



VIEWPOINT

Plant Visit Note

SECTOR

Capital Goods

COMPANY DETAILS

| | |
|-------------------------------|---------------|
| Market cap: | Rs. 1,719 cr |
| 52-week high/low: | Rs. 336 / 183 |
| NSE volume: (No of shares) | 16.76 lakh |
| BSE code: | 544198 |
| NSE code: | DEEDEV |
| Free float: (No of shares) | 6.9 cr |

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

| | |
|-----------|----|
| Promoters | 70 |
| FII | 1 |
| DII | 15 |
| Others | 14 |

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

| (%) | 1m | 3m | 6m | 12m |
|--------------------|------|------|-------|------|
| Absolute | 8.0 | 13.0 | -13.0 | -4.0 |
| Relative to Sensex | 20.0 | 28.0 | -1.0 | 3.0 |

Source: Mirae Asset Sharekhan Research, Bloomberg

Reco/View: **POSITIVE**

CMP: **Rs. 249**

Price Target: **Rs. 340**

Quick Snapshot

- Initial expansion at Anjar and commissioning of 30,000 tonne capacity were completed. Seamless pipes' backward capacity also became operational.
- Order inflow also robust at Rs 754 crore, (including a landmark order of HRSG piping from US based OEM for a contract value of Rs 364 crore.
- Shortfall of Rs 20-30 crore to hit FY26 financials as geopolitical tensions delay dispatches. Management eyes FY27 revenue of Rs 1,500 crore with order inflows of Rs 2,000 crore and margins of 18-20%.
- We expect the company to clock a strong revenue/PAT CAGR of 30%/61% respectively over FY25-28E. At CMP, the stock trades at a P/E of 16x/9x its FY2027E/FY2028E EPS, presenting an attractive investment opportunity. We remain positive for a revised PT of Rs. 340.

We met Dee Development Engineers' management on March 20, including Mr. KL Bansal (Chief Managing Director), Mr. Bhram Prakash Yadav (Chief Financial Officer) and visited its recently expanded Anjar plant. The management was confident of an upbeat energy cycle for the next decade. Order book worth Rs. 1900 crore offers revenue visibility for the next two years (considering 2025 as the base). The power division's order book stands at Rs 983.36 crore with Rs 535.40 crore in new inflows, while the oil & gas segment stands at Rs 636 crore. Dee has secured landmark order worth Rs. 364 crore (valid till February 2027) from a leading international OEM based in the US to supply Heat Recovery Steam Generator (HRSG) piping for 16 major units. Management also highlighted that they have received first contract for alloy steel seamless pipes from its new plant in Anjar. The management also expects a large chunk of orders from already-bid 38 thermal power projects. Overall, the TAM for the thermal projects is highlighted at Rs 4,000-5,000 crore and expects one order each quarter going forward. Management shrugs off any operational issues due to shortage of gas supply, thanks to electric furnaces but is facing delays in dispatches leading to revenue spillovers of Rs. 20-30 crore to the coming quarters. Pre-qualification and certifications for the critical piping projects lead to high entry barriers.

Backward integration benefits: Dee has planned backward integration by manufacturing high-specification seamless pipes of 7000 tonnes per annum, at a capex will be Rs 90 crore that would lead to a turnover of Rs. 450 crore at peak utilization. The seamless foray reduces dependency on external pipe suppliers, improving supply chain reliability and aiding margins in the long run. The Anjar plant's expansion to 30,000 MTPA is completed and now operational. Since the facility is near to the Kandla port, Dee is expected see logistics costs fall. The facility is expected to be fully utilized for oil and gas orders only. The automated assembly line which is in testing phase now will also be operational and can give a turnaround of 3x volumes of the existing capacity.

Guidance: Dee eyes revenue of Rs 1,500 crore in FY27, well supported by order inflows of Rs 2,000 crore with margins of 17-18%. In the long run, it aims to reach revenues of Rs 2,500 crore by 2030 and margins in the range of 18-20% at the upper end.

Our Call

Dee Development is on a strong earnings growth trajectory, led by its capacity expansion plans, leading industry position, OPM expansion levers, and process piping industry growth tailwinds. We expect Dee Development to achieve a revenue and net profit CAGR of 30% and 61%, respectively, over FY2025-FY2028. At CMP, the stock is trading at a P/E of 16x/9x its FY2027E/FY2028E EPS, presenting an attractive investment opportunity. We stay Positive on the stock at a PT of Rs. 340 in 12-15 months.

Key Risks

- Downturn in end-user industries such as oil & gas and power segments.
- International exposure, competitive factors, and raw-material volatility

Valuation (Standalone)

| Particulars | FY24 | FY25 | FY26E | FY27E | FY28E |
|--------------------|-------|-------|---------|---------|---------|
| Revenue | 787.9 | 827.4 | 1,150.0 | 1,500.0 | 1,800.0 |
| OPM (%) | 12.9 | 15.0 | 17.5 | 18.5 | 19.5 |
| Adjusted PAT | 25.4 | 43.6 | 74.0 | 100.1 | 181.5 |
| y-o-y growth (%) | 95.6 | 72.0 | 69.6 | 35.3 | 81.3 |
| Adjusted EPS (Rs.) | 4.8 | 6.7 | 11.3 | 15.3 | 27.7 |
| P/E (x) | 52.0 | 37.4 | 22.0 | 16.3 | 9.0 |
| P/B (x) | 2.6 | 2.8 | 2.6 | 2.3 | 1.8 |
| EV/EBITDA (x) | 20.5 | 16.9 | 10.4 | 7.5 | 5.9 |
| RoNW (%) | 5.8 | 9.1 | 13.8 | 16.2 | 24.0 |
| RoCE (%) | 6.4 | 7.0 | 9.7 | 12.2 | 13.8 |

Source: Company; Mirae Asset Sharekhan estimates

Key Takeaways from visit

- **Anjar facility stands out:** The plant has proximity to ports, increased automation for operational efficiency, and lowering fixed costs, which is intended to expand operating margins. Anjar's 30,000 MTPA capacity is fully operational and the facility has also started commercial production of seamless pipes at an installed capacity of 7,000 TPA. This marks a significant milestone in the company's strategy to strengthen backward integration and expand its presence in high-specification piping products. The plant will manufacture seamless pipes and tubes catering to critical applications across power, oil & gas, and industrial infrastructure sectors. Company already secured orders of Rs 58 crore for seamless pipe segment.
- The company is expecting good orders in coming quarters from already awarded 38 thermal projects in the last 2-3 years. The government boasts of a target of adding 80 GW of thermal energy. It is fully qualified for conventional power jobs and super-critical power units.
- **Margin levers:** Anjar Facility-II would cater to the oil & gas sector. The company would have three levers for margin expansion: 1) proximity to ports bringing down logistics costs, 2) Backward integration with seamless pipes manufacturing 3) operational efficiencies due to automation, 4) reduction in allocation of fixed costs.
- **Capex:** Management stated that company has already incurred major capex by this time and will not a major capex requirement by 2030. If required to expand company already has land in the existing facility which can be utilized. For the current capacity company can earn a peak revenue of Rs 2,500 crore which is broadly the target by 2029.
- **Biomass power plants:** Dee had to bear a loss of Rs 30-36 crore for FY26 due to ratification of rate from Rs 8. to Rs. 3. The management to curb the loss have integrated the plant with manufacturing pellets. The company highlighted that pellets manufacturing plant will be breaking even in 2026 and will be at marginal profits in 2027.
- **Working capital cycle to remain stretched:** The cycle of the company remains stretched as aligned to the industry. A major portion of working capital cycle has been blocked by inventories. The management also highlighted that any given time they would require an inventory of at least 6 months. Therefore, we believe with immense growth targets of 25-30% over FY25-28 would additionally funds over a period.

Complex manufacturing process pictures





Additional Data

Top 9 shareholders

| Sr. No. | Holder Name | Holding (%) |
|---------|-------------------------------------|-------------|
| 1 | Kotak Mahindra Asset Management Co | 6.68 |
| 2 | LIC Mutual Fund Asset Management Co | 3.84 |
| 3 | Tata Asset Management Pvt Ltd | 2.45 |
| 4 | Aditya Birla Sun Life Asset Manage | 1.15 |
| 5 | HDFC Asset Management Co Ltd | 1.04 |
| 6 | IDBI Asset Management Ltd | 0.64 |
| 7 | Allspring Global Investments Holdi | 0.64 |
| 8 | Perennial Value Management Ltd | 0.30 |
| 9 | Insignia Financial Ltd | 0.19 |

Source: Bloomberg

Key management personnel

| Name | Designation |
|-------------------------|-------------------------------------------|
| Krishan Lalit Bansal | Promoter, Chairman, and Managing Director |
| Pankaj Agarwal | Chief Operating Officer |
| Mr. Bhram Prakash Yadav | Chief Financial Officer |

Source: Company Website

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SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE - 748, NSE - 10733, MCX - 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

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