

Engineers India

Closing: 295 View – HOLD Fair Value - 350

Price (Rs.)	295
Market Cap (Rs.Crs.)	9948
52 High / Low (Rs.)	538/265.10
Mcap/Sales TTM	4.46
Book Value (Rs.)	34.26
TTM PE	20.4
P/BV	8.8
FV	5
BSE	532178
NSE	ENGINEERSIN

Ket Financials Consolidated

(Rs Crores)	FY09	FY10	% chg
Gross Sales	1552.06	2013.99	29.76
PBIDT	542.87	684.48	26.09
Interest	0	1.29	0.00
Depreciation	10.96	13.1	19.53
Net Profit	349.52	440.47	26.02
EPS (Rs)	10.41	13.07	25.57
Equity Capital	56.16	56.16	0.00
PE (x)	28.34	22.57	-20.36

Latest Quarterly results

(Rs Crores)	Dec-09	Dec-10	% chg
Gross Sales	493.83	677.1	37.11
PBIDT	170.47	190.13	11.53
Net Profit	111.06	122.45	10.26
Equity (Adj Bonus/FPO)	168.47	168.47	0.00
EPS	3.56	3.63	2.08

Shareholding Pattern

(%)	Sep-10	Dec-10	chg
Foreign	7.12	6.96	-0.16
Institutions	6.11	6.71	0.60
Govt Holding	0.31	0.3	-0.01
Corp. Holding	1.11	1	-0.11
Promoters	80.4	80.4	0.00
Public&Others	4.95	4.62	-0.33

Key Highlights

- ~Strong Order Book
- ~Venturing into new business
- ~Long term track record with executing capability
- ~Strong Balance sheet
- ~ Exposure to high growth infrastructure space
- ~A zero debt player in infra space

Company Background

Engineers India Limited provides engineering and related technical services for petroleum refineries and other industrial projects primarily in India. Its field of activities include petroleum refineries, pipelines, oil and gas processing projects, petrochemical projects, offshore structures and platforms, ports and terminals, metallurgy, fertilizers, power, highways and bridges, airports, non conventional/renewable energy sources, and intelligent buildings and urban development. The company offers various services to conceptualize, design, engineer, and construct projects to meet the specific requirements of its clients. The Company is also a primary provider of engineering consultancy services for the Government of India's energy security initiative under its Integrated Energy Policy for strategic crude storages.

Valuation

A robust balance sheet along with strong order book over Rs. 9000 crs translates into a 3.3x and 2.7x of order book to sales ratio for FY11E and FY12E respectively. Historically, EIL is trading 3.25-3.5x on forward order book to sales which gives fair value range is of Rs. 350.

Financial Projections		
(in crs)	FY11E	FY12E
Sales	2710	3320
EBIDTA	615	715
EBIDTA Margin %	22.69	21.54
PAT	495	550
PAT Margin %	18.27	16.57
EPS	14.69	16.32
Equity	168.47	168.47
FV	5	5
PE @ CMP	20.08	18.07

Key Highlights

Revenue Visibility with Strong Order Book

Engineers India has a current order book over Rs.9,000 crore. Total order inflow in Q3FY11 stood worth Rs.3,800 crore as compared to Rs.1,522 crore orders in Q3FY10 up by 150%. Total order inflow for 9MFY11 stood at Rs. 3800crore against 9MFY10 Rs. 1522 crore up by almost 150% and for Q3FY11 it stood at Rs19bn.

Venturing into new business

The company is exploring opportunity in other areas to diversify into infrastructure, water and waste water management, nuclear power, and city gas distribution projects. Company has recently awarded some project in this area.

EIL is involved in Yamuna abatement plan, which is a Rs.1,800 crore project. Under this, 70% of Delhi's area has been earmarked to EIL. The Yamuna river that flows through the Capital is widely used as a dump for untreated sewage and industrial effluents.

EIL is also doing a water project for the Bhilai municipal authority and are in talks with other municipalities such as Ludhiana for similar projects.

EIL recently signed a memorandum of cooperation with state-run Nuclear Power Corp. of India Ltd for the execution of such projects. We have a nuclear power capacity of 4,560MW, is targeting a 63GW capacity by 2032. EIL is also interested in taking equity stakes in city gas distribution projects and plans to bid for these along with Gujarat State Petroleum Corp. Ltd. The company also plans to refocus on the fertilizer plant business. Though, EIL has set up eight fertilizer projects, it has been concentrating on the hydrocarbon value chain and built its expertise in refinery engineering.

Track Record



Long term track record with successful project execution

Engineers India has 45 years of track record of successful project execution capability. Company is rewarded with Mini Navratna by Government of India.

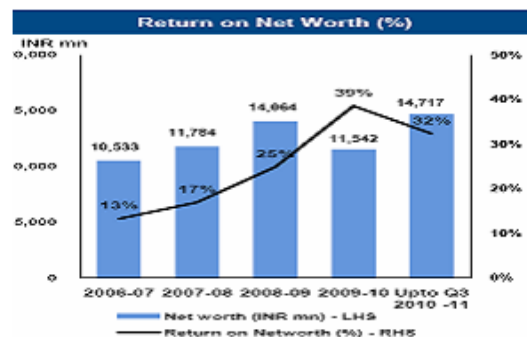
It has provided a range of engineering consultancy and project implementation services on more than 49 refinery projects, including 8 green field refinery projects, 7 petrochemical complexes, 35 oil and gas processing projects and 205 offshore platforms projects.

It has strategic alliances with VAI Industries UK Limited; Deutsche Montan Technologies GmbH; Curtin University of Technology; IOCL; Petron Scientech Inc.; Stroytransgaz; GAIL India Limited; and Jacobs Engg.

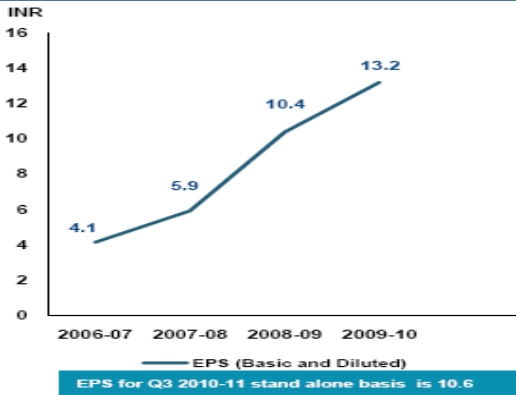
Strong Balance Sheet

Every Year Company is able to increase both top line and bottom line consistently. Company's order book is improving YOY which helps it to increase top line and bottom line. Net revenue has increased more than 400% from 2007 to 2010. PAT has grown 47% CAGR from 2007 to 2010. We expect the company will maintain the momentum going forward also.

The **biggest advantage of EIL is ZERO debt** in its book which helps company to maintain PAT level margin. EIL is consciously improving Return on Net worth, it has moved from 13% in 2006-07 to 32% in 2010-11.



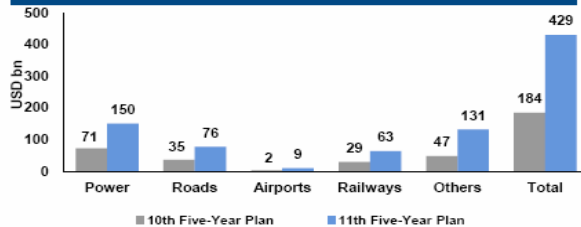
Earnings per Share – EPS (INR)*



Exposure to high growth infrastructure Space

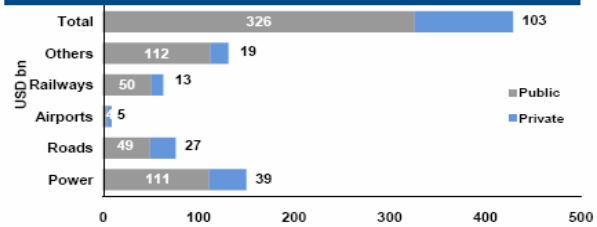
EIL is well positioned to benefit from increased infrastructure investment. Company is well established player in building refineries, strategic storages, turnkey project, and consultancy. We expect government thrust on infrastructure space to continue will make Engineers India wealth creator for long term investor.

Planned Infrastructure Expenditure (10th & 11th Plans) (USD bn)



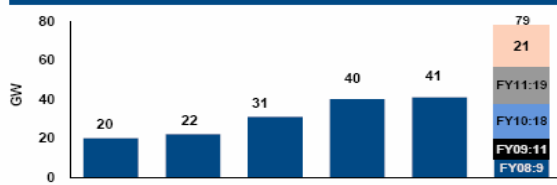
Source: Planning Commission Eleventh Five Year Plan Report (2007–2012), Projections of investments during the Eleventh Plan; Others include irrigation, water supply and sanitation, ports, storage and gas

Planned Infrastructure Expenditure (Public & Pvt. sector) (USD bn)



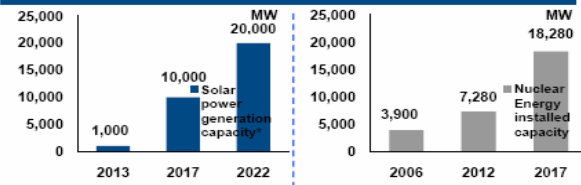
Source: Planning Commission Eleventh Five Year Plan Report (2007–2012), Projections of investments during the Eleventh Plan; Others include irrigation, water supply and sanitation, ports, storage and gas

Power Plan 2012: Major Capacity Additions (GW)



Source: Ministry of Power, GOI

Greater focus on New and Renewable Energy space



* Grid-connected
Source: Planning Commission Eleventh Five Year Plan Report (2007–2012)
Ministry of New and Renewable Energy's Annual Report 2009-2010

Valuation

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Concerns

On time Order book execution.

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