Engineers India Ltd — Jun 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue / Beat on Margins (QoQ) **One-line:** The long-term thesis remains intact as EIL recovers from a trough in consultancy margins and clears the FY24 "order slippage" overhang with a strong □1,835 Cr booking post-quarter.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline / Beat	Revenue hit FY24 target; Consultancy margins recovered to 22.9% (vs 18% in Q3).	□
Earnings Quality	Moderate	PAT supported by □55 Cr interest from one-off settlement of change orders.	□
Guidance Confidence	Neutral	Mgmt expects FY25 to be "better" but remains vague on specific revenue/intake targets.	□
Management Credibility	Strong	High transparency regarding reclassification of projects and order slippage timing.	□
Business Quality Signal	Stable	Order book replenished post-quarter; turnkey margins stabilizing at a higher band (~5%).	□
Key Q&A Exchange	Q# 11 (MENA Orders)	Focus on Middle East re-entry (Saudi) to mitigate domestic PSU lumpiness.	□
The Street's Primary Anxiety	Order Intake Miss	FY24 intake (□3,406 Cr) missed the □5k Cr guidance; post-quarter catch-up was the key relief.	□
Capital Cycle Stage	Consolidation	Shifting focus to "Infrastructure" and "Energy Transition" as traditional refinery capex peaks.	□
Margin Trajectory	Improving	Consultancy margins recovered 490 bps QoQ; Turnkey margins holding at ~5%.	□
Pricing Power	Stable	Retains technical monopoly in complex Petchem; facing L1 competition in generic civil work.	→
FCF Conversion & Quality	Strong	Debtors reduced to 35 days (vs 39 days); Cash balance supports dividend and JV funding.	□
Competitive Moat Signals	Stable	Deep technical moat in Bio-refineries and Green Hydrogen; expanding in niche infra.	□
Balance Sheet Strength	Strong	Zero debt; Net worth grew to □2,255 Cr.	□
Working Capital Efficiency	Improving	Reduction in receivables despite rising turnkey execution.	□
Mgmt Guidance Track Record	Mixed	Reliable on technical execution; slightly over-optimistic on contract award timelines.	□
Key Vulnerability	Order Concentration	High reliance on lumpy finalizations of mega projects (Bina, Paradip).	□
Management Tone	Confident	Focused on post-quarter catch-up and pipeline in "Sunrise" sectors.	□

Sentiment: □Positive

Key Takeaways: * **Positives:** EIL has successfully navigated the "margin trough" of Q3, with consultancy margins rebounding to 22.9%. The working capital cycle is tightening (DSO at 35 days), and the turnkey segment is no longer a margin diluter at ~5% EBIT. The post-quarter order inflow of ₹1,835 Cr (achieved in <2 months) effectively erases the FY24 shortfall, proving management's "timing" defense. * **Negatives:** Despite the catch-up, FY24 standalone revenue was flat YoY, indicating execution bottlenecks or a transition phase in the order book. Earnings quality was slightly aided by a one-off ₹55 Cr interest income from a client settlement. * **Street Concern:** Analysts were worried about the ₹3,406 Cr FY24 intake vs the ₹5,000 Cr guidance. Management's disclosure that ₹1,835 Cr was booked in April-May (including ₹1,000 Cr turnkey) has successfully neutralized this fear. * **Watchpoint:** Finalization of the 4 packages for the Bina Refinery and the Paradip Petchem project; these are binary events that will dictate if FY25 order intake can breach the ₹5,000 Cr-₹6,000 Cr range.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Standalone) *PPT is primary source. Concall used for commentary.*

Metric	Current Qtr (Q4)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (₹ Cr)	846.4	↓ 5%	↓ 4.4%	↓	FY24 flat YoY. Growth driven by execution of large PMC/EPC projects.
Revenue (Consultancy)	388.5	↑ 2.5%	↑ 8.2%	↑	Stable revenue; recovery from Q3 execution lag.
Revenue (Turnkey)	401.8	↓ 18.8%	↓ 19.2%	↓	Decline due to completion of phases in older LSTK projects.
EBIT (Consultancy) (₹ Cr)	89.2	↓ 11%	↑ 36%	↑	Margin recovered as high-margin "change orders" materialized.
EBIT Margin (Consultancy) %	22.9%	↓ 360 bps	↑ 470 bps	↑	Management aims to return to 25% levels via higher-margin niche work.
EBIT (Turnkey) (₹ Cr)	20.0	↓ 3%	↓ 15%	↓	Margins held at ~5% (vs 3% historical).
PAT (Standalone) (₹ Cr)	91.2	↑ 11%	↑ 82%	↑	Boosted by settlement of change order interest (₹55 Cr).
Order Book (₹ Cr)	7,823.5	↑ 1.7%	↓ 2%	→	Book-to-bill at 2.4x. Post-quarter catch-up adds ~20%.
Order Inflows (₹ Cr)	964.6	↓ 58%	↑ 51%	↓	FY24 total: ₹3,406 Cr vs ₹4,708 Cr in FY23 (Timing miss).
Debtors (Days)	35	↓ 10% (YoY)	-	↑	Improvement in collection efficiency from 39 days.
Dividend (₹/share)	3.0	→	-	→	Consistent payout; ₹2 already paid as interim.

2B. SEGMENT BREAKDOWN (FY24 Standalone)

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
Consultancy	1,454.3	↑ 2.6%	22.4%	↓	High	Facing competition in domestic PSU biddings; overseas mix is key to recovery.
Turnkey	1,777.9	↓ 4.7%	5.8%	↑	Low	Strong recovery from 3% margins; ONGC revamping projects are higher margin.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Order Intake	5,000 Cr - 6,000 Cr for FY25	Needs 1,000 Cr+/quarter. **Feasible** given 1.8k Cr already booked in 2 months.	Missed FY24 (3.4k Cr vs 5k Cr target).	Medium
Guidance	Margins	Consultancy: 25%	Needs consistent "change orders" and overseas mix. **Moderate Risk.**	Hit 22.4% in FY24; below long-term 25-28% band.	Medium
Strategy	New Energy	Green area to be 15-20% of Rev in 3 years	Currently at 8-9%. Needs ~300 Cr incremental annual rev. **Feasible.**	On track; 8-9% secured in FY24.	Low
Strategy	Diversification	Niche Infrastructure (RBI, Data Centers, Airports)	Moving away from generic civil; targeting depository mode (low risk).	Successfully reclassified 350 Cr IB project to Turnkey.	Low
Balance	JV Performance	RFCL (Ramagundam) profit contribution	Plant at 85% utilization; target 100%. **High Feasibility.**	Delivered 85 Cr profit share in FY24 vs 2 Cr.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Noel Vaz, Union AMC	Numaligarh (NRL)	Capex and Allocation	Involvement in NRL expansion and plans for the minority stake.	Management confirmed EIL is not the main consultant for the 3 to 9 MMTPA expansion but is executing a pipeline and a coker unit; there are no plans to monetize the 4.37% stake. This investment remains a long-term strategic asset with steady dividend yield (₹30 Cr).	None	5.0	Specific and clea
2	5.0	Amit Anwani, PL Capital	Order Intake	Management Outlook	FY24 intake (₹14k Cr) was below guidance; what is the FY25 pipeline?	Management explained that major contracts slipped by weeks, with ₹1,835 Cr already booked by May 29 (including ₹1,000 Cr turnkey). This de-risks the FY25 beginning order book and validates the "slippage" narrative.	Breakdown of the remaining ₹3k Cr pipeline value.	4.0	Direction with evidenc
3	4.5	Amit Anwani, PL Capital	Turnkey Margins	Financials	Why did top line stall and what is the trajectory of turnkey margins?	Turnover fell slightly due to new jobs shifting into Q1 FY25, while turnkey margins improved to >5% due to better project	None	4.0	Specific guidanc

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						mix. This suggests turnkey is becoming a more sustainable EBIT contributor than historical 3% levels.			
4	4.0	Amit Anwani, PL Capital	Sunrise Sectors	Business Overview	Opportunity in Coal Gasification, Hydrogen, and Bio-fuels for FY25.	Management is targeting 8-9% of order value from green sectors and is in touch with private investors for Coal Gasification following the CIL-BHEL JV. This establishes the foundation for revenue replacement as traditional refining slows.	Specific timelines for CBG investment decisions.	3.0	Vague b consiste
5	3.5	Prathmesh, PL Capital	Reclassification	Financials	Details on the reclassification of a Q3 job from Consultancy to Turnkey.	A 350 Cr Intelligence Bureau project was moved to Turnkey (depository mode) following discussions on tax/PAN usage with the client. This explains the QoQ volatility in segment reporting but is value-neutral.	None	5.0	Specific disclosu
6	4.5	Nidhi Shah, ICICI Sec	Other Income	Financials	Spike in consolidated finance costs	Other income rose due to a settlement of a change order	Core EBITDA growth	3.0	Follow-u required

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					and other income.	including ₹55 Cr in interest on outstanding payments. While boosting PAT, this is a one-off realization that doesn't reflect core operating growth.	excluding settlement.		
7	4.0	Nidhi Shah, ICICI Sec	JV Profits	Financials	Sustainability of the JV profit growth (RFCL).	Management expects profit share from RFCL to exceed ₹100 Cr in FY25 as capacity utilization hits 100% (from 85%). This provides a high-margin floor to consolidated PAT.	None	4.0	Quantifi target
8	5.0	Bhoomika Nair, DAM Capital	Order Mix	Management Outlook	Breakdown of the ₹1,835 Cr post-quarter intake and international status.	Intake split is ₹1,000 Cr LSTK and ₹835 Cr Consultancy; Nigeria is seeing phase-wise contracting while Saudi office setup is underway. High-margin consultancy inflows are stabilizing post-fiscal year end.	Specific values for Saudi pipeline.	3.0	Direction
9	4.5	Bhoomika Nair, DAM Capital	Mega Projects	Business Overview	Status of IOCL Paradip and BPCL Bina Petchem orders.	Both projects are currently "in the market" with vendors/ bidding processes ongoing;	None	4.0	Specific timeline

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						results expected in 1-2 months. These are the critical catalysts for breaching the 5,000 Cr annual order intake target.			
10	4.0	Bhoomika Nair, DAM Capital	Margins	Financials	Competition impact on consultancy margins (nomination vs competitive).	Management admitted the move to competitive bidding has compressed margins from 26% to 22-24% but remains confident in maintaining 25% levels. Competitive intensity is a structural headwind for the PSU-facing consultancy business.	None	3.0	Vague/ Hedged
11	4.0	Nishit Master, Axis Sec	Barmer Refinery	Business Overview	Status of Barmer (HRRL) orders and downstream potential.	Barmer is nearing completion/ commissioning by year-end; future orders will focus on modifications and potential expansions. This signals the end of a major revenue-generating cycle for EIL at this site.	None	4.0	Specific status
12	3.5	Mohit Kumar, ICICI Sec	GAIL/Petronet	Business Overview	Large consulting packages	Feasibility studies are ongoing for	None	3.0	Vague b consiste

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					from GAIL or Petronet.	GAIL (MP Petchem) and Petronet; investment decisions are pending. These represent mid-term (FY26) revenue opportunities rather than immediate catalysts.			
13	4.0	Anuj Sharma, M3	Capital Allocation	Capex and Allocation	Decline in dividend payout ratio from 70% to <40%.	Management argued the ₹3 dividend (60% rate) is strong and complies with the policy of 5% net worth or 30% PAT. The shift suggests cash conservation for future JV investments or equity stakes.	Rationale for lowering the *payout %* specifically.	2.0	Deflecte

PATTERN FLAGS & SENTIMENT * **The Slippage Defense:** Multiple analysts focused on the FY24 order intake miss. Management was highly prepared, using the post-quarter ₹1,835 Cr figure to prove that the business hadn't slowed, only the administrative finalization had. This successfully pivoted the conversation toward FY25 strength. * **Margin Structural Shift:** There is a recurring concern about the consultancy margin "new normal." Management's insistence on a 25% target while currently operating at 22-24% due to competitive bidding suggests a struggle to maintain the historical premium valuation. * **JV Dependency:** Consolidated PAT is increasingly reliant on RFCL (Ramagundam) performance. Analysts are now treating JV profit as a core line item, which management supported with a ₹100 Cr+ guidance.

Analyst Sentiment Verdict: Analysts were **cautiously optimistic**. While the order intake catch-up was welcomed, there was skepticism regarding the structural decline in consultancy margins and the shift in dividend payout policy. Credibility remains high due to the debt-free balance sheet and improved turnkey margins, but the Street is waiting for the "Big Petchem" (Bina/Paradip) wins to re-rate the stock.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q/Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Order Intake | Target ₹4,500 - ₹5,000 Cr for FY24. | Achieved only ₹3,406 Cr in FY24. | ₹1,100 Cr - ₹1,600 Cr shortfall vs guidance. | Execution/Revenue gap in H1 FY25. | | Dividend Payout | Historically 60-70%+ payout. | Now following 30% PAT / 5% NW policy. | Structural reduction in payout ratio. | Lower total shareholder return yield. | | Bidding Mode | High share of nomination. | Most large domestic jobs now competitive. | Shift to L1 bidding is capping margins. | PE multiple contraction for consultancy. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY24)	This Quarter (Q4 FY24)	Direction
Consultancy EBIT Margin	18% (Trough)	22.9%	↑ Improving
Order Intake Catch-up	Uncertainty on slippage	□1,835 Cr booked in <2 months	↑ Improving
RFCL Profit Share	Growing	Guidance of □100 Cr+ for FY25	↑ Improving
Receivables	39 Days	35 Days	↑ Improving
Turnkey Margins	5%	5.8% (FY24 Avg)	↑ Improving
Other Income Quality	Normal	High (□55 Cr one-off interest)	↓ Deteriorating
Order Book Growth	Stagnant	Replenished by post-quarter awards	↑ Improving

STOP HERE.