



## **Engineers India Limited Q3FY23 Earnings Conference Call**

Event Date / Time : 09/02/2023, 15:00 HRS IST  
Event Duration : 30 mins 12 secs

### **CORPORATE PARTICIPANTS:**

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**Mr. Suvendu Padhi**

Company Secretary and Investor Relations

**Mr. R P Batra**

Executive Director Finance and Accounts and Investor Relations

**Mr. Sunil Saxena**

Executive Director, Technical, and Investor Relations

**Mr. Amanpreet Singh Chopra**

General Manager, C&MD Office, and Investor Relations

**Mr. Vivek Midha**

General Manager, Marketing, Business Development, and Investor Relations

**Ms. Bhumika Nair**

DAM Capital

## **Q&A PARTICIPANTS:**

- |                         |                       |
|-------------------------|-----------------------|
| 1. <b>Mohit Kumar</b>   | : BM Capital          |
| 2. <b>Rahul Bhalgat</b> | : Individual Investor |
| 3. <b>Amit Anwani</b>   | : Prabhudas Liladher  |
| 4. <b>Kunal Mishra</b>  | : Singleton           |

## **Moderator**

Good afternoon, ladies and gentlemen. I'm Pelcia, moderator for the conference call. Welcome to Engineers India Limited Q3 FY23 Earnings Conference Call, hosted by DAM Capital Advisors Limited. As a reminder, all participants will be in 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 an operator by pressing \* and then 0 on your touchtone telephone. Please note this conference is recorded. I would now like to hand over the floor to miss Bhumika Nair, from DAM Capital. Thank you and over to you, Ma'am.

## **Bhoomika Nair**

Yeah. Thank you. Good afternoon, everyone, and a warm welcome to the Q3 FY23 earnings call of Engineers India. We have the management today, being represented by Mr. Sanjay Jindal, Director Finance; Mr. Suvendu Padhi, Company Security and Investor Relations; Mr. R P Batra, Executive Director, Finance and Accounts, and Investor Relations; and Mr. Sunil Saxena, Executive Director, Technical and Investor Relations; Mr. Amanpreet Singh Chopra, General Manager, C&MD Office, and Investor Relations; and Mr. Vivek Midha, General Manager, Marketing, Business Development, and Investor Relations. I'll now hand over the floor to Mr. Jindal for his opening remarks, post which we'll open up the floor for Q&A. Over to you, Sir.

## **Sanjay Jindal**

Thank you, Bhoomika, and good afternoon, everybody. A warm welcome to EIL's earning call for the Q3 FY23. We have declared our nine-months result for the FY2223 on 3rd Feb 2023. With respect to financial performance for the nine months-ended 31st December 2022, the company has registered turnover of INR 2,418 crore in comparison to INR 2,064 crore for the last nine-months ended with an increase of 17%. The turnover from Consultancy and Engineering segments stood at INR 1,046 crore from the Turnkey segment it was INR 1,372 crore.

In the current quarter, the company have achieved turnover of INR 831 crore in comparison to INR 782 crore from previous quarter ending 30th September 2022, showing an increase of 6% with turnover from Consultancy and Engineering segment is rupees a INR 350 crore and INR 481 crore in Turnkey segment. During the current quarter, the company has PBT of INR 65 crore and PAT of INR 48 crore in comparison to INR 102 crore and INR 85 crore respectively in the last quarter

During the current nine months ended, the company has PBT of INR 235 crore and PAT of INR 183 crore vis-à-vis INR 297 crore and INR 218 crores respectively for the previous nine-months ended 31st December 2021. On the consolidated front in this quarter, we have loss of INR 34.58

crore from the RFCL project, which is still under the stabilization stage. And, for the nine-months, we have loss of INR 30.68 crore vis-à-vis INR 160 crore for the nine-months of the previous financial year. So, on the consolidated basis, we have net profit of INR 16.12 crore in this quarter, and for the nine-months we have consolidated profit of INR 156.09 crore.

For the current financial year, the company has declared interim dividend of INR 2 on the face value of INR 5 per share. On the business front, we have very good news, and till-date, we have secured business of INR 1,600 crore up-to-date, and we are in the finalization stage of, contract finalization of, for INR 1,275 crore, which we are expected to be concluded by the month end. So, by the month end, our business secured position will be around INR 2,900 crore. Out of this INR 1,600 crore, which we've already achieved till-date, we've achieved two landmark overseas project of INR 500 crore from the Ghana and Nigeria territory.

In the Nigeria territory, we've received contract of INR 320 crores for the EPCM Services for the Greenfield 4000 TPD Urea and Ammonia project, and in addition to that, we're still in the finalization of other contracts, and we are hopeful to achieve further contracts by the end of this financial year. So, this is from my side. Thank you.

**Bhoomika Nair**

We'll begin the question-and-answer. Operator, can you please proceed with the question-and-answer please.

**Q&A**

**Moderator**

Sure, Ma'am. Thank you, Sir. Ladies and gentlemen, we'll now begin the question-and-answer session. If you have a question, please press \* and 1 on your telephone keypad, and wait for your turn to ask the question. If you would like to withdraw your request, you may do so, by pressing \* and 1 again. Ladies and gentlemen, if you have any question, please press \* and 1 on your telephone keypad. We'll wait for a moment, while the question queue assembles. The first question comes from Mohit Kumar from BM Capital. Please go ahead.

**Mohit Kumar**

Hello. Good afternoon, Sir. Congratulations for good set of numbers, Sir. My first question is on the, can you please give some color on the order outlook on the refineries and petchem side over the next 12-18 months?

**Sanjay Jindal**

Sorry. Can you just repeat the question, please?

**Mohit Kumar**

Sir, can you please give some color on the order outlook on refineries and petchem side, which you expect over next 12-18 months?

**Sanjay Jindal**

Expected from next 12-18 months, definitely there's good opportunity exist for various petrochemical projects in the outlook. We see that, because we're doing various feasibility studies and we see there are certain developments taking place, out of which two could be in the private sector, two or three could be in the international market which we've been discussing the petchem projects, and various smaller refinery expansion and refinery modernization projects, we're discussing internally. So, we see that, there is some possibility exists in the recent future.

**Mohit Kumar**

Any update on the HPCL Petchem project?

**Sanjay Jindal**

We are in touch with them. As of now, it's going on. Feasibility is being done. So, we see that it is going to come in future.

**Mohit Kumar**

Anything on the BPCL side? Are there any CapEx in the near future?

**Sanjay Jindal**

They've some plans for a petchem, for a Polypropylene Unit as well as expansion in the petchem in the BORL. So, there are certain opportunities there.

**Mohit Kumar**

Understood, Sir. And secondly, Sir, I think we are slightly more positive on the coal gasification, consultancy order, it is something in the pipeline which we expect over next 6-12 months, we haven't seen any progress.

**Management Team**

With this coal gasification you must be aware that, we're already executing our coal gasification project for Neyveli Lignite Corporation. As of now, we're doing the pre-project activities, later on it is completed, then we might go ahead with the project implementation of the same. So, we expect a PMC order next year in this regard. And then, in coal gasification, we're doing various studies from coal to chemical and coal to syngas, for various clients, studies with respect in the private sector as well as in the government sector. So, we see that these are positive, they are likely implementations in days to come. It is not possible because the private sector clients, and they have [Inaudible 00:08:59] issues, so, we cannot declare, but there are certain opportunities available within the other.

**Mohit Kumar**

[inaudible 00:09:06] likely this to happen over next year 12 months.

**Sanjay Jindal**

Yes, it'll happen, because private sector moves very fast.

**Mohit Kumar**

Yes. Thirdly, Sir, of course, I see that you have won an order for Owner's Engineering Services for Adani is I think 30,000 MTPA Polysilicon. Is this work execution has started, and can we expect booking on this particular order from next quarter?

**Sanjay Jindal**

Our work has already started. This is an engineering assignment which we have got from them. So, we are working, our engineering teams are working with them, on this assignment. Implementation would go probably next financial year. We are working, team is working on it.

**Mohit Kumar**

Understood, Sir. Thank you. All the best, Sir. Thank you.

**Moderator**

Thank you, Sir. Ladies and gentlemen, if you have any question, please press \* and 1 on your telephone keypad. I repeat. Ladies and gentlemen, if you have any question please press \* and 1 on your telephone keypad. Next question comes from Rahul, an Individual Investor. Please go ahead.

**Rahul Bhalgat**

Good afternoon, Sir. I've three questions. First question is regarding RFCL. In the last earnings call, the management had expressed confidence that in the next quarter, that is Q3, RFCL will definitely return profit, it will work at 100% capacity with 100% production. So, can you throw some light on why did it not happen?

**Sanjay Jindal**

One of the reasons was, there was a scheduled maintenance that was going on in the plant, that is for every process plant, there needs to be a maintenance shutdown. So, one was that at particular point of time it was taken, because it has already stabilized, and during that particular period, there was some gap for the scheduled maintenance shutdown that were taken. So, it has again started the operations and it will be continuing on that particular.

**Rahul Bhalgat**

As I understand, the shutdown was taken in the month of September; October, November, December, these are the three months, quarter is for October, November, December.

**Sanjay Jindal**

That's right. But again, after the shutdown when you have again the startup of the plant, it takes a bit of a time to stabilize, as it is a processed plant. So, it cannot stabilize instantaneously, some gestation period is there. So, that gestation period was from in the month of October. So, it has stabilized on that particular product.

**Rahul Bhalgat**

I understand. But are there any engineering glitches, because of which it may experience problems in future? Are we stuck up anywhere in engineering of the plant?

**Sanjay Jindal**

No, because it's already commissioned, and the regular maintenance is being done, we don't see any engineering glitches at this particular point.

**Rahul Bhalgat**

Okay. That's all.

**Management Team**

And we have already run the plant at 100% capacity. So, there is no technical glitch.

**Rahul Bhalgat**

Okay. We should be able to run it all the time at good capacity utilization, that is what everyone would expect. Not just a month or not just a particular day.

**Sanjay Jindal**

Yes, definitely that would be there.

**Rahul Bhalgat**

Okay. Thank you for this answer. Then, next question is regarding our profits, in the last earnings call you had expressed confidence that on a standalone basis we should be able to register a profit of around INR 340 crore. Is it going to happen or would you like to scale down the target for this financial year?

**Sanjay Jindal**

Last time, I also mentioned, we are working with our clients for some change orders, because as you know, we are involved in the project implementation, and their change order takes time, because it is the client tendency to finalize the change order at the end of project, but our tendency is to get the change order at the earliest. So, there is a negotiation of time also, at what time change order should be processed. But we are sure and we are confident that we will be able to bring some change order before the end of this financial year, and we are still hopeful of achieving the figure of INR 340 crore.



**Rahul Bhalgat**

Okay. You meant to say that the expenses have already been incurred, and it will only add to the revenue, this change order?

**Sanjay Jindal**

It'll be pure profit, only tax figure will be less.

**Rahul Bhalgat**

I understand. And the last question is regarding the expenses for construction materials and equipments in the Q3 results. There is a substantial increase in these expenses almost INR 116 crore increase.

**Sanjay Jindal**

That figure has increased, because if you see there is a substantial increase in the figure of turnover from the Turnkey project, and from the Turnkey projects, in this quarter, our figures have increased from INR 436 crore to INR 480 crore. Whenever there is a increase in the turnover from the Turnkey or EPC project, so it's 90% or 95% tends to increase their expenditure. So, there is a figure of the construction and materials because our EBITDA growth from the Turnkey segment has also increased. So, there is a corresponding effect on the expenditure side.

**Rahul Bhalgat**

Okay. But you mean to say this revenue is corresponding to this expense. These expenses have already been registered in our statement, right?

**Sanjay Jindal**

Yeah. EPC business there is a margin of only 4-5%. So, 95% is expenditure only. So, if there is an increase of [inaudible 00:15:40] turnover, then definitely expense side will increase by 95%. That's why you are seeing highs in the figure of expenditure side.

**Rahul Bhalgat**

I understand. Okay, that's all. I have asked all my three questions. Thank you so much for your answers.

**Sanjay Jindal**

Okay, thank you.

**Moderator**

Thank you. Next question comes from Amit Anwani, from Prabhudas Liladher. Please go ahead.

**Amit Anwani**

Yes. Hi, Sir. Sir, my question is with respect to the order intake. I think we were targeting based on the last call about INR 4,000 crore for FY23, and I think now you're mentioning about INR 2900 crore. Any slippage of order which has happened?

**Sanjay Jindal**

No, I've already said in my statement, till-date we are in receipt of order book of INR 1,600 crore, and for INR 1,300 crore we are already in the close finalization, which will be closed by the end of this month, and we're still negotiating with our clients for the further order, and it is expected that we will touch the figure INR 4,000 crore by the end of this financial year.

**Amit Anwani**

Okay. Sir, you've mentioned about INR 5,000 crore intake each year going forward I think for next two years. So, if you could just elaborate with what kind of key orders you are looking for the next two years?

**Management Team**

With respect to the orders, with our deal, keep the target of INR 4,000-4,500 crores, and maybe we'll touch more because that it is improving in between. Initially there was an impact of the COVID, but it is going down, and a lot of projects are coming online, and investments are increasing. So, because the way we are doing various feasibility studies, because that's the initial step of any project. The way we are getting inquiries and we are doing it, we see that lot of investments are going. Now, we're getting a lot of inquiries in the ammonia and green ammonia, and all these sectors, people are thinking about it.

So, we see opportunities in all these areas too, apart from the petchem, which is going to be a future, lot of investments are coming in petchem. We've lot of investments in the green area also, green ammonia and urea complexes, as well as some of the refinery. Refinery investment will not be much because it would be primarily focused on the modernization, retrofitting and [Inaudible 00:18:12] would be less, but it will be primarily in petchems. As well as, some investment we see in nonferrous metallurgy, as well as in fertilizer sector.

### **Management Team**

See, refinery modifications could happen just to ensure that the adequate feedstock is there in petrochemical also. So, those kinds of opportunities will also exist.

### **Amit Anwani**

Right. So, we are expecting, it's fair to assume INR 4,500-5,000 each year in FY2425?

### **Management Team**

We always keep that kind of target. So, we strive towards it. Let's hope for the best. We should be able to do it.

### **Amit Anwani**

Great. Sir, about the margins for this Consulting and EPC, what would be the sustainable margins in this segment considering there is a significant intake of new orders coming this year and next couple of years, how this mix will evolve, and what kind of margins you're expecting?

### **Sanjay Jindal**

In the current quarter, we've a margin of segment profit of 20% in the Consultancy segment, as in the EPC business it is around 2-3%. And as I said, we are working on some change orders with our client, and we're hopeful to achieve the segment profit of 25% by the end of this financial year.

### **Amit Anwani**

So, can we just expect 2-3% EPC going forward also?

**Sanjay Jindal**

Yes, 2-3% margin is there, because it all depends upon the change order value, and we are working hard with our clients to increase our EPC margins.

**Amit Anwani**

Sure, Sir. My last question is on the recent budget announcement on the green growth, and so much was talked about hydrogen policy and a few other things. So, if you could just elaborate any opportunity which we're looking for in this space, and are we getting benefited from this policy?

**Sanjay Jindal**

Yes, definitely. Even right now in EIL we've created a separate dedicated team, which is looking at the opportunities, and working in the area of green hydrogen and related in all areas of energy transition as well. As I said, we're already executing some projects on green hydrogen and as with a budget announcement also that will be coming up in near future. And right now with the credentials and with the work that we are doing, not only for the clients, but also for some suo-moto studies that we are doing for the clients and some initial seeding on green hydrogen that we're doing, we're expecting a fair bit of order flow in this particular green hydrogen area, because the engineering and the technical provinces of EIL are could be very well leveraged to in this particular area. So, we are expecting a considerable amount of our inflows and our contribution in this particular aspect as well.

**Amit Anwani**

Right, Sir. One last question if may, on the coal gasification, I think, we mentioned something about INR 30,000-35,000 crores for five years. So, how much will be EIL adjustable in this, and obviously, I think you've mentioned about it, are we expecting any significant orders in coal gasification in FY24?

**Management Team**

This coal gasification is a new area, and right now many of these studies are on. Specifically, if you see that all the Coal India subsidiaries are carrying out various studies and they've found joint ventures with even IOCL, BPCL and GAIL also for setting up of the coal to chemical projects. So, this is just an initial stage. In this year, we've seen those agreements happening. But now the next step would be the studies to be carried out, and those becomes viable then if we go into drawing board and go into implementation.

What we recently see is the only the main project which is coming up in the coal to methanol project which is of Neyveli Lignite Corporation wherein we're also involved. That's the recent project which is coming up. But otherwise, various small studies are on, kind of pilot projects, everybody is looking for the pilot projects studies to be done, every pilot project studies are successful, they might go for the implementation. This being a new area, so everybody wants to venture into it, but after thorough study of it, as well as see the based on the pilot project is been setup, if they're successful, then will go for the implementation of the major project.

So, it is going to come, INR 30,000-35,000 crore will be there for further coal gasification, but next 3-4 years targets, because everybody announces based on the what government announce, but later on government agenda is there for gasification. So, all the public sector and coal gasification, coal companies are working towards it, and they've to comply with it, but it will take some time because it is a new sector.

**Amit Anwani**

Thank you. Got it. All the best.

**Moderator**

Thank you, Sir. Ladies and gentlemen, if you have any question, please press \* and 1 on your telephone keypad. Ladies and gentlemen, if you have any question, please press \* and 1 on your telephone keypad. We have a follow up question from Mohit Kumar, from BM Capital. Please go ahead.

**Mohit Kumar**

One clarification, Sir. On the NLC India coal to methanol, has the commerciality been established, and does this require any sort of subsidy from the Central Government?

**Sanjay Jindal**

I don't think any subsidy is required. And it is commercially being viable and that's how they have gone into implementation of it.

**Mohit Kumar**

So, we expect the ordering to start from FY24. Is that a fair assumption?

**Sanjay Jindal**

From FY24, we can see that because right now it's in the tendering stage for the contractors to be finalized. So, we'll see. It should come somewhere in early FY25.

**Mohit Kumar**

Sir, secondly, in the budget there was a INR 300 billion kind of investment was given for some energy transition to oil companies. Is there any opportunity for us and what kind of investment are these?

**Management Team**

So, the energy transition, it's a very wide area where number of verticals, oil and gas sectors is working on a number of verticals in the area of energy transition. One of it is in the area of the green hydrogen, one of it is in the area of energy efficiencies of the refineries. So, in the area of energy efficiencies, because that's the way they're going to reduce their carbon emissions. So, as EIL we've considerable strength and a lot of fast-track record in undertaking these type of energy efficiency studies for our refineries. So, this will be definitely tapped as and when the refineries come up with their proposals. So, we'll be definitely tapping on this particular area as well, and in the green hydrogen we've already explained that what our strategy in the green hydrogen aspects would be.

**Mohit Kumar**

Sir, given the INR 300 billion already been announced throughout, has there any color, any talks with these oil companies, with the kind of investment they are looking at?

**Sanjay Jindal**

See, everybody is right now at a very initial stage, they're having their own approvals, and they're formulating their internal strategies and internal investment plans. So, once these investment plans are considerably strengthened, we'll be pitching in, and also a lot of suo-moto studies like what they don't even perceive, that product suo-moto studies on these aspects also being done by EIL, so that we are aware that in what areas they've to go on in this particular transition.

**Mohit Kumar**

Say, another couple of months, we'll get the full clarity on the investment require of INR 300 billion?

**Sanjay Jindal**

Yes, sure. Probably in the Q1 next financial year we'll get more clarity on the investments by each and every OMCs and our pitching on that particular.

**Mohit Kumar**

Understood, Sir. Thank you, Sir.

**Moderator**

Thank you. Ladies and gentlemen, if you have any question please press \* and 1 on your telephone keypad. Next question comes from Kunal Mishra, from Singleton. Please go ahead.

**Kunal Mishra**

Good afternoon, everyone. Sir, I'm a retail investor and I've one concern to raise that the kind of returns that Engineers India Limited share has given. Is management concerned about that kind of return this share has given over a period of five years, three years, if we can see?

**Sanjay Jindal**

Yes, we're equally concerned, and you'll appreciate that by way of dividend. We're already rewarding to our shareholders, and in the recent past we've given a bonus share also in 2017. And in this quarter, in this 3rd Feb Shareholder Board Meeting we've already declared interim dividend of INR 2 on the face value of INR 5. So, we're hopeful to continue with our legacy of paying dividends to our shareholders, and we're sure that in the coming time our shareholders value, our share price will also increase because we have very good position in the form of order book as well as further exhibition point of view.

**Kunal Mishra**

Yeah. Thank you, Sir. I've one question only. Thank you.

**Moderator**

Thank you. Ladies and gentlemen, if you've any question please press \* and 1 on your telephone keypad. I repeat. Ladies and gentlemen, if you've any question, please press \* and 1 on your telephone keypad. Thank you, there are no further questions. Now, I hand over the floor to Miss Bhoomika Nair from DAM Capital for closing comments.

**Bhoomika Nair**

Yes, Sir. I would like to thank you for giving us an opportunity to host the call, and answering all the queries, and thank you to all the participants for listening in and asking all the questions. Thank you very much, Sir.

**Management Team**

Thank you, Bhoomika.

**Management Team**

Thank you, Bhoomika Ji.

**Bhoomika Nair**

Thank you.

**Management Team**

Thank you so much.

**Moderator**

Thank you. Ladies and gentlemen, this concludes the conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day.

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**Note:** 1. This document has been edited to improve readability  
2. Blanks in this transcript represent inaudible or incomprehensible words.