

February 11, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	242		247	
Sales (Rs. m)	44,397	50,712	44,482	50,740
% Chng.	(0.2)	(0.1)		
EBITDA (Rs. m)	5,616	6,958	5,627	6,962
% Chng.	(0.2)	(0.1)		
EPS (Rs.)	11.5	13.5	11.5	13.5
% Chng.	(0.2)	(0.1)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	32,809	32,448	44,397	50,712
EBITDA (Rs. m)	2,971	3,650	5,616	6,958
Margin (%)	9.1	11.3	12.7	13.7
PAT (Rs. m)	4,034	4,690	6,458	7,576
EPS (Rs.)	7.2	8.3	11.5	13.5
Gr. (%)	16.5	16.3	37.7	17.3
DPS (Rs.)	3.0	3.0	4.5	6.1
Yield (%)	1.8	1.7	2.7	3.6
RoE (%)	19.1	19.9	24.7	25.8
RoCE (%)	12.3	13.7	19.7	22.0
EV/Sales (x)	2.5	2.5	1.8	1.5
EV/EBITDA (x)	27.6	22.4	14.0	11.2
PE (x)	23.6	20.3	14.8	12.6
P/BV (x)	4.2	3.9	3.4	3.1

Key Data

ENGI.BO | ENGR IN

52-W High / Low	Rs.304 / Rs.153
Sensex / Nifty	77,312 / 23,382
Market Cap	Rs.95bn/ \$ 1,089m
Shares Outstanding	562m
3M Avg. Daily Value	Rs.549.49m

Shareholding Pattern (%)

Promoter's	51.32
Foreign	6.89
Domestic Institution	10.59
Public & Others	31.20
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.1)	(24.0)	(25.1)
Relative	(2.0)	(21.6)	(30.7)

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Favorable mix in Q3; turnkey execution in focus

Quick Pointers:

- YTD order intake stands at Rs72.7bn, including ~Rs2.7bn worth of orders secured in Jan'24, taking current order book to ~Rs114bn+.
- EIL targets to maintain the annual order inflow of ~Rs40-50bn in the consultancy segment.

Engineers India (EIL) reported 11.9% YoY decline in revenue due to weaker execution, but favorable revenue mix boosted gross margins by 1,100bps YoY to 55.5% and EBITDA margins by 703bps YoY to 12.8%. EIL has secured ~Rs72.7bn in order intake to date in FY25 and anticipates additional order from IOCL's Paradip expansion. The company has already secured a Rs545mn contract for Phase 1 and holds L1 status for the Phase 2 package, expected to add Rs7bn in new orders. The total order book has expanded to over Rs114bn; however, turnkey execution has been subdued, making execution progress a critical focus for Q4FY25. Improved execution rates are expected to enhance operational efficiency and drive margin expansion. The project pipeline remains robust, spanning oil & gas, green hydrogen, biofuels, and infrastructure. Internationally, EIL continues to experience strong momentum in Abu Dhabi, with additional opportunities emerging in the Middle East and Algeria.

We believe EIL's long-term growth prospects remain intact given 1) strong order book and oil & gas project pipeline, 2) opportunities in energy transition & infrastructure, 3) growing exports business, and 4) lean balance sheet. The stock is trading at a P/E of 14.8x/12.6x on FY26/27E core EPS. We maintain 'Buy' rating with rolling forward SoTP-to Sep'26 (FY26E earlier) at derived TP of Rs242 (Rs247 earlier), valuing the Consultancy/Turnkey segments at 22x/10x (25x/10x earlier).

Healthy execution in consultancy boosts topline: Consol. revenue fell 11.9% YoY to Rs7.6bn (PLe: Rs9.4bn). Turnkey revenue declined 30.9% YoY to Rs3.4bn, while Consultancy revenue rose 13.7% YoY to Rs4.2bn. Gross margin increased by 1,102bps YoY to 55.5% (PLe: 51.0%) on account of a favorable revenue mix. Consultancy/Turnkey mix stood at 55%/45% (vs 43%/57% in Q3FY24). EBITDA grew 95.5% YoY to Rs979mn (PLe: Rs889mn) and margin expanded by 703bps YoY to 12.8% (PLe: 95.5%) as relatively higher employee costs (+330bps YoY to Rs2.5bn) and relatively higher other expenses (+679bps YoY to Rs724mn) partially offset gross margin expansion. Consultancy EBIT margin increased to 26.6% (vs 18.3% in Q2FY24). Turnkey margin increased by 75bps YoY to 5.5%. PAT (incl. JVs/associates) increased by 71.6% YoY to Rs1.1bn (PLe: Rs1.1bn) aided by higher other income (+24.8% YoY to Rs381mn) and lower effective tax rate (25.5% vs 26.2% in Q3FY24).

Healthy order book stands at Rs113.5bn: Q3FY25 order inflow came in at Rs18.8bn vs Rs6.4bn in Q3FY24 with Consultancy Domestic/Consultancy Overseas/Turnkey mix of 11%/3%/86%. Order book at the end of Q3FY25 stood at Rs113.5bn (3.9x TTM revenue), with Consultancy Domestic/Consultancy Overseas/Turnkey mix of 36%/13%/51%.

Exhibit 1: Favorable Consultancy/Turnkey mix boosts Gross Margins

Rs mn	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	Var.	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Revenue	7,646	8,676	-11.9%	9,360	-18.3%	6,889	11.0%	20,774	24,757	-16.1%
Gross Profit	4,246	3,864	9.9%	4,774	-11.0%	3,985	6.6%	11,853	11,717	1.2%
Margin (%)	55.5	44.5	1,100	51.0	454	57.8	(231)	57.1	47.3	973
Employee Cost	2,543	2,600	-2.2%	2,714	-6.3%	2,519	1.0%	7,483	7,405	1.0%
as % of sales	33.3	30.0	330	29.0	427	36.6	(330)	36.0	29.9	611
Other expenditure	724	764	-5.2%	1,170	-38.1%	842	-14.0%	2,257	2,115	6.7%
as % of sales	9.5	8.8	67	12.5	(303)	12.2	(275)	10.9	8.5	232
EBITDA	979	501	95.5%	889	10.1%	624	56.9%	2,113	2,196	-3.8%
Margin (%)	12.8	5.8	703	9.5	330	9.1	375	10.2	8.9	130
Depreciation	95	85	12.2%	95	0.0%	95	-0.3%	289	243	18.9%
EBIT	884	416	112.5%	794	11.3%	528	67.3%	1,824	1,953	-6.6%
Margin (%)	11.6	4.8	677	8.5	308	7.7	389	8.8	7.9	89
Other Income	381	305	24.8%	450	-15.4%	470	-18.9%	1,239	1,124	10.2%
Interest	6	7	-3.8%	7	-8.4%	7	-13.2%	22	22	-3.6%
PBT (ex. Extra-ordinaries)	1,258	714	76.1%	1,237	1.7%	991	27.0%	3,042	3,055	-0.4%
Margin (%)	16.5	8.2	822	13.2	324	14.4	208	14.6	12.3	230
Extraordinary Items	-	-	-	-	-	-	-	-	556	-
PBT	1,258	714	76.1%	1,237	1.7%	991	27.0%	3,042	3,611	-15.8%
Total Tax	321	187	71.5%	315	1.7%	222	44.6%	746	906	-17.7%
Effective Tax Rate (%)	25.5	26.2	(68)	25.5	(1)	22.4	310	24.5	25.1	(56)
PAT before JVs/Assoc.	938	527	77.8%	922	1.7%	769	21.9%	2,296	2,706	-15.1%
Adj. PAT before JVs/Assoc.	938	527	77.8%	922	1.7%	769	21.9%	2,296	2,291	0.2%
Profit from JVs/Assoc.	150	106	41.2%	210	-	227	-34.1%	704	592	18.9%
Reported PAT	1,087	633	71.6%	1,132	-3.9%	996	9.1%	3,000	3,297	-9.0%
Adj. PAT	1,087	633	71.6%	1,132	-3.9%	996	9.1%	3,000	2,883	4.1%
Adj. EPS	1.9	1.1	71.6%	2.0	-3.9%	1.8	9.1%	5.3	5.1	4.1%

Source: Company, PL

Exhibit 2: Soft execution in Turnkey drags topline

Segment Performance	Q3FY25	Q3FY24	YoY gr.	Q3FY25E	Var.	Q2FY25	QoQ gr.	9MFY25	9MFY24	YoY gr.
Revenue (Rs mn)										
Consultancy & Engineering Projects	4,212	3,704	13.7%	4,934	-14.6%	3,955	6.5%	11,764	10,997	7.0%
Turnkey Projects	3,434	4,973	-30.9%	4,427	-22.4%	2,935	17.0%	9,009	13,761	-34.5%
Total	7,646	8,676	-11.9%	9,360	-18.3%	6,889	11.0%	20,774	24,757	-16.1%
EBIT (Rs mn)										
Consultancy & Engineering Projects	1,122	679	65.3%	1,036	8.3%	802	39.9%	2,497	2,453	1.8%
Turnkey Projects	189	237	-20.1%	243	-22.3%	165	14.5%	566	824	-31.3%
Total	1,312	916	43.2%	1,280	2.5%	967	35.6%	3,063	3,277	-6.5%
EBIT Margin (%)										
			YoY bps		Var. bps		QoQ bps			YoY bps
Consultancy & Engineering Projects	26.6	18.3	831	21.0	565	20.3	636	21.2	22.3	-108
Turnkey Projects	5.5	4.8	75	5.5	1	5.6	-12	6.3	6.0	30
Total	17.2	10.6	660	13.7	348	14.0	311	14.7	13.2	151

Source: Company, PL

Exhibit 3: SoTP Valuation – Valuing core Consultancy/Turnkey businesses at 22x/10x on Sep’26 EPS

	FY25	FY26	FY27E	Sep’26 EPS	Multiple (x)	Basis (x)	Value Per Share
EIL Consol PAT (ex-JVs/Associates)	3,690	5,658	6,776				
Less: Post-Tax Dividend Income from Numaligarh	338	456	524				
EIL Core PAT	3,353	5,203	6,252	10.2			-
Core PAT - Consultancy	2,714	4,234	5,041	8.3	22	PE	182
Core PAT - LSTK	639	969	1,211	1.9	10	PE	19

Equity Investments

Numaligarh Refinery			8,840		2.0	PB	31
Ramagundam Fertilizer Project			3,517		1.5	PB	9

Total Value per Share

242

Source: Company, PL

Conference Call Highlights

- **YTD order intake comes at Rs72.7bn**, with Rs70.1bn secured in 9MFY25. Order intake in Jan’25 stands at ~Rs2.7bn, primarily from the consultancy & Engineering segment. The company expects another Rs7bn order from Phase-2 of IOCL project in the coming weeks. The current order book stands at over Rs114bn.
- **EIL has downward revised revenue guidance** at Rs32-33bn for FY25 from Rs35bn earlier, subject to finalization of pending change orders.
- **Consultancy segment:** EIL is awarded Phase-1 of consultancy package for IOCL’s Paradip refinery expansion project valuing at Rs545mn and is L1 for Phase-2 of the project and is expecting to receive the order shortly. Management maintained the target margin of ~20% for the segment. Infrastructure witnessed significant growth in the segment with contribution increasing to 44% of total consultancy portfolio compared to 25% earlier.
- **Turnkey segment:** 9MFY25 order book for turnkey segment was Rs58bn. Revenue shortfall in 9MFY25 was on account of slow execution which is expected to be compensated going forward. Management has maintained a target margin of 5-6% for the segment.
- **New verticals:** EIL continues to strengthen its position in the Hydrocarbon sector, driven by key projects from IOCL and BPCL, with the BPCL Andhra Pradesh Refinery tender anticipated in the next fiscal year. Simultaneously, EIL is expanding its footprint in Non-Hydrocarbon sectors, including Infrastructure—fueled by growth in data centers and institutional campuses, Metallurgy- with ventures into steel and non-ferrous projects, Coal Gasification, and Green Energy through Green Hydrogen and Ammonia initiatives with NTPC. The company also plans to foray into the Nuclear Sector, further diversifying its project portfolio.
- **Revenue execution cycle:** With an average time period of 36-40months per project, ~5-7% of revenue is recorded in the first year, followed by ~35% each over the next 2 years, and balance in 4th & 5th years

- **International business:** Abu Dhabi office is performing strongly with mid-sized consultancy projects ranging from Rs300-500mn and bids for larger EPCM contracts. The company maintains steady business in Kuwait, while Nigerian expansion projects are on hold pending refinery stabilization. In Algeria, EIL has secured small assignments with larger projects in the pipeline.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	32,809	32,448	44,397	50,712
YoY gr. (%)	(1.5)	(1.1)	36.8	14.2
Cost of Goods Sold	16,963	15,251	22,376	25,356
Gross Profit	15,845	17,198	22,021	25,356
Margin (%)	48.3	53.0	49.6	50.0
Employee Cost	9,854	10,059	11,676	12,921
Other Expenses	3,020	3,488	4,728	5,477
EBITDA	2,971	3,650	5,616	6,958
YoY gr. (%)	(3.6)	22.9	53.9	23.9
Margin (%)	9.1	11.3	12.7	13.7
Depreciation and Amortization	350	386	398	423
EBIT	2,621	3,264	5,218	6,535
Margin (%)	8.0	10.1	11.8	12.9
Net Interest	30	28	27	25
Other Income	1,636	1,671	2,353	2,586
Profit Before Tax	4,782	4,907	7,544	9,096
Margin (%)	14.6	15.1	17.0	17.9
Total Tax	1,180	1,217	1,886	2,319
Effective tax rate (%)	24.7	24.8	25.0	25.5
Profit after tax	3,602	3,690	5,658	6,776
Minority interest	-	-	-	-
Share Profit from Associate	851	1,000	800	800
Adjusted PAT	4,034	4,690	6,458	7,576
YoY gr. (%)	16.5	16.3	37.7	17.3
Margin (%)	12.3	14.5	14.5	14.9
Extra Ord. Income / (Exp)	419	-	-	-
Reported PAT	4,453	4,690	6,458	7,576
YoY gr. (%)	28.6	5.3	37.7	17.3
Margin (%)	13.6	14.5	14.5	14.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,453	4,690	6,458	7,576
Equity Shares O/s (m)	562	562	562	562
EPS (Rs)	7.2	8.3	11.5	13.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	4,213	4,713	5,213	5,713
Tangibles	4,213	4,713	5,213	5,713
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,593	1,979	2,377	2,800
Tangibles	1,593	1,979	2,377	2,800
Intangibles	-	-	-	-
Net fixed assets	2,621	2,734	2,836	2,913
Tangibles	2,621	2,734	2,836	2,913
Intangibles	-	-	-	-
Capital Work In Progress	408	408	408	408
Goodwill	-	-	-	-
Non-Current Investments	13,651	13,975	14,720	15,283
Net Deferred tax assets	3,491	3,491	3,491	3,491
Other Non-Current Assets	297	811	1,110	1,268
Current Assets				
Investments	1,526	238	2,861	3,176
Inventories	6	9	12	14
Trade receivables	3,356	3,823	5,109	8,197
Cash & Bank Balance	12,187	13,556	13,908	14,231
Other Current Assets	3,671	3,732	4,662	5,071
Total Assets	43,927	44,980	52,729	57,915
Equity				
Equity Share Capital	2,810	2,810	2,810	2,810
Other Equity	19,743	21,773	24,885	28,252
Total Networkth	22,553	24,583	27,695	31,062
Non-Current Liabilities				
Long Term borrowings	330	330	330	330
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	4,437	4,089	5,109	5,419
Other current liabilities	20,099	19,469	23,087	24,595
Total Equity & Liabilities	43,927	44,980	52,729	57,915

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	4,782	4,907	7,544	9,096
Add. Depreciation	350	386	398	423
Add. Interest	30	28	27	25
Less Financial Other Income	1,636	1,671	2,353	2,586
Add. Other	(2,132)	-	-	-
Op. profit before WC changes	3,031	5,322	7,969	9,544
Net Changes-WC	(255)	(1,435)	464	(2,151)
Direct tax	(556)	(1,217)	(1,886)	(2,319)
Net cash from Op. activities	2,220	2,669	6,547	5,073
Capital expenditures	(339)	(500)	(500)	(500)
Interest / Dividend Income	1,377	-	-	-
Others	413	888	(3,123)	(815)
Net Cash from Invt. activities	1,450	388	(3,623)	(1,315)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(1,686)	(1,661)	(2,546)	(3,409)
Interest paid	-	(28)	(27)	(25)
Others	(112)	-	-	-
Net cash from Fin. activities	(1,798)	(1,688)	(2,573)	(3,435)
Net change in cash	1,872	1,369	351	323
Free Cash Flow	2,220	2,669	6,547	5,073

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	7.2	8.3	11.5	13.5
CEPS	7.8	9.0	12.2	14.2
BVPS	40.1	43.7	49.3	55.3
FCF	3.9	4.7	11.6	9.0
DPS	3.0	3.0	4.5	6.1
Return Ratio(%)				
RoCE	12.3	13.7	19.7	22.0
ROIC	25.9	24.3	40.3	39.6
RoE	19.1	19.9	24.7	25.8
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.5)	(0.6)	(0.5)
Net Working Capital (Days)	(12)	(3)	0	20
Valuation(x)				
PER	23.6	20.3	14.8	12.6
P/B	4.2	3.9	3.4	3.1
P/CEPS	21.7	18.8	13.9	11.9
EV/EBITDA	27.6	22.4	14.0	11.2
EV/Sales	2.5	2.5	1.8	1.5
Dividend Yield (%)	1.8	1.7	2.7	3.6

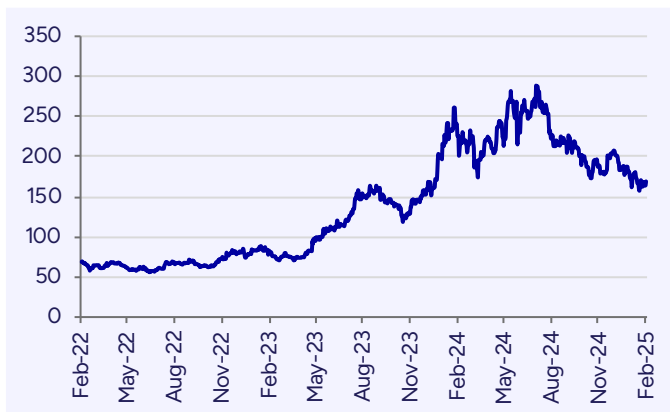
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	8,051	6,238	6,889	7,646
YoY gr. (%)	(8.5)	(23.8)	(12.8)	(11.9)
Raw Material Expenses	3,923	2,617	2,904	3,399
Gross Profit	4,129	3,621	3,985	4,246
Margin (%)	51.3	58.0	57.8	55.5
EBITDA	775	510	624	979
YoY gr. (%)	(53.6)	(28.2)	(36.7)	95.5
Margin (%)	9.6	8.2	9.1	12.8
Depreciation / Depletion	107	98	95	95
EBIT	667	412	528	884
Margin (%)	8.3	6.6	7.7	11.6
Net Interest	8	8	7	6
Other Income	511	389	470	381
Profit before Tax	1,171	793	991	1,258
Margin (%)	14.5	12.7	14.4	16.5
Total Tax	275	203	222	321
Effective tax rate (%)	23.5	25.6	22.4	25.5
Profit after Tax	896	589	769	938
Minority interest	-	-	-	-
Share Profit from Associates	259	327	227	150
Adjusted PAT	1,155	916	996	1,087
YoY gr. (%)	(39.3)	9.9	(21.8)	71.6
Margin (%)	14.3	14.7	14.5	14.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,155	916	996	1,087
YoY gr. (%)	(39.3)	9.9	(21.8)	71.6
Margin (%)	14.3	14.7	14.5	14.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,155	916	996	1,087
Avg. Shares O/s (m)	562	562	562	562
EPS (Rs)	2.1	1.6	1.8	1.9

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	BUY	247	182
2	31-Oct-24	BUY	247	187
3	17-Oct-24	BUY	250	188
4	07-Oct-24	Accumulate	250	202
5	13-Aug-24	Accumulate	250	227
6	08-Jul-24	Hold	264	268
7	30-May-24	Hold	264	251
8	12-Apr-24	Hold	257	223

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,133	6,657
2	Apar Industries	Accumulate	8,219	7,179
3	BEML	Accumulate	3,561	3,132
4	Bharat Electronics	BUY	340	279
5	BHEL	Accumulate	226	200
6	Carborundum Universal	Accumulate	1,583	1,245
7	Cummins India	BUY	3,723	2,870
8	Elgi Equipments	Accumulate	607	548
9	Engineers India	BUY	247	182
10	GE Vernova T&D India	Accumulate	1,950	1,710
11	Grindwell Norton	BUY	2,511	1,850
12	Harsha Engineers International	Accumulate	561	493
13	Hindustan Aeronautics	Accumulate	4,692	4,110
14	Ingersoll-Rand (India)	BUY	4,467	3,800
15	Kalpataru Projects International	Accumulate	1,306	1,245
16	KEC International	Accumulate	930	813
17	Kirloskar Pneumatic Company	BUY	1,564	1,013
18	Larsen & Toubro	BUY	4,025	3,421
19	Praj Industries	BUY	751	632
20	Siemens	Accumulate	7,716	6,297
21	Thermax	Accumulate	3,857	3,385
22	Triveni Turbine	BUY	800	634
23	Voltamp Transformers	BUY	11,437	8,358

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

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