

Engineering India's Growth

We recently interacted with Vivek Midha, Chief General Manager at EIL, to get a detailed understanding of the business, order book and inflows, international expansion and newer growth opportunities. We believe EIL is at an inflection point, with the sharp increase in order book, improving execution visibility and a shift towards higher-margin consultancy business.

Investment Argument:

- **Record order book provides strong revenue visibility: Order book has reached an all-time high of ~Rs. 205 bn (based on estimates),** while FY27 order inflows are already close to the Rs. 80 bn target and **could potentially reach ~Rs. 100 bn**, extending visibility beyond FY27.
- **Improving revenue mix should support margins: Consultancy forms ~75%+ of the order book, with management guiding for Rs. 23-24 bn of consultancy revenue in FY27.** With consultancy margins at ~24-25% versus ~7-8% in turnkey and ~55% consultancy revenue contribution targeted for FY27, **management expects blended operating margins to remain at 15-16%** as the current order book moves into execution.
- **International business is emerging as a meaningful growth lever:** EIL has expanded across the Middle East, Africa, Europe, Asia and South America, with **international markets contributing ~50%+ of the order book**. Empanelment with major NOCs, the operational Saudi Arabia office and established overseas relationships should help EIL access a broader set of international opportunities.
- **Newer segments are expanding EIL's addressable market:** Beyond traditional hydrocarbons, EIL is *building capabilities across nuclear, coal gasification, critical minerals and data centres*, with increasing enquiries and initial project wins providing a platform to participate in larger opportunities as these markets develop.

Financial Summary

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e	FY29e
Net Sales	32,322	30,284	38,499	42,870	52,822	66,464
EBITDA	2,833	4,890	6,681	6,329	8,356	11,102
Margin (%)	9%	16%	17%	15%	16%	17%
PAT	3,570	4,652	6,387	6,102	7,704	9,756
Growth (%)	4%	30%	37%	-4%	26%	27%
EPS	6.4	8.3	11.4	10.9	13.7	17.36
P/E (x)	48.7	37.4	27.2	28.5	22.6	17.8
EV/EBITDA (x)	57.6	33.2	24.2	25.4	19.0	14.1
ROE (%)	15%	18%	21%	18%	20%	22%
ROCE (%)	11%	17%	20%	17%	20%	23%

Source: Company, Dalal & Broacha Research

Note: All financial figures are on a standalone basis, unless otherwise specified.

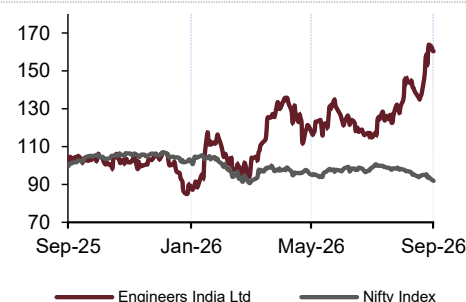


Rating	TP (Rs)	Up/Dn (%)
BUY	400	29

Market data

Current price	Rs.	310
Market Cap (Rs.Bn)	Rs. Bn	174
Market Cap (US\$ Mn)	US\$ Mn	1,813
Face Value	Rs.	5
52 Weeks High/Low	Rs.	321.4 / 163.55
Average Daily Volume	('000)	5,263
BSE Code		532178
Bloomberg		ENGR.IN

One Year Performance



Source: Bloomberg

% Shareholding	Jun-26	Mar-26
Promoters	51.32	51.32
Public	48.68	48.68
Total	100.00	100.00

Source: Bloomberg

Key Risks:

- Slowdown in domestic & global capex
- Delays in execution
- Shortfall in skilled labour

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Key Takeaways

Order inflows tracking ahead of guidance:

- EIL has effectively achieved its Rs. 80 bn FY27 order inflow target, with management indicating current inflows are close to Rs. 79-80 bn.
- With ~6 months remaining in FY27, management indicated scope for further order wins and suggested that **FY27 inflows could potentially approach Rs. 100 bn**, although this is not a formally revised target.
- The ~Rs. 42 bn Dangote order was secured after the AGM and is therefore incremental to the ~Rs. 35 bn of inflows discussed at the AGM. Management also indicated **no material concerns around payment security, citing the long-standing relationship with the Dangote group** and its access to financing.
- Given that large orders such as the ~Rs. 42 bn Dangote order are one-off in nature, management is unlikely to raise its medium-term order inflow guidance at this stage and will provide an outlook for subsequent years towards the end of FY27, once visibility on the order pipeline and execution improves.

Orderbook at all-time high, providing strong multi-year revenue visibility:

- **Orderbook has reached an all-time high of ~Rs. 205 bn (based on our estimates) ahead of Q2FY27 results, up from Rs. 151 bn at FY26-end and ~Rs. 144 bn in Q1FY27.** Consultancy accounts for the majority of the order book (~72%), supporting the company's improving revenue mix.
- The orderbook has grown significantly over the past two years, **registering ~93% absolute growth**, with the sizeable orderbook providing strong multi-year revenue visibility given the long execution cycle of large projects.
- Large consultancy/EPC projects typically take 3-4 years to execute, with revenue recognition ramping up as projects move from engineering to procurement and site execution. Broadly, **~10-15% is executed in Year 1, ~60% in Years 2-3 and the balance thereafter**, although the phasing varies across projects.

Underlying margins are expected to improve from FY26 levels:

- **Consultancy margins are expected at ~23-25%, while turnkey margins are expected at ~7-8%**, with a higher consultancy mix supporting overall margin improvement.
- FY26 blended operating margins stood at ~11.4%, *excluding the benefit from change orders of ~Rs. 2,150 mn*, which is expected to reach **~15-16% operating margins going forward** implying a ~350-450 bps expansion from the underlying FY26 level.
- Q1FY27 operating margin stood at ~14%, with management confident of reaching its 15-16% margin guidance for FY27 as execution improves through the year.
- Importantly, the margin guidance **does not factor in any significant change-order benefits**, suggesting that the expected expansion is primarily driven by higher consultancy mix and execution.

No major change-order upside expected; HPCL Barmer provision write-back due in FY28:

- Management does not expect any major change orders in FY27, with limited visibility on sizeable orders in FY28-FY29, as change orders are largely project-specific and arise from additional scope or design changes.

- Provisions are recognised progressively as projects are executed rather than on the entire contract value upfront; management indicated a ~5-6% provision level for consultancy projects, while the turnkey project carries a lower provision of ~1%.
- **HPCL Barmer, commissioned in FY27, is expected to see a provision write-back in FY28, with management not currently indicating any other material write-backs.**

Competition remains broad in hydrocarbons, but limited in newer segments:

- In domestic hydrocarbons, **EIL competes with Technip, Toyo, McDermott, Fluor and other international engineering players with a local presence.** Management highlighted EIL's long track record, execution experience and established relationships with domestic OMCs as key competitive strengths.
- International competition remains intense, particularly in the Middle East, but *EIL's empanelment with most major NOCs, operational Saudi Arabia office and recent qualification with Saudi Aramco should improve access to both in-kingdom and out-of-kingdom opportunities.* At the same time, the ongoing geopolitical disruptions have heightened the focus on energy security globally, *creating a broader opportunity for EIL in crude pipelines, terminals, storage and other energy infrastructure* as countries look to diversify supply routes and strengthen energy security.
- In nuclear, competition remains relatively limited as EIL primarily operates in consultancy, engineering and balance-of-plant/non-core areas.
- In coal gasification, EIL competes with MECON, PDIL and other engineering/consultancy players, although the market is still at an early stage.

Nuclear and coal gasification provide emerging growth opportunities:

Nuclear

- EIL is seeing increasing enquiries and consultancy opportunities in nuclear, with **11 assignments currently underway across NPCIL (Nuclear Power Corporation of India) and private-sector projects.** Current work is largely focused on feasibility, environmental studies and engineering.
- They are working on nuclear opportunities such as the BSMR (Bharat Small Modular Reactor, developed by NPCIL) and Mahi Banswara project.
- Management sees a sizeable long-term opportunity as nuclear capacity additions increase, although large projects are still at an early stage and should not be viewed as a near-term revenue driver.

Coal gasification

- EIL has already undertaken feasibility studies and is pursuing opportunities in the segment. **The government's 32,000 cr VGF scheme is also helping drive project activity as they are seeing more enquiries from private players.**
 - While the current project are on a smaller scale, it provides a reference base for larger opportunities as the segment develops.
- Both segments are still at an early stage, with order conversion dependent on project approvals and investment decisions, but could provide additional growth opportunities over the medium term.

International expansion gaining traction, with the Middle East remaining a key growth market:

- International business has become increasingly important for EIL, with **overseas markets accounting for ~50%+ of the current ~Rs. 205 bn orderbook**. The company is also broadening its footprint beyond the Middle East, with projects across Africa, Europe, Asia and South America.
- EIL has secured repeat orders from Dangote, including a ~Rs. 35 bn order for the Dangote Refinery expansion in FY26 and a **further ~Rs. 42 bn order secured post-AGM (in FY27)**. The repeat wins strengthen EIL's track record with the group and provide a potential reference for further international opportunities in Africa.
- The Middle East remains the key focus area, although order inflows from some **Gulf markets have slowed since February as clients have prioritised restoration** and protection of existing infrastructure. Despite this, EIL has secured ~Rs. 5.1 bn of orders from the region, higher than the comparable period last year, and management expects activity to pick up in Q3/Q4 as project planning normalises.
- Beyond the existing pipeline, management sees an opportunity from increased Gulf spending on crude pipelines, terminals, storage and marine infrastructure. They estimate **>US\$1 bn of near-term infrastructure investment could be required to develop alternative crude-flow routes, with a 2-3 year execution period**.
- EIL is also positioning itself for the broader Gulf capex cycle through PMC, FEED/pre-FEED and engineering assignments, rather than taking EPC risk. **Management cited ~US\$200 bn of potential investment in the UAE over the next 5-7 years**, while the operational Saudi Arabia office and recent qualification with Saudi Aramco (in-kingdom and out-kingdom) should improve access to larger international opportunities.

Valuation & Outlook

Engineers India Ltd (EIL) is entering a structurally stronger earnings cycle, supported by a sharp increase in its orderbook and a rising contribution from higher-margin consultancy. The orderbook has increased to **~Rs. 205 bn based on our estimates, from Rs. 151 bn at FY26-end**, while consultancy continues to account for the majority of the book. **Management expects consultancy revenue of Rs. 23-24 bn in FY27, contributing ~55% of revenue at 24-25% margins**, supporting further improvement in the overall earnings mix.

The near-term growth outlook is supported by the expected pickup in turnkey execution from H2FY27, with **management maintaining its >10% FY27 revenue growth guidance and Rs. 50 bn FY28 revenue target**. Order inflows have already reached ~Rs. 80 bn and could potentially approach Rs. 100 bn in FY27, providing further support to the orderbook. International markets, particularly the Middle East and Africa, are becoming increasingly relevant, while nuclear, coal gasification and other specialized engineering segments provide additional medium-term growth opportunities.

EIL's balance sheet also provides flexibility to pursue these opportunities without taking on incremental financial risk. The company remains debt free with ~Rs. 14 bn of cash, while Ramagundam Fertilizers & Chemicals Ltd. is increasingly contributing to consolidated earnings and is expected to provide dividend income during FY27. The strong balance sheet should support investments in new opportunities while retaining financial flexibility.

Accordingly, we expect **standalone Revenue/EBITDA/PAT CAGR of 25%/32%/26% over FY27e-FY29e**. At the current market price (CMP) of Rs. 310, the stock trades at 23x FY28e and 18x FY29e P/E.

We value the company at 23x FY29e standalone EPS of Rs. 17.4, arriving at a target price of Rs. 400, implying an upside of 29%.

Financials

Income Statement (Rs. mn)	FY24	FY25	FY26	FY27e	FY28e	FY29e
Revenue	32,322	30,284	38,499	42,870	52,822	66,464
Operating Expenses	16,868	13,058	17,999	20,250	24,551	30,770
Gross Profit	15,454	17,225	20,500	22,620	28,270	35,694
Employee Cost	9,693	10,033	10,402	12,432	15,318	18,610
Other Expenses	2,927	2,302	3,417	3,858	4,595	5,982
EBITDA	2,833	4,890	6,681	6,329	8,356	11,102
Depreciation	345	393	415	465	551	655
EBIT	2,488	4,497	6,266	5,864	7,805	10,447
Margin (%)	8%	15%	16%	14%	15%	16%
Other Income	2,246	1,696	2,090	2,300	2,500	2,600
Interest	30	26	21	28	33	39
PBT	4,704	6,167	8,335	8,136	10,273	13,008
Tax Expense	1,134	1,515	1,948	2,034	2,568	3,252
Reported PAT	3,570	4,652	6,387	6,102	7,704	9,756
JV/Associate	851	1,079	474	1,300	1,300	1,300
Adjusted PAT	4,421	5,731	6,861	7,402	9,004	11,056

Balance Sheet (Rs. mn)	FY24	FY25	FY26	FY27e	FY28e	FY29e
Equity Capital	2,810	2,810	2,810	2,810	2,810	2,810
Other Equity	20,303	23,390	27,621	30,912	35,526	41,628
Total Equity	23,113	26,200	30,431	33,723	38,336	44,439
Long-term Lease Liabilities	194	96	79	79	88	105
Other Non-current Liabilities	167	108	290	290	290	290
Non-current Liabilities	361	204	369	369	379	395
Short-term Lease Liabilities	135	125	89	96	104	124
Trade Payables	4,406	4,726	5,821	6,108	7,525	9,469
Income Received in Advance	6,113	8,489	6,624	8,457	10,854	13,657
Other Current Liabilities	13,587	12,103	13,981	13,981	13,981	13,981
Current Liabilities	24,241	25,443	26,515	28,641	32,463	37,231
TOTAL EQUITY & LIABILITIES	47,714	51,847	57,315	62,733	71,178	82,064
PPE (incl. CWIP)	2,502	2,660	3,007	3,418	4,135	4,981
ROU & Intangibles	440	349	296	300	325	369
Investment Property	368	371	364	364	364	364
Non-current Investments	13,764	14,307	15,165	15,924	16,720	17,556
Other Non-current Assets	4,728	4,891	4,914	4,914	4,914	4,914
Non-current Assets	21,802	22,578	23,747	24,919	26,457	28,184
Current Investments	1,526	58	835	876	920	966
Inventories	6	6	5	6	7	9
Trade Receivables	3,144	4,209	4,516	5,638	7,236	9,105
Cash and Bank Balances	11,434	12,427	12,802	13,967	15,942	18,453
Contract Assets	5,926	8,048	11,004	12,920	16,208	20,941
Other Current Assets	3,878	4,521	4,407	4,407	4,407	4,407
Current Assets	25,912	29,269	33,569	37,813	44,721	53,880
TOTAL ASSETS	47,714	51,847	57,315	62,733	71,178	82,064

Cashflow (Rs. mn)	FY24	FY25	FY26	FY27e	FY28e	FY29e
PBT	4,704	6,167	8,335	8,136	10,273	13,008
Depreciation	345	393	415	465	551	655
Other Income	-2,246	-1,696	-2,090	-2,300	-2,500	-2,600
Others	59	-1,100	317	28	33	39
Net Chg in WC	-249	-1,506	-2,377	-919	-1,073	-1,856
Taxes	-519	-1,261	-1,563	-2,034	-2,568	-3,252
CF from Operating Activities	2,095	997	3,038	3,376	4,715	5,994
Capex	-334	-418	-689	-744	-1,122	-1,333
Net Investments	197	-823	-1,993	-800	-840	-882
Others	1,729	944	1,840	2,300	2,500	2,600
CF from Investing Activities	1,593	-297	-843	756	538	385
Change in Share capital	-	-	-	-	-	-
Change in Debt	-	-	-	-	-	-
Lease Liabilities Paid	-109	-164	-160	-148	-174	-200
Dividend Paid	-1,686	-1,686	-2,529	-2,810	-3,091	-3,653
Interest Paid	-	-	-	-10	-12	-15
CF from Financing Activities	-1,795	-1,850	-2,690	-2,968	-3,277	-3,868
Net cash increase/ (decrease)	1,894	-1,151	-495	1,165	1,976	2,511
Cash Opening Balance	602	2,496	1,345	851	2,015	3,991
Cash Closing Balance	2,496	1,345	851	2,015	3,991	6,502

Ratios	FY24	FY25	FY26	FY27e	FY28e	FY29e
Margin (%)						
GM	48%	57%	53%	53%	54%	54%
OPM	9%	16%	17%	15%	16%	17%
NPM	11%	15%	17%	14%	15%	15%
Tax rate	24%	25%	23%	25%	25%	25%
Growth Ratios (%)						
Net Sales	-2%	-6%	27%	11%	23%	26%
Operating Profit	-5%	73%	37%	-5%	32%	33%
PBIT	-9%	81%	39%	-6%	33%	34%
PAT	4%	30%	37%	-4%	26%	27%
Per Share (Rs.)						
Net Earnings (EPS)	6.4	8.3	11.4	10.9	13.7	17.4
Adjusted Earnings (Adj. EPS)	7.9	10.2	12.2	13.2	16.0	19.1
Book Value Per Share (BVPS)	41.1	46.6	54.1	60.0	68.2	79.1
Dividend Per Share (DPS)	3.0	4.0	5.0	5.0	6.0	7.5
Valuation Ratios						
P/E (x)	48.8	37.4	27.3	28.5	22.6	17.8
P/B (x)	7.5	6.6	5.7	5.2	4.5	3.9
EV/EBIDTA (x)	57.6	33.2	24.2	25.4	19.0	14.1
Div. Yield (%)	1%	1%	2%	2%	2%	2%
Return Ratios (%)						
ROE	15%	18%	21%	18%	20%	22%
ROCE	11%	17%	20%	17%	20%	23%
RoIC	16%	24%	27%	22%	26%	30%

Source: Company, Dalal & Broacha Research

Note: All financial figures in the entire report are on a standalone basis, unless otherwise specified.

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