Engineers India Limited (EIL)

- EIL has reported ***commendable performance for Q2 FY 2010***

- ♦ Net Sales grew @ 36% to Rs 468.2 crore (Rs 344 crore) led by 39.4% rise in consultancy sales of Rs. 253.8 crore (Rs. 182.1 crore) and 32.4% growth in LSTK sales of Rs. 214.4 crore (Rs. 161.9 crore)

- ♦ OPM% jumped to 28% (18.5%) owing to marginal increase in staff cost of Rs. 96 crore (Rs. 91.3 crore) & other expenses of Rs. 42.7 crore (Rs. 37 crore). Consultancy PBIT% (ignoring non-recurring liability of Rs. 35.3 crore on account of defined contribution pension scheme w.e.f. June 1, 2007) zoomed to 45.8% (33.8%), while that of LSTK has improved to 9.8% (5.2%).

- ♦ Further aided by 59% higher other income of Rs. 59.4 crore (thanks to huge cash surplus) PBT (before non-recurring items) zoomed to Rs. 187.4 crore (Rs. 98.8 crore), growth of 90%.

- ♦ PAT soared up by 59% to Rs. 105.4 crore.

- For H1 FY 2010 Revenues rose by 44.1% to Rs 859.6 crore (Rs 596.4 crore) led by 39.4% growth in Consultancy sales of Rs. 481 crore (Rs. 345 crore) and 50.6% spurt in LSTK sales of Rs. 378.7 crore (Rs. 251.4 crore). OPM% shot up to 27% (17.9%) owing to operating leverage. Consequently, PBT (before non-recurring items) zoomed to Rs. 330.2 crore (Rs. 174.3 crore). Even after accounting for extra ordinary pension liability of Rs. 35.3 crore PAT shot up by 70.9% to Rs. 199.59 crore.

- EIL provides complete range of project services right from conceptualization, designing, engineering to LSTK projects in diverse fields like petroleum refineries, pipelines, petrochemicals, oil & gas processing, offshore structures & platforms, fertilizers, metallurgy and power. Company has diversified into infrastructure consultancy area like Urban Development, Air-port development, Water Management <u>(going to be major thrust area)</u>, Railway Freight Corridor and Intelligent Buildings etc.

- EIL has identified the following growth drivers : internationalise aggressively in existing sectors targeting mid-large sized EPC projects in Brazil, Middle-East, etc., Nuclear power, Water management, Solar power and CTL (Coal-to-Liquid) projects, and all existing core areas including hydrocarbons, etc.

- Company will be leveraging knowledge / designing / engineering base and project management skills in India & overseas thru :-

  » **50:50 JV with Tata Projects** specialized in execution of large projects on LSTK basis, in the area power, hydrocarbon, fertilizers, power, infrastructure etc. sector in India and overseas.

  » **30:70 JV with global leader Tecnimont-Italy** (Euro 2 billion) for executing EPC projects in UAE. While EIL will undertake engineering & project management work, Tecnimont would be responsible for construction. With oil prices stabilizing, this JV is expected to get impetus for orders.

  These JVs will de-risk its existing over dependence on domestic hydrocarbon sector and will enable it to execute very large size contracts in overseas markets.

- **Current order book is Rs 8,000 crore** divided almost equally (50:50) between Consultancy & LSTK. Export order book ~ Rs 350 crore. Project cycle is 30-36 months. ***Company expects to maintain order book by FY 2010 end at the same opening level, after accelerated execution of orders in its quest for achieving revenue of Rs 5,000 crore by FY 2014 from FY 2009 level of Rs 1,553 crore, implying CAGR of 26%.***

- On LSTK side, margins will be protected, as company is now going more for open-book orders, where input cost increases are passed thru. Company's business is not going to be impacted because of current slowdown and ruling lower prices of crude oil, as refining, petrochemical and other relevant segments are going ahead with their investment plans.

- **EIL has surplus cash of ~ Rs 2,061 crore, i.e. Rs 367 per share.**

- It has received necessary approvals to develop ~ 33 acres of land in Gurgaon on outskirts of New Delhi and is currently evaluating different options to maximize shareholders' value. Company has appointed architects to develop this land.

- At CMP of Rs 1164.45, the share is trading at 13.3 times FY 2010 estimated consolidated EPS of Rs 87.28 and at 11.4 times FY 2011 estimated consolidated EPS of Rs 102/-. In view of very exciting future prospects, EIL is "an excellent investment at CMP from long-term perspective".

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