

Engineers India Limited

April 06, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹
Bank facilities – Non fund based – LT/ST – BG/LC	1,574	CARE AAA; Stable/ CARE A1+ (Triple A; Outlook: Stable/A One Plus)

Update on acquisition of minority stake in Numaligarh Refinery Limited (NRL)

On February 18, 2021, EIL announced that EIL in consortium with Oil India Limited (OIL, the consortium leader) has decided to bid for acquiring 61.65% stake of Bharat Petroleum Corporation Limited (BPCL) in NRL. As per the management, EIL has submitted its bid for acquiring a minority shareholding in NRL. The consideration is to be paid in cash and hence it is expected to reduce the liquidity buffer of EIL. The liquidity buffer of EIL has already witnessed moderation due to the recent share-buyback and declaration of interim dividend. However, given the short net operating cycle and nil fund-based debt, liquidity profile of EIL continues to be strong. CARE would continue to monitor the network and liquidity position of EIL, going forward.

Rating Sensitivities

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Material reduction in sovereign ownership and/or control
- Significant decline in order book thus adversely impacting the revenue visibility
- Significant depletion of cash reserve of the company

The previous press release of EIL is available on the following link: [Click here](#)

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of EIL continues to derive strength from the majority ownership of the Government of India (GOI), its long track record of operations reflected by more than five decades of experience in consultancy and engineering (C&E) across various sectors, its experienced and professionally qualified management along with the dominant position of the company in the field of C&E services with proven designing and engineering expertise. The rating continues to favourably factor in EIL's strong financial flexibility and comfortable liquidity position. The rating takes into cognizance the order book position (which despite moderation still provides healthy revenue visibility), its low counterparty risk due to its reputed clientele – domestic and overseas with the persistence of sector and client concentration risk. The rating also takes into account the softening of demand in the hydrocarbon sector and the hindrances in construction sector, which further deteriorated amidst Covid-19 lockdown, impacting the financials of EIL.

Analytical approach: Standalone; however rating also factors in the strong parentage of the company (GoI ownership)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

About CARE Ratings:

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