

Shivam Gupta
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Issue Details

Issue Details	
Issue Size (Value in million, Upper Band)	4,180.1
Fresh Issue (No. of Shares in Lakhs)	160.1
Offer for Sale (No. of Shares in Lakhs)	45.8
Bid/Issue opens on	19-Jun-24
Bid/Issue closes on	21-Jun-24
Face Value	Rs. 10
Price Band	193-203
Minimum Lot	73

Objects of the Issue

- **Fresh Issue: ₹ 3,250 Million.**
 - Funding their working capital requirements.
 - Payment or repayment of all or portions of their borrowings.
 - General Corporate purposes.
- **Offer for Sale: ₹ 930 Million.**

Book Running Lead Managers	
SBI Capital Markets Limited	
Equirus Capital Private Limited	
Registrar to the Offer	
Link Intime India Private Limited	

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	787.5
Subscribed paid up capital (Pre-Offer)	530.4
Paid up capital (post-offer)	690.5

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	100.0%	70.2%
Public	0.0%	29.8%
Total	100.0%	100.0%

Financials:

Particulars (₹ In million)	9M FY24	FY23	FY22	FY21
Revenue from operations	5455.5	5,955.0	4,609.2	4,952.2
Operating expenses	4776.1	5,263.2	3,963.1	4,415.3
EBITDA	679.4	691.8	646.1	536.8
Other Income	123.1	188.3	99.2	178.1
Depreciation	332.9	377.0	359.0	355.0
EBIT	469.6	503.0	386.3	359.9
Interest	279.3	299.0	253.0	271.0
PBT	190.3	204.0	133.3	88.9
Tax	46.9	74.0	51.0	(53.0)
Consolidated PAT	143.4	130.0	82.3	141.9
EPS	2.08	1.88	1.19	2.06
Ratios		FY23	FY22	FY21
EBITDAM	12.5%	11.6%	14.0%	10.8%
PATM	2.6%	2.2%	1.8%	2.9%
Sales growth		29.20%	-6.93%	

Company Description

DEE Development Engineers Ltd. is an engineering company providing specialized process piping solutions for industries such as oil and gas, power (including nuclear), chemicals and other process industries through engineering, procurement and manufacturing. They have manufacturing experience of over three and a half decades and have been able to leverage their brand, strategically located manufacturing facilities and engineering capabilities to successfully expand their business. As part of their specialized process piping solutions, they also manufacture 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 superheater coils, de-super heaters and other customized manufactured components. The company currently is ranked as one of the leading process pipe solution providers in the world, in terms of technical capability to address complex process piping requirement arising from multiple industrial segments.

The company provides comprehensive specialized process piping solutions including engineering services such as pre bid engineering, basic engineering, detailed engineering and support engineering which includes engineering of process/ power piping systems for projects, and pre-fabrication services such as cutting and beveling on conventional and CNC machines, welding services on semi-automatic and fully automatic robotic welding machines, conventional and digital radiography, post weld heat treatment using CNG fired fully calibrated furnaces and induction heating process, hydro testing, pickling and passivation, grit blasting (manual and semiautomatic) and painting (manual and semiautomatic). They also specialize in handling complex metals such as varying grades of carbon steel, stainless steel, super duplex stainless steel, alloy steel and other materials including inconel and Hastelloy in their manufacturing processes.

They 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. They also operate a temporary Manufacturing Facility in Barmer, Rajasthan which is a dedicated facility set up to cater to the piping and erection requirements of the HPCL Rajasthan Refinery Limited (the "Barmer Satellite Facility"). Their wholly owned subsidiary, DFIPL, also operates a heavy fabrication facility at Anjar, Gujarat (the "Anjar Heavy Fabrication Facility").

Valuation

DEE Development Engineers Ltd. specializes in providing engineered process piping solutions for industries including oil and gas, power (including nuclear), process industries, and chemicals, through services encompassing engineering, procurement, and manufacturing.

The company's P/E ratio is 73.2 times its FY24 annualized earnings, with a market capitalization of ₹14,016.9 million after the issuance of equity shares and a market cap-to-sales ratio of 1.92 times its FY24 annualized earnings.

DEE holds a strong competitive position, with well-established client relationships and a diverse range of specialized offerings. The company notably benefits from a solid order book and consistent financial performance. Looking at these factors we recommend "**Subscribe**" rating to the IPO.

The company also has a dedicated engineering facility located at Chennai in Tamil Nadu (the "Chennai Engineering Facility"). Their seven Manufacturing Facilities, the Anjar Heavy Fabrication Facility and Chennai engineering Facility together span an area of approximately 437,453.85 square meters. Their Manufacturing Facilities had cumulative installed capacity of 70,875 MT, 94,500 MT per annum, 91,500 MT per annum and 86,500 MT per annum for the nine months ended December 31, 2023 Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively; and their capacity utilisation, calculated on the basis of their total production capacity was 51.53%, 43.10%, 27.40% and 27.77% for the nine months ended December 31, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively. They have commenced operations at the New Anjar Facility I which has an installed capacity of 3,000 MT per annum and are in the process of enhancing their manufacturing capabilities by setting up a new manufacturing facility at the New Anjar Facility II with a proposed installed capacity of 9,000 MT per annum, which will increase the total installed production capacity of their Anjar facilities (excluding their heavy fabrication capacity) from 3,000 MT per annum to 15,000 MT per annum.

The company have been focussed on automating certain manufacturing processes and their Manufacturing Facilities are equipped with equipment such as fully automated robotic welding systems, semi-automatic shot blasting machines, automatic GMAW welding system and fully automatic high frequency induction bending machines having diameter of up to 48 inches. In the nine months ended December 31, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, they supplied their products to domestic customers and their overseas customers in countries including USA, Europe, Japan, Canada, Middle East, Nigeria, Vietnam, Singapore, China and Taiwan. In the nine months ended December 31, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021 their revenue from operations outside India was ₹2,211.10 million, ₹ 2,685.92 million, ₹ 1,681.48 million and ₹ 2,259.62 million, respectively, which represented 40.53%, 45.10%, 36.48% and 45.63% of their revenue from operations for the respective period/ years. Over decades of the operations, they have developed strong relationships with their customers, including 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 Limited, Thermax Babcock & Wilcox Energy Solutions Limited India, HPCL-Mittal Energy Limited, Toshiba JSW Power Systems Private Limited, UOP India Private Limited, Doosan Power Systems India Private Limited and Andritz Technologies Private Limited and have built a loyal base of customers across their markets through relationships with several of these customers for more than a decade. In the nine months ended December 31, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, they supplied their products and provided engineering services to 95, 82, 74 and 71 customer groups excluding scrap, respectively. Since a significant portion of their sales are to their overseas customers, their Anjar Facility I, Anjar Heavy Fabrication Facility, New Anjar Facility I, their proposed New Anjar Facility II in Gujarat and the Bangkok Facility are strategically located with access to ports to cater to their overseas customers.

Their Chennai Engineering Facility is dedicated to the design of certain of their products and the development of their engineering processes. The company has strong quality procedures and standards in place, which have played a key role in elevating the Company to a leadership position, in India as well as globally. They have received various certifications which are critical for them to supply products to their customers across geographies. The Company has multiple ISO certifications and has also been certified to design, manufacture, inspect and test piping systems and for manufacture and supply of forged, seamless and welded fittings as per the Pressure Equipment Directive norms, it is also certified to manufacture and assemble power boilers, fabricate and assemble pressure piping and manufacture pressure vessels as per American Society of Mechanical Engineers Code Stamp Piping. It has also received certifications for manufacture of boiler components from Indian Boiler Regulations and for fabrication of structural steel piping supports, for petroleum industry by the Canadian Welding Bureau.

The company has recently expanded their business by entering a new business vertical of design, engineering, fabrication and manufacturing of pilot plants, which they are carrying out from their Palwal Facility III. They intend to provide a one stop solution for pilot plant requirements of their customers which will range from conceptualisation to commissioning of a pilot plant, and will include 3-D modelling, process simulation, control engineering, design, fabrication and construction of a pilot plant, followed by installation of the pilot plant at the site specified by the customer. They intend to develop pilot plants which cater to the research and development needs of companies in the oil and gas, petrochemicals, refineries, specialty chemicals, pharmaceuticals and nuclear sectors, as well towards the research and development needs of educational research institutions. Certain projects by government owned companies, in the pilot plant sector are awarded on the basis of competitive bidding, wherein vendors are evaluated inter alia on their technical capabilities and infrastructure set up to execute such projects. The Company has a management team with extensive industry experience. Their Promoter, Krishan Lalit Bansal, has been associated with their Company since its inception in 1988 and has over 35 years of experience in the process piping solutions industry. Their Board of Directors includes a combination of management executives and Directors who bring in significant business and management expertise. Each of their Senior Management Personnel have worked with their Company for more than 12 years.

Particulars	As at/ For the			
	Nine months ended December 31, 2023	Fiscal 2023	Fiscal 2022	Fiscal 2021
	(in ₹ million, except percentages and ratios)			
Revenue from operations	5,455.54	5,954.95	4,609.16	4,952.17
Revenue from operations Growth (y-o-y)	NA	29.20%	-6.93%	NA
Total Income	5,578.62	6,143.20	4,708.39	5,130.26
EBITDA	679.44	691.76	646.07	536.84
EBITDA Margin (%)	12.45%	11.62%	14.02%	10.84%
Restated Profit Before Tax	190.3	203.72	132.94	89.49
Restated Profit Before Tax Margin (%)	3.49%	3.42%	2.88%	1.81%
Restated Profit for the period/ year	143.37	129.72	81.97	142.05
Restated Profit after tax 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%
Net Debt	3,710.58	3,198.28	2,600.86	2,246.77
Net Debt to Total Equity	0.85	0.75	0.63	0.49
Order Book	8,287.04	5,633.53	4,345.70	3,356.78

Strengths

Leading player in an industry with significant barriers to entry

The company is an engineering company providing specialized process piping solutions for industries such as oil and gas, power (including nuclear), process industries and chemicals through engineering, procurement and manufacturing services. As part of their specialized process piping solutions, they also manufacture 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 superheater coils, de-super heaters and other customized manufactured components. Their leadership position can be attributed to factors such as their long-standing relationship with certain of their global customers, business experience, domain expertise and consistent quality of their products. They believe that such leadership position offers them competitive advantages such as product pricing, reduced costs due to economies of scale, their ability to scale their business, customer loyalty and increasing the client base.

Additionally, they believe that the level of technical skill and expertise essential for developing in-house engineering processes and handling complex metals require a significant amount of training that can only be achieved over a period of time and involves high initial investment as well as a recurring cost and thereby, creating a further entry barrier for new entrants.

Largest player in process piping solutions in India, in terms of installed capacity, providing specialized process piping solutions with strategically located state-of-the-art Manufacturing Facilities

The Company currently is ranked as one of the leading process pipe solution providers in the world, in terms of technical capability to address complex process piping requirements arising from multiple industrial segments. At present, they are the largest player in process piping solutions in India, in terms of installed capacity. They 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. Their Barmer Satellite Facility is a dedicated facility set up to cater to the piping and erection requirements of the HPCL Rajasthan Refinery Limited. Their wholly owned subsidiary, DFIPL operates their Anjar Heavy Fabrication Facility. Their seven Manufacturing Facilities and the Anjar Heavy Fabrication Facility together span an area of approximately 436,967.87 square meters. Their Manufacturing Facilities had cumulative installed capacity of 70,875MT, 94,500 MT per annum, 91,500 MT per annum and 86,500 MT per annum for the nine months ended December 31, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively; and their capacity utilization, calculated on the basis of their total production capacity was 51.53%, 43.10%, 27.40% and 27.77% for the nine months ended December 31, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, respectively.

The company's facilities at Anjar, Gujarat are located at a distance of approximately 24 kms from the Deendayal Port Trust (Kandla Port) and at a distance of approximately 75 kms from the Adani Ports and Special Economic Zone (Mundra Port). Their Bangkok Facility is located at a distance of approximately 62 kms from the Bangkok Port. The table below sets forth the installed production capacity and the capacity utilization at each of their Manufacturing Facilities and their Anjar Heavy Fabrication Facility for the nine months ended December 31, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021:

Facilities	Nine months ended December 31, 2023		Fiscal 2023		Fiscal 2022		Fiscal 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 I	6,750.0	5.5%	9,000.0	5.6%	9,000.0	5.5%	9,000.0	5.2%
Palwal Facility II	2,250.0	50.4%	3,000.0	67.2%	3,000.0	60.7%	3,000.0	42.4%
Palwal Facility III	18,000.0	107.0%	24,000.0	78.8%	24,000.0	42.0%	24,000.0	48.9%
Barmer Facility	3,750.0	78.9%	5,000.0	55.0%	5,000.0	31.2%	-	-
Anjar Facility I	2,250.0	64.8%	3,000.0	41.6%	-	-	-	-
Bangkok Facility	10,875.0	39.8%	14,500.0	39.3%	14,500.0	23.8%	14,500.0	19.2%
Anjar Heavy Fabrication Facility	27,000.0	25.9%	36,000.0	26.6%	36,000.0	21.2%	36,000.0	21.5%

Long standing customer relationships with a strong order book

The company has, through the three and a half decades of business operations, established long-term relationships with customers across industries they cater to. They believe that their ability to address the various and stringent client requirements over long periods enables them to obtain additional business from existing clients as well as new clients in an industry marked by high entry barriers. They have a balanced mix of domestic and overseas customers including certain Fortune 500 companies in India and various multinational corporations. Their customers include 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 Limited, Thermax Babcock & Wilcox Energy Solutions Limited India, HPCL-Mittal Energy Limited, Toshiba JSW Power Systems Private Limited, UOP India Private Limited, Doosan Power Systems India Private Limited and Andritz Technologies Private Limited. One of the entry barriers to the industry in which they operate is the lead time required to build confidence and relationships with their customers.

The company believes their customer relationships are led primarily by their ability to develop processes, meet stringent quality and technical specifications and manufacture customers' products in a timely and cost-effective manner. As a result, they have a history of high customer retention and have been manufacturing products for certain customers for over a decade.

Set forth below are the details of their customers with whom they have long standing relationships:

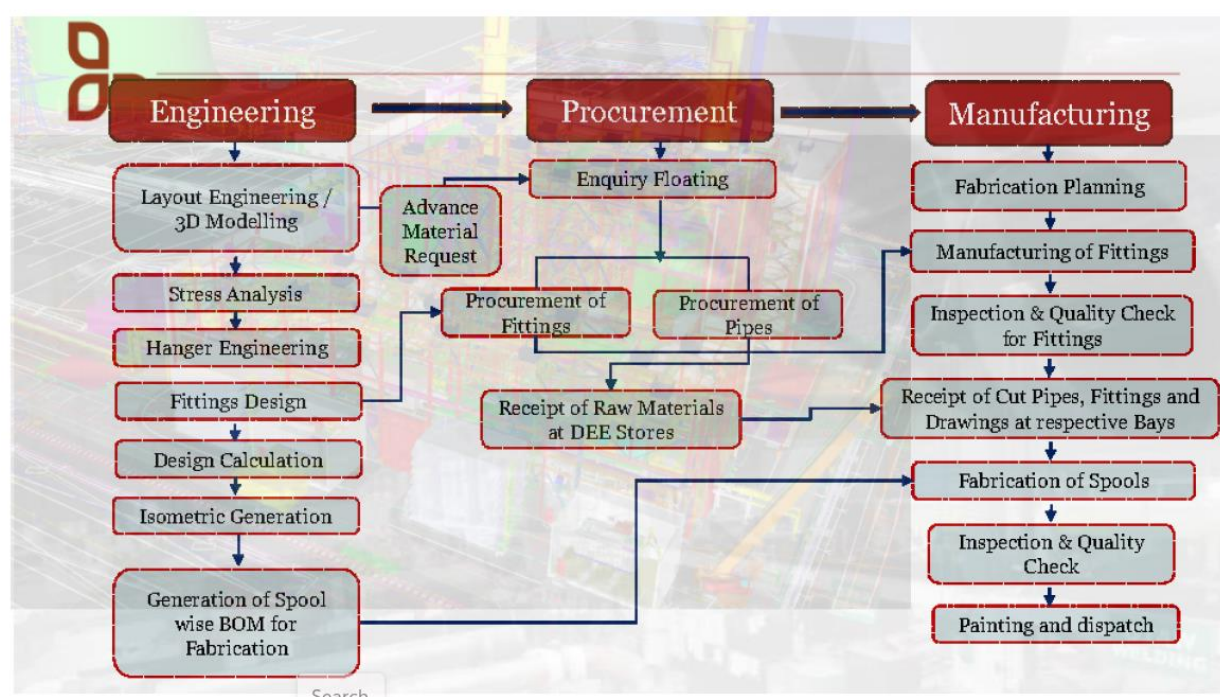
Customer	Country	Number of years of association
Reliance Industries Limited	India	12
Mitsubishi Heavy Industries	Japan	12
Toshiba JSW Power Systems Private Limited	India	10
Nooter Eriksen	United States of America	10
MAN Energy Solutions SE	Germany	11
John Cockerill S.A	Belgium	10
UOP India Private Limited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

As of December 31, 2023, they had an order book of ₹ 8,287.04 million, which constituted 139.16% of their revenue from operations for Fiscal 2023. As of March 31, 2023, March 31, 2022, and March 31, 2021, they had an order book of ₹ 5,633.53 million, ₹ 4,345.70 million and ₹ 3,356.78 million, respectively. Set out below is the split of the order book from their customers operating in various industries, along with a percentage of the order book details against their revenue from operations in the nine months ended December 31, 2023, and Fiscal 2023, Fiscal 2022 and Fiscal 2021:

Sectors in which their customer operate	Order book contribution (in ₹ million) as of December 31, 2023	As a percentage of revenue from operations in the nine months ended December 31, 2023	As a percentage of revenue from operations in Fiscal 2023 (%)	As a percentage of revenue from operations in Fiscal 2022 (%)	As a percentage of revenue from operations in Fiscal 2021 (%)
Oil and gas	6116.7	112.1%	102.7%	132.7%	123.5%
Power (including nuclear)	2016.8	37.0%	33.9%	43.8%	40.7%
Process Industries	153.6	2.8%	2.6%	3.3%	3.1%
Total	8287.0	151.9%	139.2%	179.8%	167.3%

Wide range of specialized product offerings and services making them a comprehensive solution provider for their diversified customers spread across geographies and sectors

As an integrated manufacturing partner providing 'design-led-manufacturing' solutions to their customers, they provide designs, engineering solutions, manufacturing and testing to ensure that their customers' products meet robust standards in reliability, safety and performance. They believe that their 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 allows for limited dependence on individual products and addresses different business cycles across industries where their products are used. The flowchart below indicates how the Company is a comprehensive solutions provider:



Their business footprint spans across geographies. As of December 31, 2023, they served customers across 27 countries. In the nine months ended December 31, 2023, and Fiscal 2023, Fiscal 2022 and Fiscal 2021 their revenue from operations outside India was ₹ 2,211.10 million, ₹ 2,685.92 million, ₹ 1,681.48 million and ₹ 2,259.62 million, respectively, which represented 40.53%, 45.10%, 36.48% and 45.63% of their revenue from operations, respectively. Set out below are details of certain countries to which they supply their products, and revenues (excluding sales reversals, debit/credit notes and other adjustments including those related to freight) generated from such countries for the indicated period/year:

Countries	Nine months ended December 31, 2023		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Revenue (in ₹ million)	As a percentage of total revenue from operations (%)	Revenue (in ₹ million)	As a percentage of total revenue from operations (%)	Revenue (in ₹ million)	As a percentage of total revenue from operations (%)	Revenue (in ₹ million)	As a percentage of total revenue from operations (%)
Canada	Nil	Nil	883.71	14.84%	248.58	5.39%	Nil	Nil
Thailand	57.54	1.05%	550.48	9.24%	293.92	6.38%	251.85	5.09%
United States of America	417.34	7.65%	342.03	5.74%	724.99	15.73%	881.15	17.79%
Switzerland	85.14	1.56%	253.75	4.26%	137.76	2.99%	100.07	2.02%
Italy	155.01	2.84%	252.27	4.24%	16.06	0.35%	45.74	0.92%
Malaysia	25.61	0.47%	138.19	2.32%	245.97	5.34%	Nil	Nil
Nigeria	NIL	NIL	0.31	0.01%	60.12	1.30%	736.49	14.87%
Germany	281.31	5.16%	89.38	1.50%	51.52	1.12%	215.97	4.36%
Japan	719.63	13.19%	188.56	3.17%	0.16	0.00%	203.82	4.12%
Total Revenue from operations from the aforementioned countries	1,741.57	31.92%	2,698.69	45.32%	1,779.09	38.60%	2,435.10	49.17%

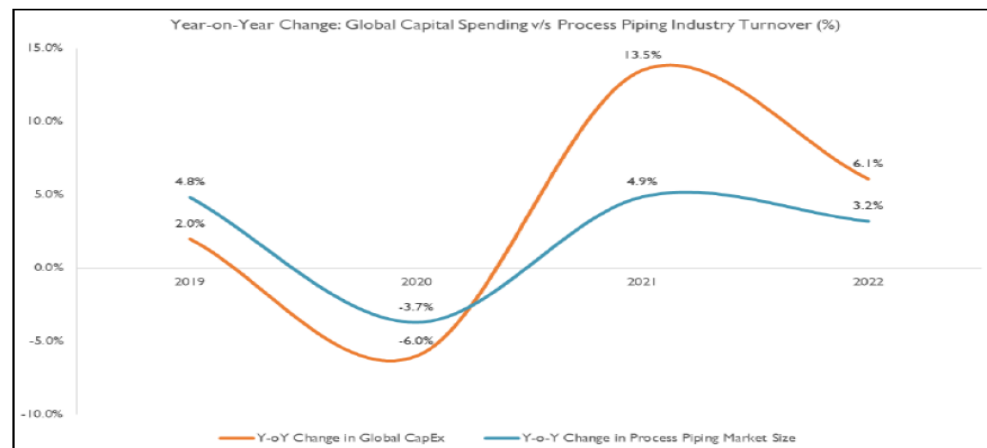
Strong focus on automation and process excellence with an experienced engineering team to drive operational efficiencies

The company's Manufacturing Facilities have a good mix of automation and manual processes with automated equipment such as fully automated robotic welding systems, automatic GMAW welding system, fully CNC heat treatment furnaces (gas and electric), semi-automatic shot blasting and painting machines and in-house non-destructive examination facilities. Their automation capabilities enable them to combine operations and eliminate multiple operators in the production process in order to increase productivity, while controlling costs and maintaining consistent product quality. Further, their Manufacturing Facilities are adequately supported by sophisticated infrastructure and processes including induction heating method, in-house nondestructive examination facilities such as radiography test, magnetic particle test, ultrasonic test, liquid penetrant test, visual test, pneumatic test and hydro test. The company believes that their company has sophisticated processes for welding such as no backing gas process. They also possess highly sophisticated non-destructive examination tools such as phased array ultrasonic testing, digital radiography, safe radiography and spectrometers for chemical analysis. They have made and expect to continue making capital expenditure in maintaining and growing their existing infrastructure, purchasing equipment, and developing and implementing new processes and technologies at their Manufacturing Facilities. In the nine months ended December 31, 2023, Fiscal 2023, Fiscal 2022 and Fiscal 2021, their additions to property, plant and equipment and intangibles (including impact of foreign exchange but excluding disposal/adjustment) was ₹ 811.39 million, ₹ 589.88 million, ₹ 214.29 million and ₹164.99 million, respectively, representing 14.87%, 9.91%, 4.65% and 3.33%, respectively, of their revenue from operations, from such period/ years.

Strategies

Leverage their market leading position in the industry to capitalize on the revival of capital expenditure cycle in the sectors which they service which will drive the next phase of their growth

They are an engineering company providing specialized process piping solutions for industries such as oil and gas, power (including nuclear), process industries and chemicals, through design, engineering, procurement and manufacturing. As part of their specialized process piping solutions, they also manufacture 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 superheater coils, de-super heaters and other customized manufactured components. The market for process piping solutions is expected to reach ₹ 38.4 thousand crore in India is expected to grow at CAGR of nearly 6.1% between FY 2023 and FY 2030. 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 this direct correlation, capital expenditure spending serves as a proxy demand indicator for process piping solutions.



Drive automation across their facilities and processes to bring in operational efficiencies

The company is focused on using appropriate cost-effective technologies for different volumes and varieties of products, to continue to be a comprehensive solution provider to their customers for their different process piping requirements. Improving costs and operational efficiency in their manufacturing processes continues to be one of their key strategies. They have implemented strategic cost-saving and efficiency improvement measures such as automation solutions to improve productivity and bring efficiency in the manufacturing processes. They plan to continue to invest in reducing manual intervention in manufacturing, material handling and other aspects of their business. They believe that such investments in automation and digitization of their internal operations gives them an advantage in terms of their operational costs including employee cost and reduce levels of rework required during their manufacturing processes. They endeavor to increase automation across all their processes across all their Manufacturing Facilities. They intend to increase the level of automation at their upcoming manufacturing facilities at Anjar and the recently established Numaligarh Facility as compared to the current levels of automation at their existing Manufacturing Facilities. The completion of their expansion plans and a consequent increase in their installed capacity, will reduce the pressure on their existing Manufacturing Facilities. This will in turn enable them to re-engineer and automate certain processes and systems at their existing Manufacturing Facilities.

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

The company intend to augment their 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. Their 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 utilizing certain automation equipment. Each party shall bear its own fees, expenses and/or costs of any kind in respect of its roles and responsibilities. Upon completion of the pipe fabrication automation trial/ test, if in the sole opinion of the multinational oil and gas company it evaluates and decides that the results of the trial/ test are technically and commercially viable, the parties intend to negotiate in good faith to enter into a definitive agreement for the performance of pipework fabrication. The Collaboration Agreement is valid for a term of three years from the effective date, i.e., February 7, 2023, or the completion of the development as determined by the multinational oil and gas company, whichever is earlier. The company expects this collaboration to have a positive impact on their revenue on a sustainable basis from the multinational oil and gas company.

Increasing their focus on high margin products with additional contributions from modular skids and usage of high-grade materials which offers a better margin contribution to profitability

The company continually evaluates product and service opportunities enabling movement towards higher value-addition and improving margin profile of their revenue portfolio. The endeavor to focus on higher gross margin products, coupled with their process and procurement efficiency to consistently improve their gross margins and growth in gross profits. They regularly evaluate their existing manufacturing portfolio and undertake calibrated relocation of manufacturing any identified product to optimize cost structure and resulting margins. They intend to sustain and increase the growth of their piping division through a combination of measures including increasing contributions from modular skid components, usage of higher-grade materials and focusing on customer retention. They offer advanced specialized process piping solutions to their customers for pipe rack and processing structures by way of modular skids. These modular skids have a wide range of applications in the petrochemicals and natural gas sectors as well as in energy projects. Modular skids offer customers numerous advantages over conventional structures such as the structure being safer and quicker to install and commission, efficiency in cost and materials used while allowing for robust designs with scalability. As part of their strategy, they also intend to expand their usage of high-grade materials including Inconel and hastelloy in their specialized process piping solutions.

Launch their pilot plant offerings in the near future

The company has recently expanded their business by entering a new business vertical of design, engineering, fabrication and manufacturing of pilot plants. Their order book from pilot plants as of December 31, 2023, is ₹ 106.08 million. 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. The company believes that their engineering capabilities, and expertise in design, fabrication and technical know-how will enable them to successfully execute projects in this sector. They intend to provide a one-stop solution for the pilot plant requirements of their customers in the oil and gas, petrochemicals, refineries, specialty chemicals, pharmaceuticals and nuclear sectors. This includes providing services to their customers ranging from conceptualization to commissioning of the pilot plant, which will include 3-D modelling, process simulation, control engineering, design, fabrication and construction of the pilot plant, followed by installation of the plant at the site which the customer requires the plant to be set-up. They have recently received their first order for the design, engineering, fabrication and manufacturing of a pilot plant.

PRODUCT, SERVICES AND MANUFACTURING PROCESSES

As part of their specialized process piping solutions, they manufacture 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 superheater coils, de-super heaters and other customized manufactured components. The company's vast experience of over three and a half decades in piping manufacturing, coupled with advanced infrastructure and technology, enables them to provide process piping solutions tailored to their customer's needs. Over the years, they have developed a wide range of products to meet the evolving requirements of the customers. The table below sets forth the production and sales volume of the products offered by their Company for the period/years ended December 31, 2023, March 31, 2023, March 31, 2022, and March 31, 2021:

Manufacturing Facilities	Product Name	For the period ended, December 31, 2023		For the year ended, March 31, 2023		For the year ended, March 31, 2022		For the year ended, March 31, 2021	
		Production Volume (in MT)	Sale Volume (in MT)	Production Volume (in MT)	Sale Volume (in MT)	Production Volume (in MT)	Sale Volume (in MT)	Production Volume (in MT)	Sale Volume (in MT)
Palwal Facility I	Induction Bends	368	368	506	518.46	501	471.86	471	508.81
Palwal Facility II	Pipe Fittings	1,134.69	1,067.35	2,014.00	2,063.59	1,823.00	1,716.96	1,273.00	1,375.20
Palwal Facility III	Piping Spools	19,259.63	19,148.90	18,921.00	19,386.90	10,097.00	9,509.65	11,736.00	12,678.21
Barmer Facility	Piping Spools	2,962.00	2,962.00	2,751.94	2,751.94	1,564.44	1,564.44	-	-
Anjar Facility I	Piping Spools	1,458.64	1,458.64	1,248.00	1,248.00	-	-	-	-
Anjar Heavy Fabrication Facility	Wind Turbine Towers	7,014.52	7,014.52	9,586.06	9,586.06	7,628.00	7,628.00	7,748.40	7,748.40
Bangkok Facility	Piping Spools	4,326.90	4,280.58	5,703.77	5,727.82	3,456.43	3,401.57	2,796.09	2,550.62
Total Volume		36,524.38	36,299.99	40,730.77	41,282.76	25,069.87	24,292.49	24,024.49	24,861.24

Biomass Power Plants	Product Name	For the nine months ended December 31, 2023		For the year ended, March 31, 2023		For the year ended, March 31, 2022		For the year ended, March 31, 2021	
		Production Volume (in MW)	Sale Volume (in MW)	Production Volume (in MW)	Sale Volume (in MW)	Production Volume (in MW)	Sale Volume (in MW)	Production Volume (in MW)	Sale Volume (in MW)
Abohar Biomass Power Plant	Electricity	41,479,662	41,479,662	55,387,488	55,387,488	58,313,938	58,313,938	50,148,813	50,148,813
Muktsar Biomass Power Plant	Electricity	38,534,500	38,534,500	45,140,500	45,140,500	52,071,500	52,071,500	47,012,900	47,012,900
Total		80,014,162	80,014,162	100,527,988	100,527,988	110,385,438	110,385,438	97,161,713	97,161,713

Products

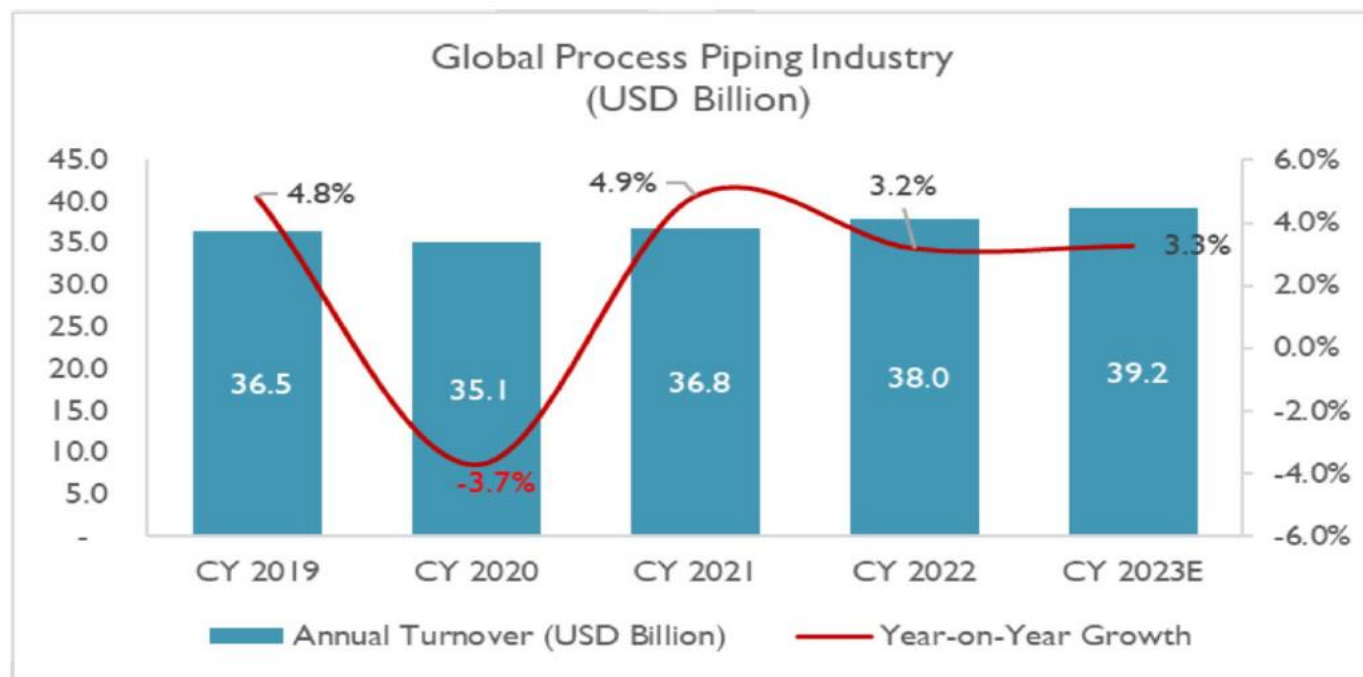
The product portfolio primarily consists of piping spools, industrial pipe fittings, induction pipe bends, pressure vessels, industrial stacks, modular piping (skids and modules), wind turbine towers and pilot plants, which they manufacture as per the requirements of their customers in domestic and international markets.

Industry Snapshot:**Global Process Piping Industry**

The global market for process piping system is valued at approximately USD 39.2 billion per annum in 2023 and is expected to reach USD 54.5 billion by 2030, registering a compounded growth rate of 4.8% between 2023 and 2030. The demand would be driven by Asia Pacific region, which is the largest and fastest growing region. An upswing in capital expenditure projects, across all industrial segments is a precursor to the strong demand potential for process piping solutions.

Current Market Size and Historical Growth Trend

The global demand for process piping solution contracted in 2020, as the world grappled with the spread of Covid-19 pandemic. Lockdowns imposed by countries around the world led to a drop in demand while supply side was impacted by disruptions in manufacturing operations, and product availability. As a result, the industry turnover dropped by nearly 3.7% in 2020. Since then, the industry has recovered gradually, in line with the slow but steady improvement in general economic scenario. The global process piping industry recouped the losses suffered in 2020 the very next year itself, growing by nearly 4.9% in 2020 – 21 period. Although the annual growth rate slowed down in 2022, the overall growth trend in the industry remained positive.



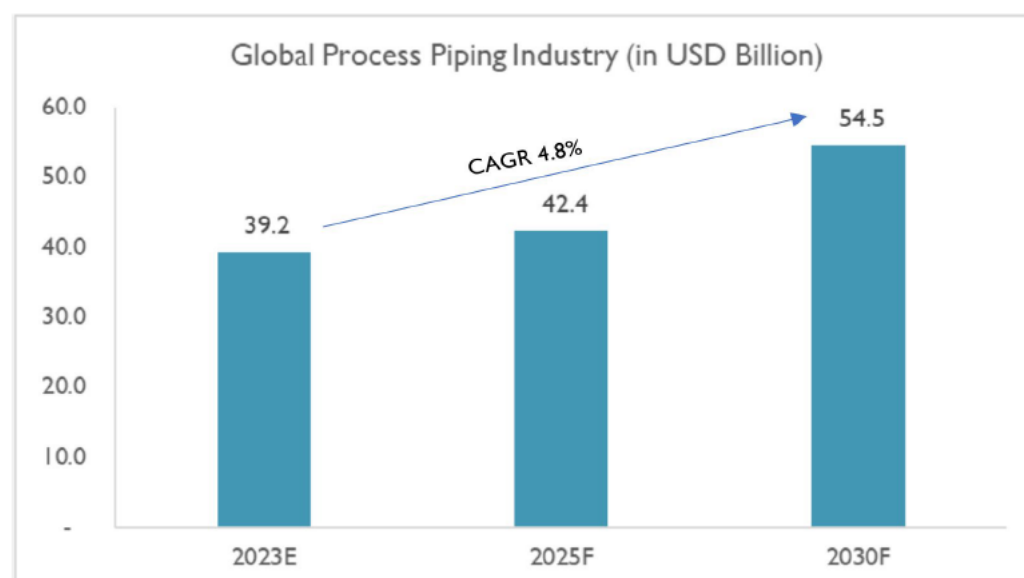
Typically, demand for process piping solutions is triggered by capacity expansion projects happening in the industrial sector. Consequently, capital expenditure trends serve as a proxy for demand. Globally, consolidated capital expenditure declined by 6% in 2020, on the back of covid-19 pandemic related slump in spending. However, the overall sentiment improved in the next couple of years as annual CapEx came back to growth track. Although lifting of pandemic induced uncertainty played a part, this improvement is not purely a reversal of pandemic induced slump in spending.

Capex decisions was part of long-term strategies and thus has proven resilient to any sudden distress / disturbances. Although the pandemic proved to be a major global disruptor, there was always a perception that it would be contained sooner or later. It is because of this perception that no major capex reversal happened, and growth returned to its normal path. Subsequently, the spending on process piping solution – which accompanies capex plans – revived quickly, after a single year of adverse growth.

Growth Forecast

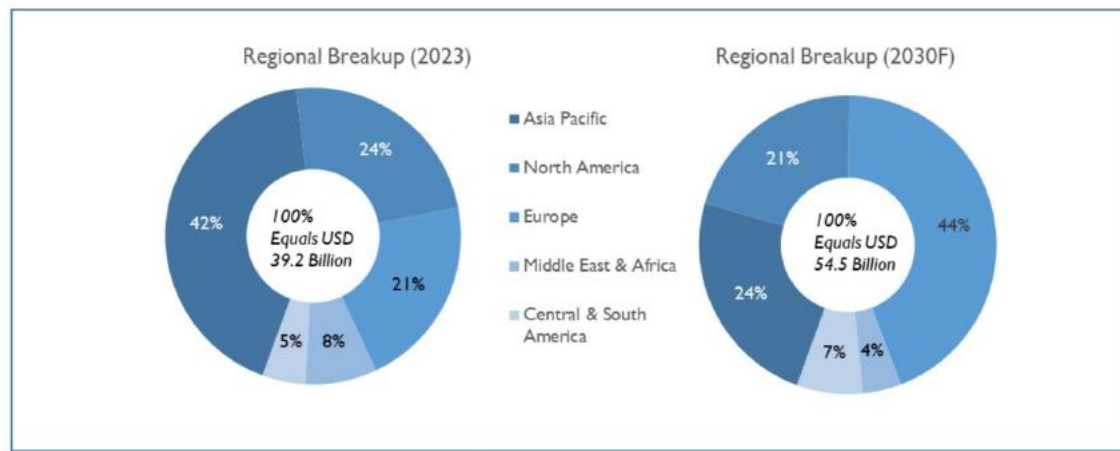
The global market for process piping solutions is expected to reach USD 54.5 billion by the end of this decade, growing by a CAGR of 4.8% during the 2023-30 period.

Asia Pacific would maintain its dominance, on the back of strong growth in capital expenditure in manufacturing sector across China and India. Indian Government is targeting to increase the manufacturing sector share in GDP from the current 15 – 16% to 25% by 2025. To make this happen, the Country has implemented a wide range of programs – including Make in India, and Production Linked Incentive Scheme. Chemical and petroleum refining is expected to drive the demand, across Asia Pacific as well as the global market. In the refining sector, the strong demand for petrochemical feedstock from developed and developing economies is expected to trigger the next wave of capital spending. Meanwhile chemical manufacturing has always seen strong investment, due to the sheer variety of chemicals as well as its usage across all industrial segments. Together, capital expenditure in these two sectors would be a key demand driver for process piping solutions in the coming years.



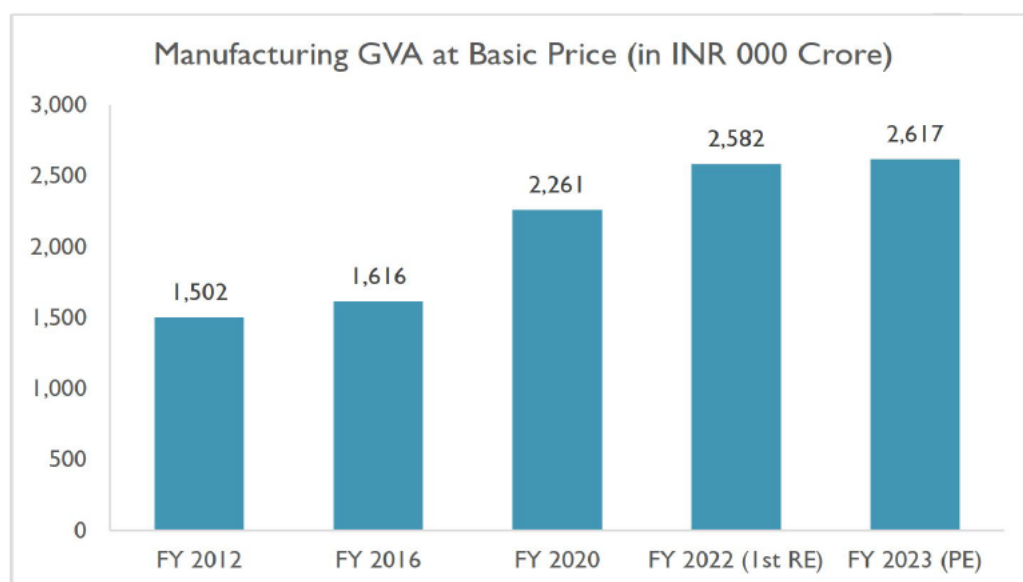
Regional Markets

Asia Pacific leads the global process piping market, accounting for 42% of global market size in 2023. This dominance is a result of the shift that has happened in capital investment trend, which moved from North America and Western Europe to Asia Pacific region. The region is estimated to account for nearly 50% of the total global capex in 20209, underlining the shift in capital expenditure pattern that has happened10. Countries in Asia Pacific region – like China and India – are increasing their manufacturing capabilities across segments, and this has resulted in higher demand for process piping solutions.



Indian Process Piping Industry

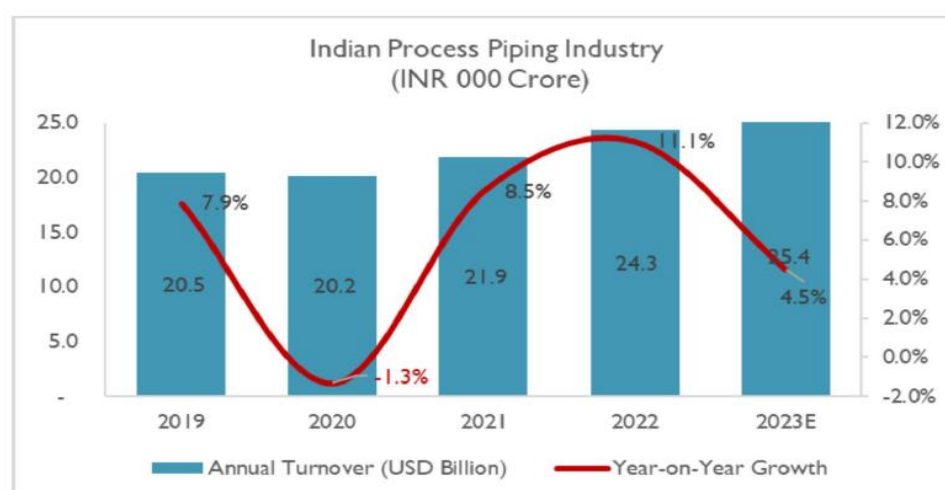
India’s manufacturing sector witnessed rapid growth in the past couple of decades, due to a combination of supportive policy measures, market friendly reform measures, as well as changes in global economic landscape (particularly the rise in outsourcing which saw a shift in manufacturing from developed to developing economies). These factors have translated into strong growth in manufacturing output. Subsequently the Gross Value Added (GVA) from manufacturing sector surged from approximately INR 1,502 thousand crores in FY 2012 to nearly INR 2,617 thousand crores in FY 2023.



Between FY 2012 - 2023, India became the leading manufacturer of products ranging from pharmaceuticals, textiles, cement, steel while adding substantial capacity in sectors like petroleum refining, chemical, and power generation. The strong growth in capacity addition across these manufacturing sectors generated steady demand for process piping solutions. Riding on the back of this strong growth in manufacturing capacity across industries, the process piping solutions market in India has managed to generate an annual turnover of approximately INR 25.4 thousand crores in FY 2023. By FY 2030, the annual turnover in Indian process piping solution market is expected to reach INR 38.4 thousand crores, increasing by a CAGR of nearly 6.1% between FY 2023 and FY 2030.

Current Market Size and Historical Growth Trend

Indian market for process piping is estimated to have reached INR 25.4 thousand crore per annum in FY 2023, increasing by a CAGR of 5.5% during FY 2019-23 period. Like all economic sectors, the demand for process piping too dipped in FY 2020 on account of covid-19 pandemic. However, the rebound in demand in the succeeding years has been phenomenal. The strong rebound in economic activity from 2020 due to pent up demand and improvement in capital spending landscape have supported this revival in demand in process piping industry.



Chemical & pharmaceutical sector followed by petroleum / crude oil refining are the two largest end users of process piping solutions in India, reflecting the trend that is visible at a global level. Together these sectors accounted for nearly 48% of the total process piping market in India in 2023.

Comparison with listed entity

Name of Company	Face Value (₹ per share)	Revenue from Operations (in ₹ million)	EPS (₹ per share)	NAV (₹ per share)	P/E	Return on Net worth (%)
DEE Development Engineers Ltd.	10	6,143.20	1.88	79.87	107.9	3.14%
Listed Peers						
ISGEC Heavy Engineering Ltd.	1	64,117.13	26.72	325.32	42.4	8.59%

Key Risk:

- The company is measured against high quality standards and stringent performance requirements by their customers. Any failure by them to comply with these standards or performance requirements may lead to the cancellation of existing and future orders, recalls, liquidated damages, invocation of performance bank guarantees or warranty and indemnity or liability claims, which could adversely affect their reputation, business, results from operations, financial conditions and cash flows.
- Their business is dependent and will continue to depend on their manufacturing facilities, and they are subject to certain risks in their manufacturing process due to the usage of heavy machinery in the manufacturing operations. Any slowdown or shutdown in the manufacturing operations or strikes, work stoppages or increased wage demands by their employees could interfere with the operations, and could have an adverse effect on their business, cash flows, financial condition and results of operations.
- Majority of the Net Proceeds will be utilized for the repayment or prepayment of indebtedness availed of by the Company.
- Any downturn in the oil and gas, power (including nuclear), process industries, chemical sectors would create an adverse impact on their revenue from operations, cash flows and financial conditions.
- The company derives a significant part of their revenue from some customers, and they do not have long-term contracts with the majority of these customers. If one or more of such customers choose not to source their requirements from them or to terminate their contracts or purchase orders, their business, cash flows, financial condition and results of operations may be adversely affected.
- If they are unable to introduce new products or engineering processes and respond to changing customer preferences in a timely and effective manner or if their product become obsolete due to a breakthrough in the development of technology or alternate products, the demand for their products or engineering services and supplies may decline, which may have an adverse effect on their business, cash flows, results of operations and financial condition.
- Any underutilization of their manufacturing capacities could have an adverse effect on the business, future prospects and future financial performance.

Valuation:

DEE Development Engineers Ltd. specializes in providing engineered process piping solutions for industries including oil and gas, power (including nuclear), process industries, and chemicals, through services encompassing engineering, procurement, and manufacturing.

The company's P/E ratio is 73.2 times its FY24 annualized earnings, with a market capitalization of ₹14,016.9 million after the issuance of equity shares and a market cap-to-sales ratio of 1.92 times its FY24 annualized earnings.

DEE holds a strong competitive position, with well-established client relationships and a diverse range of specialized offerings. The company notably benefits from a solid order book and consistent financial performance. Looking at these factors we recommend “**Subscribe**” rating to the IPO.

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