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## “EIL’s Q4 FY ’20 Earnings Conference Call hosted by Antique Stock Broking”

**June 26, 2020**



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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to EIL's Q4 FY'20 Earnings Conference Call hosted by Antique Stock Broking. As a reminder, 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 an operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Dhirendra Tiwari from Antique Stock Broking Limited. Thank you and over to you, Sir.

**Dhirendra Tiwari:** Thank you, Good Morning, Ladies and Gentleman, on behalf of Antique Finance we Welcome you to Q4 FY '20 post results conference call of EIL. We are extremely pleased to have with us today the senior Management team of EIL represented by Mr. Sunil Bhatia – Director (Finance); Mr. Suvendu Padi – Company Secretary; Mr. R. P. Batra – Chief General Manager (F&A and IR); and Mr. Vinay Kalia – Chief General Manager (Marketing and Investor Relations). With this, I will invite Mr. Bhatia to present his initial comments followed by we will have Q&A. Over to you, Sir.

**Sunil Bhatia:** Good Morning all, we are pleased to inform you that the company has done exceedingly well during the last quarter as well as during the Financial Year 2019-20. I will just give you brief on the results. During the Financial Year 2019-20, we received consultancy orders worth 1617 crores. The order book as on March 31, 2020, was 9555 crores. We ended the year with revenue of 3203 crores which was high by 31% as compared to the corresponding figure of 2444 crores achieved during the Financial Year '18-19. The breakup of consultancy turnover of 3203 crores is, the consultancy was 1565 crores and turnkey was 1638 crores. Consultancy turnover increased by 16% as compared to the consultancy turnover of 1349 crores during '18-19. The turnkey turnover at 1637 crores increased by 50% as compared to 1095 crores achieved during 2018-19. The operating profits achieved during the financial year was 418 crores increased by 22% as compared to 343 crores achieved during the Financial Year 2018-19. Profit before tax achieved was 676 crores during '19-20, increased by 19% as compared to 568 crores achieved during '18-19. Profit after tax was 430 crores increased by 16% as compared to 370 crores achieved during Financial Year 2018-19. The Board of Directors of EIL, they have recommended final dividend of Rs. 1.55 per share subject to approval of shareholders. We had already declared interim dividend of Rs. 3.60 and with this the total dividend for the Financial Year '19-20 works out to Rs. 5.15 per share. During the Financial Year '19-20, we did not experience any significant impact due to lockdown as the lockdown was announced in the third week of March and the construction sites were stopped in the third week of March only.

Going forward, we have made assessment of the potential impact of COVID-19 based on the current circumstances as on date and we expect no significant impact on the continuity of operations of the business on long-term basis though the impact will be there due to disruption



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of COVID-19 on medium-term basis. During the quarter, the company also opted to settle income tax dispute under the Government notified *Vivad-se-Vishwas* scheme. In our case, two cases were settled with income tax authorities. The impact was not much, so there is a refund of 7.45 lakhs which has been accepted by income tax authorities and which has been duly recognized in the statement of profit and loss accounts. With these opening remarks, the house is open for raising your queries. Thank you.

**Moderator:** Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. We take the first question from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

**Dixit Doshi:** Thanks for the opportunity and congrats for good numbers. Sir, two-three questions, firstly you mentioned an order book of 9555 crores, can you just give us a breakup between the consultancy and turnkey?

**Management:** Out of 9555 crores, consultancy component is 4456 crores and turnkey is 5099 crores.

**Dixit Doshi:** Secondly Sir, how much cash we have on the books and how much is our own cash and how much would be the planned cash?

**Management:** The total cash is around 2400 crores out of which our cash advance is 100 crores.

**Dixit Doshi:** Okay, so 2500 crores is our own cash?

**Management:** Yes.

**Dixit Doshi:** Thirdly Sir, if I see the segmental breakup there was you increased in the turnkey revenue, but margins have dipped, so can you just explain a bit and what could be the sustainable margin?

**Management:** During the front quarter, the margins are in the range of around 3%, that was also in the last quarter also. In the quarter March '19, there was a certain exceptional item due to that the margins were 6%. We are already projecting that our margin shall be in the range of 3% to 4% in the turnkey segment based on the composition of order book as of date.

**Dixit Doshi:** Lastly, what kind of order inflow you expect in FY '21 looking at the current scenario, there would be many orders which are getting delayed, so what kind of order book you expect for order inflows?

**Management:** Fortunately, for us we already have two committed orders from our client. One is the RFCC project for BPCL in Mumbai that is about 200 crores plus. Second order is for the Panipat refinery expansion project from 15 to 25 MMTPA, that is about 617 crores. We are also negotiating another contract with GAIL to be materialized soon, so we are considering a target



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of around 1600 crores in the similar range as in this year. We also hope that we should be able to achieve and we are hopeful that COVID impact will not continue beyond this quarter and since the lockdown has been removed and there will be recovery in the economy, so considering this and considering the fact that we have committed orders and some orders are under advanced stage of negotiation, we should be able to secure good consultancy orders this year also.

**Dixit Doshi:** Any expectation or any thoughts on Barmer Refinery?

**Management:** We are already executing it.

**Moderator:** Thank you. We take the next question from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

**Bhavin Vithlani:** Thank you for the opportunity and Congratulations for great set of numbers. The first question is if you can give us a status update, we heard Nagapattinam project, there is a Board approval, if you can throw light, would it be possible that we could get the order flows in the current financial year?

**Management:** Broadly, I mean there are number of projects, since we have just come out of the lockdown period, we are also discussing with the clients on the timelines of these projects, yes, CPCL Cauvery Basin Refinery has been planned for this year. They are coming out with tenders for consultancy award, but we are also looking at how the financials will be in place for these clients and whether these projects will come up in the subsequent quarters in this year or will they be pushed forward to next year. As of now, we have some reasonable assurance that Mumbai Refinery, Petro RFCC will come in time, Panipat Refinery project is also being planned for this year. Cauvery Basin is still under planning and tendering stage, so while they will come out with tenders for consultancy and we have to look at how the financials would be arranged by the client for taking up this project, so they may take the consultancy tenders, but award would be contingent to the financing available, but there is another contract from GAIL which we are looking for positively, it is not a very big contract, so the project CAPEX is not very large. We expect that this can come up in this year also. Also looking at few other projects, but they might come up in the subsequent year considering that there has been a delay of three to four months like MRPL expansion, Paradip expansion, so we will have more clarity probably after the end of this quarter on the timelines of these projects.

**Bhavin Vithlani:** How large could be the CPCL order for you in case whenever it materializes in 2020?

**Management:** It depends upon the type of tendering methodology they will adopt, it could be in the range of 300 to 400 crores and multiple contracts for different packages. I think they are planning for breaking the project into multiple contracts and phasing out their expenditure accordingly.



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**Bhavin Vithlani:**

You highlighted about MRPL expansion, Paradip expansion, if you were to take a three-year view, if you can highlight what could be the opportunity canvas for the fresh orders, the bigger ticket orders, what could be the opportunity size for MRPL, Paradip that would be useful?

**Management:**

We will go project by project, we committed order of Petro RFCC is about 200 crores for BPCL Mumbai, Indian Oil Panipat Refinery is about 600 crores, both of these are expected this year. GAIL project is about 400 crores that is also expected this year. We are going for completion of the cracker project of HMEL at Bathinda. This project is on track; fortunately even during the COVID period, the performance at the site was at almost 90% productivity level, so there was no major impact of the COVID at this site, so this project is on schedule. They are planning for further expansion of cracker, so this as per current timeline it is around Q4, but if it gets selected it would probably come in Q1 or Q2 of next year. This project is of about 600 to 700 crores price for us. Then Cauvery Basin Refinery is a 9 MMTPA refinery with a CAPEX of about 26,000 crores. As I have already shared with you probably they will go for multiple tenders in this contract of 300 to 400 crores as it will help them phase out their capital expenditures and also have multiple agencies onboard for execution of the project so that is the methodology they have adopted this time, so this contract might get delayed to subsequent year although they have started tendering in this year. Then we have another Ethylene derivative project at Gujarat from Indian Oil, this is also being targeted for the next year.

Then Paradip Refinery expansion is again a big project for us, it could be in the range of 1000 crores plus. This is also planned for the subsequent next year, which is under planning stage as of now, studies are being conducted. MRPL is looking for an expansion similar to Panipat from 15 to 25. The opportunity in this is about 600 to 700 crores for us. Bina Refinery was put on hold earlier by client for two years, so this project is planned for execution in '21-22, but probably by the end of '21-22. These are some upcoming projects for next two to two-and-a-half years, we also had a DFR study for GAIL and HPCL at Kakinada for the petchem complex. DFR and financial approvals were in place, land acquisition process was also being initiated, but somehow the project was on hold for last one-and-a-half to two years, this project could also be revived because as you know HPCL is now very keen to enter into the petrochemical space so with GAIL Kakinada complex and with Barmer Refinery which is an integrated refinery in petchem, they will get an entry into petchem space, so these are some upcoming projects, so seeing by the visibility of these projects, we feel that we have sufficient opportunity for next two years to meet the order inline targets and the turnover targets that we commit.

**Moderator:**

Thank you. We take the next question from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.



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- Dhananjay Mishra:** Sir, congrats on decent performance. Sir, in turnkey business we used to guide about 5% to 6% debit margins and this time we are saying 3% is a normal margin, so is it something one off happened in this quarter or maybe we will again go up to 4% to 5% kind of margin because even if we are doing very good execution, it is not coming in possible day?
- Management:** Yeah, over a longer period of time, we expect only between 3% to 4%. There is no extraordinary item during the current quarter as far as the turnkey project is concerned.
- Dhananjay Mishra:** Okay, but remaining order book of 4500 or 5000 crores we have, there we will do about 4%-5% kind of margins?
- Management:** Between 3% to 4% basically, taking into consideration the composition of order book, we expect the margin in the range of 3% to 4%.
- Dhananjay Mishra:** Also Sir, in other allocated item, we have mentioned about this oil block expenses and write-off of 29 crores this quarter vis-a-vis 17 crores of last quarter what is?
- Management:** That is for the total financial year, that is not for the current quarter.
- Dhananjay Mishra:** That is for entire year because the other allocated expenditure is 46 crores this time, this is slightly higher?
- Management:** You are talking about the current quarter or the full?
- Dhananjay Mishra:** I thought it was for Q4 only because in note...
- Management:** In Q4 the other unallocable expenditure is 46 crores that includes one provision, basically we are having a PF trust, they have made certain investments, so there is default in the interest to the extent of 16 crores during the current fiscal that we have provided as a other unallocable expenditure during the current quarter.
- Dhananjay Mishra:** Provident fund item is included in the 17 crore for this fiscal, right?
- Management:** Yes, in the 46 crores that 16 crores is included.
- Dhananjay Mishra:** Impairment write-off is how much included in this quarter?
- Management:** That is not in this quarter, that is for the total financial year that is accounted for in the first quarter basically.



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**Dhananjay Mishra:** Sir, what is the execution level as of now and based on whatever order book we have, do we have any numbers in mind and what kind of revenue we will do in consultancy for this year or maybe because till Q4 we have done very well?

**Management:** It depends on the availability of resources at respective site as was explained by Vinay that at the site of HMEL even during the lockdown period, the progress was around 90% of pre-lockdown period so not much impact was there, but at other sites post lockdown the availability of workers, availability of timely receipt of balance material as well as availability of various representative of vendors or licenses at site, so what we foresee that during Quarter-1 and Quarter-2, Quarter-1 as we all know the site activities could not go beyond a certain level barring the few sites. When we say that the situation will improve in Quarter-2 and substantially it should get improved in Quarter-3 and in Quarter-4. In first quarter, the situations will get more clarified; on completion of quarter, we will get the data from all the sites and with respect to other activities like engineering, documentation, and meetings, let me also inform you that we could adopt the new norm of working from home at early days immediately after implementation of lockdown and all those activity, we could complete as per the timelines with very minor slippages and all the engineering activities for all the projects, documentation part as well as the meetings with clients, with vendors, and other stakeholders, those could be executed during the lockdown period as well as continuing as on date also, but major impact will be ascertained only when the complete data from site is available.

**Dhananjay Mishra:** Sir, we have given our domestic opportunity, could you also talk about export opportunity in near term?

**Management:** In near term, we are still having an impact of COVID because of complete lockdown and especially because international travel was completely stopped by almost all the countries, so virtually all the clients had postponed it entering processes by a few months knowing very well that you will not be able to come for meeting, you will not be able to come to site because while we are going for tendering, we have to visit site to assess the requirements of work at site before we bid, so knowing all that clients have postponed it processes by few months. As of now, we do not have any major tenders in place overseas, I mean we are in dialogue with clients, some major tenders are expected in near future, but we do not expect anything in the next quarter.

**Dhananjay Mishra:** What is our capital expenditure plan Sir for this year?

**Management:** Capital expenditure which we have envisaged is around 60 crores.

**Dhananjay Mishra:** Order inflow is 2000 crores target?



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- Management:** Order inflow we are maintaining a target in this range of 1600 crores considering that there is a COVID impact in some of the projects like Cauvery Basin although it is under tendering, it may get also postponed.
- Dhananjay Mishra:** Largely consultation?
- Management:** Yeah, so we are maintaining around 1600 crores.
- Moderator:** Thank you. We take the next question from the line of Jonas Bhutta from PhillipCapital. Please go ahead.
- Jonas Bhutta:** Sir, congratulations on a big set of numbers and I hope everybody at EIL is safe and healthy. Sir, I had two questions, one was more clarification because in one of the previous questions when Mr. Kalia gave out the list of the potential projects over the next two to two-and-a-half years, I do not know you mentioned NRL whether that still remains a part of the prospects, the Numaligarh Refinery?
- Management:** Numaligarh Refinery is also under tendering cycle. They have come out with two tenders where we are not in the race, they are coming out with a third tender. They are also phasing out their tenders into multiple parts, so they are bringing in multiple consultants, considering the challenges of Northeast, considering the impact of COVID and especially in Northeast when contractors are far and few, we are not bidding aggressively for the NRL project, so if the prices are reasonable and competitive, we will be working for NRL project.
- Jonas Bhutta:** Is it safe to assume at least the main packages that you typically look out for the NRL package has already been awarded to another consultant?
- Management:** They are in the process of finalizing it, they have again broken up the contracting two-three packages, so out of this two packages, they are finalizing. Third one they are yet to come out in the market.
- Jonas Bhutta:** Okay, is that a domestic vendor or that is a foreign vendor, the two packages that are there?
- Management:** International with domestic branch offices.
- Jonas Bhutta:** The second was Sir, HMEL Bathinda was looking for an expansion, so did you again I missed that name?
- Management:** I did mention expansion of HMEL cracker from 1.2 to 1.5.
- Jonas Bhutta:** That is the 600 crores project?





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**Management:** 600 to 700.

**Jonas Bhutta:** Sir, my second question was now this incremental method of allocating projects in a staggered way and as a member that you would always mention that typically when you get a Greenfield Refinery, the margins on those projects are significantly higher than a Brownfield Refinery. The Cauvery Basin gets broken into three phases, does that in anyway Sir takeaway from the scale benefit that you would have earlier got had this project been awarded in one go versus the three or four packages that they are now planning to do, ditto for NRL I think is a Brownfield capacity so the question more is for Cauvery Basin?

**Management:** I do not think so because when it is a very large Greenfield, the pre-qualification requirements are also stringent. Even if they break it up into three contracts because considering the complexity and the size of the project, the qualification requirements are tough, so it is not that anybody can bid, so there will be fewer players in bidding even if they break the packages in such a case, but this is a new mode of execution being tried by Indian Oil and BPCL. We do not know how successful it is because we have never encouraged this practice considering the past experience of Paradip Refinery where multiple consultants were appointed and project got delayed by three to four years. Interface management becomes quite tough and nobody is a single point responsible to, so it is an issue, so we have been contacting with NRL for that, that it is not a good practice to not having a single consultant to manage the entire complex and with a single point of responsibility. Anyway, it is an experimentation being taken up by two clients, only time will tell. We have a Paradip experience where it was done for the first time by Indian Oil. Internationally, it is not a practice and for a complete refinery, there is a single consultant.

**Jonas Bhutta:** Is it a possibility that out of the three packages in CPCL, you could win two and one could go to anybody else, if you win one package mean de facto the other two packages also to you?

**Management:** We will qualify for all, there is no issue on that.

**Jonas Bhutta:** But there will be a final bid for all three different packages?

**Management:** In NRL also it is finally a matter of price, so we are not going for very aggressive pricing bidding considering the present scenario of COVID and that it was Northeast although because of the NRL contracts are also materialized during the COVID period, so people have done aggressive pricing knowing that their business order books would get impacted during this period, but we are more cautious knowing very well we will be able to meet the targets and not overcome it in projects where we will be liable to.

**Jonas Bhutta:** My last question Sir is you also mentioned Bina expansion as part of the prospect, from what we understand Sir since BPCL is likely to get divested, would not that have a bearing and plus



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Bina also has Oman Refinery as a co-owner, will not that bring in complexity and delay the project beyond the one or two year horizon that you have?

**Management:**

Already, it is planned for Q4 of '21-22 as you are seeing the details I had shared, they had already delayed the project by two to two-and-a-half years. It was planned last year so it is in Q4 '21-22, I mean there is sufficient time, things will evolve, new clients will come in, but these are all feasible projects where DFRs have been done and they are viable projects, so even if a new consultant is in place, a new owner is in place, he will also look at the viability of the project and if it is viable, he will go ahead with it.

**Jonas Bhutta:**

Lastly, this was more on the finances, this year you have made a provision for contractual obligations of almost 90 crores, which is in the normal course of the business, when do we see that trend reversing where, there is less of creation and more of write back, effectively when most of your projects likely to get commissioned and when could that reversal cycle sort of start for us in which year?

**Management:**

Basically, the increase in provision has two components, one is that as a normal practice we received good amount of receivable from our clients during the month of March which got deferred during this year due to coronavirus and due to increase in trade receivables as per accounting standards, the provision for doubtful debts increased, so it is as per accounting standard, once the receivables increase the doubtful debts also increases. In April and May, a good amount of receivables which were pending as on March got realized. With respect to provisions for contracts, due to increase in revenue the contractual provisions also increases and as you are aware that our various contracts would get completed during the current financial year as well as during the next financial year, so all this final decision on the reversals based on settlement where the client will take place either in the current financial year or in the next financial year on completion of those contracts.

**Moderator:**

Thank you. We take the next question from the line of Sonal Minhas from Prescient Capital. Please go ahead.

**Sonal Minhas:**

Sir, I have this one question I was going through your media briefing which says that the Government actually plans to merge the consulting PSUs, this came on June 5<sup>th</sup>, just wanted to know any light you would want to through on that and is there any real plans around that or some timelines?

**Management:**

The situation which you are referring is also same for us. We have not heard anything extra apart from that media report, so no clarity is there as on date on those initiatives by the Government.



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- Sonal Minhas:** Sir, if I could squeeze in one more question, just wanted to understand in numerical ones that the order inflow that you talked about this is largely going to be the consulting projects which you basically lined up in the list?
- Management:** We are seeing the revenue of around 1600 crores only from consultancy.
- Moderator:** Thank you. We take the next question from the line of Jyoti Patankar from Quest Investment. Please go ahead.
- Jyoti Patankar:** Sir, are we pursuing any refinery project in the international market?
- Management:** We are working for UAE, we are also working for Oman, Qatar, and Bahrain. They have both offshore and refinery projects in these regions. We are also doing Dangote Refinery, which is the largest refinery in Africa. We are doing the Mongolia refinery in Mongolia.
- Jyoti Patankar:** What will be the size of Mongolia Refinery project?
- Management:** It is 1.5 MMTPA capacity and order is 515 crores.
- Jyoti Patankar:** How the project is going on?
- Management:** It is on track, it is on schedule, early project activity contract has been finalized and it is under negotiation and award stage pipeline. Main EPC contract packages are expected in the market by August and awarded by November or December.
- Jyoti Patankar:** There is no delay on that side?
- Management:** Fortunately, there was hardly any COVID impact in Mongolian region. They did not get impacted and anyway most of the activities till date are being done from the Home Office. Site activities have not yet started, so we could do all the activities on time.
- Moderator:** Thank you. We take the next question from the line of Ranjit Sivaram from ICICI Securities. Please go ahead.
- Ranjit Sivaram:** Sir, Good Morning and congrats on good set of numbers and given the overall environment. Sir, if you can share with us how much was the provision for doubtful debts and contractual obligations we have taken for this quarter Q4?
- Management:** For the total financial year, we have created a provision of doubtful around 40 crores for the total financial year, the contractual obligation around 80 crores.
- Ranjit Sivaram:** Okay, for this quarter?



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- Management:** For this quarter, right now I do not have the figures.
- Ranjit Sivaram:** I am asking this, because our LSTK margins have been lower than the normal, so is there any contractual provisions?
- Management:** For the current quarter, the doubtful debts are around 10 crores and the contractual obligation is around 15 crores.
- Ranjit Sivaram:** Sir, this Numaligarh you had told it has been split into three, so what is the size of the third portion which is yet to be tendered out?
- Management:** About 400 crores of contract is left to be tendered out.
- Ranjit Sivaram:** Of the total size of 600 crores which we had previously projected?
- Management:** Yeah, 600 is what we were targeting as consultancy order because we were not sure whether they will have OBE or they are only consultancy or a mix of both, so in consultancy, we are looking at 600 probably something from OBE also, as of now they are going entirely on consultancy mode of execution, they are coming out with three contracts. Two contracts are under negotiation and finalization, third contract would be in the range of 300 to 400 crores.
- Ranjit Sivaram:** Who is the MNC competitor which has got the order?
- Management:** Jacobs is bidding, thyssenkrupp is bidding, Technip is bidding.
- Ranjit Sivaram:** Sir, when is third package likely to be tendered?
- Management:** They are planning it out, I mean now we are not sure when due to COVID scenario and with disinvestment of BPCL what is their financial plan for execution of this project, but yes they have planned to come out with this tender also in the market, so we expect it in this quarter, the tendering will start in this quarter.
- Ranjit Sivaram:** What about the pipeline and other opportunities, is there anything?
- Management:** It is ordered to us, it is in our order book and the order value is about 185 crores for NRL Pipeline.
- Ranjit Sivaram:** Is there any more pipeline related opportunity available this financial year or next?
- Management:** There are few pipeline projects being planned, one we have already got in the first quarter, which is a Dhamra-Haldia pipeline from GAIL, this has already been secured in this first quarter. Then BPCL is planning multiproduct pipeline. There is another Northeeast upgrade



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being planned, we are not sure of that. Then Paradip, because Paradip is going to go for an expansion, they are coming out with the Paradip-Ranchi product pipeline. BPCL is looking for a connectivity pipeline from Mumbai to refining where we are putting a Petro RFCC and a PP unit, this is a small pipeline. The others are slightly bigger pipeline, so pipeline is a continuous business. On an average every year you get about 50 to 100 crores of orders through pipeline business only, so these are all interconnectivity pipelines for either crude supply to the refinery or product distribution to their marketing terminals.

**Ranjit Sivaram:** There is no major change, it will be in that 50 to 100 range only, you are not expecting any major big order in that?

**Management:** No, unless it is a very big pipeline like NRL was there for the entire Northeast, that we will let you know as and when it comes.

**Ranjit Sivaram:** Any fertilizer or anything else which you can be?

**Management:** We are to discussion stage, but nothing has yet materialized for us to disclose at this time.

**Ranjit Sivaram:** Any more CAPEX apart from our core or some more core?

**Management:** We are very fortunate even during this time we are having a huge CAPEX being planned in the oil and gas sector, considering the situation the continuity of COVID impact, oil and gas is one sector which is doing quite well, so we are fortunate that we are present there.

**Ranjit Sivaram:** I am talking about our capital expenditure, we had put up some amount for fertilizer plant, some for this storage thing?

**Management:** It is not yet there, for example, infrastructure is our other area, it is a labor intensive industry, the recoveries in infrastructure is happening very slowly. Fortunately, we are capital intensive industries and supplies of goods are coming at reasonable time, labor availability at remote site is okay, yes, in some cities labor availability has got affected like in Mumbai, so we are able to manage, but infrastructure takes more time to pick up especially because it is more labor driven and it is more driven by the Government initiatives.

**Ranjit Sivaram:** Sir, what I was coming at is like we had initially put some money for Ramagundam fertilizer, we had also put some capital towards this storage facility, so like that because we have good amount of cash in our balance sheet, so is there any pressure from the Government to allocate CAPEX towards some of these kind of initiatives, is there anything in the pipeline?

**Management:** No, as on date, we are going with our budgeted CAPEX of 60 crores only, so nothing of that sort is there.



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**Moderator:** Thank you. We take the next question from the line of Deepak Narnolia from Birla Sun Life Insurance. Please go ahead.

**Deepak Narnolia:** Sir, I have one question regarding your margin actually, this quarter your margins in this consultancy business looks quite high at 34% and you have exit FY '20 with 28% margin if you adjust for this variation contracts for prior period which you got somewhere around 100 crores in the cost, if you adjust that, the year you have ended with a 28% margin in consultancy business, so I just wanted to have an idea that is it like, this is two successive years you have delivered 28%-29% margin, so what could be the future expectations in that?

**Management:** Your margin shall be in the range of whatever we had been saying for since last year or between 25% to 28%. During the current quarter, basically we have recognized the export incentive to the tune of 15 crores as per the export-import policy of the Government of India, so due to that reason basically there is a jump in the margin of around 4%.

**Deepak Narnolia:** But then your charge extra doubtful debt have risen and contractual obligation also in this quarter?

**Management:** No, that is normal basically, every quarter we are charging around 10 crores as a provision for doubtful debts, during the current quarter also 10 crores is the provision for doubtful debts and contractual obligation is related to the revenue recognized, depending on the revenue we recognized the contractual obligation that in proportion to the revenue recognized, so in every quarter we are recognizing the contractual obligation and provision for doubtful debts.

**Deepak Narnolia:** If you adjust that export incentive, you have done 30% in the quarter?

**Management:** Yeah, you can say that, 30%.

**Deepak Narnolia:** Sir, I missed the initial part actually, if you have given guidance on the revenue also for FY '21?

**Management:** We have to still workout basically due to COVID, as our Director Finance already told you after end of the quarter review will be taken and accordingly the revenue target will be basically fixed.

**Deepak Narnolia:** I remember in the last meeting you had mentioned that your expectations are that there would not be much impact of COVID on the revenue, that is what just you had given the expectation in our last meeting I think?

**Management:** In the last meeting, the situation was envisaged as prevalent as on that date, but now you also know that the disruption due to COVID is varied at different locations, so we need to take the actual status at each site. Based on that only, the projections can be worked out.



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- Deepak Narnolia:** Your expectations have downgraded from what you are expecting two months or three months back?
- Management:** That is only your assumption, but the fair idea can be worked out, it may still work out to be at the same level, but without having the proper assessment, we cannot comment on that.
- Moderator:** Thank you. We take the next question from the line of Sagar Gandhi from Future Generali Life Insurance. Please go ahead.
- Sagar Gandhi:** Sir, you have included a slide on Indian chemical industry in this investor presentation, do you foresee any opportunities in this segment in FY '21 or FY '22?
- Management:** We are not going to invest, but yes our projects are all capital-intensive projects, so the capital industry is driven by these capital-intensive projects, the growth of this industry is also contingent upon this capital-intensive projects. From that perspective, we would have included the slide.
- Sagar Gandhi:** Yeah, because the slide mentions that oil and gas majors may look at investing into downstream chemical opportunities, so this will translate into an opportunity for Engineers India as well?
- Management:** Yes, downstream chemical actually all the oil and gas companies have gradually you would have seen they have started going into petrochemicals and now from petrochemicals they are going into specialty chemicals also, so they are going in second and third and fourth derivative chemical in projects, so more and more we enter into the second and third derivative chemical plants, so there is more opportunity for us, there are new projects within a refinery by integration of refineries to petchem, then to specialty chemicals, BPCL is doing it actually.
- Sagar Gandhi:** Sir, we are fully capable in that regard to give consultancy into those high-end specialty chemicals?
- Management:** We have presence in petrochemicals, fertilizer, and refineries.
- Sagar Gandhi:** My next question is, Sir, you highlighted about FY '21 that roughly 1600 crores of consultancy order is expected, on an aggregate level for FY '21 and '22 and say some part of FY '23 also, any thoughts you can share on aggregate opportunity in consultancy and turnkey side putting all the projects that you mentioned today?
- Management:** Difficult for me to pinpoint at this stage. We have given you the list of tentative projects, you can consider consultancy opportunity of 3% to 4% in those projects, but then it is all contingent to the timelines of those projects since we have mega investments like Paradip is a 46,000 crores investment, CPCL is 31,000 crores investment, although I have shown CPCL



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but we have also given a caution that these investments in the present economic situation has to be re-looked at, where will the money come from, so I have given the list of projects, you assume 3% to 4% as the opportunity size.

**Moderator:** Thank you. The next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

**Saket Kapoor:** Sir, taking into consideration the COVID factor for first half at least, what should be the likely mix for the revenue for this year between consultancy and turnkey projects, what is our target we are projecting for FY '21?

**Management:** I think we explained that considering the status as on date for Q1 and then anticipating some normalcy may return in Q2, much improved in Q3 and in Q4. It is possible to work out the projections only when we get the data from all sites indicating the extent of disruption at their end plus the action taken with respect to augmentation of the worker, because you also know that the Government has said that the normalcy of train will return only sometime in August, so those things will impact the availability of workers at site because the local workers may not be having the required skill set, but at the same time the assessment will be made by the company, once we get the data from all the sites after the close of the quarter. I think during that time we should be in a position to give you some projection for the current financial year.

**Saket Kapoor:** But Sir as of now, as on closing March 31, 2020, what have been the quantum of work that was in progress, you know what kind of thing could have materialized going forward, the work in hand on ground, what is the value of the same?

**Management:** The order in hand as on March 31<sup>st</sup> is 9555 crores and the various projects are at various stages of progress, so all projects are to be seen independently depending upon the status at their respective sites, so it is not possible to project the envisaged physical progress in the current financial year without assessing the impact of COVID at each location.

**Saket Kapoor:** Sir, migrant labors will also play a part in the story?

**Management:** It plays a very substantial part at sites for construction activities.

**Saket Kapoor:** Sir, we talked about this pipeline project that is the crude part or the petrochemical moment, so what is our scope of work in this, they are covered under the turnkey projects only?

**Management:** Now, we mostly do consultancy contracts in pipeline.

**Saket Kapoor:** In the pipeline part Sir, what is the portion of the consultancy or part in the total cost of the project?





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**Management:** Around 2%.

**Moderator:** Thank you. The next question is from the line of Paresh Shah, an Individual Investor. Please go ahead.

**Paresh Shah:** Sir, one of the institutional investor mentioned that from the presentation he spoke about some chemical related question, now as an individual investor, why such kind of presentation was not shared with us, maybe you could have put it on BSE site from where we could have accessed it, so next time onwards please ensure that any presentation which is shared with institutional investor should be shared with an individual investor also.

**Management:** Presentation was issued late last evening and it is even on our website also. All the presentations of previous earning call and results are available on our website, you can have...

**Paresh Shah:** I missed it, next time onwards I will see there. Now, the actual question what I had Sir, bank balance shows around 2751 crores, I just have one question on that, that in that how much is towards obligations which is like you have given a bank guarantee or received in advance from a customer against a project, so can you give us the bifurcation of that please?

**Management:** Regarding the cash advance, we have received around 100 crores of cash advance, balance is the money available with the company.

**Paresh Shah:** Okay, so out of 2700 crores, only 100 crores is advance, so we can assume that 2600 is balance where there is no obligation to anyone?

**Management:** Obligation is there, we have to complete the project with that money available with us. We do not have any working capital loans etc., we have to complete the project with the money available with us.

**Paresh Shah:** Okay, so there is nothing like advance received from a customer in that balance, that is what I am asking?

**Management:** As I told you around 100 crores is the cash advance received from the customer.

**Paresh Shah:** So rest is free cash?

**Management:** Yeah.

**Moderator:** Thank you. The next question is from the line of Anubhav Mukherjee from Prescient Capital. Please go ahead.



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**Anubhav Mukherjee:** Sir, is there any like progress on the Ratnagiri mega-refinery project or has that project been like completely shelved or on the backburner?

**Management:** No, we are doing some early project activities for Maharashtra refinery like environment clearances and all that activity, so one small contract in that regard has been given to us.

**Anubhav Mukherjee:** Sir, is there any visibility of wherein can that translate into any sort of order inflow or like tendering?

**Management:** Not in the immediate vicinity, as you would have seen that I have not mentioned it in my upcoming projects because it is still in a very early phase and especially with the kind of investments that you require for this refinery, it is too early to say when the actual main project execution will happen.

**Moderator:** Thank you very much. Ladies and Gentlemen, that was our last question for today. I now hand the conference over to Mr. Dhirendra Tiwari for closing remarks, over to you Sir.

**Dhirendra Tiwari:** Thank you. We thank the Management team of EIL for giving us the opportunity to host the call. Thank you all the participants for attending the call. Thank you very much and have a very good day.

**Moderator:** Thank you very much, members of Management. Ladies and Gentlemen, on behalf of Antique Stock Broking, that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.