



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Avinash Kumar (022) 67141449

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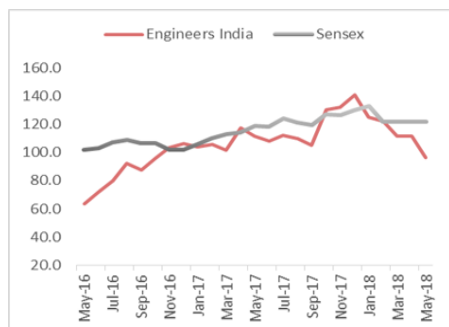
BUY

Current Price	135
Target Price	170
Upside/Downside	26%
52 Week Range	Rs.133/206

Key Share Data

Market Cap (Rs.bn)	85
Market Cap (US\$ mn)	1258
No of o/s shares (mn)	632
Face Value	5
Monthly	2,506,868
Avg.vol(BSE+NSE) Nos	
BSE Code	532178
NSE Code	ENGINERSIN
Bloomberg	ENGR IN

Price performance



% Shareholding

	Mar-18	Dec-17
Promoters	52.0	52.0
FII	6.2	6.5
DII	26.6	25.7
Others	15.2	15.8
Total	100.0	100.0

Steady execution with strong intake outlook: Engineers India Ltd's Q4FY18 revenue from operations grew by 15% YoY to Rs5097mn as against Rs 4429mn in line with our estimate(D&B est Rs 5086mn).The company's EBITDA at 11.3% vs 12.3% YoY, Material & Subcontracting payment & other expenses as % of sales grew 32.2 %, 16% vs 15.4%, 9.4%. The company reported EBITDA of Rs575 mn vs Rs543 mn. The company's PAT grew by 4% YoY to Rs 689 mn as against Rs660 mn. The other income of the company declined by 16% YoY to Rs479 mn. The company's Consultancy & Engg Projects division's revenue declined by 4% yoy to Rs3373 mn as against Rs3509 mn. The division's EBIT stood at Rs896 mn as against Rs 1305mn. The company's Turnkey Projects division's revenue grew by 87% YoY to Rs1725 mn as against Rs920 mn. The company's revenue for FY18 has grown by 21% YoY Rs17.8bn. EBITDA at Rs 4130 mn vs Rs 3928mn. Margins at 23.1% vs 27.1%. PAT at Rs 3779 mn vs Rs 3,834mn (-1% YoY).

Execution picks up in FY18: Order intake fell 62.5% YoY in FY18 due to few large orders and delay in award of HPCL Barmer order. Hence, order backlog was up 1% YoY to Rs79bn (4.4x FY18 revs; Rs42bn in PMC). Revenues +24% YoY and EBITDA +47% YoY to Rs4.3bn on strong order book & positive operating leverage. However, PAT growth was restricted to 27% YoY to Rs4.1bn YoY on lower other income.

Other Highlights: (1) Mgmt expects intake of Rs40bn in FY19 (~Rs20bn LSTK, Rs20bn PMC) (2) HPCL Barmer likely to be finalized in 1-2 months (3) Inflow momentum to sustain orders for brownfield expansions at IOCL (Gujarat, Panipat), BPCL Numaligarh (6mmtpa), petchem projects, strategic reserves, etc (4) Expect international orders to pick up largely driven by medium sized orders (US\$25-50mn) in MENA (5) FY19 revenue growth likely at 15-20% (6) FY19PMC margins likely at 25-30%, LSTK at 5-6% (7) Employee utilisation at >90%; will outsource further employees to limit fixed costs

We reiterate the Buy rating on the stock with a TP of Rs 170

Given that EIL is attractively placed as a strong early cyclical play, with robust demand outlook & the surging oil & gas capex to drive a much longer and larger capex cycle. Most of these will be driven by domestic OMCs like HPCL-Barmer (Rajasthan), West Coast refinery, IOCL-Paradip petchem expansion, Numaligarh refinery, among others. EIL will continue to benefit from investments in downstream hydrocarbon and fertilisers.We assign target P/E of 20x on FY20 EPS and arrive at TP of Rs 170 (25% upside) and maintain Buy rating on the stock.

Key Financials

Rs mln	Net Sales	% Growth	EBITDA	OPM%	PAT	% Growth	EPS	P/E (x)	ROE %	RoCE%
FY 17	14486	-4.1%	3928	27.1%	3834	41.2%	6.1	30.0	13.8	21.4
FY 18	17865	23.3%	4047	22.7%	3921	2.3%	6.2	29.3	12.5	19.4
FY19E	20,903	17%	4,544	21.7%	4,445	13.4%	7.0	25.9	13.8	20.8
FY20E	28,034	12%	5,941	21.2%	5,373	20.9%	8.5	21.4	16.0	24.1



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Order intake outlook strong

- For FY18, intake stood at Rs21.4bn (-62.5% yoy) due to high base and delays in receipt of major orders (notably HPCL Barmer refinery).
- Over the next 18 months, the order pipeline remains high from brownfield expansion projects such as IOCL (Gujarat, Panipat), Numaligarh refinery (6mmtpa) as also the greenfield refinery project of HPCL Barmer and order wins related to petchem projects.
- In addition, order pipeline visibility is high from other projects too like construction of strategic reserves, BPCL Bina phase 2 expansion, MRPL expansion, CPCL refinery (likely to win in FY20), Namami Gange order, fertilizer projects, among others.
- Accordingly, mgmt. expects order intake momentum to be strong at Rs40bn+ in FY19 Revenues growth likely to pick up in PMC, revenue growth for FY18 was 19% YoY as execution of order book picked up. Order book position continues to remain strong and this is likely to drive a steady growth in revenues. Consequently, we expect the revenue momentum to accelerate in FY19E.
- In LSTK, revenue growth in FY18 stood at 44% helped by a low base. Execution of new projects (notably CPCL and HPCL) is likely to pick up FY19 onwards resulting in robust revenue growth in LSTK for FY19E. Margin guidance maintained
- Management expects revenue growth of 15-20% for FY19E led by robust growth in LSTK. However, PMC revenues are likely to grow by 10-15% in FY19 on the back of delay in order win of HPCL Barmer.

Key Projects Bagged In International Geographies

Project	Geography	Contract Value (Rs Mn)	Award Date
Dangote	Nigeria	8,535	1QFY15
ORPIC (LIWA Plastics Project)	Oman	2,704	1QFY15
ADCO	Abu Dhabi	1,322	1QFY16
Bangladesh Petroleum Corporation	Bangladesh	1,165	1QFY17
BRASS	Nigeria	435	1QFY15
Sonangol	Angola	307 + 225	3QFY15/1QFY16

Source: Company, D&B research

Some of the potential orders can arise from the following Hydrocarbon expansion plans over FY17-19.

Project	Scope	Customer	Estimated cost Rs Bn
Bina refinery expansion	Expansion from 6 mn MT to 7.8 mn MT	BPCL	1 to 1.25
Bina refinery expansion	9 mn MT Grassroot expansion	BPCL	9 to 10
Kochi propylene derivatives	Propylene derivatives	BPCL	2.5 to 5
Bhatinda Expansion	a) Low cost initial expansion. B) Doubling of capacity. C) Petrochemical integration.	HPCL	4 to 4.5
Numaligarh Expansion		BPCL	na
Barmer Refinery	Greenfield refinery with petrochemical plant	HPCL	28.7
Barauni Refinery	Expansion by 6 mn MT and petrochemical integration	IOC	na
West Coast refinery	BPCL, HPCL, IOC	IOC	30



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Quarterly result Snapshot:

In Rs mn	4QFY18	4QFY17	YoY(%)	3QFY18	YoY(%)
Net Sales	5,097	4,429	15%	4,734	8%
<i>Change (% yoy)</i>	<i>15.1%</i>	<i>20.2%</i>		<i>7.7%</i>	
	0%	0%		0%	
Sub contracting payment	(1,135)	(479)	137%	(551)	106%
<i>- % of sales</i>	<i>11.0%</i>	<i>10.8%</i>		<i>11.0%</i>	
Construction material	(505)	(202)	150%	(248)	103%
<i>- % of sales</i>	<i>3.6%</i>	<i>4.6%</i>		<i>3.6%</i>	
Material & Sub-contracting expenses	(1,639)	(681)	141%	(800)	105%
<i>- % of sales</i>	<i>32.2%</i>	<i>15.4%</i>		<i>16.9%</i>	
Gross profit	3,458	3,749	-8%	3,935	-12%
<i>Gross margin (%)</i>	<i>67.8%</i>	<i>84.6%</i>		<i>83.1%</i>	
Employee Cost	(1,856)	(2,790)	-33%	(1,890)	-2%
<i>- % of sales</i>	<i>44.0%</i>	<i>63.0%</i>		<i>44.0%</i>	
Other expenses	(807)	(416)		(696)	
<i>- % of sales</i>	<i>16.0%</i>	<i>9.4%</i>		<i>16.0%</i>	
Total Expenditure	(4,302)	(3,887)	11%	(3,386)	27%
EBITDA	795	543	47%	1,348	-41%
<i>EBITDA margin (%)</i>	<i>15.6%</i>	<i>12.3%</i>	3.3%	<i>28.5%</i>	
<i>Change (% yoy)</i>	<i>-45.1%</i>	<i>12.7%</i>		<i>-41.0%</i>	
Depreciation	(58)	(60)	-4%	(59)	-2%
EBIT	737	482	53%	1,289	-43%
<i>EBIT margin (%)</i>	<i>14.5%</i>	<i>10.9%</i>		<i>27.2%</i>	
<i>Change (% yoy)</i>	<i>-46.9%</i>	<i>12.5%</i>		<i>-42.8%</i>	
Interest	(4)	(30)		(1)	
Other Income	479	571	-16%	393	
PBT	1,213	1,023	19%	1,682	-28%
<i>PBT margin (%)</i>	<i>23.8%</i>	<i>23.1%</i>		<i>35.5%</i>	
<i>Change (% yoy)</i>	<i>-37.2%</i>	<i>-1.6%</i>		<i>-27.9%</i>	
	-	-		-	
Current tax	(401)	(720)		(547)	
Deferred tax	150	356		(49)	
Other taxes	-	1		-	
Adjustments	(53)	-		(1)	
Total Taxes	(303)	(363)		(597)	
<i>Effective tax rate (%)</i>	<i>25.0%</i>	<i>35.5%</i>		<i>35.5%</i>	
Recurring PAT	909	660	38%	1,084	-16%
<i>Recurring PAT margin (%)</i>	<i>17.8%</i>	<i>14.9%</i>		<i>22.9%</i>	
<i>Change (% yoy)</i>	<i>-26.9%</i>	<i>-2.5%</i>		<i>27.5%</i>	



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Segment					
Consultancy & Engineering Projects	3,373	3,509	-4%	3,845	-12%
- Change (% yoy)	-3.9%	47.5%		42.1%	
- % of total Sales	80.0%	79.2%		80.0%	
-	0.0%	0.0%		0.0%	
Turnkey Projects	1,725	920	87%	889	94%
- Change (% yoy)	87.4%	-29.5%		63.5%	
- % of total Sales	20.0%	20.8%		20.0%	
Net Revenue	5,097	4,429	15%	4,734	8%
Change (% yoy)	15.1%	20.2%		45.7%	
Check	-	-		-	
0	66%	-		-	
0	34%	-		-	
0	0	0		0	
ENGR - Standalone Segment EBIT	4QFY18	4QFY17		3QFY18	
Consultancy & Engineering Projects	896	1,305		1,440	
- EBIT Margin - C&EP (%)	26.6%	37.2%		37.4%	
Turnkey Projects(LSTK)	121	325		108	
- EBIT Margin - TP (%)	7.0%	35.3%		12.1%	
Segment EBIT	1,017	1,630		1,548	
Segment EBIT margin (%)	20.0%	36.8%		32.7%	
Other un- allocable expenditure	(500)	(1,148)		(258)	
- % of sales	9.8%	25.9%		5.5%	
EBIT	517	482		1,289	
EBIT margin (%)	10.1%	10.9%		27.2%	



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Financials

Profit & Loss (Rs Mn)						Cash Flow Statement (Rs Mn)					
	FY16	FY17	FY18	FY19E	FY20E		FY16	FY17	FY18	FY19E	FY20E
Net Sales	15,110	14,486	17,865	20,903	28,034	Pre tax Profit	4198	5908	6079	6684	8079
Raw Materials	(5,804)	(2,269)	(2,930)	(6,271)	(9,812)	Add: Dep. & Amortization	249	225	240	264	282
Employee Cost	(5,906)	(6,533)	(6,847)	(7,727)	(8,113)	Total tax paid	(1238)	(2470)	(2158)	(2239)	(2707)
Other Expenses	(1,429)	(1,756)	(4,041)	(2,361)	(4,169)	Other Adjustments	(2478)	(2237)	(2271)	(2406)	(2424)
Cost of Sales	(13,138)	(10,558)	(13,818)	(16,359)	(22,094)	Cash Profit	731	1427	1889	2303	3231
Operating Profit	1,972	3,928	4,047	4,544	5,941	(Inc) / Dec in					
Depreciation	(249)	(225)	(240)	(264)	(282)	Sundry Debtors	628	(198)	(465)	(730)	(1715)
PBIT	1,723	3,703	3,807	4,280	5,658	Inventories	(2)	(0)	0	0	0
Other Income	2,478	2,237	2,271	2,406	2,424	Loans & Advances	(1017)	565	(604)	(250)	(1426)
Interest	(2)	(32)	0	(2)	(3)	Sundry Creditors	(147)	2093	1260	1544	2612
Prior period items						Change in Working Capital	(538)	2459	191	563	(530)
Profit Before Tax	4,198	5,908	6,079	6,684	8,079	CF from Operating Activities	193	3886	2081	2866	2701
Provision for Tax	(1,482)	(2,074)	(2,158)	(2,239)	(2,707)	CF from Investing Activities	3167	(3754)	3658	1906	2124
PAT	2,716	3,834	3,921	4,445	5,373	CF from Financing Activities	(934)	(3218)	(406)	(3514)	(4015)
						Cash Generated (Utilised)	2426	(3085)	5333	1258	811
						Cash at the start of year	23729	26158	23105	28438	29698
						Cash at the end of year	26158	23105	28438	29698	30512
Balance Sheet (Rs Mn)						Ratios					
	FY16	FY17	FY18	FY19E	FY20E		FY16	FY17	FY18	FY19E	FY20E
Equity Capital	1,685	3,369	3,369	3,160	3,160	OPM	13.0	27.1	22.7	21.7	21.2
Reserves	25,885	24,390	27,905	29,047	30,408	NPM	18.0	26.5	21.9	21.3	19.2
Net Worth	27,570	27,760	31,275	32,207	33,568	Tax Rate %	(35.3)	(35.1)	(35.5)	(33.5)	(33.5)
Long term borrowings	0	0	0	0	0	Growth Ratio (%)					
Short term borrowings	0	0	0	0	0	Net Sales	(11.8)	(4.1)	23.3	17.0	34.1
Total Debt	0	0	0	0	0	Operating Profit	(12.2)	99.2	3.0	12.3	30.7
Capital Employed	27,570	27,760	31,275	32,207	33,568	PAT	(14.8)	41.2	2.3	13.4	20.9
Gross Block	4,710	4,847	5,347	5,847	6,147	Per Share					
Accumulated Depreciation	1,923	2,148	2,388	2,651	2,934	Earning Per Share (EPS)	4.3	6.1	6.2	7.0	8.5
Net Block	2,788	2,699	2,959	3,195	3,213	Cash Earnings (CPS)	4.7	6.4	6.6	7.5	8.9
Capital WIP	244	557	557	557	557	Dividend	2.0	3.0	4.1	5.3	6.4
Total Fixed Assets	3,032	3,256	3,516	3,753	3,770	Book Value	43.6	43.9	49.5	51.0	53.1
Goodwill & Intangible						Free Cash flow	(0.2)	5.1	2.3	3.7	3.8
Investments	367	5,324	3,438	3,438	3,438	Valuation Ratios					
Other long term assets	4,563	3,846	4,450	4,700	6,127	P/E (x)	31.6	22.4	21.9	19.3	16.0
Long term liabilities	(158)	(134)	(367)	(390)	(371)	P/B (x)	3.1	3.1	2.7	2.7	2.6
Inventories	10	11	11	11	11	EV / Sales	4.0	4.3	3.2	2.7	2.0
Sundry debtors	3,633	3,831	4,295	5,026	6,741	EV / EBIDTA	30.3	16.0	14.2	12.4	9.3
Cash & bank	26,158	23,105	28,438	29,698	30,512	Div. Yield (%)	1.5	2.2	3.0	3.9	4.7
Loans & advances and Othe	1,004	1,156	1,156	1,156	1,156	FCF Yield (%)	-0.1	3.8	1.7	2.8	2.8
Current Liabilities	(9,586)	(10,057)	(10,496)	(12,510)	(13,776)	Return Ratios (%)					
Provisions	(3,589)	(5,236)	(5,823)	(5,330)	(6,696)	ROE	9.9	13.8	12.5	13.8	16.0
Working Capital	17,630	12,810	17,581	18,050	17,948	ROCE*	15.2	21.4	19.4	20.8	24.1
Deferred Tax	2,137	2,657	2,657	2,657	2,657						
Misc. Expense	0	0	0	0	0						
Capital Deployed	27,570	27,760	31,275	32,207	33,568						

* includes recurring other income



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Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. AvinashKumar	avinash.kumar@dalal-broacha.com	022 67141441	Capital Goods
Ms. Abhilasha Satale	abhilasha.satale@dalal-broacha.com	022 67141439	Mid Cap
Mr. Mayank Babla	mayank.babla@dalal-broacha.com	022 67141412	IT/Media/Telecom
Ms. Richa.Singh	richa.singh@dalal-broacha.com	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092

E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com