Engineers India Ltd — 19 Dec 2024 Credit Rating Summary

Here is the summarized credit rating analysis for Engineers India Limited (EIL).

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**Reaffirmed** (CARE AAA / CARE A1+; 0 notches moved)
Outlook (Current vs Previous)	**Stable vs Stable**
Key Drivers of Change	1. **Order Book Surge:** Outstanding orders grew to ₹11,155 Cr (Sept '24) vs ₹8,188 Cr (Sept '23), providing 3.4x revenue visibility. 2. **Sovereign Support:** 51.32% Government of India (GoI) ownership and "Navratna" status ensure strategic importance and financial backing. 3. **Zero External Debt:** Robust capital structure with negligible debt and high interest coverage (54.76x in FY24). 4. **Dominant Moat:** Technical expertise in 20 out of 23 Indian refineries creates a high entry barrier for competitors.
Rated Instruments	1. **Non-fund-based (LT/ST):** ₹1,774 Cr
Key Observations	• **Strengths:** Huge cash/liquid buffer of ₹1,182 Cr; low counterparty risk (mostly PSU clients like ONGC, BPCL). • **Strengths:** Diversification into Green Hydrogen, Biofuels, and Net-Zero consulting by 2035. • **Weakness:** Segment concentration (95% orders from Hydrocarbon space). • **Weakness:** Margin contraction (PBILDT fell from 10.58% in FY23 to 9.46% in FY24, and 8.64% in H1FY25). • **Risk:** Significant cash outflow for JV/Associate investments (₹1,376 Cr total; ₹138 Cr committed to NRL rights issue).
Investor Impact	• **Growth:** Revenue expected to ramp up from Q4FY25 as new turnkey projects exit the nascent stage. • **Margins:** Range-bound (8-10%) in the near term; consultancy segment profitability is the key metric to watch. • **Leverage:** Nil external debt; no equity dilution risk. • **Dividend/Liquidity:** Future dividends may be capped by the "material depletion of cash" for mandatory JV investments (NRL/RFCL).
Agency / Cross Analysis	**Same Agency:** Ratings maintained at highest possible grade. While financials showed slight moderation (TOI down 1.7% in FY24), CARE shifted focus to the **record-high order book** and GoI's ₹27Bn sector capex plan. **Conclusion:** Stability persists; the credit profile remains "Bulletproof" despite operational margin pressure.
Final Inference	**Real improvement in order visibility, but a risk signal on cash diversion.** While the core business is a cash-rich PSU moat, equity upside depends on converting the ₹11,155 Cr backlog into higher-margin consultancy revenue without further depleting cash for non-core JV support.