

- ❑ Engineers India Limited (EIL) has reported a growth of 53.7% in its consolidated revenue at Rs.8,992 million in Q3-FY20 as against Rs.5,851 million in Q3-FY19. Revenue from the turnkey segment grew by 124.1% YoY while consultancy revenue grew by 6.6% YoY. Accordingly, consultancy segment contributed 41.6% to the overall topline whereas turnkey segment contributed 58.4% to the overall topline .
- ❑ On profitability front, the company has reported operating margins of 10.0% at Rs.898 million in Q3-FY20 as against 16.8% at Rs.984 million in Q3-FY19, registering a decline of 684 basis points. This was mainly on account of change in revenue mix (higher contribution from Turnkey), higher provision for the contractual obligation and write backs in base quarter. The company's profit after tax (PAT) for the quarter stood at Rs.1,118 million in Q3-FY20 as against Rs.936 million in Q3-FY19, registering a growth of 19.5% YoY.
- ❑ Order inflows for Q3-FY20 were at Rs.3,607 million all of which came from consultancy segment. Within consultancy, order inflow comprises Rs.3,278 million from domestic and Rs.329 million from overseas markets. Order backlog as at the end of Q3-FY20 stands at Rs.1,01,640 million with order mix of 45:55 from consultancy and turnkey segment respectively.
- ❑ For FY21E, expected orders in pipeline includes NRL, BPCL (Mumbai) expansion, petrochemical expansion of HMEL, MRPL expansion, Panipat expansion, etc. Additionally, Bina refinery capacity expansion, Mangalore refinery capacity expansion and CPCL Nagapattinam expansion are also in the pipeline. However, a likely change in ownership of NRL and likely possibility of timeline changes for IOC projects could delay the ordering. Hence, the management has taken a cautious stance on the timeline of these projects.
- ❑ Turnkey business is likely to provide robust momentum with large projects in advance level of execution. Consultancy segment will remain strong going forward. The bid pipeline is robust with strong opportunity in the hydrocarbon spaces.
- ❑ Sizeable growth potential in sector, huge imminent capex in hydrocarbon sector, asset-light business model, debt-free balance-sheet, healthy revenue and earnings growth and robust return ratios continue to augur well for EIL. We continue to remain positive on the company and maintain our **BUY** rating on the stock with a revised target price of **Rs.123 per share**.

Financial Results

Consolidated			
(In ₹ mn)	Q3-FY20	Q3-FY19	Chg
Net Sales	8,992	5,851	53.7%
Operating Expense	8,094	4,867	
EBITDA	898	984	-8.8%
Other Income	667	527	
Depreciation	56	53	
EBIT	1,508	1,459	
Interest	4	3	
PBT	1,504	1,456	
Tax	379	517	
Exceptional Items	-	-	
PAT	1,125	939	
Minority /Other Adj.	(7)	(3)	
Consolidated PAT	1,118	936	19.5%

Margins

Consolidated			
Margins	Q3-FY20	Q3-FY19	Chg BPS
Operating Margin %	10.0%	16.8%	-684
Net Margin %	12.4%	16.0%	-356

Source: Company, Anand Rathi Research



Financials

(In ₹ mn)	FY-18	FY-19	FY-20E	FY-21E
Net Sales	18,300	24,767	32,396	34,339
Operating Expense	14,045	20,996	27,763	29,647
EBITDA	4,255	3,772	4,633	4,693
Other Income	1,796	2,223	2,423	2,500
Depreciation	240	225	243	258
EBIT	5,811	5,770	6,813	6,935
Interest	20	28	16	16
Misc. items	-	-	-	-
PBT	5,791	5,742	6,797	6,919
Tax	1,957	2,013	2,382	1,741
Minority Interest	(0)	(34)	-	-
PAT	3,833	3,696	4,414	5,177

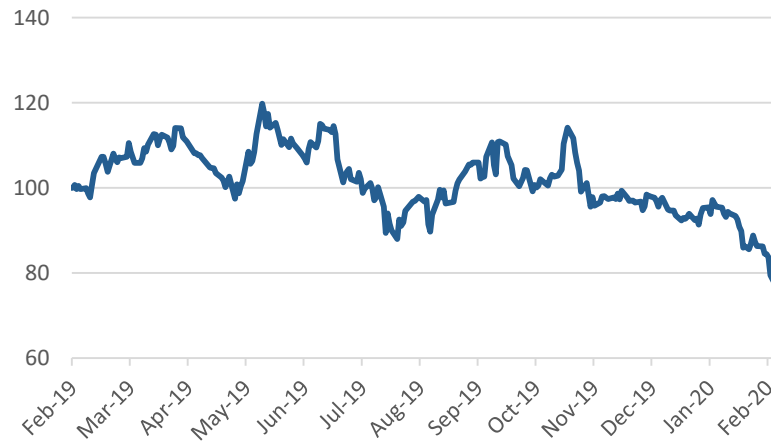
Margins	FY-18	FY-19	FY-20E	FY-21E
Sales Growth %	24.2%	35.3%	30.8%	6.0%
Operating Margin %	23.3%	15.2%	14.3%	13.7%
Net Margin %	20.9%	14.9%	13.6%	15.1%

(In ₹ mn)	FY-18	FY-19	FY-20E	FY-21E
Liabilities				
Equity Share Capital	3,160	3,160	3,160	3,160
Reserves & Surplus	20,253	20,314	24,728	29,905
Total Shareholder's Funds	23,412	23,473	27,887	33,065
Minority Interest	-	-	-	-
Long-Term Liabilities	-	-	-	-
Other Long-term Liabilities	384	6,687	6,687	6,687
Deferred Tax Liability	(3,049)	(2,991)	(2,991)	(2,991)
Short-term Liabilities	27,134	24,030	35,927	37,694
Total	47,882	51,199	67,510	74,454
Assets				
Net Fixed Assets	2,803	2,725	3,440	3,426
Long-Term L&A	501	7,163	7,163	7,163
Non Current Investments	2,460	2,961	2,961	2,961
Other Non-Current Assets	93	104	104	104
Current Asset	42,024	38,246	53,842	60,801
Total	47,882	51,199	67,510	74,454

Particulars	FY-18	FY-19	FY-20E	FY-21E
EPS (₹)	6.1	5.8	7.0	8.2
P/E (x)	13.0	13.5	11.3	9.6
P/B (x)	2.1	2.1	1.8	1.5
ROE	16.4%	15.7%	15.8%	15.7%

Rating and Target Price History:

EIL rating history & price chart



Source: Ace Equity, Anand Rathi Research

NOTE: Prices are as on 18-Feb-20 close.

EIL rating details

Date	Rating	Target Price	Share Price
17-Apr-18	BUY	204	157
1-June-18	BUY	180	132
20-Aug-18	BUY	180	125
20-Nov-18	BUY	180	117
14-Feb-19	BUY	180	113
24-May-19	BUY	180	120
28-Aug-19	BUY	180	104
14-Nov-19	BUY	180	104
18-Feb-20	BUY	123	79

Source: Ace Equity, Anand Rathi Research

Risks :

- Delay in execution.

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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
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