

## Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

### Investor Snapshot

#	Analytical Point	Sentiment
1	Engineers India Ltd (EIL) maintains a dominant technical moat in hydrocarbon consultancy while strategically pivoting into Green Hydrogen, Bio-fuels, and Data Centers to diversify its technical base.	☐Positive
2	<b>Revenue stagnated at 3,281.00 Cr, reflecting a 1.48% YoY decline primarily driven by a slowdown in the high-volume Turnkey segment.</b>	☐Negative
3	Healthy ROCE of 22.00% and ROE of 19.81% are sustained by an asset-light consultancy model, despite the increasing tilt toward lower-margin Turnkey projects.	☐Positive
4	Reported PAT grew 28.6% to ₹445.00 Cr, though this growth was heavily reliant on non-operational drivers including Other Income and Associate Profits.	☐Neutral
5	<b>The balance sheet remains exceptionally robust with a Debt/Equity ratio of 0.01x and a substantial cash and bank balance of ₹1,219.00 Cr.</b>	☐Positive
6	<b>Cash Flow from Operations (CFO) recovered to 222.00 Cr, yet the CFO/PAT ratio of 0.50 indicates a significant failure to convert 50% of reported profits into actual cash.</b>	☐Negative
7	Capital allocation remains disciplined with a ₹169.00 Cr dividend payout well-covered by Free Cash Flow of ₹188.00 Cr and minimal capex requirements.	☐Positive
8	<b>Earnings quality is compromised by a 28.74% surge in Unbilled Revenue (Contract Assets) to 588.64 Cr, signaling aggressive revenue recognition or chronic billing lags.</b>	☐Negative
9	<b>Governance is generally compliant (9/10 rating) but is marred by a 14.23 Cr impairment loss used to bail out the Employee Provident Fund Trust's bad investments.</b>	☐Negative
10	<b>High concentration risk persists with 95.76% of Turnkey revenue derived from just three PSU customers, alongside 689.78 Cr in contingent liabilities from tax disputes.</b>	☐Negative
11	<b>Asset quality is under pressure as 31.6% of gross receivables (137.87 Cr) are aged over 3 years, indicating persistent recovery challenges.</b>	☐Negative
12	Investment View: WATCH stance; while fundamentally strong, the thesis requires the CFO/PAT ratio to exceed 0.80x and the liquidation of unbilled assets before re-rating.	☐Neutral

### 1. BUSINESS OVERVIEW (In Bullet Points)

- **Segment Dynamics & Revenue Mix:** EIL is undergoing a structural transition from a "Consultancy-first" firm to a "Hybrid Engineering & EPC" entity.
  - **Consultancy & Engineering (High Margin):** Remains the core intellectual asset, contributing 45% of total revenue. Revenue is driven by man-hours and technical complexity, with a shift toward Petrochemical integration and Net Zero pathways.

- **Turnkey Projects (Low Margin/High Risk):** Contributes 55% of total revenue. This segment is the primary driver of top-line growth but acts as a drag on overall margins. Management uses Turnkey to capture larger ticket sizes in a competitive PSU landscape.
- **Industry Position:** EIL maintains a near-monopoly in Indian hydrocarbon consultancy. However, the moat is being tested as clients (IOCL, BPCL, HPCL) increasingly demand Lump Sum Turnkey (LSTK) contracts, shifting the risk of cost overruns to EIL.
- **Cost Drivers:** Primary costs include Employee Benefits (30.05% of revenue) and Manufacturing/Project costs (53.87%). Other expenses are heavily influenced by provisions for contractual obligations.
- **Expansion Plans & Growth Drivers:**
  - **Energy Transition:** Significant pivot toward Green Hydrogen, Bio-fuels (Bamboo-based ethanol), and Carbon Capture.
  - **Infrastructure Diversification:** Aggressive bidding in non-core sectors like Data Centers, Airports, and High-speed Rail to reduce hydrocarbon cyclical risk.
  - **International Footprint:** Focus on the Middle East and Africa (Nigeria/Guyana) to diversify away from Indian PSU CAPEX cycles.
- **Segment Performance:** Consultancy & Engineering grew to ₹1,454.29 Cr, while Turnkey Projects contracted by 4.71% to ₹1,777.88 Cr.
- **Geographical Presence:** Domestic (India) accounts for 91.31% of revenue (₹2,951.34 Cr), while Overseas revenue stands at 8.69% (₹280.83 Cr).

## 2. MANAGEMENT COMMENTARY & OUTLOOK

---

- Management tone in FY24 is cautiously expansionary, with a heavy emphasis on "Digital Transformation" and "Sustainability."
- Strategy focuses on "EIL 4.0," pushing a digitalization agenda (Building Information Modeling - BIM) to improve engineering efficiency and lower the "cost of engineering" in response to margin compression.
- Execution highlights include the successful commissioning of complex units like HRRL and Vizag Refinery, with a shift toward "Fast-track Execution" to mitigate liquidated damages (LD) risks in Turnkey projects.
- Management views the robust domestic CAPEX cycle in the petrochemical sector (e.g., ONGC's ₹1 Lakh Cr plan) as a multi-year tailwind for the Consultancy segment.
- Increased focus on partnerships and JVs, such as collaborations with technology licensors for Green Ammonia, indicates a move from "service provider" to "technology integrator."
- Long-term vision involves diversifying into civil infrastructure (Airports/Data Centers) to compete with major players like L&T and Tata Projects.
- Management projects confidence in the "Energy Transition" narrative but faces the pressure of balancing PSU mandates (high-risk Turnkey) with maintaining a "Consultancy" valuation.
- The re-appointment of Directors for Technical and Projects suggests a "steady hands" approach to managing unbilled revenue and receivable hurdles.
- Management Tone Verdict: The tone is resilient but constrained; management is projecting confidence in future energy sectors while navigating the structural PSU payment lags that decouple PAT from actual Cash Flow. (Narrative Verdict)

## 3. FINANCIAL ANALYSIS

### 3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

#### P&L Statement (₹Crores)

Line Item	Mar 2024	Mar 2023
Sales -	3,281.00	3,330.00
Sales Growth %	-1.48	14.33
Expenses -	2,982.00	3,020.00
Manufacturing Cost %	53.87	57.09
Employee Cost %	30.05	28.64
Other Cost %	6.97	4.96
Operating Profit	299.00	310.00
OPM %	9.00	9.00
Other Income -	219.00	164.00
Exceptional items	9.00	4.00
Other income normal	210.00	161.00
Interest	5.00	3.00
Depreciation	35.00	26.00
<b>Profit before tax</b>	<b>478.00</b>	<b>446.00</b>
Tax %	25.00	23.00
<b>Net Profit -</b>	<b>445.00</b>	<b>346.00</b>
Profit from Associates	85.00	2.00
Exceptional items AT	7.00	3.00
Profit excl Excep	439.00	343.00
Profit for PE	439.00	343.00
Profit for EPS	445.00	346.00
Profit Growth %	28.00	152.00
EPS in Rs	7.92	6.16
Dividend Payout %	38.00	49.00

## Balance Sheet (₹Crores)

Line Item	Mar 2024	Mar 2023
Equity Capital	281.00	281.00
Reserves	1,965.00	1,680.00
Borrowings -	33.00	19.00
Short term Borrowings	0.00	0.00
Lease Liabilities	33.02	18.88
Other Borrowings	0.00	0.00
Other Liabilities -	2,454.00	2,408.00
Trade Payables	444.00	347.00
Advance from Customers	58.00	97.00
Other liability items	1,952.00	1,964.00
<b>Total Liabilities</b>	<b>4,733.00</b>	<b>4,388.00</b>
Fixed Assets -	298.00	279.00
Land	12.37	12.51
Building	270.20	254.24
Plant Machinery	11.54	11.33
Equipments	0.00	0.00
Computers	79.10	67.41
Furniture n fittings	37.34	33.43
Vehicles	2.49	0.15
Intangible Assets	0.00	0.00
Other fixed assets	81.12	73.43
Gross Block	494.16	452.50
Accumulated Depreciation	196.58	173.61
CWIP	36.00	26.00
Investments	1,380.00	1,179.00
Other Assets -	3,020.00	2,905.00
Inventories	1.00	1.00
Trade receivables -	336.00	368.00
Receivables over 6m	245.00	293.00
Receivables under 6m	219.00	222.00
Prov for Doubtful	-129.00	-148.00
Cash Equivalents	1,219.00	1,096.00
Loans n Advances	306.00	318.00
Other asset items	1,158.00	1,122.00
<b>Total Assets</b>	<b>4,733.00</b>	<b>4,388.00</b>

## Cash Flow Statement (₹Crores)

Line Item	Mar 2024	Mar 2023
Cash from Operating Activity -	222.00	-113.00
Profit from operations	303.00	300.00
Receivables	-61.00	-328.00
Inventory	1.00	1.00
Payables	35.00	49.00
Loans Advances	0.00	0.00
Other WC items	0.00	0.00
Working capital changes	-25.00	-278.00
Direct taxes	-56.00	-135.00
Other operating items	0.00	0.00
Cash from Investing Activity -	145.00	322.00
Fixed assets purchased	-34.00	-35.00
Fixed assets sold	0.00	0.00
Investments purchased	0.00	-56.00
Investments sold	2.00	0.00
Interest received	138.00	64.00
Dividends received	30.00	55.00
Investment in group cos	0.00	0.00
Other investing items	10.00	294.00
Cash from Financing Activity -	-180.00	-176.00
Dividends paid	-169.00	-169.00
Financial liabilities	-11.00	-7.00
Other financing items	0.00	0.00
<b>Net Cash Flow</b>	<b>187.00</b>	<b>34.00</b>
Free Cash Flow	188.00	-147.00
CFO/OP	93.00	7.00

## Key Ratios (₹Crores)

Line Item	Mar 2024	Mar 2023
Debtor Days	37.00	40.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	37.00	40.00
Working Capital Days	-124.00	-125.00
ROCE %	22.00	24.00

## 3.2 Financial Analysis Summary

- **Revenue** from operations marginally declined by **1.48%** to **₹3,281.00 Cr**, primarily due to a **4.71%** contraction in the **Turnkey Projects** segment which contributes **55%** of total **Revenue**, while the higher-margin **Consultancy & Engineering** segment grew to **₹1,454.29 Cr**; this stagnation is linked to high customer concentration where three clients drive **95.76%** of **Turnkey** income.
- Despite flat top-line growth, **PAT** surged **28.6%** to **₹445.00 Cr**, significantly bolstered by a jump in **Profit from Associates** to **₹85.00 Cr** from **₹2.00 Cr** and a **33.5%** increase in **Other Income** to **₹219.00 Cr**, which includes **₹138.00 Cr** in interest received.
- **EBITDA** margin improved to **15.79%** as **Manufacturing Cost %** fell to **53.87%** from **57.09%**, although this was partially offset by a spike in **Other Expenses** to **₹292.74 Cr** driven by a **₹50.95 Cr** fresh **Provision** for Contractual Obligations compared to a reversal in the prior year.
- **Employee Cost %** rose to **30.05%** of **Revenue**, including a **₹14.23 Cr** impairment charge for the **Provident Fund Trust's** stressed investments, indicating that the company is absorbing capital losses of its employee trust, which directly impacts **PAT**.
- **Trade Receivables** decreased to **₹336.00 Cr**, but quality remains a concern as **31.6%** of gross receivables (**₹137.87 Cr**) are aged over **3 years**, and **Working Capital** is increasingly tied up in **Other Assets** where **Unbilled Revenue (Contract Assets)** grew **28.74%** to **₹588.64 Cr**.
- **CFO** turned positive at **₹222.00 Cr** from a deficit of **₹113.00 Cr** in FY23, yet the **CFO/PAT** ratio of **0.50** indicates that only half of the reported earnings are being converted into cash, largely due to **₹61.00 Cr** absorbed by **Trade Receivables** and **₹25.00 Cr** in total **Working Capital** changes.
- The company maintains a robust **Balance Sheet** with a **Debt/Equity** ratio of **0.01**, remaining virtually debt-free as the **₹33.00 Cr** in **Borrowings** consists entirely of **Lease Liabilities**, which increased **76.97%** YoY following additions to ROU assets.
- **Cash Equivalents** reached **₹1,219.00 Cr**, providing strong liquidity, but this is shadowed by significant off-balance sheet risks including **₹618.56 Cr** in Bank Guarantees and **₹689.78 Cr** in **Contingent Liabilities**, notably a **₹459.89 Cr** VAT dispute in Karnataka.
- **Capex** of **₹34.00 Cr** was primarily directed toward **Fixed Assets** like Buildings and Computers, while **CWIP** increased to **₹36.00 Cr**; however, the **Asset Turnover** ratio declined to **0.69x**, suggesting the expanding asset base is not yet translating into incremental **Revenue**.
- **ROCE** moderated to **22.00%** from **24.00%**, while **ROE** improved to **19.81%** due to higher **PAT** margins; however, the sustainability of these returns is sensitive to the realization of **Unbilled Revenue** which now exceeds billed **Trade Receivables**.
- **Capital Allocation** remains focused on shareholder returns with a **₹169.00 Cr Dividend** payout, which is well-covered by the positive **FCF** of **₹188.00 Cr**, representing a significant recovery from the negative **FCF** position in the previous fiscal year.
- **Other Liabilities** include **₹611.30 Cr** in **Income Received in Advance**, which acts as a buffer for future **Revenue** but also highlights the company's dependency on reaching contractual milestones to unlock cash from the **Balance Sheet**.
- **Other Assets** are impacted by **₹178.00 Cr** in **Advances to Vendors (Legal/Court)**, representing cash that is unproductive and tied to the speed of the Indian judicial system.
- **Other Expenses** were impacted by a **₹4.25 Cr** "Dry well written off" related to oil and gas exploration activities, representing a non-recurring hit to the P&L.
- The dominant financial theme of the year is a **decoupling of accounting profit from cash flow**, where **PAT** growth is driven by non-operating **Other Income** and **Associate Profits** while core **Revenue** stagnates and liquidity remains trapped in **Unbilled Revenue** and aged **Trade Receivables**.

### 3.3 Contingent Liabilities & Commitments

- **VAT Disputes (Karnataka):** ₹459.89 Cr relating to assessments from FY 2009-10 to FY 2016-17. Management claims these are reimbursable by clients, but they pose a massive cash flow risk.
- **Commercial Claims:** ₹227.99 Cr in various pending claims.
- **Custom Duty Dispute:** A long-standing dispute resulted in an arbitral award against the company. EIL has deposited ₹164.76 Cr with the Delhi High Court to stay the award; ₹68.48 Cr is treated as a contingent liability.
- **Employee Claims:** ₹1.77 Cr.
- **Capital Commitments:** ₹96.49 Cr (increased from ₹41.41 Cr), indicating an uptick in planned infrastructure or R&D spending.
- **Guarantees:** Bank Guarantees of ₹618.56 Cr and Corporate Guarantees of ₹72.14 Cr issued for contractual performance.

### 3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; ₹445 Cr PAT vs ₹222 Cr CFO indicates poor conversion.	☐	PAT ₹445 Cr, CFO ₹222 Cr (FY24).	CFO/OP ratio improved to 93% from 7% but remains significantly below Net Profit due to non-cash associate profits.
2	Receivables & channel-stuffing signal (receivables + inventory build vs revenue)	Revenue ↑↓ — quality risk; unbilled revenue rose 28.7% while total sales declined by 1.48%.	☐	Unbilled Revenue ₹588.6 Cr vs Sales ₹3,281 Cr.	Note 9B: Unbilled revenue (Contract Assets) now exceeds net billed trade receivables, suggesting aggressive revenue recognition.
3	Revenue timing (unbilled / contract assets + deferred revenue / advances)	Revenue ↓ — billing lag; contract assets grew ₹131 Cr while contract liabilities fell ₹45 Cr.	☐	Contract Assets ₹588.6 Cr, Contract Liabilities ₹611.3 Cr.	Note 46: Revenue recognized via POCM based on cost progress; unbilled growth suggests milestones are not being met for invoicing.
4	Revenue from related parties %	Profit ↑↓ — concentration risk; Turnkey segment derives 95.7% of revenue from just three customers.	☐	Turnkey Revenue ₹1,777.8 Cr; 3 customers = ₹1,702.6 Cr.	Note 50: High dependency on a few major clients (likely PSUs) for the majority of the Turnkey project execution.
5	Inventory vs revenue growth	Neutral — negligible impact; inventory is immaterial for this engineering consultancy business model.	☐	Inventory ₹1.0 Cr (FY24) vs ₹1.0 Cr (FY23).	Note 13: Inventory consists only of minor stores, spares, and chemicals, typical for a service-heavy firm.
6	Inventory valuation method change	Neutral — no change in policy; inventory levels are too low to impact earnings quality.	☐	Inventory remains constant at ₹1.0 Cr.	Accounting Policy: No changes reported in the valuation of stores or spares during the fiscal year.
7	Exceptional items in operating profit	Profit ↑ — non-core boost; ₹9 Cr exceptional gain and ₹210 Cr normal other income inflate PBT.	☐	Other Income ₹219 Cr, Exceptional Items ₹9 Cr.	P&L: Other income (primarily interest/dividends) accounts for 45.8% of Profit Before Tax, masking core operating stagnation.
8	Depreciation rate vs useful life policy	Profit ↑ — aggressive amortization; software <₹5 Lakhs fully written off in year one.	☐	Depreciation ₹35 Cr; Gross Block ₹494.16 Cr.	Note 43: Policy to fully amortize low-value software simplifies the balance sheet but suppresses short-term asset carrying values.
9	Provision reversals boosting PAT	Profit ↓ — margin compression; swing from ₹39 Cr reversal to ₹50 Cr fresh provision charge.	☐	Provision for Contractual Obligations ₹50.94 Cr (FY24).	Note 31: Sharp increase in other expenses driven by the non-recurrence of prior year provision reversals.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — cash tax drain; cash tax paid (₹56 Cr) is significantly lower than P&L tax (₹119 Cr).	☐	Tax Rate 25% (P&L) vs Cash Tax ₹56 Cr.	Note 10: Large variance between P&L tax and cash tax suggests significant timing differences and deferred tax movements.
11	CWIP age and stalling projects	Neutral — minor growth; CWIP increased by ₹10 Cr, consistent with moderate capital expenditure.	☐	CWIP ₹36 Cr (FY24) vs ₹26 Cr (FY23).	Balance Sheet: CWIP remains a small fraction (7.6%) of total assets, indicating no major stalled internal projects.
12			☐		

#	Check	Impact	Status	Evidence	Notes Detail
	Deferred tax asset recognition adequacy	Profit ↑ — valuation risk; ₹345 Cr DTA is heavily reliant on contractual obligation provisions.		Deferred Tax Assets ₹345.10 Cr.	Forensic Note: If provisions are reversed without cash outflow, the DTA will vanish, causing a future tax expense spike.
13	RPT quantum and trend	Profit ↓ — recurring drain; company absorbed ₹14.2 Cr loss for PF Trust investment impairments.	□	PF Trust Contribution ₹103.3 Cr; Impairment ₹14.2 Cr.	Note 48: EIL acts as a guarantor for the PF Trust, absorbing capital losses on "stressed investments" held by the trust.
14	Dividend paid vs FCF adequacy	Neutral — sustainable payout; ₹169 Cr dividend is well-covered by ₹188 Cr Free Cash Flow.	□	Dividend Paid ₹169 Cr, FCF ₹188 Cr.	Cash Flow: Dividend payout is 38% of PAT, supported by a strong cash balance of ₹1,219 Cr.
15	Auditor KAM: Revenue Recognition (POCM)	Profit ↑↓ — estimation risk; subjectivity in "cost to complete" for large EPC projects.	□	Note 46: POCM based on cost progress.	Auditor flagged that inaccurate project budgets could lead to material misstatement of profit.
16	Auditor KAM: ECL on Receivables & Unbilled	Profit ↓ — valuation risk; high degree of estimation in PSU-related disputes.	□	₹137.87 Cr aged > 3 years.	Auditor noted significant judgment required for recoverability of long-standing dues.
17	Auditor KAM: Litigation Uncertainty	Profit ↓ — cash flow risk; ₹689.78 Cr in contingent liabilities.	□	Note 40: VAT and Custom Duty disputes.	Uncertainty of legal outcomes poses a risk to future cash flows and reserves.
18	Auditor KAM: PF Trust Impairment	Profit ↓ — non-operational drain; management estimates of future principal defaults.	□	₹14.23 Cr impairment charge.	Auditor scrutinized the subjective assessment of "stressed securities" held by the employee trust.

## 4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters \* **Audit opinion type:** Unqualified (p.131). \* **Key Audit Matter 1: Revenue Recognition (POCM):** The auditor flagged the subjectivity in estimating "cost to complete" for large-scale EPC and Turnkey projects. Management relies on internal controls to estimate total contract costs, which directly impacts the timing of profit recognition. \* **Key Audit Matter 2: Expected Credit Loss (ECL) on Trade Receivables & Unbilled Revenue:** Significant judgment is required to assess the recoverability of long-standing dues, particularly those aged over 3 years (₹137.86 Cr). \* **Key Audit Matter 3: Litigation and Contingent Liabilities:** The auditor highlighted ₹689.78 Cr in contingent liabilities, specifically the Karnataka VAT disputes and the Custom Duty arbitral award. \* **Key Audit Matter 4: Impairment of Provident Fund (PF) Trust Investments:** Management must estimate the "amortized value of probable future principal defaults" for stressed securities. The auditor scrutinized the ₹14.23 Cr impairment charge recognized this year. \* **Auditor Details:** N. K. Bhargava & Co. (appointed by C&AG). No change during the year.

B. Related Party Transactions | Party | Relationship | Nature | Amount (₹Cr) | Concern |  
 |-----|-----|-----|-----|-----| | **EIL Employees PF Trust** | Post-Employment Plan | Contribution & Impairment | 103.34 Cr | **Loss Absorption** | | **Ramagundam Fertilizers (RFCL)** | Joint Venture | Services Rendered | 18.83 Cr | Neutral | | **Ramagundam Fertilizers (RFCL)** | Joint Venture | Receivables | 14.08 Cr | Neutral | | **Certification Engineers (CEIL)** | Subsidiary | Dividend Received | 9.27 Cr | Neutral |

**RPT Risk Checks:** \* **% of Revenue:** 0.58% → Low risk. \* **% of CFO:** 46.55% → High, primarily due to PF Trust contributions (₹103.34 Cr) relative to CFO (₹222.00 Cr). \* **Red Flag:** The company recognized a ₹14.23 Cr

impairment for "stressed investments" held by the PF Trust, effectively bailing out the trust's investment failures using shareholder funds.

C. Shareholding | Category | Mar 2024 (%) | Mar 2023 (%) | |----|----|----| | **Promoter (Govt. of India)** | 51.32 | 51.32 | | **FII** | 7.79 | 7.63 | | **DII** | 18.05 | 19.34 | | **Public** | 22.84 | 21.71 | \* **Promoter Pledged Shares:** 0.00%.

D. Board Composition + KMP Compensation \* **Total Directors:** 14 | **Independent %:** 42.86% | **Women Directors:** 2 (Vartika Shukla - CMD, Karuna Gopal - Independent). \* **KMP Compensation:** Individual breakdowns not disclosed. Total Employee Benefit Expenses rose 3.54% (₹69.33 Cr) despite a 3.55% decline in Operating Profit. Executive pay in PSUs is governed by DPE guidelines, leading to a low correlation between EBITDA growth and KMP remuneration.

F. Capital Allocation & Capex | Action | FY Current (₹Cr) | FY Prior (₹Cr) | % of CFO | Signal | |-----|-----|-----|-----| | **Dividends** | 169.00 Cr | 169.00 Cr | 76.13% | □ | **Capex** | 34.00 Cr | 35.00 Cr | 15.32% | □ | **Investments (Financial)** | 0.00 Cr | 56.00 Cr | 0.00% | □ | **Lease Liabilities** | 33.02 Cr | 18.88 Cr | 14.87% | □ | **Interest Received** | 138.00 Cr | 64.00 Cr | 62.16% | **Positive** |

**CAPEX Analytical Notes:** \* **CFO Coverage of Capex:** 6.53x. CFO (₹222.00 Cr) comfortably covers the modest Capex (₹34.00 Cr). \* **Nature of Capex:** Primarily maintenance and digitalization. **Computers and IT hardware increased to ₹79.10 Cr** to support engineering software requirements. \* **Deployment Efficiency:** Revenue fell 1.48% despite consistent capex, suggesting spending is focused on sustaining the consultancy moat rather than driving expansion. \* **Key Takeaways:** EIL remains asset-light; the **38.46% increase in CWIP (₹36.00 Cr)** indicates ongoing internal infrastructure upgrades.

H. Risks \* **VAT Litigation:** Pending disputes in Karnataka (FY 2009-17). **Impact:** ₹459.89 Cr potential outflow (23% of Reserves). (□High) \* **Unbilled Revenue Lag:** Contract Assets grew 28.74% while Sales fell 1.5%. **Impact:** Signals delays in billing milestones; risk of future write-downs. (□High) \* **Receivable Aging:** 31.6% of gross receivables (₹137.87 Cr) are aged > 3 years. **Impact:** Persistent working capital drag. (□Medium) \* **Customer Concentration:** 95.76% of Turnkey revenue from 3 customers. **Impact:** High dependency on PSU capex cycles. (□Medium) \* **PF Trust Liability:** Constructive obligation to cover PF investment losses. **Impact:** Recurring non-operational hit to PAT (₹14.23 Cr). (□Low)

## 5. SCORECARD & VERDICT

### Part A: Scorecard

Dimension	Rating (1-5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	95.7% Turnkey concentration; Monopoly in Hydrocarbon.	Strong moat in consultancy but increasing reliance on low-margin, concentrated Turnkey projects.
Financial Health	4	↑	D/E 0.01x; Cash ₹1,219 Cr; CFO > Capex.	Virtually debt-free with massive liquidity, though cash is partially restricted by legal deposits.
Earnings Quality	2	→	CFO/PAT 0.50; Unbilled Revenue > Billed Receivables.	Significant decoupling of PAT and CFO; aggressive revenue recognition via unbilled assets.
Management & Governance	3	→	Clean Audit; PF Trust Bailouts (₹14.2 Cr).	Generally compliant but recurring use of shareholder funds to cover employee trust investment losses.
Capital Allocation & Earnings Visibility	3	→	Div Payout 38%; ROCE 22%; Order book tilt to Turnkey.	Disciplined capex and high dividends, but earnings visibility is clouded by billing lags.

**BUSINESS POSITIVES (for this company this year)** \*  **Strong Liquidity:** Maintained a massive cash and bank balance of ₹1,219.00 Cr, providing a significant buffer for operations. \*  **Debt-Free Status:** Virtually zero long-term debt with a **Debt/Equity ratio of 0.01x**. \*  **CFO Recovery:** Successfully turned **CFO positive at ₹222.00 Cr** from a deficit of ₹113.00 Cr in the prior year. \*  **High Returns:** Maintained a healthy **ROCE of 22.00%** and an improved **ROE of 19.81%**. \*  **Dividend Consistency:** Rewarded shareholders with a **₹169.00 Cr dividend**, well-covered by Free Cash Flow. \*  **Strategic Pivot:** Successful expansion into **Green Hydrogen and Bio-fuels**, diversifying the technical moat.

**BUSINESS NEGATIVES / CONCERNS (for this company this year)** \*  **Poor Earnings Conversion: CFO/PAT ratio of 0.50** indicates that 50% of profits are not translating into cash. \*  **Unbilled Revenue Surge: Contract Assets grew 28.74% to ₹588.64 Cr** while revenue declined, signaling aggressive recognition or billing delays. \*  **High Concentration: 95.76% of Turnkey revenue** is derived from just three PSU customers. \*  **Governance Drain:** Absorbed a **₹14.23 Cr impairment loss** to bail out the Employee Provident Fund Trust's bad investments. \*  **Litigation Risk:** Facing **₹689.78 Cr in contingent liabilities**, including a ₹459.89 Cr VAT dispute. \*  **Receivable Stress: 31.6% of gross receivables (₹137.87 Cr)** are aged over 3 years, indicating chronic recovery issues.

**OVERALL SCORECARD SUMMARY** Engineers India Ltd remains a financially robust, debt-free PSU with a dominant technical moat in hydrocarbon consultancy. However, the quality of its earnings is currently weak, as evidenced by the significant gap between reported PAT and actual Cash Flow from Operations. While the company is successfully pivoting toward green energy and maintaining high shareholder payouts, the growing pile of unbilled revenue and persistent bailing out of the employee PF trust are notable governance and operational red flags. The business is on a **stable but high-vigilance trajectory**, where the primary challenge is converting its massive order book and recognized revenue into hard cash.

## Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	<input type="checkbox"/>	Unqualified opinion issued by N. K. Bhargava & Co.
2	Promoter pledge = 0?	<input type="checkbox"/>	Promoter (GoI) pledge is 0.00%.
3	KMP pay < 5% of PAT?	<input type="checkbox"/>	Aggregate employee costs are high, but KMP pay is within PSU limits.
4	RPT quantum < 5% of revenue?	<input type="checkbox"/>	RPTs account for 0.58% of revenue.
5	Board > 50% independent?	<input type="checkbox"/>	42.86% (6 out of 14) - slightly below the 50% threshold.
6	At least 1 woman director?	<input type="checkbox"/>	Two women directors (Vartika Shukla, Karuna Gopal).
7	No statutory dues outstanding?	<input type="checkbox"/>	No major defaults reported; VAT/Customs are under dispute.
8	No fraud reported?	<input type="checkbox"/>	No fraud reported in the auditor's report.
9	Audit trail enabled?	<input type="checkbox"/>	Confirmed in the auditor's report.
10	Frequent Auditor change	<input type="checkbox"/>	No change; appointed by C&AG.
<b>Total: 9/10 <input type="checkbox"/> — Governance Rating: 4</b>			

## Part C: Investor Verdict

**THESIS:** EIL is a high-moat engineering proxy for India's energy transition, currently trading cash flow quality for top-line scale in the Turnkey segment. **OVERALL STANCE:** WATCH **RATIONALE:** Strong balance sheet and technical dominance are offset by poor cash conversion and significant unbilled revenue risks. **RE-EVALUATE WHEN:** CFO/PAT ratio exceeds 0.80x for two consecutive quarters. **BULL CASE:** Successful liquidation of ₹588 Cr unbilled revenue and securing high-margin Green Hydrogen PMC contracts (₹500 Cr+). **BEAR CASE:** Crystallization of the ₹459 Cr VAT liability or a major write-down of receivables aged >3 years. **KEY MONITORABLE:** Unbilled Revenue (Contract Assets): ₹588.64 Cr → Watch for any increase exceeding 15% of Revenue.

## 7. YEAR-OVER-YEAR ANALYSIS

### 7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
<b>Cash Flow Adequacy</b>	Negative CFO (-₹113 Cr); dividends funded by depleting cash reserves.	Positive CFO (₹222 Cr); dividends now covered by Free Cash Flow.	The company has pivoted from a defensive liquidation of cash to support payouts to an operationally self-sustaining dividend model.
<b>Receivable Management</b>	Billed Trade Receivables stood at ₹613.63 Cr with a 23.68% growth rate.	Billed Trade Receivables dropped to ₹336 Cr, but Unbilled Revenue (₹588.6 Cr) now exceeds billed debt.	Management has successfully liquidated billed invoices but is increasingly aggressive in recognizing revenue ahead of contractual billing milestones.
<b>Earnings Composition</b>	PAT driven primarily by core operations despite margin compression.	PAT growth (28.6%) heavily reliant on Other Income (₹219 Cr) and Associate Profits (₹85 Cr).	The quality of earnings has deteriorated as non-operating items and joint venture accounting now mask stagnation in core engineering services.
<b>Governance / PF Liability</b>	No reported impact from employee trust investment performance.	₹14.23 Cr impairment recognized to cover losses in the Employee PF Trust.	A new recurring governance risk has emerged where the company acts as a de facto insurer for the investment failures of its employee benefit trusts.
<b>Management Tone</b>	Defensive posture focused on satisfying promoter (Gol) returns during a cash drain.	Cautiously expansionary "EIL 4.0" narrative focusing on digitalization and green energy.	Management is attempting to re-rate the stock by pivoting the narrative from a legacy PSU consultant to a high-tech "Energy Transition" integrator.
<b>Capital Allocation</b>	Capex focused on internal IT upgrades and maintenance (₹35 Cr).	Capex remains low (₹34 Cr) but Capital Commitments surged to ₹96.49 Cr.	The company is preparing for a significant step-up in infrastructure or R&D spending, moving away from its strictly asset-light historical stance.

### 7.2 Persistent Patterns

- **Extreme Revenue Concentration:** The business remains structurally dependent on a handful of PSU clients, with the Turnkey segment deriving over 95% of its income from just three customers.
- **Structural Margin Compression:** The ongoing shift from high-margin Consultancy (25%+) to low-margin Turnkey (2-4%) continues to act as a permanent ceiling on consolidated operating margins.
- **Chronic Litigation Overhang:** Contingent liabilities (ranging from ₹689 Cr to ₹853 Cr) consistently represent a massive 35-45% of Net Worth, primarily driven by multi-year VAT and tax disputes.

- **Working Capital Inefficiency:** Despite fluctuations in billed receivables, the company consistently struggles with long-dated PSU payment cycles and high levels of "Contract Assets" (unbilled revenue).
  - **Robust Solvency Profile: The company maintains a pristine, virtually debt-free balance sheet (D/E 0.01x) with a massive cash buffer exceeding ₹1,000 Cr across both periods.**
  - **Subjective Revenue Recognition:** The use of Percentage of Completion Method (POCM) remains a Key Audit Matter, highlighting persistent management subjectivity in estimating "cost-to-complete" for large projects.
  - **High Dividend Payout Ratio:** Management maintains a policy of high dividend payouts (38-49%) regardless of operational cash flow volatility, prioritizing immediate shareholder (Promoter) returns.
-