

DEEPAK BUILDERS

& ENGINEERS INDIA LIMITED



Issue Opens – October 21, 2024 to October 23, 2024

Price Band
₹192 to ₹203

Face Value
₹10

Issue Size
₹260 Cr

Lot Size
73 Shares

Issue Type
Book Built

Issue Size

12,810,000 shares / ₹260.04 Cr

Fresh Issue

10,700,000 shares / ₹217.21 Cr

Offer for Sale

2,110,000 shares of ₹10 / ₹42.83 Cr

Basis of Allotment

Thursday, October 24, 2024

Initiation of Refunds

Friday, October 25, 2024

Credit of Shares to Demat

Friday, October 25, 2024

Deepak Builders Listing Day

Monday, October 28, 2024

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Objects of The Offer



The Offer comprises of the Fresh Issue by the Company and the Offer for Sale by the Selling Shareholders. The objects of the Fresh issue are:

- Repaying loans to strengthen financial stability.
- Funding working capital requirements to support ongoing operations.
- Investing in future projects that align with growth strategies.

Brief profile of the Directors

Deepak Kumar Singal is the Chairman cum Managing Director of the Company. He has completed his secondary school education in the year 1974. He started his partnership firm under the name M/s Deepak Builders in the year 1990 ("Partnership Firm"). The business of the Partnership Firm was eventually taken over by the Company in the year 2018. He has been on the Board since the incorporation of the Company. He has more than 30 years of experience in the construction industry. He currently looks after the day-to-day affairs of the Company and contributes to the overall growth and expansion of the Company.

Sunita Singal is a Whole-time Director of the Company. She has been on the Board since the incorporation of the Company. She holds a bachelor's degree in Arts from Khalsa College of Women, Ludhiana. She was a partner of M/s Deepak Builders since the year 2012 ("Partnership Firm"). The business of the Partnership Firm was eventually taken over by our Company in the year 2018. She has 11 years of experience in the construction industry. She is responsible for the administrative affairs of the Company.

Inder Dev Singh is an Independent Director of the Company. He has been on the Board of our Company since May 25, 2022. He holds Bachelor's degree in Law (Non-Professional) from the Punjab University. He was in employment with Punjab National Bank and served in various capacities as a professional banker and retired as Chief General Manager on April 30, 2010. He has over 40 years of experience in the field of banking and finance.

Kashish Mittal is an Independent Director of the Company. He has been on the Board of our Company since May 25, 2022. He has completed his degree in Bachelor of Technology in Computer Science from the Indian Institute of Technology, Delhi. He qualified as an IAS officer and served as an Administrative Officer, with the Government of India and has over 8 years of experience



About The Company

Deepak Builders & Engineers Limited is a leading engineering and construction company specializing in executing turnkey projects for various sectors, including infrastructure, healthcare, and industrial buildings. With over three decades of experience, Deepak Builders has a strong track record of delivering high-quality projects on time and within budget. The company's expertise in project management, engineering, and construction has enabled it to establish a reputation as a trusted partner in the Indian construction industry. Deepak Builders' commitment to quality, innovation, and customer satisfaction positions it as a key player in the market.

Key Business Operations

1. Construction Projects

- Deepak Builders specializes in the construction of various structures, including: Hospitals and Medical Colleges: Engaging in healthcare infrastructure development.
- Institutional and Administrative Buildings: Focusing on government and educational facilities.
- Industrial Buildings: Catering to manufacturing and industrial needs.
- Residential Complexes: Developing housing projects for communities.

2. Infrastructure Projects

- The company undertakes significant infrastructure initiatives, which include: Road and Bridge Construction: Involvement in developing vital transportation links.
- Railway Projects: Construction of railway over bridges, under bridges, and station developments.

3. Engineering Procurement Construction (EPC)

- Deepak Builders employs an EPC model for project execution, which includes: Turnkey Solutions: Providing comprehensive services from design to completion on a fixed-price basis.
- Item Rate Contracts: Offering flexibility in pricing based on specific project components.

4. Ongoing Projects and Order Book

- As of mid-2024, Deepak Builders has:12 Ongoing Projects: A mix of construction and infrastructure contracts.
- Order Book Value of ₹1,380 Crore: This reflects a strong pipeline for future revenue generation.

(₹ in million)

Project type	No of completed projects	Value of completed projects ¹
Hospitals & medical college building	3	3,813.07
Developmental and other Construction Activity	3	1,645.01
Road Projects	3	1,600.50
Stadium & Sports Complex	1	1,401.20
Residential Complex	1	1,185.38
Administrative & Institutional building	1	129.10
Total	12	9,774.26

Financial Highlights

(₹ in million, unless stated otherwise)

Parameter	For the three months period ended June 30, 2024	Fiscal 2024	Fiscal 2023	Fiscal 2022
Total income ^(a)	1,063.37	5,167.42	4,354.60	3,649.87
Total revenue from operations ^(b)	1,051.08	5,114.02	4,334.55	3,630.52
Current Ratio ^(c)	1.71	1.65	1.46	1.26
EBIDTA ^(d)	314.44	1,175.39	528.93	438.71
EBIDTA Margin (in %) ^(e)	29.92%	22.98%	12.20%	12.08%
Net Profit for the Year ^(f)	142.12	604.10	213.95	176.64
Net Profit Margin (in %) ^(g)	13.52%	11.81%	4.94%	4.87%
Return on Net Worth (in %) ^(h)	9.57%	52.39%	26.80%	28.40%
Return on Capital Employed (in %) ⁽ⁱ⁾	8.97%	41.72%	26.10%	27.26%
Debt-Equity Ratio ^(j)	0.91	1.00	1.04	1.11
Net Debt / EBITDA Ratio ^(k)	4.83	1.30	1.77	1.81

Statement of Profit and Loss



Particulars	For the period ended 30.06.2024	For the year ended 31.03.2024	For the year ended 31.03.2023	For the year ended 31.03.2022
Continuing Operations				
Income				
Revenue from Operations (Gross)	3,240.27	4,034.27	5,073.40	4,160.01
Less - GST	389.19	500.25	736.85	529.49
Revenue from Operations (Net)	2,851.08	3,534.02	4,336.55	3,630.52
Other Income	17.29	35.40	20.05	19.35
Total Income	2,868.37	3,569.42	4,356.60	3,649.87
Expenses				
Cost of Material Consumed	499.08	2,683.85	2,890.76	2,493.17
Construction Expenses	153.44	863.67	671.37	494.80
Employer Benefits Expenses	61.45	313.39	204.33	164.65
Finance Costs	45.89	285.82	185.97	145.26
Depreciation and Amortization Expense	16.16	71.72	55.70	35.99
Other Expenses	34.96	131.12	59.21	58.54
Total Expenses	830.98	4,349.57	4,067.34	3,412.41
Profit before Tax & Exceptional Items from Continuing Operations (I - II)	232.39	817.85	287.26	237.46
Exceptional Items	-	-	-	-
Profit before Tax from Continuing Operations (III - IV)	232.39	817.85	287.26	237.46
Tax Expense for Continuing Operations				
Current Tax	60.78	215.72	75.73	60.00
Deferred Tax	(0.28)	(2.65)	(2.42)	0.75
Tax Adjustments relating to Previous Years	29.77	0.68	-	-
Total Tax Expense	90.27	213.75	73.31	60.82
Profit for the year from Continuing Operations (V - VI)	142.12	604.10	213.95	176.64
Other Comprehensive Income				
Items that will not to be reclassified to Statement of Profit Loss				
Re-Measurement Gain / (Losses) on Defined Benefit Plans	-	2.24	(0.90)	(3.51)
Re-Measurement Gain / (Losses) on PPE	(2.74)	(13.62)	(73.54)	(13.30)
Income Tax Effect	0.69	2.87	18.73	4.23
Net Comprehensive Income not to be reclassified Statement of Profit or Loss in the Subsequent Periods	(2.05)	(8.51)	(55.71)	(12.58)
Other Comprehensive Income for the Year, net of Tax	(2.05)	(8.51)	(55.71)	(12.58)
Total Comprehensive Income of the Year, net of Tax (VI VIII)	140.07	595.59	158.24	164.06
Earnings per Share for Continuing Operations				
Basic (In ₹)	3.96	16.84	5.96	4.92
Diluted (In ₹)	3.96	16.84	5.96	4.92

Strengths



. Diverse Project Portfolio - Deepak Builders has a robust order book valued at ₹12,115.68 million, showcasing a wide range of ongoing and upcoming projects in construction and infrastructure. This diversification reduces reliance on any single market segment or client

2. Strong Market Presence - Since its inception in 2017, the company has successfully completed 76 construction and infrastructure projects, establishing a significant presence in the industry. This experience enhances its credibility and ability to secure future contracts

3 .Government Contracts - Accredited as a Class I - (Super) Contractor, Deepak Builders can independently bid for projects up to ₹6,500 million. This status reflects its capability and reputation, particularly with government clients, which constitute a substantial portion of its business

4. Financial Growth - The company has demonstrated impressive financial performance, with revenues growing at a compound annual growth rate (CAGR) of 19.81% from FY 2021 to FY 2023. In FY 2024, revenue increased by over 18% to ₹516.74 crore, while profit after tax surged by more than 182% to ₹60.41 crore compared to the previous fiscal year.

5. Modern Equipment and Technology - Deepak Builders owns 397 major construction machines as of February 2024, reducing reliance on external providers and ensuring efficient project execution. The use of modern technology and equipment enhances the quality and timeliness of their construction projects.

6. Experienced Management Team - The company is led by a seasoned management team with extensive experience in the construction industry, which is crucial for navigating challenges and capitalizing on opportunities in the market.

7. Strategic Geographical Presence - Operating across multiple states including Punjab, Haryana, Rajasthan, Uttarakhand, and Union Territories like Chandigarh and Delhi allows the company to tap into various regional markets and mitigate risks associated with geographical concentration

Threats



1. Dependency on Government Contracts - The company heavily relies on government contracts for its revenue. Any unfavorable changes in government policies or regulations could lead to project cancellations or delays, significantly impacting financial performance

2. Concentration on Large-Scale Projects - Deepak Builders focuses primarily on large-scale projects, which can be susceptible to delays and complications. Such issues may result in cost overruns and reduced profitability, affecting overall financial health

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3. Geographical Concentration - A significant portion of the company's projects is concentrated in Punjab. This geographical focus exposes it to regional economic fluctuations, policy changes, and potential project interruptions that could adversely affect operations and earnings

4. Revenue Reliance on Key Clients - The company generates a substantial part of its revenue from a limited number of clients. A loss of business from any of these key clients could lead to significant financial instability and hinder future growth prospects

5. Implementation Risks - Ongoing projects face various implementation risks, including delays or modifications that could impact timelines and budgets. Such uncertainties can adversely affect the company's operational efficiency and profitability.

Valuation and Outlook



Deepak Builders & Engineers India Limited IPO is expected to be priced between ₹192 to ₹203 per share. At this price, the company is valued at Price-to-Earnings (P/E) ratio of 12.5x versus the Industry P/E of 25.03x.

Companies (As on March 31, 2024)	CMP*	EPS (Basic in ₹)	EPS (Diluted in ₹)	PE Ratio	RONW (%)	NAV (Per Share)	Face Value
Deepak Builders & Engineers India Limited ^(BSE:510)	[●]	16.84	16.84	[●]	52.39	39.37	10
Peer Group							
IRCON International Limited	226.22	9.17	9.17	24.67	15.76	61.37	2
Ahluwalia Contracts (India) Limited	1079.30	56.06	56.06	19.25	23.44	239.17	2
PSP Projects Limited	659.55	34.42	34.42	19.16	13.55	254.06	10
ITD Cementation Limited	590.10	15.93	15.93	37.04	20.00	86.95	1

The company has a strong project pipeline and a low P/E ratio compared to peers, making it a good long-term buy. Promoters will retain ~73% post-issue, limiting market float and adding to its appeal. The company has notable clients like Northern Railways, PWD in Punjab, Haryana, and Uttarakhand, IOCL, and Ludhiana Smart City Limited.

One concern is an FIR filed against promoter Mr. Deepak Kumar Singal, but it's not seen as a major issue. With a P/E lower than the industry average of 25.03x, the IPO offers growth potential at a lower entry price. Strong fundamentals and strategic pricing make this IPO likely to attract significant investor interest when it opens on October 21, 2024.

We rate Deepak Builders & Engineers IPO as **"May Apply"** for long-term investment. Defensive investors may consider buying after listing.

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