets such as Middle East, Africa, South Asia & Central Asia

- In FY23, Turnkey and consultancy segments contributed 57% & 43% to total revenues. Order backlog as of Dec-2023 stood at ₹ 7991 crore (2.4x TTM revenue), of which ~59% is contributed by consultancy contract

Investment Rationale:

- Healthy order book position with solid track record:** EIL's order backlog stood at ₹ 7991 crore as of Dec-23 end (2.4x TTM revenues), giving strong revenue growth visibility in the coming period. Order inflows remains strong at ~₹ 3046 crore in 9MFY24 (Turnkey/Consultancy: 54%/46%), mainly driven by hydrocarbons segment (62% of total inflows) with balance from chemicals, fertilizers, metals, power and infra. Hydrocarbons, where the company has solid track record of executing many projects, continues to be the core focus area and expected to drive order inflows in medium-term led by strong traction visible through tenders floated in refinery, petrochemical segments. For FY24E, management is confident of achieving order inflows of ₹ 4700-5000 crore in FY24E with revenue growth of ~10% (vs 1% YoY in 9MFY24)
- Recovery in consultancy segment with focus on foraying into newer growth segments provide strong visibility:** Order Consultancy segment, which contributes ~43% to total revenues, drives the overall profitability of the company (as EBIT margin in consultancy is at ~27% vs. 3-5% in turnkey segment). We believe that this segment is expected to witness significant recovery led by execution of existing contracts and healthy orders pipeline in domestic & international markets. Apart from the existing core areas, company is looking for newer growth segments like green hydrogen, ammonia, bio-fuels, coal gasification, defence etc in margin-accretive consultancy segment. These new segments provide huge orders opportunity for EIL over the next 3-5 years. Moreover, focus is also on gaining orders from international markets (which contribute ~30% to the total consultancy orders) like South America, Middle-East, Africa

Rating and Target Price

- We believe that company's financial performance to improve significantly over FY23-25E (as compared to muted performance during FY20-23), led by improvement in execution of healthy order-book, strong order inflow opportunity and recovery in high-margin consultancy business
- Valuation at 18.8x P/E on FY26E basis looks attractive given the strong visibility on earnings growth in the coming period. We recommend BUY on EIL with target price of ₹ 240 per share (based on 23x FY26E EPS)



Particulars

Particular	Amount
Market Capitalisation (Rs Crore)	11,016
FY23 Debt (Rs Crore)	0
FY23 Cash (Rs Crore)	1,096
EV (Rs Crore)	9,920
52 Week H/L (Rs)	274 / 70
Equity Capital (Rs Crore)	281.0
Face Value	5

Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	51.3	51.3	51.3	51.3
FII	8.0	7.7	7.9	7.6
DII	15.8	18.5	17.2	15.5
Others	24.9	22.5	23.6	25.6

Price Chart



Key risks

- Dependent on govt contracts
- Slowdown in capex
- Delays in execution

Research Analyst

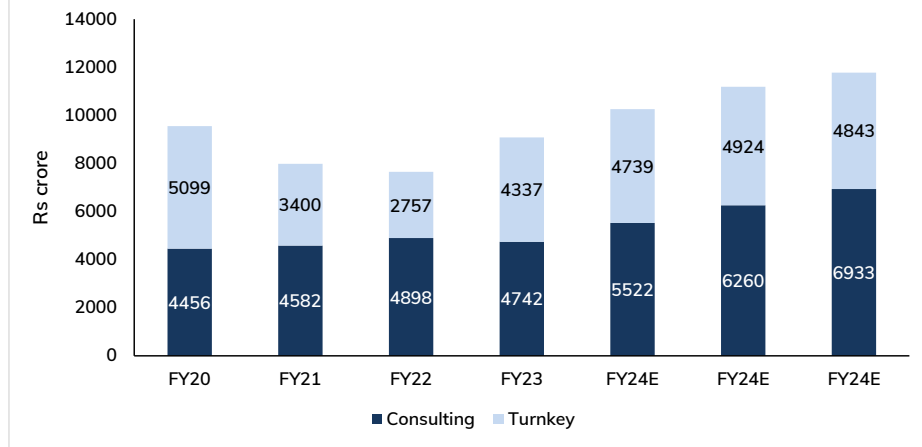
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Key Financial Summary

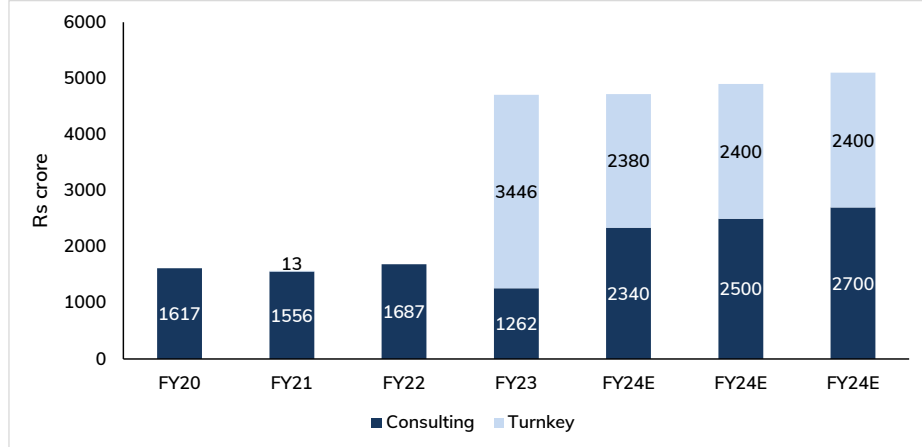
(Rs crore)	FY20	FY21	FY22	FY23	3 year CAGR (FY20-23)	FY24E	FY25E	FY26E	3 year CAGR (FY23-26E)
Revenue	3,237	3,144	2,913	3,330	1.0	3,538	3,978	4,508	10.6
EBITDA	453	350	344	308	(12.0)	359	450	538	20.4
EBITDA Margin (%)	14.0	11.1	11.8	9.3		10.1	11.3	11.9	
Net Profit	424	249	140	346	(6.5)	393	488	587	19.2
EPS (₹)	7.5	4.4	2.5	6.2		7.0	8.7	10.4	
P/E (x)	26.0	30.4	79.0	31.8		28.0	22.6	18.8	
EV/EBITDA (x)	17.2	26.4	27.1	31.2		25.3	19.2	15.2	
RoCE (%)	20.5	22.8	22.2	23.8		21.7	23.6	24.8	
RoE (%)	17.6	20.7	7.9	17.7		18.1	20.2	21.7	

Exhibit 1: Order-book mix trend for Consultancy and Turnkey segments (₹ crore)



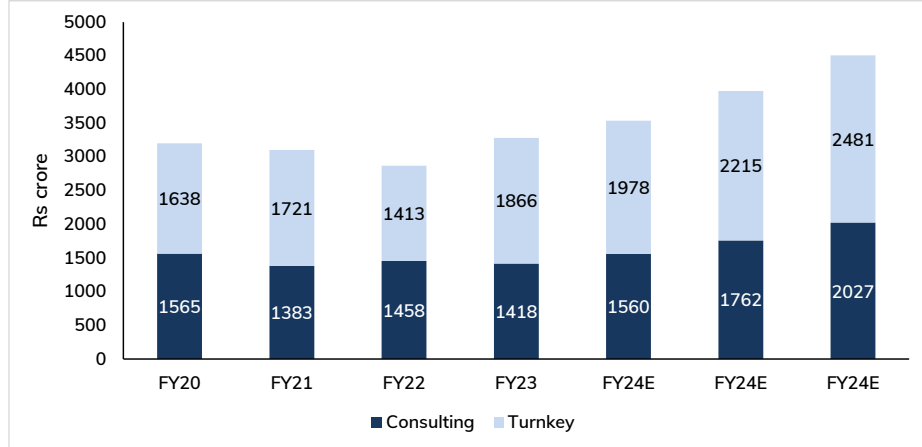
Source: Company, ICICI Direct Research

Exhibit 2: Orders inflow trend for Consultancy and Turnkey segments (₹ crore)



Source: Company, ICICI Direct Research

Exhibit 3: Revenue trend for Consultancy and Turnkey segments (₹ crore)



Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement				
	₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E
Revenue	3,330	3,538	3,978	4,508
% Growth	14.3	6.2	12.4	13.3
Other income	164	198	238	285
Total Revenue	3,494	3,736	4,215	4,793
Employee Expenses	953	987	1,086	1,194
Other expenses	2,068	2,192	2,442	2,776
Total Operating Expenditure	3,022	3,179	3,528	3,970
Operating Profit (EBITDA)	308	359	450	538
% Growth	(10.4)	16.4	25.4	19.6
Interest	2	3	3	3
PBDT	471	554	684	820
Depreciation	26	32	36	40
PBT before Exceptional Items	446	522	649	780
Total Tax	101	130	162	195
PAT before MI	344	391	486	585
PAT	346	393	488	587
% Growth	148.2	13.6	24.1	20.2
EPS	6.2	7.0	8.7	10.4

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement				
	₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E
Profit after Tax	346.3	393.5	488.5	587.2
Depreciation	25.7	31.8	35.8	39.7
Interest	1.5	3.0	3.0	3.0
Cash Flow before WC changes	373.5	428.3	527.3	629.9
Changes in inventory	1.2	(0.9)	(0.2)	0.0
Changes in debtors	18.3	(41.7)	(52.6)	(63.3)
Changes in loans & Advances	(2.1)	(2.9)	(0.6)	(2.8)
Changes in other current assets	(60.4)	0.4	-	(1.0)
Net Increase in Current Assets	(356.4)	63.0	(116.8)	(154.7)
Changes in creditors	26.1	21.8	47.3	57.0
Changes in provisions	(55.4)	55.7	142.3	92.9
Net Increase in Current Liabilities	4.9	306.1	346.9	356.1
Net CF from Operating activities	22.0	797.3	757.4	831.3
Changes in deferred tax assets	3.2	-	-	-
(Purchase)/Sale of Fixed Assets	(62.0)	(60.0)	(60.0)	(60.0)
Net CF from Investing activities	(152.3)	(66.3)	(60.0)	(60.0)
Dividend and Dividend Tax	(168.6)	(196.7)	(241.7)	(297.9)
Net CF from Financing Activities	(156.2)	(188.9)	(244.7)	(300.9)
Net Cash flow	(286.5)	542.1	452.7	470.4
Opening Cash/Cash Equivalent	1,382.9	1,096.4	1,638.5	2,091.2
Closing Cash/ Cash Equivalent	1,096.4	1,638.5	2,091.2	2,561.6

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet				
	₹ crore			
(Year-end March)	FY23	FY24E	FY25E	FY26E
Equity Capital	281.0	281.0	281.0	281.0
Reserve and Surplus	1,681	1,887	2,134	2,423
Total Shareholders funds	1,962	2,168	2,415	2,704
Other Non Current Liabilities	28.1	30.0	30.0	31.0
Total Debt	-	-	-	-
Total Liabilities	1,990	2,198	2,445	2,735
Gross Block	407.7	467.7	527.7	587.7
Acc: Depreciation	161.5	193.4	229.2	268.9
Net Block	246.2	274.3	298.5	318.9
Capital WIP	25.9	25.0	25.0	25.0
Total Fixed Assets	272.1	299.3	323.5	343.9
Non Current Assets	549.2	556.9	556.9	557.9
Inventory	1.2	2.1	2.3	2.3
Debtors	367.6	409.4	461.9	525.3
Loans and Advances	14.1	17.0	17.6	20.4
Other Current Assets	398.2	290.1	353.5	440.1
Cash	1,096.4	1,638.5	2,091.2	2,561.6
Total Current Assets	2,500.9	2,980.1	3,549.6	4,174.7
Current Liabilities	346.6	368.4	415.8	472.7
Provisions	734.9	790.6	932.9	1,025.8
Net Current Assets	102.5	275.6	498.2	767.1
Total Assets	1,990	2,198	2,445	2,735

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios				
(Year-end March)	FY23	FY24E	FY25E	FY26E
Per Share Data				
EPS	6.2	7.0	8.7	10.4
Cash per Share	24.8	34.5	42.5	50.9
BV	34.9	38.6	43.0	48.1
Dividend per share	3.0	3.5	4.3	5.3
Dividend payout ratio	49%	50%	49%	51%
Operating Ratios				
EBITDA Margin	9.3	10.1	11.3	11.9
PAT Margin	10.4	11.1	12.3	13.0
Return Ratios				
RoE	17.7	18.1	20.2	21.7
RoCE	23.8	21.7	23.6	24.8
Valuation Ratios				
EV / EBITDA	31.2	25.3	19.2	15.2
P/E	31.8	28.0	22.6	18.8
EV / Net Sales	2.8	2.4	2.0	1.7
Sales / Equity	1.8	1.7	1.7	1.8
Market Cap / Sales	3.2	2.9	2.6	2.3
Price to Book Value	5.6	5.1	4.6	4.1
Turnover Ratios				
Asset turnover	8.6	8.0	8.0	8.2
Debtors Turnover Ratio	9.3	9.6	9.7	9.7
Creditors Turnover Ratio	10.5	10.4	10.8	10.8
Solvency Ratios				
Debt / Equity	-	-	-	-
Current Ratio	0.5	0.5	0.5	0.5
Quick Ratio	0.5	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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