

June 9, 2021

## Q4FY21 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
<b>Rating</b>	BUY		BUY	
<b>Target Price</b>	129		115	
Sales (Rs. m)	33,910	37,046	31,051	36,532
% Chng.	9.2	1.4		
EBITDA (Rs. m)	3,949	5,437	3,938	5,360
% Chng.	0.3	1.4		
EPS (Rs.)	8.2	10.7	7.4	9.6
% Chng.	11.3	11.9		

### Key Financials - Consolidated

Ye Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	32,365	31,442	33,910	37,046
EBITDA (Rs. m)	4,532	3,499	3,949	5,437
Margin (%)	14.0	11.1	11.6	14.7
PAT (Rs. m)	4,238	4,039	4,630	6,029
EPS (Rs.)	6.7	7.2	8.2	10.7
Gr. (%)	14.7	7.1	14.6	30.2
DPS (Rs.)	4.4	2.0	3.7	4.8
Yield (%)	5.2	2.4	4.4	5.8
RoE (%)	17.8	19.4	24.7	27.8
RoCE (%)	18.0	15.7	19.4	23.5
EV/Sales (x)	0.8	1.0	0.9	0.7
EV/EBITDA (x)	5.4	9.1	7.3	5.0
PE (x)	12.5	11.6	10.2	7.8
P/BV (x)	2.2	2.7	2.3	2.0

### Key Data

ENGI.BO | ENGR IN

52-W High / Low	Rs.94 / Rs.60
Sensex / Nifty	51,942 / 15,635
Market Cap	Rs.53bn/ \$ 725m
Shares Outstanding	632m
3M Av g. Daily Value	Rs.642.77m

### Shareholding Pattern (%)

Promoter's	51.50
Foreign	5.55
Domestic Institution	21.29
Public & Others	21.66
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	11.6	7.2	16.3
Relative	5.7	(4.9)	(24.0)

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## Strong performance in turnkey segment

### Quick Pointers:

- Turnkey segment reported a stellar revenue growth of ~58% YoY owing healthy execution of its OB. EBIT margins expanded by 274bps to 5.6%
- Despite pandemic, management was able to meet its order inflow guidance of Rs15-16bn (OI of Rs15.7bn) for FY21.

**Engineers India (EIL) reported healthy performance during 4Q, led by ramped up execution for its turnkey segment and robust operating performance. EBIT margins expanded by 274bps to 5.6% in Q4FY21, owing to strong execution and reversal of provisions. Despite pandemic, OI came in healthy at ~Rs7bn in 4Q resulting into management guidance of Rs15-16bn for FY21 being met. Order inflow mainly come from domestic consultancy segment (~93%). Management expects healthy ordering momentum as tender pipeline includes Petrochemical expansion of BPCL and HMEL, MRPL refinery expansion, order from Rajasthan refinery, Kaveri basin (few package) and Bina refinery expansion to be awarded in FY22.**

**In the short term, we expect second wave of Covid 19 to impact the performance of company. However, given EIL's healthy order book, lean balance sheet, strong project pipeline and good growth visibility augurs well in the long run. Given healthy FY21 performance primarily led by turnkey segment, we have revised our earnings estimate by 11.3%/11.9% for FY22E/23E. The stock is currently trading at 10.2x/7.8x FY22E/23E. We maintain our 'Buy' rating on stock with revised TP of Rs129 (Rs115 earlier) valuing the company at 12x FY23 EPS estimate. TP is largely changed due to revision in earning and impact of EPS on account of share buyback.**

**Strong execution in turnkey segment boost profitability:** Sales reported strong growth of 30.8% YoY to Rs11.2bn vs (PLe ~Rs9.6bn), led by strong execution in its turnkey segments (up 57.5% YoY), while consultancy grew marginally (up 0.8% YoY). EBITDA grew 47.7% YoY to Rs1.6bn (PLe ~Rs1.1bn) with EBITDA margins expanding 168bps YoY to 14.7% in Q4FY21 vs 13.0% in Q4FY20 owing to lower other expenses (4.5% of sales Vs 9.4% in Q4FY20) and employee cost. During 4Q, the company reported an exceptional item of Rs1.6bn in Q4FY21 towards loss on investment towards provident fund. Adjusting to this, PBT grew 15.3% YoY to Rs2.0bn, led by better operating performance. Adj. PAT came in at Rs1.4bn (up 7.2% YoY) vs PLe ~Rs1.1bn.

**FY21 OI in line with management guidance:** Despite pandemic, company secured orders worth Rs15.7bn in FY21 (in line with management guidance of Rs15bn). OB stands at Rs79.8bn as on FY21, with Consultancy segment constituting Rs45.8bn while Turnkey segment comprises Rs34bn of total order book. With most oil companies reviving their capex plan, ordering momentum is expected to remain strong. Major project in pipeline includes: 1) Petrochemical expansion at BPCL & HMEL 2) MRPL, refinery expansion 3) variation order from Rajasthan refinery 4) Kaveri basin – few packages and 5) Bina refinery expansion.

**Exhibit 1 : Execution ramp up in turnkey segment, lower employee and other expenses boost profitability**

Y/e March (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	YoY gr. (%)	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
<b>Revenue</b>	<b>8,538</b>	<b>4,678</b>	<b>6,834</b>	<b>8,367</b>	<b>11,167</b>	<b>30.8</b>	<b>33.5</b>	<b>31,047</b>	<b>32,031</b>	<b>(3.1)</b>
<b>Total Revenues</b>	<b>8,538</b>	<b>4,678</b>	<b>6,834</b>	<b>8,367</b>	<b>11,167</b>	<b>30.8</b>	<b>33.5</b>	<b>31,047</b>	<b>32,031</b>	<b>(3.1)</b>
<b>Expenditure</b>	<b>7,428</b>	<b>4,464</b>	<b>6,062</b>	<b>7,617</b>	<b>9,527</b>	<b>28.3</b>	<b>25.1</b>	<b>27,669</b>	<b>27,600</b>	<b>0.3</b>
<i>as % of sales</i>	<i>87.0</i>	<i>95.4</i>	<i>88.7</i>	<i>91.0</i>	<i>85.3</i>			<i>89.1</i>	<i>86.2</i>	
Consumption of RM	4,377	1,919	3,292	4,592	6,828	56.0	48.7	16,631	15,576	6.8
<i>as % of sales</i>	<i>51.3</i>	<i>41.0</i>	<i>48.2</i>	<i>54.9</i>	<i>61.1</i>			<i>53.6</i>	<i>48.6</i>	
Employee Cost	2,250	2,073	2,139	2,170	2,200	(2.2)	1.4	8,583	8,444	1.6
<i>as % of sales</i>	<i>26.4</i>	<i>44.3</i>	<i>31.3</i>	<i>25.9</i>	<i>19.7</i>			<i>27.6</i>	<i>26.4</i>	
Other expenditure	800	472	631	855	498	(37.8)	(41.7)	2,456	3,581	(31.4)
<i>as % of sales</i>	<i>9.4</i>	<i>10.1</i>	<i>9.2</i>	<i>10.2</i>	<i>4.5</i>			<i>7.9</i>	<i>11.2</i>	
<b>EBITDA</b>	<b>1,110</b>	<b>214</b>	<b>773</b>	<b>751</b>	<b>1,640</b>	<b>47.7</b>	<b>118.5</b>	<b>3,377</b>	<b>4,430</b>	<b>(23.8)</b>
Depreciation	67	53	60	51	71	4.9	38.7	234	238	(1.7)
<b>EBIT</b>	<b>1,043</b>	<b>161</b>	<b>713</b>	<b>700</b>	<b>1,569</b>	<b>50.5</b>	<b>124.3</b>	<b>3,143</b>	<b>4,192</b>	<b>(25.0)</b>
Other Income	685	497	533	480	440	(35.8)	(8.3)	1,949	2,580	(24.5)
Interest	6	4	5	4	24	288.9	485.9	37	17	110.9
Extra ordinary items	-	-	-	-	(1,550)			(1,550)	-	
<b>PBT</b>	<b>1,722</b>	<b>653</b>	<b>1,241</b>	<b>1,176</b>	<b>436</b>	<b>(74.7)</b>	<b>(62.9)</b>	<b>3,506</b>	<b>6,755</b>	<b>(48.1)</b>
Total Tax	425	172	315	294	131	(69.2)	(55.5)	911	2,453	(62.9)
<b>Reported PAT</b>	<b>1,297</b>	<b>481</b>	<b>926</b>	<b>882</b>	<b>305</b>	<b>(76.5)</b>	<b>(65.4)</b>	<b>2,595</b>	<b>4,302</b>	<b>(39.7)</b>
(Profit)/loss from JV's/Ass/MI	-	-	-	-	-	-	-	-	-	-
<b>PAT after MI</b>	<b>1,297</b>	<b>481</b>	<b>926</b>	<b>882</b>	<b>305</b>	<b>(76.5)</b>	<b>(65.4)</b>	<b>2,595</b>	<b>4,302</b>	<b>(39.7)</b>
<b>Adjusted PAT</b>	<b>1,297</b>	<b>481</b>	<b>926</b>	<b>882</b>	<b>1,391</b>	<b>7.2</b>	<b>57.7</b>	<b>3,742</b>	<b>4,302</b>	<b>(13.0)</b>
<b>Adjusted EPS (diluted)</b>	<b>2.3</b>	<b>0.9</b>	<b>1.6</b>	<b>1.6</b>	<b>2.5</b>	<b>7.2</b>	<b>57.7</b>	<b>6.7</b>	<b>7.7</b>	<b>(13.0)</b>
<b>Margins (%)</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>	<b>Q3FY21</b>	<b>Q4FY21</b>	<b>bps</b>	<b>bps</b>	<b>FY21</b>	<b>FY20</b>	<b>bps</b>
EBIDTA	13.0	4.6	11.3	9.0	14.7	168	571	10.9	13.8	(295)
EBIT	12.2	3.4	10.4	8.4	14.1	184	569	10.1	13.1	(296)
EBT	20.2	14.0	18.2	14.0	3.9	(1,626)	(1,014)	11.3	21.1	(980)
PAT	30.4	20.6	27.1	21.1	15.2	(1,520)	(589)	20.4	26.9	(645)
Effective Tax rate	24.7	26.4	25.4	25.0	30.0	530	500	26.0	36.3	(1,033)

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Net Revenues</b>	<b>32,365</b>	<b>31,442</b>	<b>33,910</b>	<b>37,046</b>
YoY gr. (%)	30.7	(2.9)	7.9	9.2
Cost of Goods Sold	15,499	16,615	17,972	18,894
Gross Profit	16,867	14,827	15,938	18,153
Margin (%)	52.1	47.2	47.0	49.0
Employee Cost	8,656	8,794	8,970	9,419
Other Expenses	1,429	333	678	741
<b>EBITDA</b>	<b>4,532</b>	<b>3,499</b>	<b>3,949</b>	<b>5,437</b>
YoY gr. (%)	20.7	(22.8)	12.9	37.7
Margin (%)	14.0	11.1	11.6	14.7
Depreciation and Amortization	240	237	293	330
<b>EBIT</b>	<b>4,292</b>	<b>3,262</b>	<b>3,656</b>	<b>5,106</b>
Margin (%)	13.3	10.4	10.8	13.6
Net Interest	17	37	17	18
Other Income	2,555	1,888	2,543	2,964
<b>Profit Before Tax</b>	<b>6,830</b>	<b>3,563</b>	<b>6,183</b>	<b>8,052</b>
Margin (%)	21.1	11.3	18.2	21.7
Total Tax	2,492	949	1,553	2,023
Effective tax rate (%)	36.5	26.6	25.1	25.1
<b>Profit after tax</b>	<b>4,339</b>	<b>2,615</b>	<b>4,630</b>	<b>6,029</b>
Minority interest	-	-	-	-
Share Profit from Associate	(100)	(125)	-	-
<b>Adjusted PAT</b>	<b>4,238</b>	<b>4,039</b>	<b>4,630</b>	<b>6,029</b>
YoY gr. (%)	14.7	(4.7)	14.6	30.2
Margin (%)	13.1	12.8	13.7	16.3
Extra Ord. Income / (Exp)	-	(1,550)	-	-
<b>Reported PAT</b>	<b>4,238</b>	<b>2,489</b>	<b>4,630</b>	<b>6,029</b>
YoY gr. (%)	14.7	(41.3)	86.0	30.2
Margin (%)	13.1	7.9	13.7	16.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,238	2,489	4,630	6,029
<b>Equity Shares O/s (m)</b>	<b>632</b>	<b>562</b>	<b>562</b>	<b>562</b>
<b>EPS (Rs)</b>	<b>6.7</b>	<b>7.2</b>	<b>8.2</b>	<b>10.7</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>3,211</b>	<b>3,407</b>	<b>3,907</b>	<b>4,407</b>
Tangibles	3,211	3,407	3,907	4,407
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>886</b>	<b>1,122</b>	<b>1,415</b>	<b>1,746</b>
Tangibles	886	1,122	1,415	1,746
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>2,325</b>	<b>2,284</b>	<b>2,491</b>	<b>2,661</b>
Tangibles	2,325	2,284	2,491	2,661
Intangibles	-	-	-	-
Capital Work In Progress	54	37	37	37
Goodwill	-	-	-	-
Non-Current Investments	4,955	12,071	12,171	12,233
Net Deferred tax assets	2,720	3,362	3,362	3,362
Other Non-Current Assets	483	641	678	741
<b>Current Assets</b>				
Investments	520	2,071	3,089	4,437
Inventories	67	19	465	304
Trade receivables	6,802	5,325	5,760	6,293
Cash & Bank Balance	27,775	13,216	15,073	15,402
Other Current Assets	2,129	1,969	2,204	2,408
<b>Total Assets</b>	<b>48,244</b>	<b>41,053</b>	<b>45,630</b>	<b>48,518</b>
<b>Equity</b>				
Equity Share Capital	3,160	2,810	2,810	2,810
Other Equity	20,901	14,697	17,243	20,559
<b>Total Network</b>	<b>24,060</b>	<b>17,507</b>	<b>20,053</b>	<b>23,369</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	49	40	40	40
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	2,749	4,122	2,787	2,537
Other current liabilities	24,106	22,745	26,111	25,932
<b>Total Equity &amp; Liabilities</b>	<b>48,244</b>	<b>41,053</b>	<b>45,630</b>	<b>48,518</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	6,830	3,563	6,183	8,052
Add. Depreciation	240	237	293	330
Add. Interest	17	37	17	18
Less Financial Other Income	2,555	1,888	2,543	2,964
Add. Other	(641)	151	-	-
Op. profit before WC changes	6,446	3,988	6,493	8,401
Net Changes-WC	(432)	(638)	535	(1,469)
Direct tax	(2,258)	(1,635)	(1,553)	(2,023)
<b>Net cash from Op. activities</b>	<b>3,756</b>	<b>1,714</b>	<b>5,475</b>	<b>4,909</b>
Capital expenditures	(175)	(114)	(500)	(500)
Interest / Dividend Income	2,027	1,807	-	-
Others	(4,145)	6,063	(1,018)	(1,349)
<b>Net Cash from Inv. activities</b>	<b>(2,294)</b>	<b>7,756</b>	<b>(1,518)</b>	<b>(1,849)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3,314)	(1,744)	(2,083)	(2,713)
Interest paid	-	-	(17)	(18)
Others	(27)	(7,294)	-	-
<b>Net cash from Fin. activities</b>	<b>(3,341)</b>	<b>(9,037)</b>	<b>(2,100)</b>	<b>(2,732)</b>
<b>Net change in cash</b>	<b>(1,879)</b>	<b>433</b>	<b>1,857</b>	<b>329</b>
Free Cash Flow	3,756	1,714	5,475	4,909

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

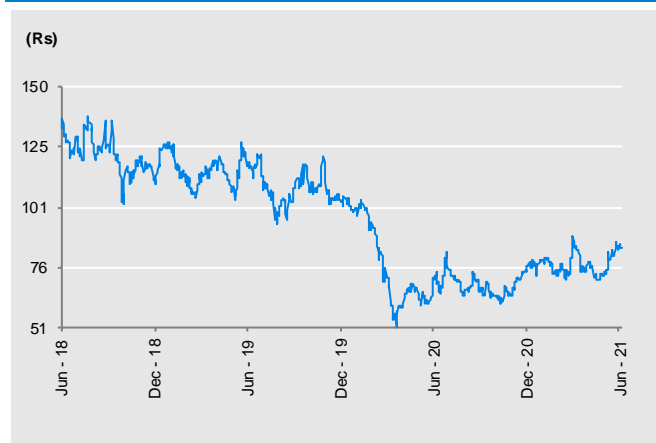
Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
<b>Net Revenue</b>	<b>4,678</b>	<b>6,834</b>	<b>8,367</b>	<b>11,167</b>
YoY gr. (%)	(36.3)	(5.6)	(6.1)	30.8
Raw Material Expenses	1,919	3,292	4,592	6,828
Gross Profit	2,760	3,542	3,776	4,339
Margin (%)	59.0	51.8	45.1	38.9
<b>EBITDA</b>	<b>214</b>	<b>773</b>	<b>751</b>	<b>1,640</b>
YoY gr. (%)	(84.6)	(27.8)	(12.3)	47.7
Margin (%)	4.6	11.3	9.0	14.7
Depreciation / Depletion	53	60	51	71
<b>EBIT</b>	<b>161</b>	<b>713</b>	<b>700</b>	<b>1,569</b>
Margin (%)	3.4	10.4	8.4	14.1
Net Interest	4	5	4	24
Other Income	497	533	480	440
<b>Profit before Tax</b>	<b>653</b>	<b>1,241</b>	<b>1,176</b>	<b>436</b>
Margin (%)	14.0	18.2	14.0	3.9
Total Tax	172	315	294	131
Effective tax rate (%)	26.4	25.4	25.0	30.0
<b>Profit after Tax</b>	<b>481</b>	<b>926</b>	<b>882</b>	<b>305</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>481</b>	<b>926</b>	<b>882</b>	<b>1,391</b>
YoY gr. (%)	(61.2)	36.6	(18.8)	7.2
Margin (%)	10.3	13.5	10.5	12.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>481</b>	<b>926</b>	<b>882</b>	<b>1,391</b>
YoY gr. (%)	(61.2)	36.6	(18.8)	7.2
Margin (%)	10.3	13.5	10.5	12.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>481</b>	<b>926</b>	<b>882</b>	<b>1,391</b>
Av g. Shares O/s (m)	562	562	562	562
<b>EPS (Rs)</b>	<b>0.9</b>	<b>1.6</b>	<b>1.6</b>	<b>2.5</b>

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	6.7	7.2	8.2	10.7
CEPS	7.1	7.6	8.8	11.3
BVPS	38.1	31.1	35.7	41.6
FCF	5.9	3.1	9.7	8.7
DPS	4.4	2.0	3.7	4.8
<b>Return Ratio(%)</b>				
RoCE	18.0	15.7	19.4	23.5
ROIC	(60.5)	43.2	415.5	200.0
RoE	17.8	19.4	24.7	27.8
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(1.2)	(0.9)	(0.9)	(0.8)
Net Working Capital (Days)	46	14	37	40
<b>Valuation(x)</b>				
PER	12.5	11.6	10.2	7.8
P/B	2.2	2.7	2.3	2.0
P/CEPS	11.8	11.0	9.6	7.4
EV/EBITDA	5.4	9.1	7.3	5.0
EV/Sales	0.8	1.0	0.9	0.7
Dividend Yield (%)	5.2	2.4	4.4	5.8

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Apr-21	BUY	115	76
2	01-Feb-21	BUY	115	73
3	08-Jan-21	BUY	104	79
4	23-Nov-20	BUY	104	73
5	08-Oct-20	BUY	104	64
6	16-Aug-20	BUY	104	68
7	08-Jul-20	BUY	104	73
8	27-Jun-20	BUY	104	80

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	1,337	1,388
2	Ahluwalia Contracts (India)	BUY	384	293
3	Apar Industries	BUY	696	524
4	Ashoka Buildcon	BUY	160	96
5	Bharat Electronics	Accumulate	110	131
6	BHEL	Hold	34	49
7	Capacite's Infraprojects	BUY	270	199
8	Container Corporation of India	Hold	607	634
9	Cummins India	Hold	796	772
10	Engineers India	BUY	115	76
11	GE T&D India	Hold	122	119
12	H.G. Infra Engineering	BUY	476	333
13	IRB Infrastructure Developers	BUY	179	106
14	ITD Cementation India	BUY	97	83
15	J.Kumar Infraprojects	BUY	272	177
16	Kalpataru Power Transmission	BUY	448	382
17	KEC International	Accumulate	420	383
18	KNR Constructions	Accumulate	253	227
19	Larsen & Toubro	BUY	1,604	1,416
20	NCC	BUY	111	83
21	PNC Infratech	BUY	295	256
22	Power Grid Corporation of India	BUY	205	170
23	Sadbhav Engineering	BUY	115	63
24	Siemens	Accumulate	2,101	2,064
25	Thermax	Accumulate	1,559	1,455
26	Triveni Turbine	BUY	98	102
27	Voltamp Transformers	BUY	1,466	1,058

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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