



# MSEARCH

## INITIAL PUBLIC OFFER (IPO)

19-06-2024

DEE DEVELOPMENT ENGINEERS LIMITED

19-06-2024 TO 21-06-2024

Industry: Civil Construction

Price Band: ₹193 - 203

Recommendation: Subscribe for Long Term

Post Implied Market Cap: - ₹1,349 - ₹1,402 Cr

### Key Data

Issue Size (₹ Cr)	413 - 418
Fresh (₹)	325
OFS (₹)	93
No. of shares offered	21,427,036 - 20,596,938
Face Value (₹ /share)	10
Bid Lot	73

### About the Company

DEE Development Engineers Ltd (DEE) is a leading engineering company specializing in process piping solutions for industries like oil and gas, power, chemicals, and other process sectors. Renowned globally for its technical capability in handling complex process piping requirements across multiple industrial segments, DEE Development Engineers is the largest process piping solutions provider in India by installed capacity.

### Investment Rationales

- Leading player in an industry with significant barriers to entry:** DEE provides specialized process piping solutions for industries such as oil and gas, power (including nuclear), process industries, and chemicals through engineering, procurement, and manufacturing services. The company attributes its leadership position to long-standing relationships with global customers, extensive business experience, domain expertise, and consistent product quality. This leadership offers competitive advantages like favourable pricing, reduced costs due to economies of scale, scalability, customer loyalty, and an expanding client base. The company also highlights the high technical skill and significant investment required for in-house engineering processes and handling complex metals, creating substantial entry barriers for new competitors.
- Largest player in process piping solutions in India, providing specialized process piping solutions with strategically located state-of-the-art Manufacturing Facilities:** Company is currently ranked as one of the world's leading process piping solution providers, known for its technical capability to address complex requirements across various industrial segments. It is the largest player in India in terms of installed capacity.
- Long standing customer relationships with a strong order book:** DEE has a balanced mix of domestic and international clients, including Fortune 500 companies and various MNCs. The company's ability to meet stringent client requirements has helped it secure repeat business and attract new clients in an industry with high entry barriers. As of December 31, 2023, DEE Development Engineers had an order book of ₹ 828.70 Cr, representing 139.16% of its revenue from operations for FY2023.
- Wide range of specialized product offerings and services, diversified customer base across geographies and sectors:** DEE offers a diversified product portfolio including piping spools, induction pipe bends, industrial pipe fittings, pressure vessels, modular piping, industrial stacks, wind turbine towers, and pilot plants. This diversity limits dependence on individual products and addresses various industry cycles. By December 31, 2023, the company served customers in 27 countries, with products and engineering services applicable across industries such as oil and gas, power (including nuclear), process industries, and chemicals.

### Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	24-06-2024
Refunds/Unblocking ASBA Fund	25-06-2024
Credit of equity shares to DP A/c	25-06-2024
Trading commences	26-06-2024

### Shareholding (No. of shares)

Pre-Issue	53,039,140
Post Issue (Lower price band)	69,878,518
Post Issue (Higher price band)	69,048,992

### Shareholding Pattern

#### Promoter:

Pre Issue	97.23%
Post Issue	68.05%

#### Promoter Group:

Pre Issue	2.77%
Post Issue	2.13%

#### Public - Others:

Pre Issue	0.00%
Post Issue	29.82%

### Issue Breakup

QIB	50%
NIB	15%
Retail	35%

### Other Details

**BRLMs:** SBI Capital Markets, Equirus Capital

**Registrar:** Link Intime India Pvt. Ltd

**Listing:** BSE & NSE

### Research Analyst

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### Risk

- High business dependency on Oil & Gas Sector.
- High revenue dependency on few customers.

### MView

We believe DEE Development Engineers Ltd IPO gives investors an opportunity to invest in a leading provider of specialized process piping solutions for industries such as oil and gas, power (including nuclear), process industries and chemicals, offering engineering, procurement and manufacturing services. We think as the largest player in process piping solutions in India by installed capacity and one of the top global providers, the company benefits from a combination of factors that cement its market leadership: long-term relationships with global clients, domain expertise and a consistent track record of quality. These elements confer competitive advantages including favourable product pricing, cost reductions due to economies of scale and the ability to scale operations effectively. We also believe the company's diversified product portfolio with a wide range of product offerings and services reduces its dependency on individual products and mitigates risks associated with industry-specific cycles. By serving customers across 27 countries, the company leverages a balanced mix of domestic and international clients, including Fortune 500 companies and various MNCs. By looking at the financials, the company has shown substantial growth, with revenue from operations and net profit increasing by 29.2% and 58.3%, respectively in FY 2023, following a decline in FY 2022 due to the pandemic's impact. On valuation parse at the upper band of ₹ 203/-, the issue is asking for a Market cap of ₹ 1402/- Cr. Based on annualized FY 2024 earnings and fully diluted post-IPO paid-up capital, the company is asking a PE of 73.33x which appears to be aggressively priced considering near-term growth triggers and comparing it to its industry-listed peers, which are trading at an average PE of ~35x. Given its niche position in specialized piping solutions worldwide and its established relationships with prestigious clients, the company is commanding a premium valuation agonist to its peers. The company's leadership is reinforced by high entry barriers due to significant technical skill requirements and its strategic position. Hence, we recommend our investors to "SUBSCRIBE" the DEE Development Engineers Ltd IPO for long term perspective only.



## CONSOLIDATED FINANCIAL TABLES

### BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Dec' 31	As at March' 31		
	2023 (09)	2023	2022	2021
Equity Share Capital	53.04	10.61	10.61	15.69
Net Worth	428.19	413.70	401.37	448.50
Net Debt	371.06	319.83	260.09	224.68
Revenue from Operations	545.55	595.50	460.92	495.22
EBITDA	67.94	69.18	64.61	53.68
EBITDA Margin (%)	12.45%	11.62%	14.02%	10.84%
Net Profit for the Year	14.34	12.97	8.20	14.21
Net Profit Margin (%)	2.63%	2.18%	1.78%	2.87%
RoCE (%)	3.91%	3.91%	3.99%	2.47%
RONW (%)	3.35%	3.14%	2.04%	3.17%
Order Book (in ₹ Cr)	828.70	563.35	434.57	335.68

Source: Company RHP

### COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	Total Income FY 2023 (in Cr)	EPS	NAV	P/E	P/B	RoNW
DEE Development Engineers	Consolidated	1,402	10	614.32	2.77	109.77	73.3	1.9	3.14%
ISGEC Heavy Engineering	Consolidated	9,177	1	6,411.71	26.72	313.39	37.6	3.63	8.96%

Date as on 31st March 2023, Cline Mcap,PE, calculated as on 19-06-2024

DEE Development Engineers Ltd, Revenue EPS/PE, P/B, NAV calculated on annualised basis post money



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### **Msearch's Recommendation (Absolute Performance)**

**Buy: > 20% within the next 12 Months**

**Accumulate: 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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