

DEE Development Engineers Limited

Engineers | India

IPO | 17 June 2024

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About the Company

DEE Development Engineers (DEE) is an engineering company providing process piping solutions (largest domestic player in terms of installed capacity) for industries such as oil & gas, power (including nuclear), chemicals, and other process industries through engineering, procurement and manufacturing. DEE has 7 strategically located manufacturing facilities with one located overseas in Thailand with revenues spanning for both domestic and international clients such as Reliance Industries Ltd., Toshiba, UOP India Private Ltd to name a few.

New products and expansion to drive growth

DEE is focusing on automating processes with automatic robot equipment handling complex metals in manufacturing processes at certain manufacturing facilities providing a wide range of products and services, some of them are piping spools, modular piping (skids and modules), induction pipe bends, industrial pipe fittings, etc. DEE has recently expanded into a new business vertical of design, fabrication & manufacturing of pilot plants catering to the R&D needs of companies in the oil & gas, petrochemicals, refineries, specialty chemicals, pharmaceuticals, nuclear sectors and educational research institutions.

Consistent growth and capacity expansion will increase demand

DEE operates in the process piping industry as well as in the biomass sector. The global market for process piping systems is valued at approximately USD 39.2 billion pa in 2023 and is expected to reach USD 54.5 billion by 2030 registering a CAGR of 4.8%. The demand would be driven by Asia Pacific region, which is the largest and fastest growing region and the market for process piping is expected to reach INR 38.4 thousand Crs, increasing by a CAGR of nearly 6.1% by 2030.

Good mix of automation and diversified customer base

DEE's automation capabilities enable it to combine operations and eliminate multiple operators in the production process to increase productivity, controlling costs and maintaining consistent product quality. DEE has a team of 748 personnel working on design, engineering and product development to deliver on projects in accordance with the designs, specifications and timelines of each project with a focus on process innovation through continuous engineering as well as deployment of modern technology to customize products across a spectrum of industries.

Financials in Brief

On the financial front, DEE's revenue has increased steadily from Rs 495.2 Cr in FY21 to Rs 595.5 Cr in FY23. On a consolidated basis PAT decreased from 14.2 Cr to 12.9 Cr for the same period, but is 14.3 Cr for 9M FY24. The company's EBITDA margins have remained stable with ~1% fluctuations. The order book has increased from Rs 335.7 Cr in FY21 to Rs 828.7 Cr in 9M FY24 and expected to improve with new businesses and improved prospects for the oil-gas, fertilizer sectors oil and gas, power (including nuclear), process industries and chemicals sectors in the coming years. The top 10 customers account for 67% of the revenues for 9MFY24 and it continues to be as a result of our long-standing relationships with our customers, we are well equipped to retain its presence in the market.

Our View

DEE has evolved as one of the key players in process piping solutions in India, in terms of installed capacity, with a strong focus on automation and process excellence to drive operational efficiencies and offerings to its customers. DEE's being a first generation entrepreneur with three decades of experience, and strong management team holding respective backgrounds, deleveraging its financial flexibility are the added advantages. DEE's increasing focus on high margin products with additional contributions from modular skids and usage of high-grade materials, forging technology tie-ups with select global OEMs to derive consistent order flow to become a preferred partner for its clients for the next few years. **Hence, we recommend an "SUBSCRIBE" to the issue.**

IPO Details

Price Band (Rs)	193-203
Face Value (Rs)	10
Issue Open/Closing Date	19-June-24/21-June-24
Fresh Issues (Crs)	325.0
OFS (Crs)	93.0
Total Issue (Crs)	418.0
Minimum Bid Qty. (Nos)	73
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Crs)*	1,402

*At higher band

Object of the Issue

- ▶ Funding Working Capital requirement.
- ▶ Prepayment of certain outstanding borrowings.

Strengths

- ▶ Leading firms in providing process piping solutions in terms of installed capacity.
- ▶ 7 strategically located manufacturing facilities with capacity of 100,500 MT pa.
- ▶ Established long-term relationships across industries and sectors.
- ▶ Wide range of products & services offered to diversified customers with sophisticated manufacturing processes.

Key Risks

- ▶ Slowdown in order book and turnaround of losses incurred by subsidiaries
- ▶ Negative cash flows will hinder the smooth operations of the company

Key Financials

(Rs Crs)	FY22(12)	FY23(12)	9MFY24(9)
Orderbook	434.6	563.4	828.7
Revenue	460.9	595.5	545.6
EBITDA	64.6	69.2	67.9
EBITDA Margin (%)	14.0	11.6	12.5
PAT	8.2	13.0	14.3
PAT Margin (%)	1.8	2.2	2.6
EPS (Rs)	1.5	2.5	2.7
NAV per share (Rs)	76.8	79.6	82.6
RoCE (%)	4.0	3.9	3.9
RoNW (%)	2.0	3.1	3.4
Net Worth	401.4	413.7	428.2
Total Borrowings	285.4	352.6	407.1

Source: RHP, Note: *9M Not annualised

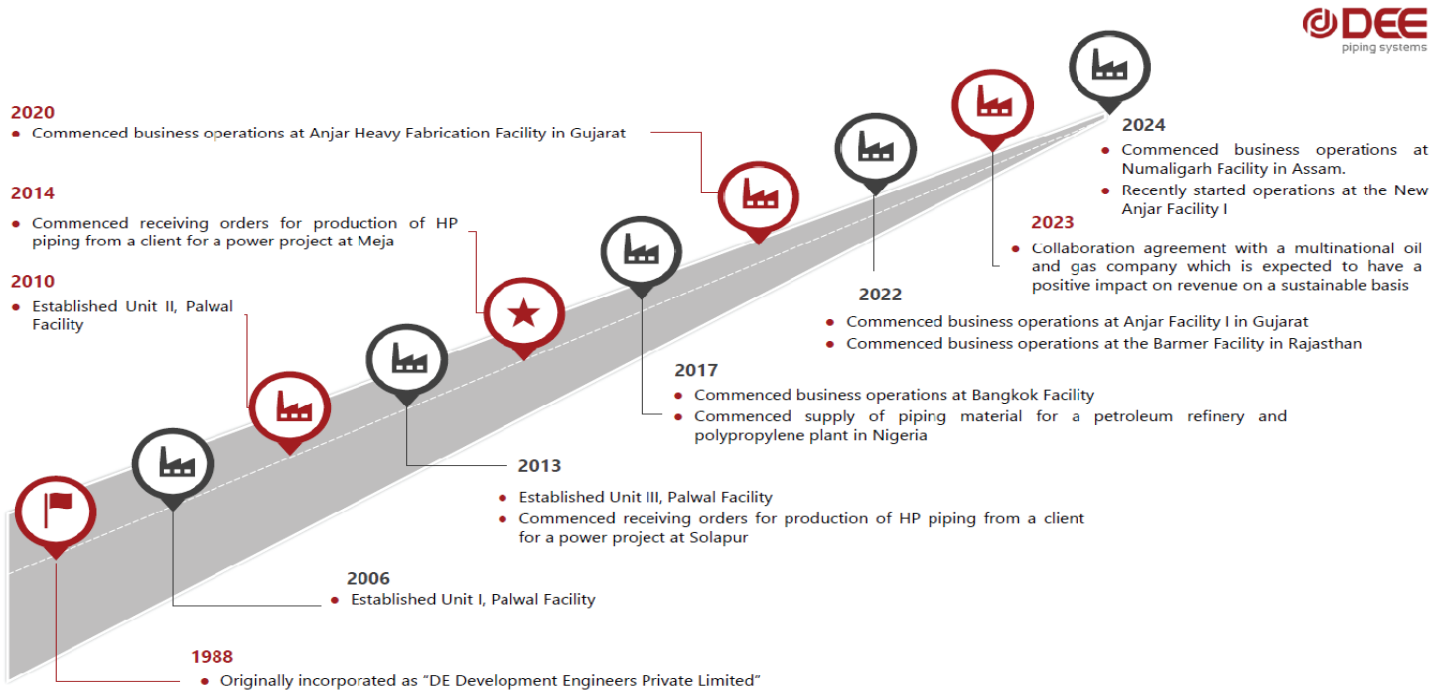
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Exhibit 1: Major events and milestones



Source: RHP

Exhibit 2: Wide range of specialized product offerings and services...



Source: RHP

Exhibit 3: ...across a spectrum of industries



Oil & Gas

Power (including Nuclear)

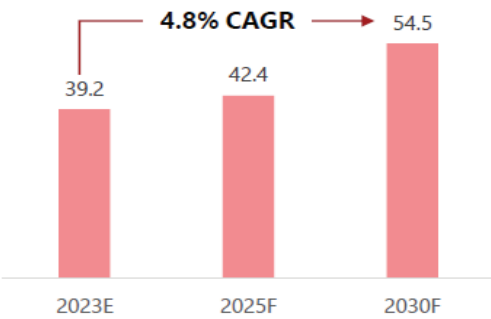


Process industries (incl. sugar, specialty chemicals & distilleries)

Chemical

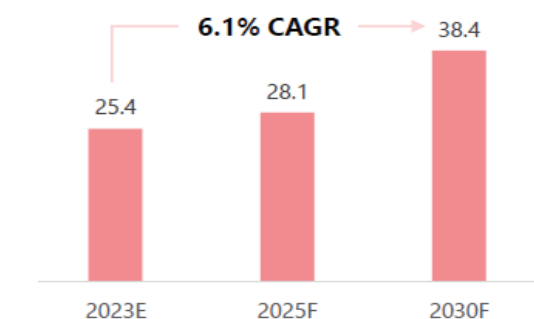
Source: RHP

Exhibit 4: Global Process Piping Industry - In USD Bn



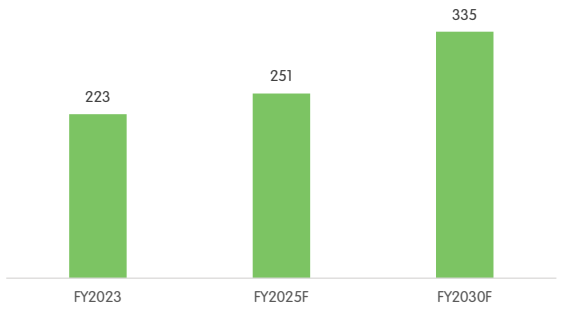
Source: RHP

Exhibit 5: Indian Process Piping Industry - In INR '000 crore



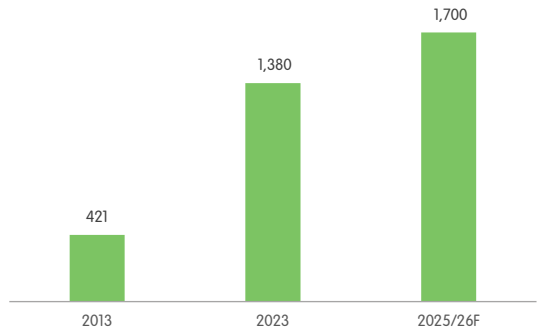
Source: RHP

Exhibit 6: Petroleum Product Consumption in India (MTPA)



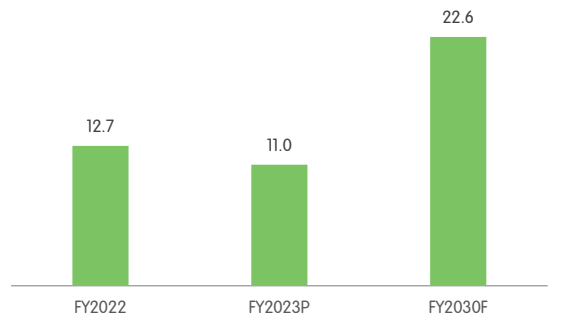
Source: RHP

Exhibit 7: Ethanol Production Capacity in India (Crore Litres)



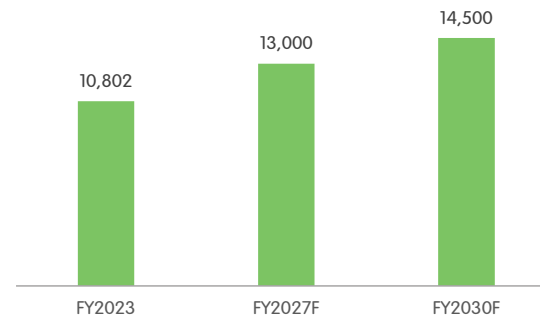
Source: RHP

Exhibit 8: Annual Chemical Production in India (MTPA)



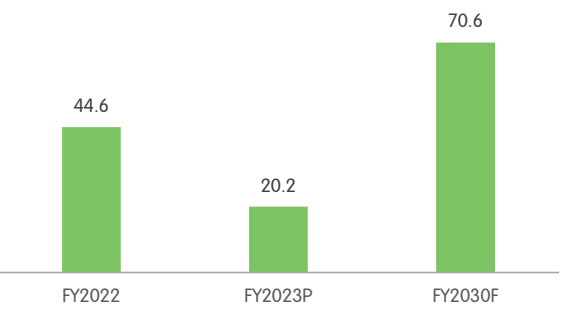
Source: RHP

Exhibit 9: Biomass Generation Installed Capacity : Growth Forecast (in MW)



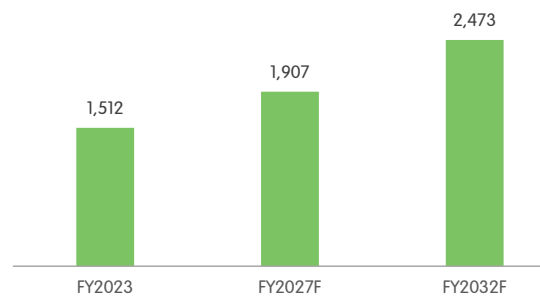
Source: RHP

Exhibit 10: Annual Petrochemical Production in India (MTPA)



Source: RHP

Exhibit 11: Electricity Requirement in India (BU)



Source: RHP

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