

Subscribe on reasonable valuation

CMP:	Rs. 151
FPO Price	Rs 145-150
Recommendation	Subscribe

Stock Info

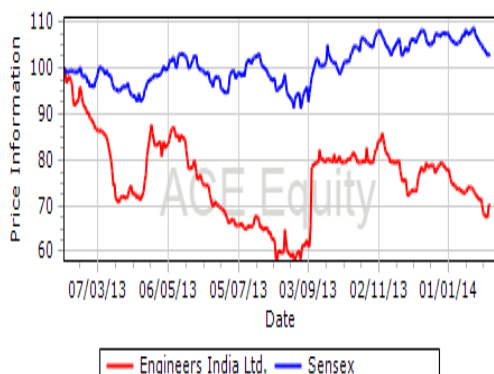
BSE Group	A
BSE Code	532178
NSE Symbol	ENGINEERSIN
Bloomberg	ENGR.IN
Reuters	ENGI.BO
BSE Sensex	20311
NSE Nifty	6036

Market Info

Market Capital	₹ 5099cr
Equity Capital	₹ 168.5cr
Avg. Trading Vol.	181880
52 Wk High/ Low	219/121
Face Value	5

Shareholding Pattern (%) (31st Dec.2013)

Promoters	80.4
Domestic Institutions	7.0
Foreign Institutions	5.6
Non Promoters Corp.	1.5
Public & Others	5.5



Government of India (GoI) has set a price band for EIL's follow on public offer (FPO) at Rs 145-150 per share, which is at ~4% discount to CMP of Rs 151 per share. For retail investors additional discount of 5% on offer price will be given. GoI is offloading 10% stake in the company after which GOI's stake will come down to 70.4% from 80.4%. Issue is expected to mop up ~ Rs 505cr at upper end of price band. Main objective of the issue is to meet government's divestment targets and bring liquidity to stock through increased free float.

Investment Rationale

Leadership position in project implementation: EIL enjoys leadership position in design, engineering and project implementation work in India. It enjoys strong project execution capabilities in India's energy sector with presence across verticals like oil & gas, petrochemicals. Further, company has diversified its presence in sectors like LNG, fertilizer, power, mining, metallurgical and infrastructure.

Diversified geographic base: Apart from India, company has strong presence in geographies like Middle East, Africa and South East Asia that gives it diversified revenue base.

Technology-driven integrated turnkey and total solutions consultancy services: EIS is one of the leading engineering consultancy companies in India providing a range of services covering the entire spectrum of activities from concept to commissioning of a project. EIL also execute projects on a turnkey basis.

Healthy Financial position and order book

Despite faced with challenging environment EIL has able to deliver operating margins in excess of 22%. In addition company's order book position has showed upward traction in last one year with order book standing at 3342cr at present thus enabling revenue visibility to the extent of more than one year.

Company also has healthy balance sheet with zero debt and has cash and cash equivalent of Rs ~2550cr which translates into Rs 75 per share (~50% of CMP).



Rs cr	FY11	FY12	FY13	9MFY14
Net Sales	2987	3937	2776	1329
EBITDA	797	951	825	304
EBITDA%	26.7%	24.1%	29.7%	22.9%
PAT	511	635	574	376
EPS (Rs/sh)	15.2	18.9	17.0	14.9*
Net Worth	1546	1954	2295	2671
Debt	-	-	-	-
P/E(x)	10.0	8.0	8.9	10.2
P/B(x)	3.3	2.6	2.2	1.9
RoE%	40.2%	38.0%	30.2%	-
RoCE%	60.7%	54.9%	42.9%	-
Div payout%	38%	37%	41%	-
DPS	5.0	6.0	6.0	-
Div Yield	3.3%	4.0%	4.0%	-

Note: *annualised

Valuation

EIL is a niche player in India's engineering service segments, with strong credentials in energy sector. EIL's performance in last one year was impacted by capex slowdown resulting into falling revenues, margins and profitability. However, future prospects looks encouraging from here on with ever increasing order book coming from increased presence in new markets and segments. We expect EIL to benefit incrementally from improved capex cycle in India. We believe margins at present are at bottom and should improve going forward. At upper level of price band stock looks reasonably valued in our view. Recommend subscribe to FPO.

FPO-Overview	
Date	06-02-14 to 10-02-2014
Timings	9:15am-3.30pm IST
Price band	Rs 145-150
Number of shares	3.37cr
Amount to be raised@ Floor price	~Rs 489
Gol's stake Pre-OFS	80.4%
Gol's stake Post-OFS	70.4%



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Stock Rating Scale

	Absolute Return	
BUY	:	>20%
ACCUMULATE	:	12-20%
HOLD	:	5-12%
NEUTRAL	:	0-5%
REDUCE	:	< 0%

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