



A Navratna Company

“Engineers India Limited Q4 FY'16 Earnings Conference Call”

May 26, 2016



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MODERATOR: **MS. BHOOMIKA NAIR -- ANALYST, IDFC SECURITIES
LIMITED**



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Moderator: Ladies and Gentlemen, Good Day and Welcome to Engineers India Limited Q4 FY'16 Earnings Conference Call hosted by IDFC Securities. As a remainder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from IDFC Securities. Thank you and over to you.

Bhoomika Nair: Yes, good afternoon, everyone. Welcome to the Q4 FY'16 earnings conference call of Engineers India. The management today is being represented Mr. R. P. Batra -- DGM, Finance and Accounts, Mr. Rajneesh Malik -- DGM, Marketing. I will now hand over the call to them for their opening remarks post which we will open up the floor for Q&A. Over to you, sir.

:Management Yes, thank you very much IDFC for holding these earnings call. In fact, the key presentation has already been sent to investors, analyst, yesterday and we will open the floor now for questions straight away because D. S. is not there today in fact Mr. Vinay Kalia has also joined us. So three of us are there taking the questions from your side.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will begin with the question-and-answer session. The first question is from the line of Ranjeet Shivram from Antique Stock Broking. Please proceed.

Ranjeet Shivram: Just want to know was there any particular provisioning under LSTK and is it possible to share the amount and the project of that? And we were also expecting I think in the last call the CPCL order to be completed and some write-backs coming from that CPCL order is that getting delayed? Why this LSTK is in loss, if you can throw some color on that?

Management: No, this loss is not account of that particular CPCL project. This basically pertains to , contract awarded to Fernas Construction Private Limited. One of the order was around Rs. 1,800 crores which was placed by the client wherein EIL was a project management consultant and second order was around Rs. 272 crores which was placed by EIL as a cost plus contractor. Some complaint was received and we have referred matter to the investigating agency. The investigating agency during the year has concluded that the certificate submitted by the contractor was bogus and on that basis we have written to our client regarding this development and for the contract awarded by EIL for Rs. 272 crores we have terminated that contract and to complete that particular project we are expected to incur an additional cost of around Rs. 31 crores which is being provided in the accounts as an accounting practice. We expect to receive this amount from our client but as a accounting practices we have provided that amount in the financial statement that is why there is a loss in the segment.



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Ranjeet Shivram: So it pertains to two projects, you mean one is Rs. 1,800 crores and the other one is Rs. 272 crores.

Management: Yes. Rs. 1,800 crores as a PMC we have recommended to our client and client has placed the order on that particular contract. As far as our liability concerned, we do not have any liability for that particular contract. In the second contract which was placed by us on that particular contractor we have provided for Rs. 31 crores as a loss.

Ranjeet Shivram: So the second order of Rs. 272 crores you mentioned you know another order.

Management: Yes.

Ranjeet Shivram: So the major issue is in that second Rs. 272 crores order.

Management: Yes.

Ranjeet Shivram: So in that Rs. 272 crores order we found that the certificate has been bogus and so we have to...

Management: We have terminated that contract and we have to complete that particular contract at the risk and cost of that particular contractor, we are expected to incur additional Rs. 31 crores on that account that is why we have provided that amount, but we are expected to recover that amount from contractor or from our client because our contract is with client is cost plus. As accounting practice, we have provided that.

Ranjeet Shivram: So how much portion of this contract has been currently complete?

Management: More than 90%.

Ranjeet Shivram: 90% is completed and...

Management: 90%, Yes.

Ranjeet Shivram: Okay. Then we found some flaws so we have to incur an additional Rs. 31 crores of expenses on that that is why we have put that Rs. 31 crores as provision.

Management: Yes, provision. We expect to recover either from the contractor because contractor has to provide the services to us he has given the false documents so, we are going to raise claim on that particular contractor. In addition, we are having a cost plus contract with our client. So we are expected to receive the amount from either from the client or from the contractor.

Ranjeet Shivram: And the client Fernas Consultants?



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- Management:** No, client is not Fernas. Client is Indian Oil Corporation.
- Ranjeet Shivram:** Okay, yes. And sir, we were expecting some write-back from the IOCL once it is finished so, is that IOCL is still not completed because we were expecting some write-backs because once the project is over we have already provided for something so, we want....
- Management:** That is there we usually provide for our guarantee obligation and in case that obligation does not come we write-back at the time of closing the contract.
- Ranjeet Shivram:** So when is that closing expected because we are expecting it to happen in 4Q so, will it happen in 1Q or 2Q that CPCL order?
- Management:** In Q3 .
- Management:** No, now you are talking about the CPCL?
- Ranjeet Shivram:** CPCL order, yes, where we were expecting some write-back, previously we had provided.
- Management:** Yes, we have provided for we have received some change order around Rs. 20 crores that we have already accounted for, we have further launched the claim with the client and expect to get something from that. But ultimately there will be some loss in that particular contract.
- Ranjeet Shivram:** So how much is that amount which we have raised in CPCL which we are expecting to get?
- Management:** That right now I cannot tell you how much we will get, but till date we have received Rs. 20 crores change order and we have accounted for that.
- Ranjeet Shivram:** And when is the CPCL order expected to be completed?
- Management:** Most probably by 31st December, 2016.
- Moderator:** Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please proceed.
- Dhananjay Mishra:** This is regarding the this again Fernas Construction India Private Limited fraud done. Regarding this Rs. 1,800 crores contract where we have provided consultancy so, was there any financial impact with regard to this contract?
- Management:** No, financial impact.
- Dhananjay Mishra:** And what was the portion of consultancy fee for this contract our portion?



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- Management:** Basically consultancy contract of a little more than I think Rs. Rs. 400 crores.
- Dhananjay Mishra:** So this Rs. 300 crores to s we have booked or...
- Management:** Almost booked the amount.
- Dhananjay Mishra:** Okay. So regarding the first one, we do not have any kind of liability, right?
- Management:** Yes.
- Dhananjay Mishra:** And there is also mentioned in the note that employees and officer of the company have been involved in this thing.
- Management:** One of the employee was involved in that, yes.
- Dhananjay Mishra:** Of the EIL, right?
- Management:** Yes.
- Dhananjay Mishra:** Okay, sir. And coming to the revenue of this turnkey projects that is about Rs. 13 crores we have booked in this quarter and the normal revenue is about Rs. 130 crores - Rs. 140 crores we have been booking on the quarter-to-quarter basis so, can we expect some bump-up in the revenue in the next quarter because we could not book revenue in this quarter so, next quarter would be the Rs. 250 crores - Rs. 300 crores kind of revenue we will be booking in turnkey projects?
- Management:** Basically the revenue depends on the cost progress of that particular project. Right now we are having two projects this really on the verge of the completion so there is not much progress in that particular contract. Regarding ONGC contract also there is very slow progress so that is why there is no progress that is why the revenue is not coming in that particular contract and right now we do not have many orders in the turnkey segment. So we do not expect that Rs. 200 crores to Rs. 250 crores will come in the next quarter or subsequent quarter depends on in case we will get the new orders then the revenue will flow. Right now we do not expect that it will be around Rs. 200 crores to Rs. 250 crores in a quarter.
- Dhananjay Mishra:** But sir, we still have Rs. 750 plus crores of order so all orders are slow moving or what is it?
- Management:** No, then the contractual completion date for these order r is around 24 months to 30 months. The revenue will pro-rata flow. So in case the progress comes in that particular contract definitely revenue will flow. Right now in this quarter there was a minor progress in these contracts that is why the revenue is very less.



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Dhananjay Mishra: So at least it should be normalized to Rs. 120 crores - Rs. 130 crores kind level in next quarter, if not the Rs. 250 crores that we have been doing. We are still not reaching to the level of booking the revenue.

Management: Next quarter we will still be less than that figure. See out of Rs. 700 there are only two projects which are new ones which are Rs. 220 crores and Rs. 300 crores projects, others are nearing completion and there are some milestone payments will be left out. Out of these Rs. 500 crores we still consider two and half years at the execution cycle.. The quarterly progress will be around Rs. 70 crores - Rs. 80 crores.

Dhananjay Mishra: Okay. And coming to the consultancy business, where we have booked decent revenue up to Rs. 73 crores, so what could be the run rate and what is the execution cycle of Dangote and the Oman order?

Management: Currently the execution left period is around one and half years - two years, for Dangote it is longer it is around two years plus. For Oman contract it is lesser but yes, the execution cycle is going on well so there is an improvement in some of the margins we have seen in constancy on account of improvement in the revenue booking.

Dhananjay Mishra: So what is this contribution from overseas market in PMC?

Management: For the future contour you are asking about?

Dhananjay Mishra: This quarter as well as future.

Management: Excuse me, I did not get your question.

Dhananjay Mishra: What is the contribution from this Dangote and Oman order in PMC out of Rs. 273 crores what is the export portion?

Management: See there are about 80 contracts - 90 contracts going on in consultancy we have not checked out project wise progress of each and every contract.

Dhananjay Mishra: No, I am asking a consolidated export. Overall what is the contribution from export or specifically Dangote and Oman in this quarter?

Management: You see the order book break-up there is a break-up of overseas component in the order book which is already given in the presentation. major contracts in those are the Dangote and the Oman contract and a new contract has also come in which is Angola contract. They are three major contributors in the order book position from the overseas.

Management: For the full financial year out of Rs. 992 crores, Rs. 329 crores is coming from the overseas.



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Dhananjay Mishra: Okay. Actually I was asking for this quarter actually out of Rs. 273 crores what is the export portion that has got.

Management: Right now, we do not have the exact figures.

Dhananjay Mishra: And outside the hydrocarbon segment which other sectors like Smart Cities and infra segment what is the outlook?

Management: See in India reasonably good amount of outlook can be seen besides the hydrocarbon and the fertilizer and in the Namami Gange projects. We do not see major outlook form Smart Cities and AMRUT projects they are still into the initial stages of development yes, Namami Gange from the initial development has taken place we are executing the first phase of Namami Gange where we are doing feasibility and condition assessment plus re-development of Ghat which happened. So in overseas also again the movement will be besides oil and gas it will probably into fertilizers and partially into infra but into a very nascent stage. The overseas will remain subdued as long as the crude oil prices are down so, margin will still be under pressure because of competitive scenario and the project size is small. The Greenfield projects are all put on hold will be overseas as well. India there have been some talks besides the infra on the revival of fertilizer project about three to four fertilizer projects are expected to get revived. So there is currently some development on another three months to four months. If the policy framework is agreed with the Ministry on the formation of new JV for revivals of FCI closed plants.

Dhananjay Mishra: Okay. And lastly, would you like to provide any guidance in terms of order inflow or growth guidance for PMC business for FY'17?

Management: Consultancy will continue to remain stable we do not expect new EPC orders to come because Greenfields are not there new brownfield projects and refineries that expected from fertilizer expansion is expected and otherwise it will not be midsize order. So consultancy will be remained but the margins will continue to be in this range it cannot be more than 20%-25% and as far as order inflows are concerned we are targeting overall order inflows in the range of Rs. 2,000 crores. These sectors in the coming year should perform better and there can be some slowdown in the overseas sector because there were expected to be some signs of revival in the oil and gas market which is still not happening.

Dhananjay Mishra: Okay. And what is the break-up of this Rs. 2,000 crores in terms of overseas consultancy, domestic consultancy as well as turnkey?

Management: We would expect 70% to 80% continued to be consultancy order. Out of this 80%, at least 75% or more would be domestic.



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- Moderator:** Thank you very much. The next question is from the line of Charanjeet Singh from Batlivala & Karani Securities. Please proceed.
- Charanjeet Singh:** Sir, if you can please help me understand you know the kind of cost provisioning which we could see going forward in FY'17 for some of these turnkey projects like CPCL?
- Management:** No, we are not expecting any further provisioning on account of loss or something like that in the turnkey project.
- Charanjeet Singh:** So none of the orders will, we are projecting any provisioning?
- Management:** No, no further loss be made, . We are not expecting any further loss.
- Charanjeet Singh:** Okay, sir. And sir, on the fuel up gradation projects have we started seeing the momentum in terms of you know enquiries and how do we see the finalizations happening in FY'17 for fuel up gradation projects?
- Management:** Yes, Charanjeet things are happening fast now on the fuel up gradation side so all these emission norms project they should be coming up seeing the light of day in another six months for sure.
- Charanjeet Singh:** And what could be the sir, quantum of these orders both consultancy as well as you know turnkey included and what will be our addressable portion in that?
- Management:** We are looking for the consultancy job and out of let us assume Rs. 25,000 odd crores that are yet to be ordered our consultancy could be approximately 3-4%.
- Charanjeet Singh:** Okay. Sir, but in terms of you know what could get finalized in FY'17?
- Management:** Most of these should be finalized in FY'17.
- Charanjeet Singh:** Okay. And sir, we are hearing about some IOCL order which was getting close to getting finalized has it been finalized or.... IOCL for fuel up gradation?
- Management:** No, no, in fact things are happening right now with all the OMCs in fact
- Charanjeet Singh:** Okay. And sir, as we see you know there is definitely as you know slower growth in the overseas market. So how has been the competitive scenario in the you know domestic orders and like you know how has been the differential of L1 versus L2 and in the orders which we would have got recently?



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Management: See in the overseas and domestic our competition is with the foreign multinational and less than overseas and India and definitely because the volume of orders globally has fallen down primarily because major Greenfield were not happening, it will be more competitive pressure and margins will definitely be under pressure. As the competitive bidding is going on.....

Charanjeet Singh: Okay, sir. And sir, the thing is like we will be having seventh pay commission impact coming forward in FY'18, so what is the kind of impact which we have seen and how much of that we would be able to mitigate in terms of any cost rationalization initiatives or....

Management: Provisions are kept whenever a a project for a period beyond the pay revision is envisaged , we have to keep provisions for pay revisions. Pay revision is expected next year.

Charanjeet Singh: And sir, how much could be the impact in terms of our staff cost going up because of that?

Management: We are keeping an adequate provision for that also. So we cannot state what is the percentage with that we are keeping the adequate in that.

Moderator: Thank you. The next question is from the line of Anil Kini from Envision Capital. Please proceed.

Anil Kini: Sir, restructuring exercises that you are taking within your subsidiaries can you just share the subsequent impact on FY'16 numbers and how it will get impacted in FY'17?

Management: Can you repeat I did not get your question.

Anil Kini: The restructuring exercise that you are doing with your subsidiaries or you are holding some of your subsidiaries what are the cost that was incurred in FY'16 that might not come in up in FY'17?

Management: We are not restructuring and we have closed one of the overseas subsidiary in this particular year. We are having a small joint venture overseas that is also under the liquidation. So one subsidiary we are having in India that is working very well .W e have had joint venture recently for a particular project.

Anil Kini: Okay, sir. And secondly, in terms of Namami Gange project can you share more details the initial project that you are doing what will be the order size and what will be the package size going forward and how long will it take for this project to get completed?

Management: Currently they are still into initial development. So currently we are doing only feasibility and condition assessment yes, we have been giving the area of Uttar Pradesh for the condition assessment and feasibility of upgrading the drainage and sewerage infrastructures **Anil Kini:**

I am sorry, I did not get the number, sir.



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Management: See the current scope is the condition assessment and feasibility only so, volume is very small it is few lakhs, so we have to do feasibility strategies for sewerage infrastructure to be put up and drainage infrastructure in 27 towns of Uttar Pradesh.

Anil Kini: 27 towns?

Management: Yes. And there are 11 priority towns out of 27 in the area of Uttar Pradesh.

Anil Kini: So the number that you have mentioned on the slide of Rs. 20,000 crores how will it get panned out over this project, sir?

Management: Second phase of expansion is once the budgets get approved when they go for actual project implementation the role of consultant will typically be as a PMC. That is re-development of ghats cleaning, modernization, of sanitarian and major activity will be the sETP's, solid waste management, and ATBs. Initially size feasibility study from initial sales activities for development of Ghats has also been taken around. We can expect that this project will continue slowly over a period of next seven years - eight years. It is only an initial stage where after these feasibilities are done budget approvals will happen. Allocation will happen then and subsequently PMC contracts will come.

Anil Kini: Right. In one of the slides in the outlook you mentioned that you are moving towards EPC and E&P with the options of equity participation. So can you just elaborate on this as well?

Management: Selectively in some of the countries right have and option of doing it with the help of credit financing that can be arranged, if its a credit financing, the credit financing is being taken by the client itself. Contractors e asking to facilitative that debt financing also. If you are able to facilitate that, they give you these jobs on select negotiation basis also. Like in Middle East project because of the cash crunch and in African countries we are willing to take credit finance through EXIM bank if we are able to arrange it for them.

Anil Kini: Would you also be looking for some equity participation as you mentioned in the slide?

Management: Equity participation no, I mean for fertilizer yes, it was strategic decision we wanted to enter into fertilizer for EPCM there we have taken it so it was selectively for fertilizer for entering into fertilizer.

Anil Kini: Okay. No, so no, further equity participation you are envisaging for next coming one.

Management: Not as of now, but we can help client in credit financing if they give us EPC.

Anil Kini: Okay. Sir, in terms of BPCL order you have got the BPCL orders already have you booked the order?



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- Management:** Which one?
- Anil Kini:** The BPCL order?
- Management:** We have booked two orders basically one is for this PDPP, that is petrochemical project in Kochi second we have booked and there is one BURL, Bina Refinery the expansion...
- Anil Kini:** The Rs. 150 crores order.
- Management:** Yes, low cost expansion project from 6 MMTP to 7.8 MMTP that has also been booked.
- Anil Kini:** Okay. And coming FY'17, what are the kind of orders that you are looking forward to?
- Management:** We are expecting some Brownfield expansions to take place so we are eyeing at least a couple of Brownfield expansion in this FY'17 and then of course there are some projects with respect to fuel efficiency norms which certain refineries have to take up because right now the refineries which have been put up are quite old and they need improvements that can probably come, we are looking for such projects which might come during the financial year.
- Anil Kini:** Okay. And you are not hearing anything about HPCL Vizag refinery?
- Management:** No, that is what I said there are some couple of Brownfield expansions which are on the cards and we are eyeing those. Let us see if we will get.
- Anil Kini:** Okay. Sir, last question is, are you looking at any kind of an impact to change in the Indian Accounting standards for FY'17?
- Management:** We do not expect any material impact in our company.
- Moderator:** Thank you. The next question is from the line of Vivek Sharma from ICICI Securities. Please proceed.
- Vivek Sharma:** I just wanted to know what has been the order inflow in Q4 this year because in nine months your order inflow was close to Rs. 820 odd crores and full year it is close to Rs. 1,600 odd crores.
- Management:** Yes, it is 1596 crores, we have closed at.
- Vivek Sharma:** Yes, so what was the order inflow what were from where did you get the orders in Q4?



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- Management:** One was LSTK was the order that we got from ONGC that was Rs. 220 crores, one was the one that we got from FEED revalidation that was Rs. 130 crores and then I think an order from The Bharat Oman Refineries Limited.
- Vivek Sharma:** Okay, BORL, okay.
- Management:** And PDPP also.
- Vivek Sharma:** Okay. And when you talk about the infra segment and the Namami Gange orders so those orders would be on a turnkey basis or you are looking to do it on a PMC basis.
- Management:** On consultancy basis.
- Vivek Sharma:** Okay. So what is the opportunity size like when you mentioned Rs. 20,000 odd crores so, here also would it be safe to say that 4% or 5% of the projects would be the consultancy order?
- Management:** No, actually in infra structure the margins are pretty less compared to the oil and gas sectors. I think at best 2% to 3% kind of thing, will strive to have not more than that. **Vivek Sharma:** So would it be safe to say that if we expand more in the infra project management segment our margins would be on the lower side?
- Management:** Yes, as compared to oil and gas the margins are pretty less on the infra side. So because of the competition that is prevailing right now it is absolutely cut throat and we have to somehow or other drop the prices to that level to bag the jobs.
- Vivek Sharma:** Got it, fair enough. And lastly, you mentioned about the contractor for getting the orders, so is there possibility there could be more order that have slipped through your checks and you know there could be further more you know provision that you would have to make going forward.
- Management:** We are not envisaging as of now anything like that.
- Vivek Sharma:** Okay. And Vinay, sir what checks the company have placed from now on to prevent such kind of thing happening in the future?
- Vinay Kalia:** It is a very unique **31:26 (Inaudible)** PTR and credentials were on the paper and we cross checked the papers we do the backup and state the papers are faulty and this was an international contractor. We could have done double check and triple check. It was a new contractor which has come in and it was an international contractor from overseas so but yes, subsequently we have found and we have taken corrective actions.



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Moderator: Thank you. The next question is from the line of Khadija Mantri from Dalal & Broacha. Please proceed.

Khadija Mantri: My question is regarding the order inflow if I remember correctly, last quarter the company had guided for an order inflow of about Rs. 1,100 crores for FY'16 but we have done much more above that around Rs. 1,600 crores of business secured in FY'16. However, your guidance for FY'17 remains the same amount Rs. 2,000 crores and you are also expecting some orders with respect to BS-VI so I just wanted to know if you have considered all that while giving your order inflow guidance for FY'17?

Management: Yes, I think we have considered everything as Vinay has just told you out of Rs. 2,000 odd crores around 80% should be from the domestic side and this considers the Brownfield expansion as well as the emissions norms projects which are on the anvil. 0:33:10 (Inaudible).

Khadija Mantri: Okay, sir. And I just wanted to know the number of employees at present with the company.

Management: 3,000 odd, I think, it is there in the presentation as on 31st of March'2016

Moderator: Thank you. The next question is from the line of Jonas Bhuta from PhillipCapital. Please proceed.

Jonas Bhuta: Two questions; firstly, has the entire Rs. 31 crores being provided in the fourth quarter itself the loss provision that we have done for this particular Rs. 272 crores projects?

Management: Yes, it is being provided in the current quarter.

Jonas Bhuta: In the third quarter or fourth quarter?

Management: In the fourth quarter.

Jonas Bhuta: Okay. So if it had not been for this, so the Rs. (-10) crores number that we have shown would have been more like Rs. (+21) odd crores, is that a fair understanding the EBIT the segment EBIT that you have shown?

Management: That is correct.

Jonas Bhuta: Okay. The second question was in terms of our consultancy margins which we have done at about 29% for the current quarter is there any bit of provision write-back or this is pure execution led margins that have shown up?



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Management: No, that is increase in the revenue ,since our cost is fixed, in case there is increase in the revenue definitely that will add up to the margins. That is why there is increase in the margin. As such there are no substantial write-back during this quarter.

Jonas Bhuta: Okay. And lastly, in the current quarter order inflow of about Rs. 780 odd crores have you also included the Bangladesh order that we have recently declared or that is something...

Management: That is not being included that has come in April.

Jonas Bhuta: So largely it has been the BORL order plus ONGC and the Angola order that we have announced.

Management: Yes.

Jonas Bhuta: And for fiscal 2017, so when you guide for Rs. 2,000 crores what portion at least could you just sort of carve out what portion would you attribute to this BS-VI upgradation so out of the Rs. 2,000 crores we know that Rs. 700 odd crores is for the Vizag refinery project so with the balance of Rs. 1,300 crores how much should we sort of expect to come from the BS-VI norm up-gradation?

Management: Basically we are expecting something to the tune of let us say Rs. 300 odd crores - Rs. 350 odd crores from these emission norms project, the remaining would be Brownfield expansion that are on the cards such as there are number of projects which all the three OMCs are saying that are slated for expansion and they are expected to come within the FY'17. Of course there are some small value orders which we keep on doing every year they typically come to the aggregate of about Rs. 400 crores to Rs. 500 crores so, if you add all of these they should come up to Rs. 1,500 crores Rs. 1,600 crores that is what we are targeting from the domestic side in the coming financial year.

Jonas Bhuta: Got it. So then with two-year as in the orders that you get in FY'17 will they meet to some sort of margin expansion in FY'18 or you expect FY'18 margins also to be in the 20% range.

Management: Tthe competition is very high so the margin would continue to be in this range of 15% to 20%. Yes, the order inflows will increase the order book position might be better.!

Moderator: Thank you. The next question is a follow-up question from the line of Ranjeet Shivram from Antique Stock Broking. Please proceed.

Ranjeet Shivram: Just wanted to touch upon that Vizag refinery thing because if I add up whatever you have told that I feel that I am just confused, have we included Vizag in our Rs. 2,000 crores order intake



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guidance which if it happens it will be beat on the guidance just wanted to get some clarity on that Vizag refinery, are we expecting that order in the next year to be closed?

Management: Yes, this project is also there some Euro IV, Euro VI projects some other small revamps of other refineries are there but we are not sure out of all the projects how many will materialize based on our past experience. Conservatively the estimate of Rs. 2,000 crore seems to be reasonable about Rs. 300 crores we could secure in the last quarter of Q4 also this year. We were expecting these also to percolate in April or May. So about Rs. 300 crores we have already recorded in the current year so earlier they were being projected for May or April.

Ranjeet Shivram: Okay. So when are we expecting this Vizag to be close because last quarter you told the environment clearance have been done. So what is the status of the project currently?

Management: Current status I mean I think HPCL would be the best person to tell you if you ask me it will be big decision on I think budget approval which they have to take. Final call on the approvals of the budget.

Ranjeet Shivram: So likely order finalization any time lines if we can get.

Management: I mean you have already seen it has got delayed by 1.5. So I would say I would prefer Q2

Management: Ranjeet, you know what happened to Barmer refinery.

Ranjeet Shivram: Yes, that is what...

Management: We are so close and it just happened that it took an about turn and the project just went off the radar completely.

Ranjeet Shivram: So here are we seeing any such kind of risk or things are going as per what...

Management: I am not expecting that kind of risk but till the time we do not get we will just try for it.

Ranjeet Shivram: And lastly, in the fuel up gradation how is the competitive intensity are Jacobs and other guys becoming more competitive and we will see margins lower compare to the fuel up gradation projects which we had done in the last cycle.

Management: Yes, so margins will be tight.

Moderator: Thank you. The next question is from the line of Utsav Mehta from Ambit Capital. Please proceed.



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Utsav Mehta: Just a couple of very quick questions, I think I will just start with the booking ones. So there is a significant increase in current liabilities and so also an increase in other current assets on the balance sheet. Just wanted to know what is behind that.

Management: Current liabilities are basically we are recognizing our income as per the progress. In the form of the contracts our payment terms are very favorable. So in terms of those payment terms, we are receiving the money in advance but we have to provide the servicing letter only. So that is why that amount is why that amount is basically reflecting in the current liabilities. In one of the cases like Dangote contract where payment terms are favorable although the work progress is less but we have received more money so, that is why there is increase in the current liability?

Utsav Mehta: Okay, sir. So basically customer advances because of the...

Management: Yes, order advances.

Utsav Mehta: Okay. And how about the other current assets?

Management: Other current assets are basically other way around basically. We have done more work but we are not able to basically bill that amount. So that is why there is increase in that. As per Accounting Standards these things have to be disclosed separately.

Utsav Mehta: Okay. Just I know it probably means nothing but I am just curious as to why both of them have spiked up simultaneously.

Management: In some of the projects that thing is there and in some projects payment terms are favorable. So it happens every time.

Utsav Mehta: Okay. So it is just a coincidence. Sir, my second question is on the Euro VI upgrades. I understand that this seems like the most likely set of orders that will come through next year. Any sense on whether OMCs are putting other Brownfield CAPEX plans on hold until they sort this out?

Management: So as of now, definitely the priority is for going in these for emission norms project but putting the others on hold at least we are not aware about it I think they will proceed with the expansion in due course of time.

Utsav Mehta: Okay. And just one last so, I remember last year we had made a provision for expected losses which was being written-back through the year and I think it was written back around Rs. 65 crores out of Rs. 75 crores or so....

Management: Around Rs. 61 crores.



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- Utsav Mehta:** Right. The rest of the it is not going to happen or is it going to happen next quarter or...
- Management:** This has also happened that is accounted for as a construction material and protecting cost for turnkey segment..
- Utsav Mehta:** Okay. So that is happening so, even in this quarter that is happened, I am guessing the full Rs. 75 crore s is over then?
- Management:** No, around Rs. 61 crores is written-back around Rs. 14 crore has to be write-back.
- Utsav Mehta:** Okay. And just one last question it is probably just repetition from the earlier just for my understanding. So if I get this correct the LSTK revenue was Rs. 13 crores this quarter because some of the large projects sort of did not point to execution, am I right?
- Management:** Yes.
- Utsav Mehta:** And the margin is a completely unrelated issue which is related to the fraud?
- Management:** Yes.
- Moderator:** Thank you. The next question is from the line of Anil Kini from Envision Capital. Please proceed.
- Anil Kini:** You mentioned your order book and revenue guidance for turnkey projects from Rs. 770 crores order book, it can steady state give you Rs. 70 crores - Rs. 80 crores for quarter kind of a revenue. I just wanted to understand on the consultancy side if you look at March 2014 your consultancy order book was Rs. 1,500 crores and for last two years you have been recording Rs. 1,000 crores revenue. Now your consultancy orders are Rs. 3,000 crores so, where do you see this revenue going up?
- Management:** In the present order book we are expecting a basically turnover in the region of around Rs. 1,000 crores for the consultancy segment for big project the cycle is around three years to three and half years. So with this order book we expect around Rs. 1,000 crores for the next year.
- Anil Kini:** So it will remain flat you are saying?
- Management:** Yes.
- Anil Kini:** It will remain flat for the year.
- Management:** Yes.



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- Anil Kini:** And that our execution cycle actually turn-up in FY'18?
- Management:** In FY'18 yes, in this year we are expecting the Rs. 2,000 crores if they materialize then FY'18 the turnover can improve.
- Anil Kini:** Because you know what I understand even in large project the revenue reorganization in the first year is 20% but it goes up to 40% in the second year, right?
- Management:** It is around 10%, so second year and third year onwards we are as it is 30% to 40%.
- Anil Kini:** So do you see that situation happening in FY'18.
- Management:** Can happen if we secure more than close to Rs. 2,000 crores in the coming year.
- Moderator:** Thank you. The next question is from the line of Rohit Gupta who is an Individual Investor. Please proceed.
- Rohit Gupta:** Sir, there was an update about the Angola project so, can you explain what can be the scope of that project?
- Management:** Currently, they had gone to an international consultant for developing their process design package. Basically the entire configuration of the refinery that they want to set-up and the detailed design in basic design packages and the licenses selection was also done by them. Meanwhile what they have done they have changed the crude oil properties they had chosen a different crude oil so they came to EIL for redoing the entire basic design and feed which was developed by the international consultant and again going for licensor selection. So it is like doing a reconfiguration of the entire refinery based on the new crude. So it is an initial project activity of licensor selection we are developing the design packages and developing a feed package.
- Rohit Gupta:** Okay. In terms of revenue what can be the potential of this order?
- Management:** The current order that we are executing is \$20 million which is the initial pre-project activity subsequently if the project goes well, they can go in for a PMC execution.
- Rohit Gupta:** And if that happens what can be the order size?
- Management:** That will depend upon the project cost which gets finalized during the feed package and 2% to 3% normally it is around 2% of the project cost. So Yes, but it will be a big refinery.
- Rohit Gupta:** Okay. And on the international side apart from these Bangladesh and Angola what are the other prospects that you see?



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Management: We can expect about Rs. 100 crores to Rs. 150 crores from the GCC region, we could have made more but there is slow down in this region and clients have basically shelved most of their Greenfield projects and another about Rs. 300 crores kind of order can be expected from African region. Bangladesh we have already secured we will be declaring in Q1 so maximum potential we see from overseas is around Rs. 400 to 500 crores.

Rohit Gupta: And what can be the scope of these fertilizer projects that you are mentioning there are three projects - four projects that you are looking at, so what can be the scope of these opportunities?

Management: Cannot say much PMO has given their directive for revival of closed units of FCI so like Ramagundam they have to find partners for revival of these projects like Coal India and NTPC are being talked about. So once the new JV companies are created like we have formed with NFL for Ramagundam then the project will be similar to the Ramagundam project that we are executing.

Rohit Gupta: Okay. And what is the like order size of the Ramagundam project?

Management: Typically, the project Ammonia Urea complex is around Rs. 5,000 crores and if you do a PMC it is around 2%, if you do an EPCM kind of an assignment where procurement and construction is also managed by you then it is around 3.5% - 4%.

Moderator: Thank you very much. Ladies and gentlemen, we will take our last question now which is from the line of Jonas Bhuta from PhillipCapital. Please proceed.

Jonas Bhuta: Just a follow-up question on the Ramagundam plant, what was our equity investment that we propose to make in this project?

Management: Rs. 342 crores.

Jonas Bhuta: But nothing much we have invested because I do not see that showing up in our non-current investments?

Management: Yes.

Jonas Bhuta: So it happening by some other routes that we need to take note of?

Management: No, we have to invest Rs. 342 crores but right now it is around Rs. 24 crores as now.

Jonas Bhuta: Got it. So the bulk of it should happen in next year and this year after that?

Management: Next year and subsequent year, yes.



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Moderator: Thank you very much. I now hand the conference over to Ms. Bhoomika Nair from IDFC Securities for closing comments, over to you ma'am.

Bhoomika Nair: Yes, I would like to just thank everybody for taking time out for being on the call and particularly the management for giving us an opportunity to host the call and answering all the queries. Thank you very much, sir.

Management: Thank you. Thanks a lot of to you.

Moderator: Thank you very much members of the management and Ms. Nair. Ladies and gentlemen, on behalf of IDFC Securities, that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.