



## Engineers India Ltd. – Robust EPC order book

Buy

CMP: Rs 326

Target- Rs 391

Industry: Consultancy Services

Stock Info		BSE Group	B	Shareholding Pattern (30 <sup>th</sup> Jun.'10)	
Market Capital	Rs 10984 cr	BSE Code	532178	Promoters	90.40%
Free float	Rs 1085 cr	NSE Symbol	ENGINERSIN	Domestic Institutions	4.26%
Equity Capital	Rs 58.16 cr	Bloomberg	ENGR:IN	Foreign Institutions	0.78%
Avg Trading Vol.	426194(Qtly)	Reuters	ENGLBO	Non Promoters Corp.	0.71
52 WK High/Low	536 /159	BSE Sensex	18143	Public & Others	3.69
Face Value	Rs 5	NSE Nifty	5439	Govt. Holdings	0.16%

Incorporated in 1965, **Engineers India Ltd. (EIL)** is a Government owned engineering consultancy company providing design, engineering, procurement, construction and integrated project management services, principally focused on the oil and gas and petrochemicals industries in India and internationally. With its rich experience, the company has serviced more than 49 refinery projects, 7 petrochemical complexes, 35 oil and gas processing projects, 205 offshore platform projects, 37 pipeline projects, 11 ports and storage and terminals projects. It has also diversified its Engineering, Procurement and Construction (EPC) business into the fertilizer, mining and metallurgy sectors.

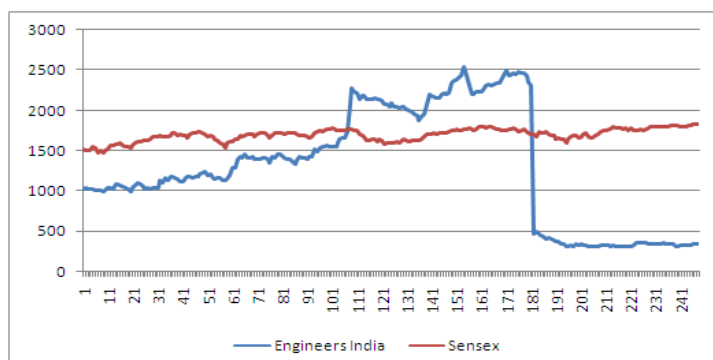
## Major Growth Triggers

**Leadership position across the value chain in the hydrocarbon industry in India:** EIL was established by the GoI for the enhancement of design, engineering and project implementation competencies and the development of technology capabilities for the hydrocarbon industry in India. Over four decades it has developed indigenous technology and expertise for offshore platforms, oil and gas processing, oil refining, petrochemicals and pipeline projects. It has an extensive track record of working on key projects with various Indian and international energy majors. Its leadership position across the entire value chain in the hydrocarbon industry in India and long-term relationships with its clients is the company's competitive advantage.

**Strong quarterly results and huge cash & bank balance:** In Q1FY10, EIL 21.58per cent increase in its net profit to Rs 114.56 cr from Rs 94.22 cr (y-o-y). Net sales surged 54.62 per cent to Rs 606.04 cr (y-o-y). EIL is a debt free company with strong operating cash flow. It also has huge amount of cash and bank balance of Rs 1763.97 cr as on March 31<sup>st</sup>, 2010.

**Order backlog to drive revenue growth:** In our view, ENGR's current order backlog, at Rs 6240 cr, provides high revenue visibility over the next two years. Further, we believe that higher order inflows in FY11E may trigger a valuation re-rating for the company due to enhanced revenue visibility.

**Strong upside potential:** We recommend a **BUY** on the stock at CMP of Rs 326. It is trading at a P/E of 25.2x for FY10. Based on Ev/EBITDA valuation, we arrive at a one-year forward value of Rs 391 for the stock. In our view, given the company's high growth and return profile and the low capital intensity of its business model, its current valuations offer ~20% upside potential.



Particulars (Rs. in cr)	FY08	FY09	FY10
Net Revenue	753.3	1552.8	1993.8
Growth %	33.6	77.8	28.3
Net Profit	199.2	349.1	435.5
Growth %	36.0	80.4	24.0
EPS (Rs)	5.9	10.3	12.9
P/E	32.5	30.5	25.2
P/BV	6.5	7.3	9.5