



Issue Opens - June 19, 2024 to June 21, 2024

Price Band
₹193 to ₹203

Face Value

₹10

Lot Size

73 Shares

Issue Size

₹418.01 Cr

Issue Type

Book Built

research@ganeshstock.com

Important Events



Issue Size

20,591,852 shares / ₹418.01 Cr

Fresh Issue

16,009,852 shares / ₹325.00 Cr

Offer for Sale

4,582,000 shares of ₹10/ ₹93.01 Cr

Basis of Allotment

Monday, June 24, 2024

Initiation of Refunds

Tuesday, June 25, 2024

Credit of Shares to Demat

Tuesday, June 25, 2024

DEE Development Listing Day

Wednesday, June 26, 2024

Objects of The Offer

The Company proposes to utilise the Net Proceeds towards the following objects

1. Funding working capital requirements of the Company;
2. Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company; and
3. General corporate purpose

Brief profiles of the Directors



Krishan Lalit Bansal serves as the Chairman and Managing Director of our Company. He holds a bachelor's degree in mechanical engineering from Punjab Engineering College, Chandigarh, and has been with the Company since its inception in 1988. He initially started Development Engineers in 1986, which was later dissolved in 1988. He has received numerous accolades, including the 'Business Leader of the Year' award in 2011 and the 'Lifetime Achievement Award' in 2016 from the Faridabad Industrial Association. Additionally, he has been honored with the 'Business Excellence Award' by the International Study Circle and the 'Rashtriya Rattan Award' by the All-India National Unity Council.

Ashima Bansal, a Whole-time Director of our Company, holds a bachelor's degree in education from D.S. College of Education for Women, Panjab University, and a master's degree in arts from Panjab University. She has been with the Company since April 30, 2007.

Shikha Bansal, also a Whole-time Director, holds a bachelor's degree in commerce from the University of Delhi and a master's degree in commerce from Himachal Pradesh University. She joined the Company on December 1, 2020.

Bhisham Kumar Gupta is an Independent Director with a bachelor's degree in science and engineering from Panjab University. He previously served as the Executive Director at Engineers India Limited.

Shilpi Barar, another Independent Director, holds a bachelor's degree in commerce from Hemwati Nandan Bahuguna Garhwal University. She formerly headed operations at Sita Singh & Sons Private Limited.

Ashwani Kumar Prabhakar, an Independent Director, holds a bachelor's degree in science and engineering from Panjab University and is registered with the Institute of Cost Works Accountant of India. He previously served as the Director General of Ordnance Factories and Chairman of the Ordnance Factory Board at the Ministry of Defence, Kolkata, Government of India.

About The Company.



DEE Development Engineers Limited is a leading global provider of specialized process piping solutions. They design, manufacture, and install piping systems for oil & gas, power, and chemical industries. With over 35 years of experience, they boast the largest installed capacity for process piping solutions in India. DEE offers a wide range of piping products and can handle complex metals for various projects. They have strategically located facilities across India and Thailand, and are continuously expanding their manufacturing capabilities.

Description of Their Business

They are an engineering company specializing in process piping solutions for industries like oil and gas, power (including nuclear), chemicals, and other process sectors. With over three and a half decades of manufacturing experience, they have leveraged their brand, strategically located facilities, and engineering expertise to grow their business successfully. Their specialized process piping solutions include manufacturing and supplying high-pressure piping systems, piping spools, high-frequency induction pipe bends, LSAW pipes, industrial pipe fittings, pressure vessels, industrial stacks, modular skids, and accessories such as boiler superheater coils, de-superheaters, and other customized components. The company is ranked among the leading global providers of process piping solutions, known for their technical capability to meet complex requirements across various industrial segments (Source: D&B Report). Currently, they are the largest process piping solutions provider in India by installed capacity.

They operate six strategically located manufacturing facilities: three in Palwal, Haryana; one in Anjar, Gujarat; one in Barmer, Rajasthan; and one in Bangkok, Thailand. Additionally, they run a temporary facility in Barmer, Rajasthan, dedicated to the piping and erection needs of HPCL Rajasthan Refinery Limited (the "Barmer Satellite Facility"). Their wholly owned subsidiary, DF IPL, manages a heavy fabrication facility in Anjar, Gujarat (the "Anjar Heavy Fabrication Facility"). They also maintain a dedicated engineering facility in Chennai, Tamil Nadu (the "Chennai Engineering Facility").



| Business Divisions | Fiscal 2023 | | Fiscal 2022 | | Fiscal 2021 | |
|--------------------|-----------------|--|-----------------|--|-----------------|--|
| | In ₹ million | As a percentage of total revenue from contracts with customers (%) | In ₹ million | As a percentage of total revenue from contracts with customers (%) | In ₹ million | As a percentage of total revenue from contracts with customers (%) |
| Piping Division | 5,291.23 | 88.85% | 3,706.96 | 80.42% | 4,180.82 | 84.42% |
| Power Division | 740.36 | 12.43% | 785.79 | 17.05% | 667.05 | 13.47% |
| Heavy Fabrication | 181.79 | 3.05% | 223.84 | 4.86% | 158.73 | 3.21% |
| Elimination | (258.43) | (4.33%) | (107.43) | (2.33%) | (54.43) | (1.10%) |
| Total | 5,954.95 | 100.00% | 4,609.16 | 100.00% | 4,952.17 | 100.00% |

Products

Their product portfolio includes a diverse range of items tailored to meet the needs of both domestic and international customers. This portfolio features piping spools, industrial pipe fittings, induction pipe bends, pressure vessels, industrial stacks, modular piping (skids and modules), wind turbine towers, and pilot plants.

Piping Spools

- These are prefabricated components of a piping system comprising pipes, flanges, and industrial pipe fittings. They are fabricated offsite, with raw pipes cut to size, temporarily assembled, and then welded together.





Induction Pipe Bends

- Also known as weldless pipe spools, these pipes are bent to specific angles using high-frequency induction heating. They are made from various materials like carbon steel, alloy steel, and stainless steel, and are used in industries such as power, oil and gas, and petrochemical refineries.



Industrial Pipe Fittings

- These are used to connect straight pipes or tubing sections, adapt to different sizes or shapes, and redirect piping systems. They are utilized in the manufacture of pipe spools and sold directly to OEMs.



Pressure Vessels

- Containers designed to hold gases or liquids at pressures different from the ambient pressure. Components include the shell, head, nozzle, skirt & legs, and internals.

Modular Piping (Skids and Modules)

- Self-contained piping systems with machinery and instrumentation enclosed in a frame. They offer advantages like portability, quicker installation, reduced welding, and lower procurement costs.



Process for Manufacturing Modular Piping (Skids and Modules)

Pilot Plant

- Small-scale process plants used to evaluate the feasibility of processes before full-scale production. Recently, they expanded into designing and manufacturing pilot plants, though no projects have been completed as of March 31, 2023.

Services

- They provide various engineering services, including basic engineering (pipe sizing, pressure drop calculation), design engineering (3D modeling, stress analysis), detailed engineering (pipe spooling, design calculation), and more. Overall, their comprehensive product range and services cater to a wide array of industries, emphasizing innovation, quality, and customer satisfaction.

Track Record Of Financial Performance



| Particulars | For the year ended March 31, | | |
|--|------------------------------|-----------------|-----------------|
| | 2023 | 2022 | 2021 |
| I INCOME | | | |
| Revenue from contracts with customers | 5,954.95 | 4,609.16 | 4,952.17 |
| Other income | 188.25 | 99.23 | 178.09 |
| Total Income (I) | 6,143.20 | 4,708.39 | 5,130.26 |
| II EXPENSES | | | |
| Cost of raw materials consumed | 2,261.00 | 1,948.97 | 1,984.71 |
| Purchases of traded goods | 28.90 | 11.35 | 9.57 |
| (Increase) in inventories of finished goods, traded goods and work-in-progress | (387.68) | (242.10) | 370.04 |
| Employee benefits expenses | 1,109.47 | 792.98 | 739.63 |
| Finance costs | 299.02 | 253.37 | 271.28 |
| Depreciation and amortization expenses | 377.27 | 358.99 | 355.37 |
| Other expenses | 2251.50 | 1451.89 | 1311.38 |
| Total expenses (II) | 5,939.48 | 4,575.45 | 5,041.98 |
| Restated Profit before tax (I-II) | 203.72 | 132.94 | 88.28 |
| Share of profit of a Jointly controlled entity | - | - | 1.21 |
| III Restated profit before tax (I-II) | 203.72 | 132.94 | 89.49 |
| IV Tax expenses: | | | |
| Current tax | 85.25 | 67.75 | 73.08 |
| Adjustment of tax related to earlier years | (0.34) | (2.98) | (1.27) |
| Deferred tax charge/(credit) | (10.91) | (13.80) | (124.37) |
| Total tax expense (IV) | 74.00 | 50.97 | (52.56) |
| V Restated profit for the year (III-IV) | 129.72 | 81.97 | 142.05 |
| - Basic earnings per share | 2.45 | 1.53 | 2.44 |
| - Diluted earnings per share | 2.45 | 1.53 | 2.44 |



Operating metrics are set forth below

| Particulars | Fiscal 2023 | Fiscal 2022 | Fiscal 2021 |
|--|---|-------------|-------------|
| | (in ₹ million, except percentages and ratios) | | |
| Revenue from contracts with customers | 5,954.95 | 4,609.16 | 4,952.17 |
| Revenue from contracts with customers Growth (y-o-y) | 29.20% | (6.93%) | NA |
| Total Income | 6,143.20 | 4,708.39 | 5,130.26 |
| EBITDA | 691.76 | 646.07 | 536.84 |
| EBITDA Margin (%) | 11.62% | 14.02% | 10.84% |
| Restated Profit Before Tax | 203.72 | 132.94 | 89.49 |
| Restated Profit Before Tax Margin (%) | 3.42% | 2.88% | 1.81% |
| Restated Profit for the year | 129.72 | 81.97 | 142.05 |
| Restated Profit for the year Margin (%) | 2.18% | 1.78% | 2.87% |
| ROCE (%) | 3.91% | 3.99% | 2.47% |
| RONW (%) | 3.14% | 2.04% | 3.17% |
| Net Debt | 3,198.28 | 2,600.86 | 2,246.77 |
| Net Debt to Total Equity | 0.75 | 0.63 | 0.49 |
| Order Book | 5,633.53 | 4,345.70 | 3,356.78 |

Strengths

- Leading player in an industry with high entry barriers.
- Largest provider of process piping solutions in India by installed capacity, offering specialized solutions with strategically located state-of-the-art manufacturing facilities.
- Established long-term customer relationships with a robust order book.



- Diverse range of specialized products and services, positioning us as a comprehensive solution provider for a wide array of customers across different geographies and sectors.
- Strong emphasis on automation and process excellence, driven by an experienced engineering team to enhance operational efficiencies.
- Experienced and committed promoters and professional management team with deep domain expertise.

Threats

- Non-compliance with strict customer standards can result in product recalls and claims, threatening financial stability.
- Relying heavily on a few customers, with the top 10 accounting for 66.18% of revenue, presents a significant business risk.
- The industry's high entry barriers demand substantial capital investment and skilled labor, hindering rapid scalability.
- A 52.76% revenue dependency on sectors like oil and gas exposes the business to market volatility.
- Mechanical failures have caused four equipment breakdowns, potentially leading to operational delays and financial losses.
- Rapid technological advancements could render products obsolete; failure to innovate might lead to a loss of competitiveness.



Valuation and Outlook

The expected share price for DEE Development Engineers Limited IPO is set between ₹193 to ₹203 per share. The company's valuation shows a Price-to-Earnings (P/E) ratio of 82.85x, based on a price above ₹203, while the industry average is 42.40x, and FY23 EPS is ₹2.45.

DEE holds a strong competitive position with well-established client relationships and a diverse range of specialized offerings. The company benefits from a solid order book and consistent financial performance. Post-pandemic, DEE has experienced steady growth and is poised for promising prospects, evidenced by an order book exceeding Rs. 828 crore as of December 31, 2023. However, key risks remain. DEE's business is vulnerable to downturns in the industries it serves, such as oil and gas, power, and chemicals. The company also faces competition from both domestic and international players. Additionally, the financial performance of its subsidiaries, which have incurred losses, requires close monitoring.

| Fiscal 2023 | Standalone/ Consolidated | Face Value per equity share (₹) | EPS (₹) | | NAV (per share) (₹) | P/E | RoNW (%) | Total Revenue (in ₹ millions) |
|-----------------------------------|-----------------------------|---------------------------------|---------|---------|---------------------|-------|----------|-------------------------------|
| | | | Basic | Diluted | | | | |
| DEE Development Engineers Limited | Consolidated | 10 | 2.45 | 2.45 | 79.87 | NA | 3.14% | 6,143.20 |
| Listed peers | | | | | | | | |
| ISGEC Heavy Engineering Limited | Consolidated | 1 | 26.72 | 26.72 | 313.39 | 30.11 | 8.96% | 64,117.13 |

We assign a long-term "**Subscribe**" grade to this issue in addition to listing gains.

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