

Market Cap.
Rs. 4,780 Cr.
52 Week H/L
Rs. 91/50
CMP
Rs. 76
Target Price
Rs. 134

ENGINEERING

STOCK DATA

BUY

 Reuters Code **ENGI.BO**
 Bloomberg Code **ENGR.IN**

 BSE Code **532178**
 NSE Symbol **ENGINERSIN**

 Face Value **Rs. 5**

 Shares Outstanding **62.9 Cr**

 Avg. Daily Volume (6m) **28,00,078 Shares**

Price Performance (%)

1M 3M 6M

(5) 8 13

200 days EMA Rs. 74

SHARE HOLDING (%)

Promoters	51.5
FII	6.8
FI / MF	21.3
Bodies Corporate	1.7
Public & Others	18.7

RESEARCH ASSOCIATE

 Dhruvin Upadhyay | +91 22 4093 4082
dhruvin.upadhyay@sushilfinance.com

Sales:

 Devang Shah | +91 22 4093 6060/61
devang.shah@sushilfinance.com

Engineers India Ltd. has reported numbers for the quarter ended Dec'20. Following are the highlights of the result.

Particulars (INR Cr)	Q3FY21	Q2FY21	QoQ	Q3FY20	YoY
Net Sales	845.5	692.3	22.1%	899.2	-6.0%
EBITDA	77.2	79.2	-2.5%	89.8	-14.1%
EBITDA Margin	9.1%	11.4%	-231 Bps	10.0%	-86 Bps
Profit before Tax	120.4	122.3	-1.6%	150.4	-19.9%
Profit after Tax	88.1	88.3	-0.3%	111.8	-21.2%
PAT Margin	10.4%	12.8%	-234 Bps	12.4%	-202 Bps
EPS	1.39	1.40	-0.7%	1.77	-21.5%

Segmental Results	Q3FY21	Q2FY21	QoQ	Q3FY20	YoY
Sales					
Consultancy	367.0	354.1	3.7%	373.7	-1.8%
Turnkey	478.5	338.2	41.5%	525.5	-9.0%
Total Sales	845.5	692.3		899.2	
EBIT					
Consultancy	93.6	95.7	-2.2%	94.8	-1.2%
Consultancy (%)	25.5%	27.0%	-152 Bps	25.4%	14 Bps
Turnkey	6.5	6.3	3.7%	16.0	-59.2%
Turnkey (%)	1.4%	1.9%	-50 Bps	3.0%	-168 Bps

CONFERENCE CALL HIGHLIGHTS:

For Q3FY21 and 9MFY21:

- During 9MFY21, EIL achieved a turnover of INR 2,138 Cr, which was down by 16% as compared to turnover of INR 2,538 Cr in 9MFY20. Segmental breakup for 9MFY21 is as follows; Consultancy, INR 978 Cr (Domestic: Rs.729 Cr & Overseas: Rs. 248 Cr) down by 15% on a YoY basis. Turnkey turnover is INR 1,009 Cr down by 15%.
- The operating profit for 9MFY21 stands at INR 239 Cr, compared to INR 414 Cr of previous period. The operating profit of 9MFY20 includes an amount of Rs. 84 Cr wrt. variation order received during Q1FY20 for Consultancy projects. Additionally, one time impairment expense to the tune of Rs. 26 Cr is also included in 9MFY20 in other expenses on account of impairment of exploration expenditure relating to the oil & gas exploration blocks.
- In **Consultancy** sector, EIL achieved profit margin of 22%, down by 829 Bps compared to the margins in 9MFY20. In Q3FY21, the margins were 25% down by ~152 Bps on a QoQ basis. The company's **Turnkey** margins remain at the same level of around 1% to 2%.
- In order to optimally utilize the huge cash balance available with the company, EIL has approved a buy back of shares @Rs. 84 per share. The total size of the buy back is ~Rs. 740 Cr (Incl. of taxes). GOI is also to participate in the buy back, however they are to maintain a 51% stake in the company.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	REPS (Rs.)	P/E (x)	P/S (x)	P/BV (x)
FY19	2,444.3	365.8	369.9	15.1%	5.85	13.0	2.0	2.1
FY20	3,203.1	443.0	430.2	13.4%	6.81	11.2	1.5	2.0
FY21E	2,919.3	260.5	327.0	11.2%	5.07	15.0	1.6	2.0
FY22E	3,357.2	553.9	547.1	16.3%	8.66	8.8	1.4	1.8

- EIL also announced that the manufacturing plant of **Ramagundam Fertilizers & Chemicals Ltd (RFCL)** is to be commissioned by the end of February. The details of the company are as follows:
 - **Total Equity:** Rs. 1,700 Cr, **Debt:** Rs. 4,300 Cr & **WC Financing:** Rs. 1,650 Cr
 - **Production Capacity:** 1,527 MNTPA
 - **Expected EBITDA:** 29% -32%
 - One of the issues with Urea business is that the subsidy given by the government is often delayed. However, the management has taken this factor into consideration while disclosing the expected EBITDA margins.
 - Primary focus of the company is to reduce debt on an annual basis and also provide dividends to the shareholders. They are considering for an IPO at a later stage.
 - **Shareholding of RFCL:** Engineers India Ltd: 26% upon an investment of Rs. 447 Cr, National Fertilizers Ltd: 26%, GAIL: 14.3%, Haldor Topsoe, Denmark: 11.7%, Fertilizer Corp of India: 11% and Government of Telangana: 1%.
- The company secured orders worth Rs. 863 Cr in 9MFY21 out of which, Consultancy (Domestic): Rs. 750.1 Cr, Consultancy (Overseas): Rs. 100.5 Cr and Turnkey: Rs. 13 Cr.
- Total Cumulative order book as on Dec 20: Rs. 8,297 Cr. Consultancy: 51% and Turnkey: 49%.

SERVICE	DETAILS OF ORDERS SECURED IN Q3FY21	CLIENT	VALUE (RS. CR)	AWARD DATE	COMPLETION DATE
Consultancy	EPCM Services for Coker- B Revamp under Barauni Refinery Capacity Expansion Project	IOCL	74.2	Nov 20	May 24
Consultancy	PMC Services for Part-B (Nagpur-Jharsuguda & NTPC Korba Spur Section) of Mumbai-Nagpur-Jharsuguda Pipeline (MNJPL) Project	GAIL	49.0	Dec 20	June 23
Consultancy	Provision of manpower to assist the Engineer on MAHSR C-4, MAHSR C-6 and MAHSR P-4 Contract Packages of Mumbai-Ahmedabad High Speed Rail Project	NHSRCL	30.7	Dec 20	June 21
Consultancy	Supply of License, Basic Engineering Design Package (BEDP), Catalyst and Other Related Services for Sulphur Recovery Unit (SRU) for Numaligarh Refinery Expansion Project (NREP)	NRL	24.3	Sep 20	Nov 25
Consultancy	Various engineering services assignments under empanelment agreement with Client (2 nos)	ADNOC Offshore	2.2 3.6	Oct 20 Dec 20	Jan 21 Sep 21

New Projects Undertaken

UPSTREAM ASSETS NELP IX	Agency	JV Partners	State	Capacity	Appx. Project Cost	EIL Investment
CB-ONN-2010/8	BPRL	BPRL: 25%; GAIL: 25%; EIL: 20%; BFIL: 20%; MIEL: 10%	Gujarat	Exploration Acreage 42 Sq. Kms.	Rs. 300 Cr / USD 50 Mn (During Bidding Stages)	Rs. 100 Cr
CB-ONN-2010/11	GAIL	BPRL: 25%; GAIL: 25%; EIL: 20%; BFIL: 15%; MIEL: 15%	Gujarat	Exploration Acreage 131 Sq. Kms.		

Source: Company, Sushil Finance Research

OUTLOOK AND VALUATION

We have revised our estimates looking at the recovery in the business operations, industry growth, new projects undertaken, business secured and the order book position of the company. We have forecasted revenue for FY22 to be Rs.3,357 Cr with a PAT of Rs.547 Cr and EPS of Rs.8.66. We have assigned a P/E multiple of ~15X and have arrived at a target price of ~Rs.134 within an investment horizon of 12 to 18 months. The target price gives an upside of ~75%, hence the rating of the company is BUY.



Profit & Loss Statement

(Rs. Cr)

Particulars	FY19	FY20	FY21E	FY22E
Revenue	2,444.3	3,203.1	2,919.3	3,357.2
Tech Assistance/Sub Contracts	451.1	1,089.5	1,072.5	1,107.9
Construction Material & Equip	611.6	468.1	368.1	419.7
Employee Cost	757.1	844.4	926.3	940.0
Other Expenses	258.8	358.1	292.0	335.7
EBITDA	365.8	443.0	260.5	553.9
EBITDA (%)	15.0%	13.8%	8.9%	16.5%
Depreciation	22.4	23.8	22.8	23.9
Finance Cost	1.2	1.7	1.8	2.0
Other Income	225.1	258.0	203.3	201.4
PBT (as reported)	567.3	675.5	439.2	729.4
Tax	197.4	245.3	112.2	182.4
PAT	369.9	430.2	327.0	547.1
PAT (%)	15.1%	13.4%	11.2%	16.3%
EPS	5.85	6.81	5.07	8.66

Balance Sheet Statement

(Rs. Cr)

Particulars	FY19	FY20	FY21E	FY22E
Share capital	316.0	316.0	316.0	316.1
Reserves and surplus	1,959.9	2,029.5	2,064.6	2,326.3
Net Worth	2,275.8	2,345.5	2,380.6	2,642.4
Non Current Liabilities	8.5	14.4	13.4	15.1
Trades payable	247.6	279.7	230.1	285.0
Other Current Liabilities	2,152.6	2,389.3	2,088.5	2,195.1
Total Equities & Liabilities	4,684.5	5,028.8	4,712.6	5,137.5
Property, Plant & Equipment	215.9	208.5	217.0	230.0
Capital WIP	33.7	2.1	0.0	0.0
Right to use Assets	0.0	13.3	13.3	13.3
Investment Property	27.4	47.6	49.6	53.7
Intangible Assets	20.7	3.3	2.9	3.4
Trade receivables	414.1	666.1	548.1	794.8
Cash and cash equivalents	2,661.1	2,722.5	2,588.8	2,562.7
Other Current Assets	672.9	577.0	522.2	612.7
Non Current Assets	638.8	788.3	770.7	866.9
Total Assets	4,684.5	5,028.8	4,712.6	5,137.5

Source: Company, Sushil Finance Research

Cash Flow Statement

(Rs. Cr)

Particulars	FY19	FY20	FY21E	FY22E
Cash Flow from Operating				
PBT	567.3	675.5	439.2	729.4
Depreciation & Amortization	22.4	23.8	22.8	23.9
Finance Cost	1.2	1.7	1.8	2.0
Income Tax paid	(197.4)	(245.3)	(112.2)	(182.4)
Changes in Inventory	(5.8)	0.3	1.2	(3.0)
Changes in Debtors	130.8	(252.0)	118.0	(246.6)
Changes in other Current Assets	(136.6)	95.6	53.7	(87.6)
Changes in Trade Payables	29.6	32.1	(49.5)	54.8
Changes in other Current Liabilities	133.3	40.0	(300.8)	106.6
Cash Flow from Operations	544.7	371.7	174.2	397.2
Cash flow from Investing				
Capex/(Sales)	(28.1)	15.1	(29.2)	(36.9)
Changes in non Current assets	32.3	(242.5)	16.0	(100.8)
Cash flow from Investing	4.2	(227.5)	(13.2)	(137.7)
Cash Flow from Financing				
Dividend Paid	(226.7)	(330.1)	(291.9)	(285.4)
Changes in Non Current Liabilities	(133.8)	(2.7)	(2.8)	(0.2)
Cash Flow from Financing	(360.5)	(332.8)	(294.7)	(285.6)
Increase/ Decrease in Cash	188.4	(188.5)	(133.7)	(26.1)
Opening Cash	24.6	213.0	24.5	(109.3)
Closing Cash	213.0	24.5	(109.3)	(135.4)
Bank Balance	2,448.1	2,698.1	2,698.1	2,698.1
Total Cash & Cash Equivalent	2,661.1	2,722.5	2,588.8	2,562.7

Financial Ratio Statement

Particulars	FY19	FY20	FY21E	FY22E
Growth (%)				
Revenue	36.7%	31.0%	-8.9%	15.0%
EBITDA	-11.4%	21.1%	-41.2%	112.7%
Net Profit	-2.1%	16.3%	-24.0%	67.3%
Profitability (%)				
EBITDA Margin	15.0%	13.8%	8.9%	16.5%
Net Profit Margin	15.1%	13.4%	11.2%	16.3%
ROCE	25.0%	28.9%	18.5%	27.7%
ROE	16.3%	18.3%	13.7%	20.7%
Per Share Data (Rs.)				
EPS	5.9	6.8	5.1	8.7
BVPS	36.0	37.1	37.7	41.8
Valuation (x)				
P/E	13.0	11.2	15.0	8.8
P/BV	2.1	2.0	2.0	1.8
P/Sales	2.0	1.5	1.6	1.4
EV/EBITDA	5.9	4.7	8.5	4.0
Turnover				
Debtor days	61.8	75.9	75.9	73.0
Inventory days	1.0	0.8	0.8	0.8
Creditor days	37.0	31.9	31.9	28.0
Free Cash Flow to the Firm	517.5	387.9	146.3	361.8
Free Cash Flow to Equity	516.7	386.8	145.0	360.3

Source: Company, Sushil Finance Research

Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
26-Nov-20	Q2FY21 Update	Buy	73	134
31-Aug-20	Q1FY21 Update	Buy	71	134
29-Jun-20	Q4FY20 Update	Buy	80	134
11-Nov-19	Q2FY20 Update	Buy	106	125
29-Jul-19	Re-instating Coverage	Buy	102	125

Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 20%	HOLD : 0% to 20%	SELL : 0% to -20%
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Research Analyst – SEBI Registration No. INH000000867

Regd. Office : 12, Homji Street, Fort, Mumbai 400 001.

Phone: +91 22 40936000 Fax: +91 22 22665758

Email : info@sushilfinance.com

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Broking Relationship with the company covered	No