

The Issue	
Type of Issue	Issue size Rs. Mn
Fresh Issue	3,250
Offer for Sale	930
Total	4,180
Post issue mkt cap (Rs. bn)*	14.02
Lot size	73

***At Upper Price Band**

Issue Break-Up	
Reservation for	% of Issue
QIB	50%
NIB	15%
Retail	35%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	19th June, 2024
Bid/Offer Closing Date	21st June, 2024
Finalization of the Basis of Allotment	24th June, 2024
Initiation of refunds	25th June, 2024
Credit of shares	25th June, 2024
Listing Date	26th June, 2024

Use of Proceeds	
Funding working capital requirements	- Rs.750 mn
Debt payment	- Rs 1750 mn
General corporate purposes	

Manager: SBI Capital markets Ltd, Equirus capital Ltd
Registrar Link Intime India Private Ltd

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Leading process pipe solutions player... SUBSCRIBE

- DEE Development Engineers Ltd is an engineering company providing specialized process piping solutions for industries such as oil and gas, power, chemicals and other process industries through engineering, procurement and manufacturing.
- Company has over three decades experience in manufacturing and supply piping products such as high-pressure piping systems, piping spools, high frequency induction pipe bends, Longitudinally Submerged Arc Welding pipes, industrial pipe fittings, pressure vessels, industrial stacks, modular skids and accessories including, boiler super-heater coils, de-super heaters and other customized manufactured components.
- Apart from that company offers a range of services to their customers in the nature of engineering services which can be broadly divided into basic engineering, design engineering, detailed engineering, pre bid engineering, layout engineering, as built drawings, skid pipe engineering, material engineering.
- Company have seven strategically located Manufacturing Facilities at Palwal in Haryana, Anjar in Gujarat, Barmer in Rajasthan, Numaligarh in Assam and Bangkok in Thailand, with three Manufacturing Facilities located at Palwal, Haryana. Cumulative installed capacity of all of these facilities are 94,500 MT as of FY23.
- Company over the years have developed strong relationships with its customers, which includes global companies such as JGC Corporation, Nooter Eriksen, MAN Energy Solutions SE, Mitsubishi Heavy Industries, and John Cockerill S.A, and Indian companies such as Reliance Industries Ltd, Thermax Babcock & Wilcox Energy Solutions Ltd India, HPCL—Mittal Energy Ltd, Toshiba JSW Power Systems Private Ltd, etc.
- In FY23 Exports contributed 45.1% to the total revenue from operations. Products manufactured by the company are exported to countries like USA, Europe, Japan, Canada, Middle East and many more.
- In Addition to the manufacturing the piping systems, company generate and sales power through its two bio-mass power generation plants in Abohar and Muktsar, Punjab, with a contracted annual capacity of 8 MW and 6 MW, respectively.
- Recently company ventured into a new business vertical of pilot plants, where the company will doing the design, engineering, fabrication and manufacturing of pilot plants, at their Palwal Facility III.

Valuation and Outlook:

At upper price band of Rs. 203, the IPO is valued at post issue EV/EBITDA of 14.3x i.e. 25% discount to ISGEC. Overall, DEE Development Engineers Ltd is a company which manufactures specialized piping solutions for various application which includes Power, Oil & Gas and many more. Over the period of FY21-23, the company has grown its Rev/EBITDA at a CAGR of 10%/14% respectively. Going forward, we have a positive view on the company on back of decent growth expected from industry as back of robust capex planned by end user industries, focus of improving deleveraging and high margin products. Additionally venturing into new business verticals and the maintaining a strong order book over the years are some of the positive to watch out for. **We thus issue a SUBSCRIBE rating on the issue.**

JUNE 20, 2024

DEE Development Engineers Ltd

key financial summary

Financial summary (Rs. mn)	FY21	FY22	FY23	9MFY24
Revenue	4952	4609	5955	5456
Ebitda	537	646	692	679
Ebitda margin	10.8%	14.0%	11.6%	12.5%
PAT	142	82	130	143
PAT Margin	3%	2%	2%	3%
ROCE	2.5%	4.1%	4.0%	4.0%

Key Risks:

Sector Concentration: Company business is heavily dependent for its revenue on oil and gas ,power and process industries. Any downturn in these sector would affect the revenue and profits of the company. In FY23 Oil and gas contributed 51.35% of the total revenue, followed by power which contributed 34.2% of the total revenue.

Customer Concentration and short term contract with customers: Company derives significant revenue from operations from a small number of customers, and it also doesn't have long term contracts with them. In FY23 top 10 customers contributed 71% of the total revenue, while the largest customer contributed 13% of the total revenue.

Dependence on third party agents: Company depends heavily on third-party agents, to source a portion of their customers. Such third-party agents market and promote company's products and services. In FY23,58% of the revenue from operations were through third party agents. Company's inability to maintain a stable distribution network of third-party agents and to attract new third-party agents in the future could adversely affect their business.

Pre-issue and post-issue holding structure

	Pre-issue	Post-issue*
Shareholding pattern	Holding (%)	Holding (%)
Promoter & Promoter Group	100%	70%
Public	0%	30%
Total	100%	100%

* At upper price band

DEE Development Engineers Ltd

KPI's

Facilities	Product Name	9MFY23		2023		2022		2021	
		Installed Capacity (in MT)*	Capacity Utilization (in %)	Installed Capacity (in MT)*	Capacity Utilization (in %)	Installed Capacity (in MT)*	Capacity Utilization (in %)	Installed Capacity (in MT)*	Capacity Utilization (in %)
Palwal Facility 1	Induction Bends	6750	5.45%	9000	5.62%	9000	5.57%	9000	5.23%
Palwal Facility 2	Pipe Fittings	2250	50.43%	3000	67.13%	3000	60.77%	3000	42.43%
Palwal Facility 3	Piping Spools	18000	107%	24000	78.84%	24000	42.07%	24000	48.90%
Barmer Facility (HRRL)*	Piping Spools	3750	78.99%	5000	55.04%	5000	31.29%	0	0
Anjar Facility 1	Piping Spools	2250	64.83%	3000	41.60%	0	0	0	0
Bangkok Facility	Wind Turbine Towers	10875	39.79%	14500	39.34%	14500	23.84%	14500	19.28%
Anjar Heavy Fabrication Facility	Piping Spools	27000	25.98%	36000	26.63%	36000	21.19%	36000	21.52%

Particulars	9MFY23		2023		2022		2021	
	In ₹ million	% of the revenue	In ₹ million	% of the revenue	In ₹ million	% of the revenue	In ₹ million	% of the revenue
Piping Division	4753	87%	5291	89%	3707	80%	4181	84%
Power Division	615	11%	740	12%	786	17%	667	13%
Heavy Fabrication Division	185	3%	182	3%	224	5%	159	3%
Elimination *	-98	-2%	-258	-4%	-107	-2%	-54	-1%
Total	5456	100%	5955	100%	4609	100%	4952	100%

DEE Development Engineers Ltd

Strengths

Leading Player with significant barriers to entry

Company operates in the process piping industry which has high barriers to entry as a result of the requirement of skilled labour with complex manufacturing technology, high capital investment and the presence of robust design and execution capability.

Additionally as per the industry report the resources and time involved for a customer to change its suppliers are relatively high, consequently disincentivizing such change and acting as a barrier to entry.

Apart from that companies customers typically avoid sharing product related information with numerous manufacturers in order to restrict the spread of confidential information and as a result, customers select manufacturers after carefully reviewing them and tend to develop long-term relationships with them.

Long standing customer relationships with a strong order book

Company over the years have developed long-term relationships with customers across industries they cater to. Some of the notable customers that the company have relation are JGC Corporation, Nooter Eriksen, MAN Energy Solutions SE, Mitsubishi Heavy Industries and John Cockerill S.A, Reliance Industries Ltd ,Thermax Babcock & Wilcox Energy Solutions Ltd India, HPCL–Mittal Energy Ltd, Toshiba JSW Power Systems Private Ltd,etc.

Customer	Country	Numbers of years of association
Reliance Industries Ltd	India	12
Mitsubishi Heavy Industries	Japan	12
Toshiba JSW Power Systems Private Ltd	India	10
Nooter Eriksen	USA	10
MAN Energy Solutions SE	Germany	11
John Cockerill S.A	Belgium	10
UOP India Private Ltd	India	8

DEE Development Engineers Ltd

Strengths (continued)

In addition to the long term relationship ,the company has with its customers, company also has a robust order book. With a substantial orders from oil and gas sector and its domestic customer base.

Sectors	Order book (Rs.mn) as of 9MFY24	As a percentage of revenue from operations			
		9MFY24	FY23	FY22	FY21
Oil and gas	6117	112%	103%	133%	124%
Power (including nuclear)	2017	37%	34%	44%	41%
Process Industries	154	3%	3%	3%	3%
Total	8288	152%	139%	180%	167%

Wide range of specialized product offerings and services with diversified customers across geographies and sectors

-Company has a very diversified product portfolio which includes piping spools, induction pipe bends, industrial pipe fittings, pressure vessels, modular piping (skids and modules), industrial stacks, wind turbine towers and pilot plants. This allows the company to have limited dependence on few products.

-Additionally, the company sells its products across a total of 27 different countries worldwide. In FY23 overall the revenue from overseas stood at 45% of the total operations.

-Apart from that company’s products finds applications in industries such as oil and gas, power (including nuclear), process industries and chemicals.

Sectors	As a percentage of revenue from operations			
	9MFY24	FY23	FY22	FY21
Oil and gas	53%	51%	42%	33%
Power (including nuclear)	25%	34%	40%	45%
Process Industries	11%	2%	1%	5%
Chemicals	0%	0%	0%	5%
Total	89%	88%	83%	87%

Strategies

Leverage their market position to capitalize on the sector's capital expenditure cycle revival.

As per the D&B Report, the demand for process piping solution is directly tied to the capital expenditure pattern taking place in the industrial segment. Construction of any nature involving creation or expansion of an industrial facility will almost always result in demand for process piping hardware and services. Given that the company has market leadership in piping systems, company will be able to capitalize the opportunity if the capex in the coming years stands robust

Sectors	Capital expenditure projects currently under implementation (In Rs.Tn)	Percentage expected/estimated to be operational	Capital expenditure spending visibility beyond
Petroleum refining	3.39	45% is estimated to have been operational by the end of CY 2023 with the remaining spread over the next three years, extending till 2026	6.88
Chemical manufacturing	1.57	45% is expected to be operational by the end of CY 2024 with the remaining spread over the next three years, extending until 2026.	2.27
Power generation	4.27	83% is expected to be operational by the end of FY 2024, with the remaining spread until FY 2026.	5.25

Forging technology tie-ups with select global OEMs to derive consistent order flow and making it a preferred partner

Company intends to augment its scale of operations through inorganic expansion strategies, including selectively evaluating targets for technical alliances, in order to consolidate their position as an integrated, comprehensive solution for providing specialized process piping solutions.

Company and a multinational oil and gas company have entered into the Collaboration Agreement in order to use and/ or incorporate each other's intellectual property for mutual business benefits in relation to a pipe fabrication automation trial/ test by utilising certain automation equipment.

Company intends to enter into similar technology tie-ups with other global OEMs in process industries for reducing the time involved in product cycles and assuring deliveries to further enhance their engineering capabilities and enter into previously untapped markets.

DEE Development Engineers Ltd

Strategies

Focusing on high margin products

Going forward company intends to sustain and increase the growth of their piping division through a combination of measures including by increasing contributions from modular skid components, usage of higher-grade materials and focusing on customer retention.

Launch its pilot plant offerings in the near-future

Company have recently expanded their business by entering a new business vertical of design, engineering, fabrication and manufacturing of pilot plants. Order book from pilot plants as of December 31, 2023 is Rs.106.08 mn. Pilot plants are small scale process plants which act as a pre-commercial production system to evaluate the feasibility of certain processes before the start of full-scale production.

Company recently received their first order for the design engineering fabrication and manufacturing of the pilot plant.

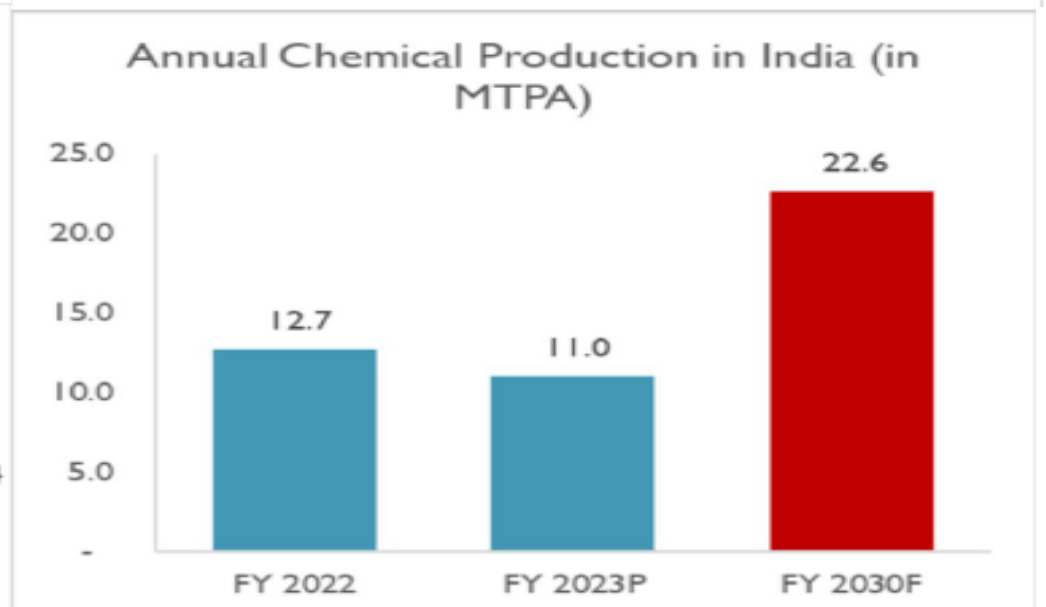
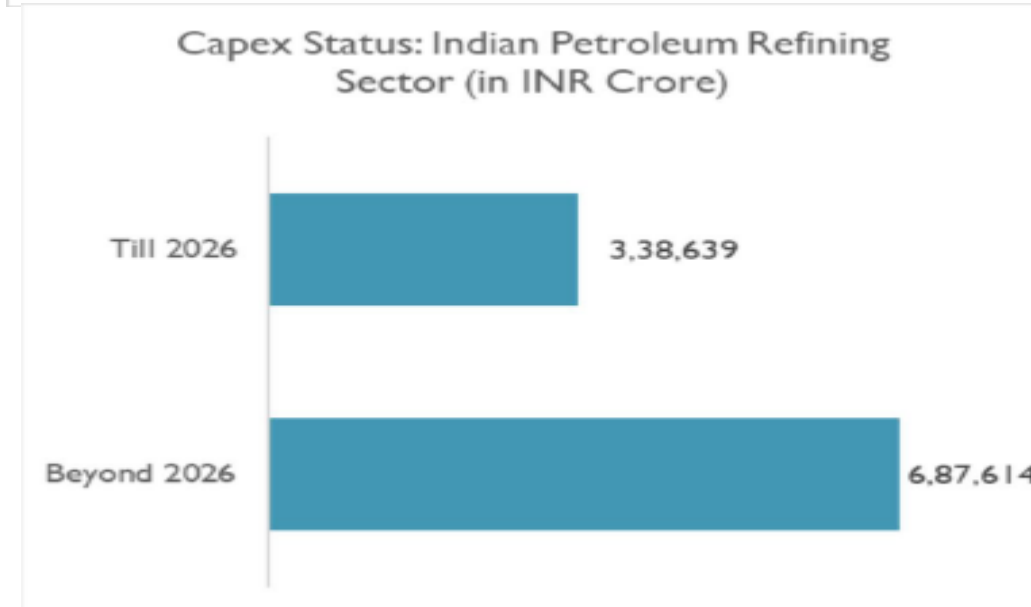
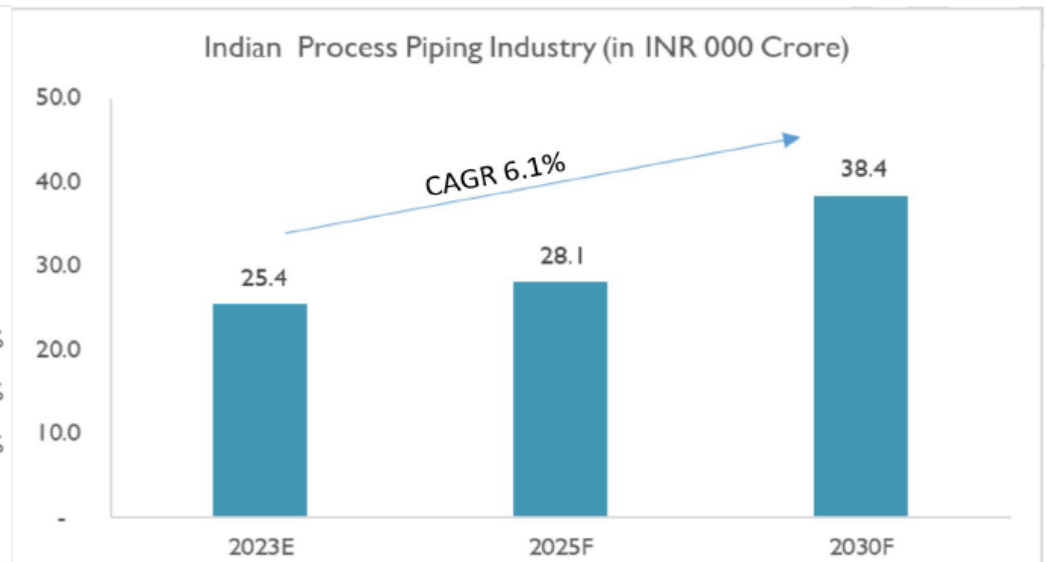
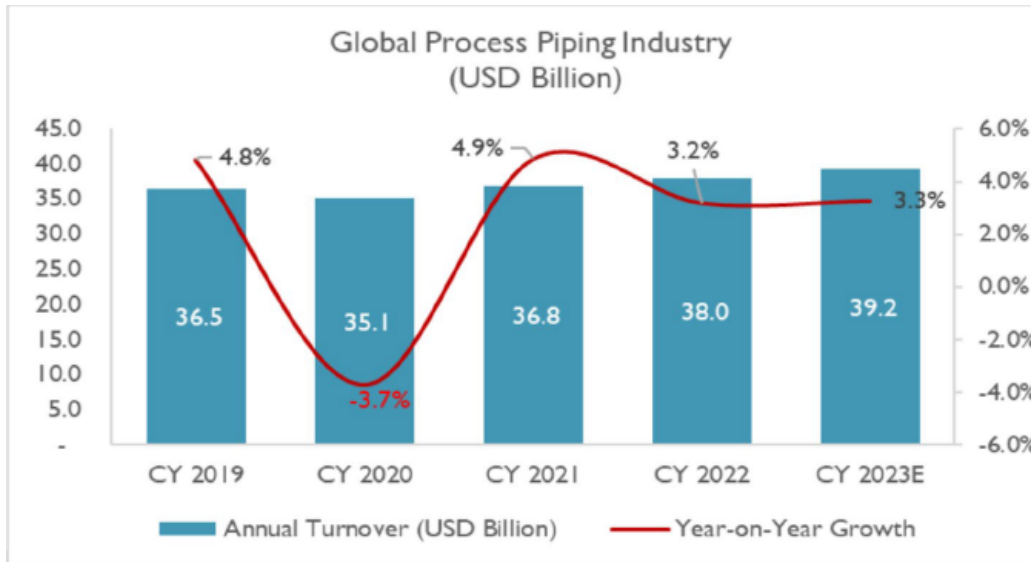
Focus on deleveraging and maintaining financial flexibility

-Company intends to utilize Rs.1.75 bn of the Net Proceeds towards the repayment or prepayment of all or a portion of certain borrowings availed by them.

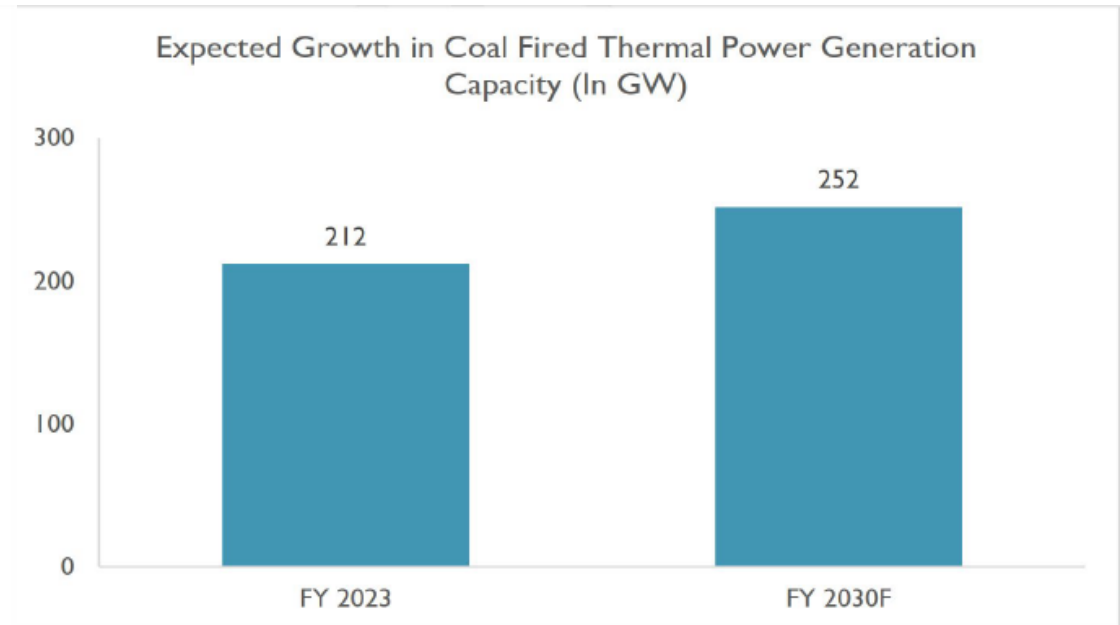
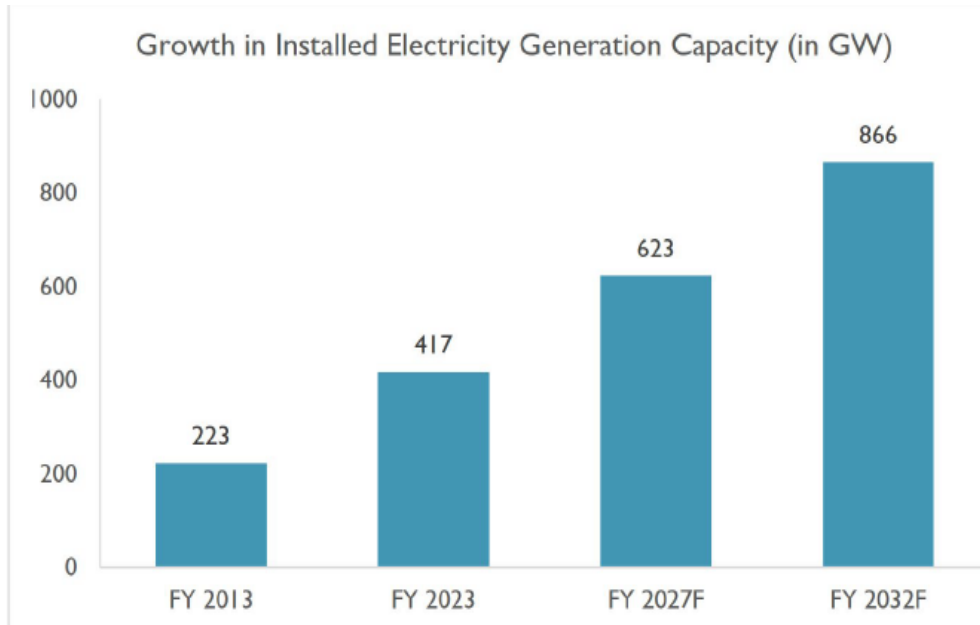
-As part of their strategic initiatives, company intend to deleverage themselves through repayment or re-financing of existing debt or an equity injection.

DEE Development Engineers Ltd

Industry overview



DEE Development Engineers Ltd



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Peers

Company Name	Order book (9MFY24)	Revenue	EBITDA	EBITDA Margins	ROE	P/E	EV/EBITDA*	D/E *
DEE Development Engineers Ltd	8,287	5,456	679	12.5%	3.3%	73	14.3	0.33
ISGEC Heavy Engineering Ltd	85,840	43,514	3,605	8.3%	9.0%	38	19.2	0.32

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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