

Well positioned to capture strong growth...

About the stock: Engineers India (EIL), established in 1965, is an Indian public sector Navratna company, primarily present into engineering consultancy and turnkey segments. In engineering consultancy, company's core focus area currently is oil & gas sector which mainly includes refinery and petrochemicals. In turnkey segment, company takes EPC (Engineering, Procurement & Construction) contracts. The company also secures consultancy orders from international markets such as Middle East, Africa, South Asia & Central Asia

In FY23, company's consolidated revenue stood at ₹ 3330 crore (+14.3% YoY) with net profit of ₹ 346 crore (+148% YoY). Engineering consultancy contributed ~43% to total revenues in FY23 while turnkey segment contributed ~57%

Investment Rationale:

- Healthy order book position with solid track record:** EIL's current order backlog stood at ~₹ 9079 crore as of Mar-23 end (~3x FY23 revenues) already provides strong revenue visibility. The total order inflows at ~₹ 4707 crore in FY23 was mainly driven by oil & gas segment (~85% of total inflows) with balance from chemicals, fertilizers, metals, power and infra. Oil & gas segment, where the company has solid track record of executing many projects, continues to be the core focus area and expected to drive order inflows in medium-term led by strong traction visible through tenders floated in refinery, petrochemical segments. Company expects FY24E order inflows of at-least FY23 numbers with high possibility of exceeding that level
- Recovery in consultancy segment with focus on foraying into newer growth segments provide strong visibility:** Consultancy segment, which contributes ~43% to total revenues and has much better EBIT margins (~27% vs. ~3% in turnkey segment), expected to witness significant recovery led by execution of existing contracts and healthy orders pipeline in domestic & international markets. Apart from the existing core areas, company is looking for newer growth segments like green hydrogen, ammonia, bio-fuels, coal gasification, defence etc in margin-accretive consultancy segment. These new segments provide huge orders opportunity for EIL over the next 3-5 years. Moreover, focus is also on gaining orders from international markets (which contribute ~50% to the total consultancy orders) like Middle-East, Africa. We believe order inflows is not a constraint for EIL considering the strong track record of timely execution of projects

Rating and Target Price

- With strong capability & track record in terms of execution, healthy order-book, huge order inflow opportunity, recovery in high-margin consultancy biz & debt-free balance sheet, we believe company's financial performance to improve significantly over FY23-25E as compared to FY20-23
- Valuation at 13.6x P/E on FY25E EPS looks attractive considering the multiple tailwinds. We value EIL at ₹ 160 i.e. 17x P/E on FY25E EPS of ₹ 9.3

Key Financial Summary

(₹ crore)	FY20	FY21	FY22	FY23	3 year CAGR (FY20-23)	FY24E	FY25E	2 year CAGR (FY23-25E)
Revenue	3,237	3,144	2,913	3,330	1.0	3,846	4,446	15.5
EBITDA	453	350	344	308	(12.0)	398	520	29.9
EBITDA Margin (%)	14.0	11.1	11.8	9.3		10.4	11.7	
Net Profit	424	249	140	346	(6.5)	414	525	23.1
EPS (₹)	7.5	4.4	2.5	6.2		7.4	9.3	
P/E (x)	16.8	19.7	51.2	20.6		17.3	13.6	
EV/EBITDA (x)	8.6	15.3	15.9	18.6		12.6	8.4	
RoCE (%)	20.5	22.8	22.2	23.8		21.5	22.9	
RoE (%)	17.6	20.7	7.9	17.7		18.7	20.4	

Source: Company, ICICI Direct Research



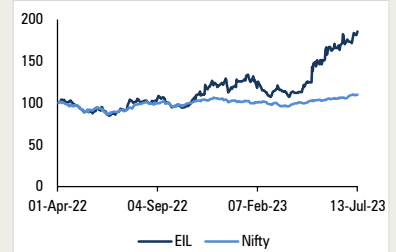
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	7,138
FY23 Debt (₹ Crore)	0
FY23 Cash (₹ Crore)	1,096
EV (₹ Crore)	6,042
52 Week H/L (Rs)	127 / 60
Equity Capital (₹ Crore)	281.0
Face Value	5

Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	51.3	51.3	51.3	51.3
FII	7.1	7.6	7.8	8.0
DII	12.6	13.1	14.1	15.8
Others	29.0	28.0	26.8	24.9

Price Chart



Key risks

- Key Risks:** (i) dependence on govt orders (ii) slowdown in capex (iii) delays in execution

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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