



# IPO NOTE

## DIFFUSION ENGINEERS LIMITED

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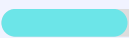


(For listing gain & Long Term)



### ISSUE OFFER

Issue Opens on	SEP 26, 2024
Issue Close on	SEP 30, 2024
Total IPO size (cr)	₹158.00
Fresh issue (cr)	₹158.00
Offer For Sale (cr)	NIL
Price Band (INR)	159- 168
Market Lot	88
Face Value (INR)	₹10
Listing At	NSE, BSE
Market Capitalization (cr)	628.76

### ISSUE BREAK-UP (%)

QIB Portion		50%
NII Portion		15%
Retail Portion		35%

### PROMOTER HOLDING %

Pre Issue

93.10%

Post Issue

69.7 %

### INDICATIVE TIMETABLE

Basis of Allotment	01-10-2024
Refunds/Unblocking ASBA Fund	03-10-2024
Credit of Share to Demat A/c	03-10-2024
Listing Date	04-10-2024

The Company engaged in the business of manufacturing welding consumables, wear plates and wear parts and heavy engineering machinery for core industries. It offers specialized repair and reconditioning services for heavy machinery and equipment.

### OBJECTS OF THE ISSUE

- Funding capital expenditure requirements.
- Setting up of a new manufacturing facility.
- Funding working capital requirements.

### FINANCIALS (RESTATED CONSOLIDATED)

PARTICULARS (IN CRORE)	FY 2024	FY 2023	FY 2022
<b>Equity Share Capital</b>	28	3.7	3.7
<b>Net Worth</b>	191	142	120
<b>ROCE %</b>	20.63%	18.46%	17.30%
<b>Revenue</b>	278.1	254.8	204.5
<b>Operating Profit Margin %</b>	17.04%	13.65%	13.45%
<b>Net Profit of the year</b>	30.8	22.1	17

### FINANCIAL RATIOS OF FY24



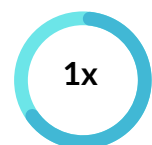
0.18x

D/E



15.28x

P/E



1x

Asset Turnover

### OUTLOOK & VALUATION

- Operates in a promising sector with significant infrastructure and industrialization spending.
- The company's focus on forward integration and diversification positions it for future growth.
- Demonstrated consistent financial growth and improving margins.
- The IPO's P/E valuation is considered fair.
- Investors may consider applying for the IPO, both for potential listing gains and long-term value appreciation.



## COMPANY PROFILE

- Trading of anti-wear powders and welding/cutting machinery.
- Manufactures electrodes and flux cored wires for use in wear resistance plate production.
- Presently operate from four manufacturing units.
- Invest in R&D activities to create a differentiating factor and sustainability.
- Product and service portfolio: Welding and anti-wear consumables, wear plates/parts, heavy engineering equipment, and trading.



## COMPETITIVE STRATEGIES

- Strategic expansion by venturing into nickel, cobalt and iron-based powder manufacturing.
- Expanding its geographical reach.
- Diversifying its Anti Wear Solutions and Heavy Engineering Equipment business.
- Strategic Leasing and Maintenance Business Model for Heavy Equipment.



### KEY CONCERNS

- Geographical concentration of all of its manufacturing facilities.
- Business is working capital intensive.
- Commercialization and market development of new products may take longer time than expected.
- Business is dependent on the performance of certain other industries.
- Business and profitability is substantially dependent on the availability and cost of its raw materials.



### KEY STRENGTHS

- Synergistic business models focused on forward integration.
- Serving industry major players directly as well as through OEMs.
- Long-standing relationships with customers across industries.
- Consistent financial performance.
- Experienced promoters and strong management team.
- Strategically located manufacturing facilities.

COMPARISON WITH LISTED INDUSTRY PEERS

Name of the Company	EPS (Basic)	NAV	P/E	TOTAL INCOME (In CR.)	ROCE (%)
<b>Diffusion Engineers Limited</b>	<b>10.94</b>	<b>68.06</b>	<b>15.28</b>	<b>278.14</b>	<b>20.63%</b>
<b>Peer Group</b>					
Ador Welding Limited	46.46	266.49	29.01	883.83	24.07%
AIA Engineering Limited	120.4	705.86	35.88	4,853.76	22.80%



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