

Engineers India (EIL) : Invest for long - term view

Note: Total income grew at a CAGR of 51.28% in the last three fiscal Rating; Company Fundamentals : ** Valuations :*****

Issue details

Price band (Rs)	Rs.270-290
IPO Opening Date	27/07/2010
IPO Closing Date	29/07/2010
Issue Size	Rs.909.73 - 977.12 Crore

Valuations & Recommendation

Order book end of March 31, 2010, was Rs 6236.84 crore, which translates into 3 times its FY 2010 revenue.

EIL is a zero debt and cash rich company (Rs 1764 crore cash and bank balance as of March 2010), with strong operating cash flow. EIL's consolidated total income grew at a CAGR of 51.28% in the last three fiscal to Rs 2013.99 crore for the year ended March 2010. For the same period, its PAT increased at a CAGR of 47.31% to Rs 444.35 crore. The EPS for FY 2010 works out to Rs 13.2. The offer price of Rs 270-290 discounts the FY 2010 consolidated EPS at 20.5 times on the lower price band and 22 times on the upper price band.

The offer price band is at a discount to the current market price. Moreover, retail investors and employees will get a discount of 5% to the offer price determined at the end of the book building process. Looking to its operations and fundamentals we recommend to subscribe in the IPO. Also accumulate this stock in dips after listing for handsome returns over long term.

Highlights

- ◆ Retail investors and employees will get a discount of 5% to the offer price
- ◆ Order book end of March 31, 2010, was Rs 6236.84 crore, which translates into 3 times its FY 2010 revenue.
- ◆ EIL is a zero debt and cash rich company (Rs 1764 crore cash and bank balance as of March 2010)
- ◆ Consolidated total income grew at a CAGR of 51.28% in the last three fiscal to Rs. 2013.99 crore for the year ended March 2010.

Company Introduction

Public Sector Unit

Engineers India (EIL), incorporated in 1965, the public sector undertaking under the ministry of petroleum and natural gas, is engaged in the business of project implementation and engineering consultancy services primarily for the hydrocarbon sector in India and overseas. Of late, the company has also extended its consultancy and turnkey service to other sectors including non-ferrous mining & metallurgy and infrastructure sector. It offers a complete range of project services including design, engineering, procurement, construction, and project management.

Services

It has provided a range of engineering consultancy and project implementation services for more than 49 refinery projects, including eight green field refinery projects, seven petrochemical complexes, 35 oil and gas processing projects, 205 offshore platforms projects, 37 pipeline projects, 11 ports and storage and terminals projects, eight fertilizer projects and 26 mining and metallurgy projects. In the

infrastructure space, it has provided a range of engineering consultancy services for more than 26 projects, including for airports, highways, flyovers, bridges, water and sewer management, as well as energy-efficient "intelligent" buildings. It has also completed 16 turnkey projects, including refinery and petrochemicals projects and offshore platforms.

Diversification

The company also proposes to diversify its operations to other sectors such as water & waste management, city gas distribution, power, fertilizers, coal to liquid, etc.

The company has leveraged its track record in India to successfully expand its operations internationally, and have provided a wide range of engineering consultancy services on various international projects, particularly in the Middle East, North Africa and South East Asia. It has established strategic international offices in Abu Dhabi, London, Milan and Shanghai to expand its international operations.

The company's business is divided into two principal operating segments, i.e., consultancy & engineering project segment (C&EP) and lump sum turnkey project (LSTK). Projects where it provides services such as project engineering consultancy, project management and project implementation are included in the C&EP segment. Projects that it undertakes on a turnkey basis are included in the LSTK segment.

Joint Ventures

It has two joint venture companies: TEIL Projects and Tecnimont EIL Emirates – Consultores E Servicos. TEIL is a JV with Tata Project. EIL has a 50% stake and targets small EPC businesses in the hydrocarbon sector. In Tecnimont, EIL has a 30% stake with the balance 70% held by Tecnimont of Italy. This JV looks at PMC and EPC jobs in the oil & gas industry in the United Arab Emirates.

Being an offer of sale, all the issue proceedings of the FPO will go to the selling shareholder, i.e., the Government of India.

Financial Summary

Particulars	FY10	FY08	FY08
Sales	2013.99	1552.06	753.51
OPM (%)	24.9	20.7	23.8
Net Profit	444.35	349.52	199.26
EPS (Rs)	13.2	10.4	5.9

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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