



## Management Discussion & Analysis

We are pleased to present our performance highlights for FY 2017-18 and the business outlook for this year:

### 1. Business Overview

For the year 2017-18, the Company secured business worth ₹2140.57 Crores with segment-wise breakup as follows:-

- Domestic Consultancy : ₹ 1357.24 crores
- Domestic Turnkey : ₹ 479.71 crores
- Overseas Consultancy : ₹ 303.62 crores

Major contribution in order inflows for Consultancy segment was from Guru Gobind Singh Polymer Addition project of HMEL and in Turnkey segment from brown-field expansion projects of ONGC.

#### Domestic

In the downstream hydrocarbon sector, the major consulting orders secured in the Refining sector include Consultancy services for Guru Gobind Singh Polymer Addition project of HMEL, DFR & Licensor Selection assignment for 2G Ethanol projects of BPCL, IOCL and MRPL, Pre-Project Activities for Rajasthan Refinery Project of HPCL, PMC Services for Kero Hydro Desulphurization Project at BORL Bina Refinery, PMC Services for BBU and PPU 3rd Reactor Project of HMEL, Preparation of DFR for 9 MMTPA Refinery of CPCL at CBR, Tamil Nadu, Pre-Project activities for setting up Petrochemical Complex at Kakinada, Andhra Pradesh and Detail Design Consultancy (DDC) Services for MS Block Revamp at NRL, Assam.

In the midstream segment of hydrocarbon value chain, EIL secured PMC Services for new selected C<sub>2</sub> - C<sub>3</sub> product Injection scheme in HVJ pipeline at GAIL Vijapur, Technical Study & suitable Mitigation Method of Pipeline Exposure in Banas River and its Catchment Area in Banaskantha Distt., Gujarat and Laying of Pipeline from H<sub>2</sub>SO<sub>4</sub> Tank in Haldia Refinery to (Hazira Oil Jetty) HOJ-3 under BS-VI project of IOCL Haldia Refinery.

In the upstream segment, EIL was successful in securing turnkey projects for the Augmentation of Slug Catcher Project at ONGC, Uran and SRU revamp Project at ONGC, Hazira. The projects are on OBE mode of execution.

In the Infrastructure sector, major assignments secured by EIL include Detailed Topography Survey, Drainage Plan and Level Finalization including Earth Work Quantity Estimation for Development of Greenfield Airport at Hirasar, Rajkot; Independent Engineer Services for Development and Construction of Greenfield International Airport at Mopa, Goa; Engineering Project Management Consultancy Services for Development of Tourist Infrastructure Facilities at Khajuraho Group of Temples, Madhya Pradesh; Consultancy for Third Party Assessment for establishment of Bhamashah State Data Centre (BSDC) at Jaipur, Rajasthan; Project Management Consultancy (PMC) Services for establishment of Export Certified Cold Storage

Infrastructure for Chillli and Turmeric in Guntur District, Andhra Pradesh.

In the metallurgy sector, EIL was successful in securing the assignment for Consultancy Services for Retrofitting of HRD-DCW Package of NALCO Alumina Refinery at Damanjodi, Odisha.

#### Overseas

EIL was able to secure various engineering and consultancy assignments in Middle East, Africa, Central Asia, Mauritius and other overseas geographies against stiff international competition.

Major jobs were secured through repeat orders from existing clients based on our excellent past performance. This includes award of consultancy orders from Dangote Group in Nigeria for revamp of existing units as well as addition of new units in the project. EIL also received engineering assignments in Bahrain under General Engineering Services Agreement.

This year, EIL was also able to secure a feasibility assignment in Central Asia, which is a new territory, for a new upcoming refinery project. EIL expects to leverage this study, in getting further assignments during its execution phase.

EIL was also able to empanel itself with EXIM Bank for Project Management Services as well as DPR preparation for projects in various countries funded by Government of India under Line of Credit.

Additionally, EIL also focused on providing Training Services in the hydrocarbon sector which will help in developing relationship with various clients. EIL was able to empanel itself with KPC of Kuwait and its subsidiaries for Training Services in Hydrocarbon Sector.

EIL is pursuing opportunities in other overseas territories as well to augment its international footprints.

### 2. Business Environment & Future Outlook

#### India

The Indian Economy has once again regained the tag of "Fastest Growing Economy in the World" in 2018, resurging from the weak growth seen at the beginning of 2017. With the plethora of initiatives undertaken by the GoI such as Make In India, Digital India, SMART City, AMRUT, Sagarmala etc. coupled with FDI influx into Defence sector, the nation is definitely poised to lead the developing economies. The energy demand is set to grow at an all time high owing to rapid urbanisation and industrialisation.

The hydrocarbon sector of the country has been energized with announcements of new Mega Projects. The refining capacity of the nation is envisaged to surge from the present 247.6 MMT to 533 MMT by 2040, to cater to its robust demand and also promote itself as an Export Hub. Integration of Petrochemicals to



Refineries has now been taken up by major OMCs. Projects pertaining to Energy Efficiency, Value addition with Integration of Natural Gas, displacement of Liquid fuels and Clean Fuels (BS-VI) projects have been undertaken in the country. Various initiatives in Pipelines sector have been announced in the country as well as friendship pipelines are also being planned with Bangladesh. The vision of Gas Grid is steadily turning into reality.

Natural Gas is seen to increase its share to 20% by 2030 which could mean creation of more energy consumers driving the regional growth. The PCPIRs and Plastic parks would revive the growth potential of per capita consumption of petrochemical products from the present less than 8 kg to about 15 Kg by 2030. Number of LNG Regasification projects are being planned on the East Coast of the country.

The Company is optimistic that with planned capex expenditure of all the oil & gas majors in the hydrocarbon sector, the coming years would offer a number of opportunities across the value chain especially in the midstream and downstream segment with integrated refinery and petrochemical complexes as well as standalone petrochemical plants.

#### Overseas

The World Economy has strengthened as the lingering fragilities related to the global financial crises have subsided. The Global Economy is back on track registering more than 3 percent growth in 2017 and envisaged to grow at 3.7 percent in 2018 against 2.4 percent growth in 2016. The improved global economic situation provides an opportunity for countries to focus on creating policies for long term issues and implement measures for Low carbon Economic Growth, Reducing Inequalities and Economic Diversification.

The developing countries are bound to clock a growth rate of 4.9 percent. The Energy demand is set to be governed primarily by India & China in the APAC Region. Hydrocarbons are envisaged to have a significant demand with rapid urbanisation and increased energy consumption. Clean Fuels are projected to increase their share in the Energy Mix along with Renewable and Bio fuels. With focus on environment, these energy constituents are going to witness tremendous growth in coming years.

The stability in the oil prices at the higher end has resulted in MENA region pursuing its planned investments in the upstream and downstream segment of hydrocarbon value chain.

Despite some downside risks, general expectations for demand growth for oil products in the near future remain bullish. Higher demand for oil products envisaged will therefore encourage refiners to maximise throughputs, amid new capacity coming on line in Asia, Middle East and Africa.

EIL is currently executing grassroot refinery & petrochemical complex for Dangote Oil Refining Company (DORC). With current growth trends of fuel consumption and improved GDP numbers for some of the major nations in African continent, EIL expects future business opportunities in oil & gas sector in this region as well. With its engineering set-up in Abu Dhabi, EIL is well positioned to actively participate in these upcoming opportunities in Middle East and African region.

### 3. Financial Performance

The key highlights of the financial performance of the Company

for the year, as stated in the audited financial statement, along with the corresponding performance for immediate previous year are as under:

(Figures in ₹ Lakhs)

Sl. No.	Description	Actual 2017-18	Actual 2016-17
<b>A.</b>	<b>INCOME</b>		
i)	Consultancy & Engineering Contracts	137929	116507
ii)	Turnkey Contracts	40829	28357
iii)	Other Income	17947	22366
	<b>TOTAL INCOME</b>	<b>196705</b>	<b>167230</b>
<b>B.</b>	<b>EXPENDITURE</b>		
i)	Cost of rendering services	137512	114961
ii)	Depreciation & Amortization	2383	2251
	<b>Total</b>	<b>139895</b>	<b>117212</b>
<b>C.</b>	<b>PROFIT BEFORE TAX (A-B)</b>	<b>56810</b>	<b>50018</b>
<b>D.</b>	Provision for Current tax	21669	21480
<b>E.</b>	Provision for Deferred Tax	(3179)	(3958)
<b>F.</b>	Earlier Year Tax Adjustments, Short/(Excess)	533	(8)
<b>G.</b>	<b>PROFIT FOR THE YEAR (C-D-E-F)</b>	<b>37787</b>	<b>32504</b>
<b>H</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>460</b>	<b>(2323)</b>
<b>I.</b>	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>38247</b>	<b>30181</b>

#### 3.1 Segment wise Performance

In line with the Indian Accounting Standard (Ind AS-108) "Operating Segments", the Company has (segmented) strategized its business activity into two business segments i.e. Consultancy & Engineering Projects and Turnkey Projects, taking into account the organizational structure and internal reporting system as well as different risks and rewards of these segments. Segment results are given below:

(Figures in ₹ Lakhs)

Consultancy & Engineering Projects	Year ended 31.03.2018	Year ended 31.03.2017
<b>Segment Revenue</b>		
Consultancy & Engineering Projects	137929	116507
Turnkey Projects	40829	28357
<b>Total</b>	<b>178758</b>	<b>144864</b>
<b>Segment Profit From Operations</b>		
Consultancy & Engineering Projects	43027	35920
Turnkey Projects	7537	10355
<b>Total (A)</b>	<b>50564</b>	<b>46275</b>
Interest	57	317
Other un-allocable expenditure*	11644	18306
<b>Total (B)</b>	<b>11701</b>	<b>18623</b>
<b>Other Income (C)</b>	<b>17947</b>	<b>22366</b>
<b>Profit Before Tax (A-B+C)</b>	<b>56810</b>	<b>50018</b>
<b>Income Tax Expense</b>	<b>19023</b>	<b>17514</b>
<b>Profit for the year</b>	<b>37787</b>	<b>32504</b>
<b>Capital Employed **</b>	<b>226787</b>	<b>277596</b>



**NOTES:**

\* Financial year 2017-18 includes expenditure on oil and gas exploration blocks including dry well written off amounting to ₹ 2,643.14 Lakhs (previous year : ₹ 449.47 Lakhs)

Financial year 2016-17 included ₹ 9062.88 Lakhs on account of provisions for increase in gratuity ceiling from ₹ 10 Lakhs to ₹ 20 Lakhs with effect from January 1, 2017.

\*\* Property Plant and Equipment and other assets used in the Company's business or segment liabilities contracted have not been identified to any of the reportable segments, as these assets and support services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities has been made and capital employed has been presented

**3.2 Financial Performance in relation to Operational Performance**

The Company has registered turnover of ₹178758 Lakhs in FY2017-18, as stated in the audited financial statement. The revenue from consultancy business is ₹137929 Lakhs and from Turnkey Project was ₹40829 Lakhs.

The Company has recommended a final dividend of ₹ 1.50 per share (Face value ₹5/- per share) in addition to interim dividend of ₹2.50 per share paid during the year.

**4. Risk & Concerns**

The Company has a Risk Management policy with a robust risk management framework which facilitates assessment of new risks and review of presently identified risks. The process is based on identified risks and risk events or factors which require regular assessment and quick response. Based on the probability and impact of the risk, requisite controls and action plans have been designed and implemented.

The objective of risk management in the Company is to act as an enabler in maintaining its knowledge backed edge, sustaining and expanding the business, being competitive and ensuring execution of projects within budgeted cost and time, resulting in improved turnover and profitability.

In the field of risk management, Risk Audits assess the status of risks at a particular point (duration) of time and help in quick re-assessment of existing controls/action plans.

The elements of risk have been identified by the Company and disclosed for the benefit of all stakeholders. To cover all the elements of risks at enterprise level, all risks have been divided into categories.

Risks, their root causes, controls and action plans are prepared by process owners and updated regularly. These are approved by the Risk Management Committee (RMC). Risk compliance verifications are conducted regularly to test the compliance of controls and the same is reported to the RMC. The risk identification & assessment processes and risk audit process are being handled through Enterprise Risk Management System (ERMS) software which is subject to continuous refinement.

Based on periodic reviews and implementation of recommendations resulting from reviews, the ERM process is

continuously improved and strengthened. Project Risk Management has been implemented for high value, important projects in line with the criteria approved by the RMC. A Risk register is prepared by listing all possible risk events of every discipline associated with the project. A Risk Management Team is constituted for the project, which approves the risk registers and meets every month to update them, while focusing on mitigation of the identified risks continuously. The risk severities are categorized as critical, major, cautionary and minor based on the probability and overall impact. Project Risk Management helps in facilitating the management in risk mitigation for effective project implementation. A risk report, issued monthly, along with mitigation action plans is circulated to all concerned regularly for necessary action.

Communication is maintained regularly across the organization to spread awareness on risks, root causes and action plans through in-house risk management awareness programs, external trainings & seminars and certification programs on Project Risk Management.

To create awareness and increase the involvement of employees, a bi-monthly, digital risk newsletter 'Risk Screen' is being published by your Company. It is being shared with all the employees to inform them about various risk management activities/achievements, new topics/practices/ updates on ERM or PRM and generate enthusiasm in them towards risk control in their work process and areas.

The Company is committed to strengthen its risk management capabilities further, in order to protect and enhance shareholder value. Continuous efforts in creating new opportunities, improving competencies in various areas leading to improved performance and leveraging existing knowledge resources, in line with the risk appetite of the company, helps to protect the shareholders' interests.

**5. Internal Control Systems**

The Company has adequate systems of internal controls and documented procedures covering all financial and operating functions, in place. These have been designed to provide reasonable assurance with regard to maintenance of proper accounting controls, monitoring economy and efficiency of operations, protecting assets from unauthorized use or losses and ensuring reliability of financial and operational information. The Company has continued its efforts to align all its processes and controls with global best practices.

**Some significant features of the internal control systems are:**

- Preparation and monitoring of annual budgets for all operating and service functions.
- Well established reviews by Internal Audit teams and reports to management / audit committee regularly on the adequacy and compliance of internal controls across the organization.
- Clear delegation of power with authority limits for incurring capital and revenue expenditure.
- Corporate policies on accounting and capital acquisition.



- Periodic meetings at management level to review operations and plans in key business areas.

## 6. Memorandum of Understanding (MoU) with the Govt. of India

EIL signed the Memorandum of Understanding (MoU) for 2018-19 with the Ministry of Petroleum & Natural Gas (MoP&NG) on April 26, 2018. The MOU targets to evaluate performance include parameters on turnover, operating profit, new business secured, research & development etc., thus focusing on profitability and sustainable growth.

## 7. Significant Initiatives

In the current refining scenario, the Gross Refining Margins (GRMs) of vintage refineries with small capacities and low complexity are under stress. In order to maintain leadership position and consolidate business in the core area, EIL has therefore, made significant suo-motu initiatives to offer prospective clients with opportunities for improving performance by means of energy optimization, yield improvement, refinery petrochemical integration, pet-coke gasification for refinery-fertilizer integration, bottoms upgradation etc.

Focus on internationalization has also been given significant thrust by company's presence in Middle East and securing prestigious assignments in Mongolia and Bangladesh. Company intends to leverage its current assignments and presence in Nigeria to expand its operations in African Continent.

Aligning with the Government of India's vision, Company has completed detailed project reports for the flagship BS-VI project of the OMCs, which has translated into execution of the projects with a stipulated timeline. Similarly, Company has also forayed into the SMART City Mission and successfully completed SMART City Proposals for three cities namely Moradabad, Rampur and Rae Bareilly of Uttar Pradesh. Further, EIL has also completed the DPR for capacity expansion of the CPCL Nagapattinam refinery so as to supplement the augmentation of refining capacity of the country. DFR for PDH complex of GAIL at Kakinada was also completed.

### 7.1 Human Resources

EIL provides best opportunities for its employees to enable them to reach their full potential. It has an enabling environment to ensure professional development and career growth of its people. As a nerve centre of the organization, the HR function aims at fuelling the growth ambitions of the organization by equipping the Human Assets for effective & efficient delivery as well as providing them a nurturing environment. Endeavours taken during the year have consolidated the initiatives taken in the past and built on them further for creating systems towards sustainable performance.

The year focused on strengthening HR's role by aligning HR with taskforces, to cater to the requirements of various taskforces/project teams for the time bound delivery, enhanced productivity and overall reduction of efforts on various projects thereby intrinsically enhancing the capacity of the Company.

#### Some of HR's key initiatives and best practices

- A robust and transparent Performance Management system

is in place which enables fostering a performance based culture and performance assessment in line with Industry best practices. The performance appraisal process and promotion policy for officers was further reviewed and implemented to drive higher employee engagement.

- EIL has been updating its systems based on employees feedback through various surveys and other prevalent feedback mechanism.
- Recognition of individual contribution as well as team efforts of Young Talent, Functional Experts, Innovators and Supporting Staff has also been done by way of Annual Awards which were presented to meritorious employees in recognition of exemplary contributions made in their area of work. Technical paper writing competitions were held to encourage the employees to share their knowledge & experience which helped in documenting the tacit knowledge of employees.
- Continuous Learning & Development (Training) is in place as the said function was engaged in the task of creating multifarious learning opportunities for employees.
- Training Division has organized various programmes for clients during the financial year.
- Career spanning from Learning to Leadership - Prime focus is given for Leadership Development within the organisation for sustainable growth as EIL places high value on nurturing & developing its people. Some of the ongoing initiatives are Leadership Development Program - Aarohan and Assessment & Development Centre for steered development of leadership competencies.
- Integration of HR software modules for effective flow of information and better performance is under process.
- Continuous Employee welfare related activities are in place and updations and modifications keep taking place from time to time for betterment of benefits provided to employees. Implementation of revised pay-scales, revision in Maternity Leave Provisions, Medical facilities and re-designation of officers have been done in order to meet the expectations and aspirations of employees.
- Supporting the well-being of the employees, thrust was laid on Sports and fitness activities, for example, encouraging employees to participate in PSPB tournaments. For creating awareness on health issues, talk-cum-interactive sessions were conducted under Health & Lifestyle Enrichment program.

### 7.2 Marketing

FY 2017-18 has been a good year for EIL in terms of robust order book and business secured. However, number of these projects are secured against stiff competition from both domestic and international companies. Some of such achievements have been in securing the major assignment of Polymer Addition project of HMEL and in diversified field of Infrastructure and Airports.

The Company has continued to build further on its strengths in the International Market. In addition to Middle East and Africa



several other regions have also been targeted for upcoming opportunities. EIL is undertaking various initiatives for offering its services in MENA and Central Asia. Potential business opportunities have also been identified in UAE, Algeria, Mongolia, Bangladesh, Oman, Bahrain, Kuwait, Nigeria and Mauritius wherein bids have been submitted.

EIL had undertaken Feasibility Studies for some of the overseas downstream projects and expect these projects to go in the execution phase, thereby providing us opportunities to offer our services for these projects in coming years.

Additionally, EIL is also focusing on providing Training Services in the hydrocarbon sector to its international clients which will help in developing future relationship with them.

### 7.3 Operational Improvements

Keeping in view the Company's emphasis on improving the operational efficiency, various initiatives have been undertaken to move towards creating a robust Knowledge Management (KM) System. Electronic Document Management System (eDMS) is being utilized for live projects effectively for this purpose.

### 7.4 Diversification

While persistent focus on core hydrocarbon sector is underway, pursuing growth opportunities in other segments has become a key imperative for EIL. Having mapped the sunrise sectors and potential business opportunities thereof, EIL has initiated sustained business development activities in the sectors of Water and Waste Water Treatment, SMART Cities, PCPIRs etc as part of expansion into new lines of business.

Sustained Business Development efforts are also under progress with ULBs, Municipal Corporations and respective State Governments in this direction to secure business opportunities. In addition, EIL has also initiated active suo-motu studies and opportunities mapping in the Port & Terminals, LNG value chain and Defence sector in alignment with the Government of India initiatives and for having an enhanced portfolio in these domains.

### 7.5 Cost Control & Monitoring

Effective cost control measures like reduction of support staff and overheads, better cost monitoring etc. have been taken up.

### 7.6 Corporate Social Responsibility

The CSR Policy of the Company is aligned with the national focus

on inclusive growth, DPE Guidelines on CSR and the Companies Act 2013. The CSR Committee of the Board and the CSR Council formed by EIL Management provide direction and oversee the CSR initiatives of the Company.

### 8. Environment Protection & Conservation, Technological Conservation, Renewable Energy Development, Foreign Exchange Conservation

EIL has taken steps for the implementation of clean and green technologies in order to reduce carbon footprint of its projects. State-of-the-art technologies in the field of effluent recycle/ reuse leading to Zero Liquid Discharge (ZLD) requirements, carbon management for control of volatile organic compounds, hazardous and solid waste management, recovery of oil from oily sludge and treatment of the same using bioremediation process besides opting for energy efficient processes and treatment systems have driven the Company's green initiatives.

### 9. Corporate Management Information System (MIS)

Management Information System in EIL is constantly being fine tuned to cater to the ever growing information needs of effective and quick decision making as well as statutory requirements. To expand its domain further and to make it more robust, additional features concerning Resource Engagements, Automation of Employee Centric Systems and Real-Time Management Information aspects have been added to its profile. The remodeled CMIS would operate on a Real-Time Platform for Resource Engagement and Optimization. The CMIS has been providing vital data inputs to various Divisions and Senior Management highlighting operating variables, achievement vis-a-vis budget and other decision support data.

### 10. Disclosure by Senior Management Personnel

Reflecting EIL's commitment towards increasing transparency in all spheres, Senior Management Personnel confirmed that none of them have material, financial and commercial transactions with personal interest that may have a potential conflict with the interest of the Company at large.

### 11. Cautionary Statement

Statements in Management Discussion and Analysis describing the Company's objectives, projections, expectations and estimates are based on the current business environment. Actual results could differ from those expressed or implied based on future developments, both in India and abroad.