



Issue Opens - Sept. 26, 2024 to Sept. 30, 2024

Price Band
₹159 to ₹168

Face Value
₹10

Issue Size
₹158.00 Cr

Lot Size
88 Shares

Issue Type
Book Built

Issue Size

9,405,000 shares / ₹158.00 Cr

Fresh Issue

9,405,000 shares / ₹158.00 Cr

Offer for Sale

N/A

Basis of Allotment

Tuesday, October 1, 2024

Initiation of Refunds

Thursday, October 3, 2024

Credit of Shares to Demat

Thursday, October 3, 2024

Diffusion Engineers Listing Day

Friday, October 4, 2024

Objects of The Offer



The company proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects:

- Fund capital expenditure requirements towards expansion of their existing manufacturing facility and Setting up of a new manufacturing facility at Nagpur.
- Fund working capital requirements of the Company. and
- General Corporate Purposes

Brief profile of the Directors

Prashant Garg is the Chairman and Managing Director of the Company. He holds a master's degree in business administration from University of Oxford. He has been associated with the Company since 2003. Currently, he looks after new product development, infusion and upgradation of technology in operations and production process of the Company He has been responsible for innovations in the manufacturing process and addition of new product lines in the business.

Dr. Nitin Garg is the Non-Executive Director of the Company. He also holds a master's degree in neurosurgery from National Institute of Mental Health and Neuro Sciences and has a Fellowship from the University of Pittsburgh. He is currently practicing as a neurosurgeon in Bhopal. He has founded CENOS Health Care Pvt Ltd.

Chitra Garg is the Non-Executive Director of the Company since December 2023. She holds a master's degree in arts (Geography) from Agra University. She continues to remain on the board of the subsidiary i.e. Diffusion Super Conditioning Services Pvt Ltd since 1995.

Anil Trigunayat is the Independent Director of the Company since November 2023. He holds a master's degree in science (Physics) from Agra University. He was associated with the Government of India as an Ambassador of the Country and has served in various capacities throughout his service. He is a Director on the Board of Wapcos Ltd since 2022.

About The Company



Diffusion Engineers Limited, was incorporated in the year 1982. From the year 1993, they started manufacturing welding electrodes. It initially started trading in welding electrodes for super-conditioning. The portfolio of their products and services can be classified into welding and Anti-wear consumables, wear plates / wear parts, heavy engineering equipment and trading.

Key Business Operations

Company provides engineering solutions to clients in India and abroad. With over 40 years of experience, the company offers specialized products like welding consumables, wear plates, and heavy engineering equipment to CORE industries. They also provide custom repair and refurbishment services for heavy machinery and trade in anti-wear powders, welding, and cutting equipment.

They presently operate from four manufacturing units for processing and manufacturing of their products. Their manufacturing operations are distributed across different units as under:

- Unit I: special purpose welding electrodes;
- Unit II: flux cored wires, wear plates and wear parts through fabrication and machining-
- Unit III: coatings for abrasion and corrosion resistance;
- Unit IV: flux cored wires (since Fiscal 2024), wear plates and heavy engineering machinery.

They invest in R&D activities to create a differentiating factor and sustainability in their welding consumables products vis-à-vis their competitors and to meet their clients' specific requirements.

Business Operations

Diffusion Engineers Limited			
Welding and Anti-Wear Consumables	Wear Plate / Wear Parts	Heavy Engineering Equipment	Trading
<ul style="list-style-type: none">• Special purpose electrodes• Flux cored wires• Cold Repair Compounds	<ul style="list-style-type: none">• Wear Plates• Wear Parts• Welding Service – Job work	<ul style="list-style-type: none">• Air Separator• High Pressure Grinding Rollers• FD fan• Mill body• RAPH Rotter	<ul style="list-style-type: none">• Thermal Spray Powder• Welding Equipment

Source : RHP

Statement of Profit and Loss



(All amount in rupees Millions, unless otherwise stated)

Particulars	Note No.	Year ended 31 March 2024	Year ended 31 March 2023	Year ended 31 March 2022
Revenue				
I Revenue from operations	24	2,781.44	2,548.76	2,041.89
II Other income	25	74.17	37.95	42.18
III Total revenue (I+II)		2,855.61	2,586.71	2,084.07
IV Expenses				
Cost of materials consumed	26	1,282.27	1,376.33	1,168.25
Purchases of stock-in-trade	27	185.55	128.89	82.87
Changes in inventory of finished goods and work-in-progress	28	(9.50)	(28.26)	(77.72)
Manufacturing expenses	29	308.14	328.82	294.31
Employee benefit expenses	30	360.56	307.80	288.95
Finance costs	31	17.55	22.95	13.83
Depreciation and amortization expenses	3.2.4	45.40	38.42	41.84
Other expenses	32	175.70	117.85	118.82
Total expenses (IV)		2,495.80	2,331.34	1,978.47
V Profit/(loss) before Exceptional Items and Tax (III-IV)		359.80	255.36	228.99
VI Exceptional Items	33	2.87	-	-
VII Profit before Tax and share of profit / (loss) of associates and joint ventures accounted for using the equity method (V+VI)		362.67	255.36	228.99
VIII Share of profit / (loss) of associates and joint ventures		11.80	31.24	8.75
IX Profit before tax (VII-VIII)		418.83	284.60	228.79
X Tax expenses:				
- Current tax		17.55	58.24	48.01
(Income)/short provision of tax relating to previous years		-	1.83	-
- Deferred tax		14.94	3.95	0.28
Total tax expense		32.49	63.99	48.29
XI Net profit for the year (IX-X)		386.33	221.45	178.46
Earnings per equity share				
Earnings per equity share (nominal value of share Rs. 10-)				
Basic		10.94	7.93	6.08
Diluted		10.94	7.93	6.08

Particulars	Fiscal		
	2024	2023	2022
Financial KPIs			
EBITDA margin	17.04%	13.65%	13.45%
Restated profit for the year	308.04	221.45	170.46
Restated profit for the year as % of Total Revenue (PAT margin)	10.79%	8.56%	8.17%
Average Capital employed	2,076.14	1,676.66	1,350.28
ROCE (%)	20.63%	18.46%	17.30%
ROE (%)	18.52%	16.86%	15.10%
Debt-to-Equity ratio	0.18	0.34	0.20

Strengths



- Company has forward-integrated, synergistic business model, spanning from welding electrodes to heavy engineering, ensuring comprehensive solutions and economies of scale.
- They serve diverse and industry major players, which includes both OEMs as well as direct customers.
- Through over 4 decades of business operations, they have established long-standing relationships with several Indian and global customers across industries.
- Strategic expansion by venturing into nickel, cobalt and iron-based powder manufacturing for enhanced welding consumables portfolio.

Threats

- They operate from 4 Manufacturing Facilities, all of which are located in Nagpur, Maharashtra and therefore, any localized social unrest, natural disaster or any other thing in and around, Nagpur or any disruption in production at, or shutdown of, all their manufacturing units could have material adverse effect on their business and financial condition.
- Their business is dependent on the performance of certain other industries. Economic cyclicity coupled with reduced demand in these other industries, in India or globally, could adversely affect their business,
- Their business and profitability is substantially dependent on the availability and cost of their raw materials and any disruption to the timely and adequate supply or volatility in the prices of raw materials may adversely impact their business.

Valuation and Outlook



Diffusion Engineers Limited IPO is expected to be priced between ₹159 to ₹168 per share. At this price, the company is valued at Price-to-Earnings (P/E) ratio of 32.4x versus the Industry P/E of 20x.

Name of the Company	For the year ended March 31, 2024						
	Face value (₹)	Revenue from operations (₹ in Mn) ⁽¹⁾	Basic EPS (₹)	Diluted EPS (₹)	P/E (based on Diluted EPS)	Return on net worth (%)	NAV per Equity Share (₹)
Diffusion Engineers Limited	10	2,781.44	10.94	10.94	[●]	18.52%	68.06
Peer Group							
Ador Welding Limited	10	8,838.30	46.46	46.46	29.01	18.43%	266.49
AIA Engineering Limited	2	48,537.61	120.4	120.4	35.88	18.41%	705.86

Diffusion Engineers Limited has shown good revenue growth, with revenues increasing from ₹2,087 crores in ₹2,855 crores in FY24, the PAT has grown from ₹170 crores in FY22 to ₹308 crores in FY24, showcasing the company's ability to scale operations profitably. The company appears to have a lot of development potential in future. Investors may apply in the IPO for listing gains.

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