Engineers India Ltd — Nov 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Weak Miss on Inflows / Inline on Mix **One-line:** A significant slowdown in new order wins (down 56% QoQ) has led to a shrinking order book, though the shift toward high-margin consultancy (55% of OB) remains a structural positive.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss on Inflows	Q2 Inflows of □249.4 Cr vs □565.5 Cr in Q1.	□
Earnings Quality	Moderate (Derived)	Revenue execution remained steady but outpaced new wins.	□
Guidance Confidence	Weak	Annual inflow target of □4,500 Cr+ looks aggressive vs H1 total of □814.9 Cr.	□
Management Credibility	Neutral	PPT focuses on historical annuals; quarterly performance transparency is low.	□
Business Quality Signal	Stable	Retention of 55% Consultancy mix in Order Book protects core margins.	□
Key Q&A Exchange	N/A	Section not applicable — investor presentation only.	□
The Street's Primary Anxiety	Order Book Depletion	Order book fell by □402.5 Cr in a single quarter.	□
Capital Cycle Stage	Harvesting	JV assets (RFCL/NRL) are now the primary drivers of profit growth.	□
Margin / Return Ratio Trajectory	Improving (Mix-driven)	Consultancy share of Order Book rose from 54% to 55% QoQ.	□
Pricing Power	Stable	Dominance in complex PSU hydrocarbon projects (Petronet, ONGC) remains.	□
FCF Conversion & Quality	Strong (Derived)	High cash balance (□1,200 Cr) maintained via negative working capital.	□
Competitive Moat Signals	Widening	Expansion into niche "Salt Caverns" and "Mined Rock Caverns" (HPCL).	□
Balance Sheet Strength	Strong	Zero debt and significant minority stakes in cash-rich JVs.	□
Working Capital Efficiency	Stable	DSO managed via PSU-centric client base.	□
Mgmt Guidance Track Record	Mixed	Historically conservative on LSTK but currently behind on inflow run-rate.	□
Key Vulnerability / Red Flag	Inflow Concentration	A single ONGC Turnkey order (□249.4 Cr) represented nearly all Q2 inflows.	□
Management Tone	PPT_ONLY	N/A	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** The order book mix is tilting back toward the high-margin Consultancy segment (55% vs 45% Turnkey), which is the primary driver of standalone ROCE.

Management is successfully diversifying the consultancy pipeline into niche energy transition areas, including Salt Cavern storage (HPCL), Lignite-to-Methanol (NLC), and Green Data Centres (RBI). The consolidated thesis remains anchored by the turnaround in the Ramagundam Fertilizer (RFCL) JV and steady dividend yields from Numaligarh Refinery (NRL). * **Negatives:** New business securing has hit a "vacuum" phase; H1 FY23 inflows of ₹814.9 Cr represent less than 20% of the annual ₹4,500-5,000 Cr target. The total order book has declined to ₹8,431.3 Cr from ₹8,833.8 Cr last quarter, indicating that current execution is not being replenished. Reliance on a single large project (ONGC Hazira) for Q2 performance highlights a lack of broad-based domestic tender activity. * **Forward Watchpoint:** Monitoring the "Ratnagiri Refinery" restart or major "Change Orders" in H2; without a large-scale project win soon, the consultancy revenue engine will face a growth ceiling in FY24.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent. Revenue derived from Order Book movements.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (₹Cr)	651.9	Not in doc	↓ 19%	↓	Derived: (Op. OB + Inflow - Cl. OB).
Order Book (₹Cr)	8,431.3	↑ 5.0%	↓ 4.6%	↓	YoY growth vs Sep-21 (₹8,029.2 Cr).
Order Inflows (₹Cr)	249.4	↑ 10.8%	↓ 56%	↓	YoY growth vs Sep-21 (₹225.0 Cr).
Execution Rate (%)	7.38%	Not in doc	↓ 172bps	↓	Execution slowed vs Q1 (9.1%).
Book-to-bill (x)	2.93x	Not in doc	↑	↑	Based on LTM derived revenue.
Consultancy Mix (%)	55.0%	↓ 1,100bps	↑ 100bps	↑	Down YoY (Sep-21: 66%) but improving QoQ.
PAT (Standalone)	Not in doc	Not in doc	Not in doc	—	N/A - No quarterly P&L in PPT.
Net Debt / (Cash)	(1,200)	Not in doc	→	→	Maintained based on prior context.
RFCL Utilization (%)	Not in doc	Not in doc	Not in doc	—	N/A - PPT lists equity only (26%).

2B. SEGMENT BREAKDOWN

Segment	Order Book (₹ Cr)	Inflow (₹ Cr)	Mix %	Trend	vs Company Avg	Key Development
Consultancy	4,599.4	139.7*	55%	↑	Higher Margin	Petronet LNG Dahej & Pune PMC wins.
Turnkey (LSTK)	3,831.9	109.7*	45%	↓	Lower Margin	ONGC Hazira Restoration (₹249.4 Cr total win).

**Note: Segmental inflows derived from Slide 3 pie charts (56% Consultancy / 44% Turnkey applied to ₹249.4 Cr total).*

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Order Inflow	₹4,500 - ₹5,000 Cr (FY23)	Needs ₹1,842 Cr/qtr for next 2 qtrs. **Extremely High Risk.**	H1 actual: ₹815 Cr.	High
Guidance	Revenue (FY23)	>₹3,200 Cr	Needs ₹872 Cr/qtr for next 2 qtrs. **High Risk** based on Q2 run-rate.	Q1: ₹805 Cr | Q2: ₹652 Cr.	High
Strategy	Diversification	Enter Non-Oil & Gas Niche	Secured Data Centre (RBI) and Salt Cavern (HPCL) jobs.	Delivered incremental wins.	Low
Strategy	Overseas Growth	Expansion in Middle East	Secured ADNOC PMC services on call-off basis.	Consistent small-ticket wins.	Low
Strategy	Capital Allocation	60% Dividend Payout	Supported by ₹1,200 Cr cash and NRL dividends.	Historically consistent.	Low
Balance	JV Performance	RFCL Stabilization	Targeting 100%+ capacity (from prior context).	RFCL turned profitable in Q1.	Low

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY23)	This Quarter (Q2 FY23)	Direction
Order Inflow Momentum	₹565.5 Cr	₹249.4 Cr	↓
Total Order Book	₹8,833.8 Cr	₹8,431.3 Cr	↓
Revenue Run-rate	₹805.0 Cr (Actual)	₹651.9 Cr (Derived)	↓
Consultancy Mix (OB)	54%	55%	↑
Concentration Risk	Diversified (6 major wins)	Concentrated (1 major ONGC win)	↓
Inflow Target Gap	Gap: ₹3,935 Cr	Gap: ₹3,685 Cr (after 50% time elapsed)	↓
Geography Mix (Inflows)	91% Domestic	95% Domestic	↓

- **Execution vs Inflows:** For the first time in three quarters, the order book has shrunk on a QoQ basis. The execution of ₹651.9 Cr significantly outpaced the intake of ₹249.4 Cr, creating a "hollowing out" effect that must be reversed in H2 to maintain the revenue growth thesis.
- **Consultancy Resurgence:** While total volume is down, the quality of the order book is improving. The increase in Consultancy mix to 55% suggests that as older, low-margin LSTK projects (like the HPCL Rajasthan projects from prior years) are cleared, the margin profile of the remaining book is strengthening.
- **Sector Diversification:** New wins are moving away from traditional refining. The "Consultancy" bucket now includes RBI Data Centres and Pune Municipal Corp inspection, proving the EIL brand is portable to broader civil infrastructure, though these remain small in value compared to refinery EPC.

- **Management Posture:** The lack of a buyback (reiterated from prior context) and the shrinking order book suggests management is prioritizing cash preservation over capital return, likely waiting for a massive capital commitment like the Ratnagiri Refinery or a large-scale chemical complex.