Engineers India Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Beat on Inflows / Weak Miss on Execution **One-line:** A record-breaking order booking cycle (□12,000 Cr+ backlog) provides multi-year revenue visibility, decisively de-risking the thesis despite a temporary "execution trough" in the Turnkey segment.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat (Inflows) / Miss (Rev)	Order inflows YTD at □6,866 Cr (Oct end) vs ~□5,000 Cr full-year target.	□
Earnings Quality	High (Core driven)	PBT grew 36% QoQ without significant one-offs; RFCL subsidiary contributing steady profits.	□
Guidance Confidence	Mixed	Management maintains □3,500 Cr FY25 revenue target; requires a steep 72% jump in H2.	□
Management Credibility	Strong	Delivered the long-awaited BPCL Bina and ONGC LSTK orders; transparent about gestation lags.	□
Business Quality Signal	Improving	Pivot toward high-value EPCM (Bina) and international hubs (Abu Dhabi) reduces PSU domestic risk.	□
Key Q&A Exchange	Q# 4 & 5 — Revenue Ramp	Management expects H2 to carry 63% of the annual revenue target as new projects exit mobilization.	□
The Street's Primary Anxiety	Execution Lull	Analysts pressed on the low H1 revenue; Mgmt cited the 4-year project cycle and "non-linear" booking.	□
Capital Cycle Stage	Investment / Ramp-up	Mobilizing for mega-projects (Bina, Paradip, ONGC); cash harvesting from old LSTK jobs.	□
Margin Trajectory	Stable	Consultancy margins holding at 22–25%; LSTK margins at 5–8%.	□
Pricing Power	Stable	Retains "dominant" status for PSU refinery expansions; bidding successfully for international PMC.	□
FCF Conversion	Not in document	Quarterly interim cash flows not provided.	□
Competitive Moat	Stable	Unmatched experience in offshore platforms (248+ units) and hydrocarbon PMC.	□
Balance Sheet Strength	Strong	Cash-rich, debt-free, and receiving dividends/profit shares from NRL and RFCL.	□
Working Capital	Stable	No red flags on Nigerian payments; strict "funded project only" criteria for Africa.	□
Mgmt Guidance Record	Reliable	Historically conservative on inflows; significantly outperforming initial FY25 targets.	□
Key Vulnerability	Back-ended Execution	Massive dependency on Q4 performance to hit annual revenue targets.	□
Management Tone	Confident	Bullish on the "all-time high" order book and □5,000 Cr annual revenue target within 2 years.	□

Sentiment: □Positive

Key Takeaways: * **Positives:** The order book has reached an all-time high of □11,155 Cr (□12,000 Cr including October), driven by the BPCL Bina refinery and substantial ONGC Turnkey wins. The company has already exceeded its full-year order inflow guidance (□6,866 Cr YTD vs □5,000 Cr target) in just seven months. Segment profitability remains robust, with Consultancy margins at 25% and LSTK benefiting from favorable change orders. * **Negatives:** Execution remains sluggish; H1 revenue of □1,287 Cr is only 36% of the FY25 target. The Turnkey segment is in a "trough" as old projects (like HRRL) conclude and new ones are still in the engineering/mobilization phase. * **The Street's Concern:** Analysts are skeptical about the mathematical feasibility of hitting □3,500 Cr revenue this year. Management's response is that revenue recognition in EPC is non-linear, with years 2 and 3 seeing 35% recognition each; they expect the Bina project to start contributing meaningfully by Q4. * **Watchpoint:** Watch for the L1-to-Order conversion of the IOCL Paradip Petrochemical project in Q3, which could push the backlog toward □14,000 Cr.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT not available for Q2 specifically - numbers derived from transcript and Q1 Prior Context.*

Metric	Current Qtr (Q2)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□ Cr)	729	↓ 13%	↑ 19%	□	Incl. □676 Cr turnover and □53 Cr other income. YoY dip due to LSTK cycle.
EBITDA (□Cr)	51*	↓ 35%	↓ 6%	↓	*Derived: PBT (100) - Other Inc (53) + Dep (~4). YoY drop on lower Turnkey rev.
EBITDA Margin %	7.5%	↓ 260 bps	↓ 140 bps	↓	Margin compression due to lower overhead absorption in the Turnkey segment.
PAT (□Cr)	79	↓ 22%	↑ 44%	↑	Strong QoQ recovery; YoY comparison affected by high base of project closures.
Order Book (□ Cr)	11,155	↑ 36%	↑ 15%	↑	Reached all-time high; further increased to □12,000 Cr as of late October.
Order Inflows (□Cr)	3,597	↑ 44%	↑ 134%	↑	Massive acceleration driven by BPCL Bina and ONGC residential/training facilities.
Execution Rate (%)	7.0%	↓ 300 bps	↑ 70 bps	→	% of opening order book (9,658 Cr) executed in Q2. Reflects gestation phase.
Book-to-bill (x)	3.45	↑ 25%	↑ 11%	↑	Strongest visibility in recent history; suggests 3+ years of revenue locked in.
Net Debt / (Cash)	(Cash)	→	→	→	Maintained significant cash balance; debt-free status continues.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Consultancy	383	↑ 10.4%	25%	↑	Higher	Boosted by Middle East office (Abu Dhabi) and Bina EPCM commencement.
Turnkey (LSTK)	293	↓ 32.5%	6%	↓	Lower	Trough period; old projects nearing 100% completion; new ones in year 1.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	₹3,500 Cr for FY25.	**High Risk:** Needs ₹1,106 Cr/qtr in H2. Max ever quarterly rev was ~₹950 Cr.	Mixed	High
Guidance	Order Inflow	₹5,000 Cr+ for FY25.	**Achieved:** Already at ₹6,866 Cr as of Oct 30, 2024.	Met	Low
Guidance	Margins	20–25% (Consultancy)	**Feasible:** Current Q2 is at 25%.	Consistent	Low
Strategy	New Energy	Focus on Bio-ATF, Green H2.	Won ₹345 Cr MRPL Bio-ATF unit; Green H2 mostly in feasibility study phase.	New	Medium
Strategy	International	Abu Dhabi/Nigeria growth.	Abu Dhabi inflow of ₹180 Cr is an all-time high for that office.	Improving	Medium
Balance	Subsidiaries	RFCL Profitability.	H1 profit share of ₹55 Cr; plant running at 90% utilization.	Delivered	Low

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	5.0	Mohit Kumar (ICICI)	Orders	Biz Overview	"Can you quantify the quantum... for October? Can you just let us know whether it is for Consultancy or Turnkey?"	Management confirmed October inflows of □1,729 Cr, primarily LSTK/OBE jobs. This pushes total YTD inflows well past the full-year target, securing the FY26-27 growth trajectory.	None	5.0	Clear & quantified
2	4.5	Mohit Kumar (ICICI)	Bina	Biz Overview	"Has all the packages for Consultancy been decided [for BPCL Bina] or do you still think there are still some packages are still to be tendered out?"	Management clarified that all packages have been awarded and work is already underway. This removes awarding uncertainty for the company's largest current project, shifting focus to execution.	None	5.0	High certainty
3	4.5	Mohit Kumar (ICICI)	Paradip	Biz Overview	"Has the [IOCL Paradip] tender been floated? Can you expect the tenders to be finalized in the second half?"	Management stated they are L1 for both consultancy packages and expect awards shortly after internal client approvals. If awarded, this provides a further □500 Cr+ boost to the	Specific value	4.0	Reassuring

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						consultancy backlog.			
4	5.0	Aditi Nawal (RSPN)	Revenue	Financials	"How are we looking for the remaining two quarters? How should we factor in for the revenue?"	Management maintained the ₹3,500 Cr target, admitting H1 was subdued but expecting H2 to compensate via new project mobilization. This sets a very high bar for Q3/Q4, making execution the primary risk factor.	None	3.0	High bar set
5	4.5	Aditi Nawal (RSPN)	Turnkey	Financials	"Turnkey revenue seems a little subdued... are there any big contracts that are going to get concluded that could add to the top line?"	Management explained the drop was due to the completion of major LSTK/ OBE jobs in Q1/Q2, with new ones still scaling. Investors should expect Turnkey revenue to remain lumpy until the Bina and ONGC projects hit the "second-year" 30% recognition phase.	Specific timeline	3.5	Cycle logic
9	4.0	Amit Anwani (Prabhudas)	Ambition	Outlook	"Can we expect 4,000, 5,000 kind of revenue in FY '27?"	Management set a corporate target of ₹5,000 Cr annual turnover	None	4.0	Specific target

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						within the next two years, backed by the record order book. This implies a 20%+ CAGR from FY24 levels, justifying a potential re-rating if execution follows.			
12	4.0	Shirom Kapur (Prabhudas)	Int'l	Biz Overview	"Could you highlight any developments in your international business?"	Management highlighted that the Abu Dhabi office achieved record inflows (□180 Cr) and Nigeria Phase 2 is expected by year-end. Geographical diversification is successfully reducing dependence on the Indian PSU cycle.	Nigeria timeline	3.5	Improving hub
16	4.0	Nidhi Shah (ICICI)	Margins	Financials	"Will margins improve on these [new big ticket] orders?"	Management indicated margins on large orders are often lower due to competition but offset by operational efficiencies and scale. This suggests EBIT margins will likely remain in the 8-10% range	None	4.0	Realistic

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						rather than seeing a significant breakout.			
19	4.5	Shirom Kapur (Prabhudas)	Mega CapEx	Outlook	"What is your view on [Gale, BPCL, ONGC] proposed major projects... when do you expect consultancy tenders will open?"	Management noted these are currently in the feasibility stage (where EIL is already involved) and will take time to reach board approval. This confirms a long-term pipeline (FY27-30) beyond the current backlog.	None	4.0	Long-term visibility
20	3.5	Manoj Sah (LAX GOV)	Rev Cycle	Financials	"Can you explain the revenue booking cycle for the consultancy and Turnkey projects?"	Management detailed a 4-year cycle: 10% in Year 1.5, 30-35% in Years 2 and 3, and the balance in Year 4. This structural insight explains why current massive wins won't immediately reflect in P&L for 12-18 months.	None	5.0	Transparent

PATTERN FLAGS & SENTIMENT * **Theme: The Execution Gap.** Almost every analyst questioned the H1 revenue miss vs. the FY25 target. Management's stance was consistent: the business is in a cyclical transition. They were confident but pragmatically noted that revenue recognition is "non-linear." The anxiety remains live, and Q3 results will be the "proof of concept" for the ₹3,500 Cr target. * **Theme: Order Backlog Quality.** Analysts shifted from asking "where are the orders?" (a FY24 theme) to "what is the quality of these orders?". Management successfully conveyed that the current mix (Bina, Paradip) is high-quality EPCM/Consultancy, which should protect margins even if execution is back-ended.

Analyst Sentiment Verdict: Analysts were **impressed by the order inflow** but **skeptical of the short-term revenue guidance**. Management's credibility was bolstered by hitting inflow targets early, but the "non-linear" explanation for revenue will only satisfy the Street if Q3 shows a significant QoQ jump. Overall sentiment is "Wait and Watch on Execution, Bullish on Backlog."

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Revenue Target | ₹3,500 Cr for FY25 | H1 only at ₹1,287 Cr | Requires H2 to be nearly double H1. | High risk of a guidance miss in Q4. | | Turnkey Rev | Steady growth | Dip of 32% YoY | "Trough" between old/new projects was deeper than anticipated. | Short-term P&L volatility. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY25)	This Quarter (Q2 FY25)	Direction
Order Book	₹9,658 Cr	₹11,155 Cr (Backlog all-time high)	↑ Improving
YTD Inflows	₹4,800 Cr (Aug)	₹6,866 Cr (Oct)	↑ Improving
Consultancy Margin	22%	25%	↑ Improving
RFCL Profitability	Early recovery	₹55 Cr H1 profit share (Stabilized)	↑ Improving
International Hub	Scaling	Abu Dhabi record inflow (₹180 Cr)	↑ Improving
Revenue Run-rate	Needs ₹1,000 Cr/qtr	Now needs ₹1,106 Cr/qtr	↓ Deteriorating
L1 Pipeline	Bina pending	Bina secured; Paradip L1 status confirmed	↑ Improving

STOP HERE.