

Market Cap.
Rs.4,721
52 Week H/L
Rs.94/61
CMP
Rs.84
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 **56.20 Cr**

 Avg. Daily Volume (6m) **42,37,209 Shares**

Price Performance (%)

1M	3M	6M
17	4	13

200 days EMA Rs. 78

SHARE HOLDING (%)

Promoters	51.3
FII	7.0
FI / MF	15.7
Bodies Corporate	2.1
Public & Others	23.9

RESEARCH ASSOCIATE

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Engineers India Ltd. has reported numbers for the quarter ended Mar'21. Following are the highlights of the result.

Particulars (INR Cr)	Q4FY21	Q3FY21	QoQ	Q4FY20	YoY
Net Sales	1,116.7	836.7	33.5%	853.8	30.8%
EBITDA	164.0	75.1	118.5%	111.0	47.7%
EBITDA Margin	14.7%	9.0%	571 Bps	13.0%	168 Bps
Profit before Tax	198.6	117.6	68.9%	172.2	15.3%
Profit after Tax	30.5	88.2	(65.4%)	129.7	(76.5%)
PAT Margin	2.7%	10.5%	(781) Bps	15.2%	(1246) Bps
EPS	0.54	1.39	(61.2%)	2.05	(73.7%)

Segmental Results (INR Cr)

Sales

Consultancy	404.7	358.3	13.0%	401.7	0.8%
Turnkey	712.0	478.5	48.8%	452.2	57.5%
Total Sales	1,116.7	836.7	33.5%	853.8	30.8%

EBIT

Consultancy	156.4	91.0	71.8%	137.3	13.8%
Consultancy (%)	38.6%	25.4%	1324 Bps	34.2%	444 Bps
Turnkey	40.0	6.5	515.3%	13.0	207.3%
Turnkey (%)	5.6%	1.4%	426 Bps	2.9%	274 Bps

OTHER HIGHLIGHTS:

For Q4FY21 and FY21:

- During FY21, EIL achieved a turnover of INR 3,104.7 Cr, which was down by ~3% as compared to turnover of INR 3,203.1 Cr in FY20. Segmental breakup for FY21 is as follows; Consultancy, INR 1,383 Cr (Domestic: Rs.1,039 Cr & Overseas: Rs. 344 Cr) down by ~11% on a YoY basis. Turnkey turnover is INR 1,721 Cr showing a growth of ~5%.
- The operating profit for FY21 stands at INR 337 Cr, compared to INR 443 Cr of previous period. The operating profit of FY20 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 FY20 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 ~28%, down by 441 Bps compared to the margins in FY20. Additionally in Q4FY21, the consultancy margins were ~39% which were up by ~1324 Bps and 444 Bps on a QoQ basis and YoY basis respectively. Operating margins in the **Turnkey** business improved substantially in Q4FY21 to 5.6% showing a growth of 426 Bps and 274 Bps on a QoQ and YoY basis respectively.
- The revenue mix in Q4FY21 has shifted substantially towards the turnkey segment where the segmental breakup is **Consultancy 36%** and **Turnkey: 64%**.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	REPS (Rs.)	P/E (x)	P/S (x)	EV/EBITDA (x)
FY20	3,203.1	443.0	430.2	13.4%	6.81	12.3	1.7	5.8
FY21	3,104.7	337.7	259.5	8.4%	4.16	20.1	1.5	10.2
FY22E	3,415.2	341.5	378.3	11.1%	6.73	12.4	1.4	9.9
FY23E	3,825.0	514.3	506.6	13.2%	9.01	9.3	1.2	6.2

- EIL also announced that the manufacturing plant of **Ramaghandam Fertilizers & Chemicals Ltd (RFCL)** commissioned by Feb-21. 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 Million Tonne Per Annum
 - **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. 1,569 Cr in FY21 out of which, Consultancy (Domestic): Rs. 1455 Cr, Consultancy (Overseas): Rs. 101 Cr and Turnkey: Rs. 13 Cr.
- Total Cumulative order book as on March 21: Rs. 7,981 Cr. Consultancy: 57% and Turnkey: 43%.
- The employee benefit of PF is administered through a separate EIL Employees Provident Fund Trust and out of the investments made by PF Trust in the past, some issuers of securities have defaulted in interest payments and/or principal repayments. The amortized value of probable future principal defaults is Rs. 193 Crore as at 31 March 2021, considering the Employers obligation to make good the loss in value of these investments under the Provident Fund regulations, the Company has provided in its books 80% of the amortized value (of probable future principal defaults) amounting to ~155 Crore in the current year and charged to statement of Profit & Loss as an exceptional item owing to which the PAT has reduced by a large amount.**

SERVICE	DETAILS OF ORDERS SECURED IN Q4FY21	CLIENT	VALUE (RS. CR)	AWARD DATE	COMPLETION DATE
Consultancy	Post Bid Engineering Services to BHEL for EPC tender for Standby SRU(525TPD) Train of IOCL Paradip Refinery	BHEL	29.6	Feb 21	Mar 23
Consultancy	Consultancy for Overall Project Management and EPCM Services for Capacity Expansion of Panipat Refinery from 15MMTPA to 25MMTPA (P-25 Project) (Phase – III).	IOCL	617	Mar 21	Jan 25
Consultancy	PMC Services for Krishnagiri-Coimbatore section of KKBMP-III Project	GAIL	23	Mar 21	Mar 24
Consultancy	EPCM Services for MR-II Project at HPCL Mumbai Refinery (Change Order)	HPCL	10	Mar 21	N/A

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.		

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. Hence, we have revised estimates upwards and FY23, where the revenue for FY23E is expected to be Rs. 3,825 Cr with a PAT of Rs. 514 Cr and EPS of Rs. 9.01. We have assigned an EV/EBITDA multiple of ~12X 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 ~60% with a BUY rating.



Profit & Loss Statement

(Rs. Cr)

Particulars	FY20	FY21	FY22E	FY23E
Revenue	3,203.1	3,104.7	3,415.2	3,825.0
Tech Assistance/Sub Contracts	1,089.5	1,144.7	1,263.6	1,415.2
Construction Material & Equip	468.1	518.3	580.6	597.7
Employee Cost	844.4	858.3	956.2	990.4
Other Expenses	358.1	245.6	273.2	307.4
EBITDA	443.0	337.7	341.5	514.3
EBITDA (%)	13.8%	10.9%	10.0%	13.4%
Depreciation	23.8	23.4	22.9	24.7
Finance Cost	1.7	3.7	2.0	2.0
Other Income	258.0	194.9	187.8	187.8
PBT (as reported)	675.5	505.5	504.4	675.4
Exceptional Items	-	155.0	-	-
Tax	245.3	91.1	126.1	168.9
PAT	430.2	259.5	378.3	506.6
PAT (%)	13.4%	8.4%	11.1%	13.2%
EPS	6.81	4.16	6.73	9.01

Balance Sheet Statement

(Rs. Cr)

Particulars	FY20	FY21	FY22E	FY23E
Share capital	316.0	281.0	316.1	316.1
Reserves and surplus	2,029.5	1,420.0	1,508.0	1,689.4
Net Worth	2,345.5	1,701.0	1,824.0	2,005.5
Non Current Liabilities	14.4	8.3	15.4	17.2
Trades payable	279.7	413.5	466.0	525.8
Other Current Liabilities	2,389.3	2,255.4	2,396.9	2,643.5
Total Equities & Liabilities	5,028.8	4,378.2	4,702.3	5,191.9
Property, Plant & Equipment	208.5	205.6	221.3	238.8
Capital WIP	2.1	1.1	0.0	0.0
Right to use Assets	13.3	11.9	11.9	11.9
Investment Property	47.6	40.8	54.6	61.2
Intangible Assets	3.3	2.6	3.4	3.8
Trade receivables	666.1	518.4	604.3	668.1
Cash and cash equivalents	2,722.5	1,258.5	1,342.3	1,494.2
Other Current Assets	577.0	738.8	773.7	866.3
Non Current Assets	788.3	1,600.5	1,690.7	1,847.6
Total Assets	5,028.8	4,378.2	4,702.3	5,191.9

Source: Company, Sushil Finance Research

Cash Flow Statement
(Rs. Cr)

Particulars	FY20	FY21	FY22E	FY23E
Profit before tax	675.5	505.5	504.4	675.4
Depreciation & Amortization	23.8	23.4	22.9	24.7
Finance Cost	1.7	3.7	2.0	2.0
Income Tax paid	(245.3)	(91.1)	(126.1)	(168.9)
Changes in Inventory	0.3	4.8	(0.0)	0.0
Changes in Debtors	(252.0)	147.7	(85.9)	(63.8)
Changes in other Current Assets	95.6	(166.5)	(34.9)	(92.6)
Changes in Trade Payables	32.1	133.8	52.6	59.7
Changes in other Current Liabilities	40.0	(401.5)	141.5	246.6
Cash Flow from Operations	371.7	159.8	476.5	683.2
Capex/(Sales)	15.1	(19.5)	(37.6)	(42.1)
Changes in non Current assets	(242.5)	806.7	(104.9)	(163.9)
Cash flow from Investing	(227.5)	787.3	(142.5)	(205.9)
Dividend Paid	(330.1)	(174.4)	(290.3)	(325.1)
Changes in Non Current Liabilities	(2.7)	(729.3)	40.0	(0.2)
Cash Flow from Financing	(332.8)	(903.7)	(250.2)	(325.3)
Increase/ Decrease in Cash	(188.5)	43.4	83.8	151.9
Opening Cash	213.0	24.5	67.8	151.6
Closing Cash	24.5	67.8	151.6	303.5
Bank Balance	2,698.1	1,190.7	1,190.7	1,190.7
Total Cash & Cash Equivalent	2,722.5	1,258.5	1,342.3	1,494.2

Financial Ratio Statement

Particulars	FY20	FY21	FY22	FY23
Growth (%)				
Revenue	31.0%	-3.1%	10.0%	12.0%
EBITDA	21.1%	-23.8%	1.1%	50.6%
Net Profit	16.3%	-39.7%	45.8%	33.9%
Profitability (%)				
EBITDA Margin	13.8%	10.9%	10.0%	13.4%
Net Profit Margin	13.4%	8.4%	11.1%	13.2%
ROCE	28.9%	29.9%	27.8%	33.8%
ROE	18.3%	15.3%	20.7%	25.3%
Per Share Data (Rs.)				
EPS	6.8	4.2	6.7	9.0
BVPS	37.1	30.3	32.5	35.7
Valuation (x)				
P/E	12.3	20.1	12.4	9.3
P/BV	2.3	2.8	2.6	2.3
P/Sales	1.7	1.5	1.4	1.2
EV/EBITDA	5.8	10.2	9.9	6.2
Turnover				
Debtor days	76	61	60	68
Inventory days	1	0	0	0
Creditor days	32	49	47	53
Free Cash Flow to the Firm	387.9	143.3	440.4	642.6
Free Cash Flow to Equity	386.8	140.3	438.9	641.1

Source: Company, Sushil Finance Research

Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
12-Feb-21	Q3FY21 Update	Buy	76	134
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	Hold	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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Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No