MIRAE ASSET Sharekhan

Dee Development Engineers Ltd

Promising outlook; Maintain Buy

Capital Goods	Sharekhan code: DEEDEV
Reco/View: Positive ↔	CMP: **Rs. 291** / PT: **Rs. 380** ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- Revenue grew strongly by 18% broadly led by execution spillovers of the last quarter's projects. OPM surged 788 bps to 22.1% vs our expectations of 16%. Margins rose based on cost booking of above-related projects in the previous quarter.
- Order book is strong at Rs. 1,274 crore. Order book is distributed across oil & gas (Rs. 972 crore), power including nuclear (Rs. 299 crore), and process industries (Rs. 3 crore).
- The management has revised its growth guidance to Rs 1,300 crore with margins at 19-20%, which is almost up by 500 bps over FY25. Margins may be impacted to their power plant tariff dispute.
- We expect the company to deliver a strong revenue/PAT CAGR growth of 35%/83% respectively over FY25-27E. At CMP, the stock is trading at a P/E of 17x/13x its FY2026E/FY2027E EPS, presenting an attractive investment opportunity. With base case estimates, we remain positive for a base PT of Rs. 380.

Q4FY2025 revenue growth of 17% was in line with estimates, broadly led by execution spillovers in the current quarter. Operating profit rose 83% to Rs 63 crore led by margins improvement of 788 bps to 22.1%. Led by revenue growth and margins improvement PAT grew by 170% to Rs 32 crore. Order book stood at Rs. 1,274 crore. In May, the company received order from the Punjab State Electricity Regulatory Commission (PSERC) for revising down tariff of its two Biomass power plants contemplating a revenue loss of Rs 38.5 crore. The company believes that the downward tariff revision is untenable and fails on the ground as their plants rely on sourced paddy straw instead of bagasse as an input. The company has urged the authorities to revisit the tariff revision decision. Management expects orders from the thermal power business in coming 2-3 months. Management has revised with revenue growth guidance to Rs 1,300 crore from Rs 1,100 crore earlier with margins sustaining at 19-20% without considering an impact of power plants downward tariff revision. Capacity expansion at Anjar facility in Phase II for 9,000 MTPA is operational from January 2025 and Phase III for 15,000 MTPA will be operational in Oct 2025, which would lead the total capacity to 1,27,500 MTPA from the current capacity of 1,03,500 MTPA. The new facility would be catering to the oil & gas sector, providing benefits in terms of logistics costs, operational efficiencies, and reduced overhead costs. Simultaneously, the development of high-wall seamless thickness pipe plant is advancing on schedule and would be operational by January 2026 — a key step in our backward integration strategy aimed at improving supply chain efficiency and cost competitiveness. The company looks to incur a capex of Rs 150 crores in FY26.

Key positives

- Margins significantly improved by 788 bps to 22.1 %.
- The thermal power plants orders are expected in the coming 2-3 months.
- Dee Development has received a rate contract order from Exon Mobil and company expects a business of Rs 40-50 crore in FY26. Company expects huge orders from the new client.
- Capacity expansion at the Anjar facility in Phase II for 9,000 MTPA is operational from January 2025 and Phase III for 15,000 MTPA will be operational in FY2026/FY2027

Key negatives

- There could be a financial impact of Rs 38.5 crore due to tariff downward revision order from PSERC for their 2 Biomass plants.

Management Commentary

- Management guided for a revenue of Rs 1300 crore with margins at 19-20% for FY26.
- The company is expecting good orders in coming 2-3 months from already awarded 20GW of 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.
- The company expects the margin accretion of 1-2% of total sales by utilising Anjar II in place of Palwal facility as Anjar facility is close to Kandla port, easing transportation issues.

Revision in earnings estimates – We revisited the financials for FY26-27 considering the management guidance.

Our Call

Valuation – Retain Positive view with a revised PT of Rs. 380: 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. The company has a healthy order book position that is diversified across key sectors and geographies. We expect Dee Development to achieve a revenue and net profit CAGR of 35% and 83%, respectively, over FY2025-FY2027. At CMP, the stock is trading at a P/E of 17x/13x its FY2026E/FY2027E EPS, presenting an attractive investment opportunity. Our current estimates for FY2026/FY2027E remain conservative, and we anticipate potential earnings surprises on the upside. We maintain a Positive view on the stock with a revised base-case PT of Rs. 380 over the next 12-15 months.

Key Risks

- Downturn in end-user industries such as oil and gas and power segments would impact business prospects.
- International exposure, competitive factors, and raw-material volatility are other key risks.

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

Company details

Market cap:	Rs. 2009 cr
52-week high/low:	Rs. 400/166
NSE volume: (No of shares)	9.41 lakh
BSE code:	544198
NSE code:	DEEDEV
Free float: (No of shares)	2.1 cr

Shareholding (%)

FII	1
Institutions	17
Public & others	12
Promoters	70

Price chart

Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	30.0	46.0	-7.0	NA
Relative to Sensex	29.0	35.0	-10.0	NA

Source: Mirae Asset Sharekhan Research, Bloomberg

Valuation (Consolidated) — Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	595.5	787.9	827.4	1,280.0	1,500.0
OPM (%)	11.6	12.9	15.0	19.0	19.5
Adjusted PAT	13.0	25.4	43.6	113.5	145.4
y-o-y growth (%)	58.3	95.6	72.0	160.0	28.1
Adjusted EPS (Rs.)	2.4	4.8	6.7	17.3	22.2
P/E (x)	119.0	60.8	43.7	16.8	13.1
P/B (x)	3.6	3.1	3.3	2.9	2.4
EV/EBITDA (x)	27.1	18.4	15.1	7.7	6.4
RoNW (%)	3.1	5.8	9.1	20.4	21.4
RoCE (%)	4.3	6.4	7.0	13.5	16.7

Source: Company; Mirae Asset Sharekhan estimates

Key Conference Call Takeaways

- **Guidance:** Management has revised its revenue growth guidance to Rs 1,300 crore from Rs 1,100 crore for FY26 with margins sustaining at 19-20%.
- **Outlook:** The company expects a few large orders in the oil and gas and power sectors in Q2FY2026. In the power sector, the company expects a strong order inflow from the already awarded 20GW of thermal power projects in the past 2-3 years. The company is fully qualified for conventional power jobs and super-critical power units. The company already has the approval from Nuclear Power Corporation of India for nuclear power projects. The company is in advance stages of discussion with foreign customers for overseas nuclear projects.
- **Capacity expansion:**
  - o **Anjar-II facility:** The Anjar-II facility is already operational and phase 3 of additional 15000 MTPA capacity is expected to operationalize by Oct 2025. The Anjar facility will reduce logistics costs, enhance production efficiency, and lower manpower expenses.
  - o **Thermal plant capacity:** Apart from Anjar expansions, the company, in anticipation of huge order inflows for super-critical thermal plants projects, will be setting up a new plant for seamless piping solutions catering to the thermal power sector above 600 MW for a total capex of Rs. 90 crore. The capex will be funded via debt and Rs. 22 crore of internal accruals. The plant is expected to be operational by Q4FY2026 and carries an IRR of 30-35%. The seamless piping with a diameter of 120 mm is a 100% import substitute and is 100% imported from China.
- **Margin levers:** The company's new Anjar Facility-II would cater to the oil and gas sector. The company would have three levers for margin expansion: 1) proximity to ports bringing down logistics costs, 2) operational efficiencies due to automation, 3) reduction in allocation of fixed costs.

Results (Consolidated) Rs cr

Particulars	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Net Revenue	286	243	17.6	162	76.5
Operating profit	63	35	82.8	6	1012.1
Other Income	3	6	-55.0	(1)	-392.1
Interest	12	12	-2.2	9.9	19.4
Depreciation	12	12	1.7	12	-3.0
PBT	42	16	154.6	(17)	-340.4
Tax	11	5	133.7	(4)	-359.8
Reported PAT	31	12	162.8	(13)	-334.3
Adjusted PAT	32	12	169.5	(13)	-355.7
Adj. EPS (Rs.)	4.6	1.7	169.5	(1.8)	-355.7
Margin			**BPS**		**BPS**
OPM (%)	22.1	14.2	788	3.5	1,858
NPM (%)	10.9	4.9	603	(8.2)	1,912
Tax rate	25.7	28.0	(231)	23.8	192

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Healthy growth outlook for both domestic and global process piping industries

The Indian market for process piping is estimated to have reached Rs. 25,400 crore per annum in FY2023, registering a CAGR of 5.5% during FY2019-FY2023. By 2030, the Indian market for process piping is expected to reach Rs. 38,400 crore, registering a CAGR of nearly 6.1% between 2023 and 2030. Demand from all user segments, except power plants, is expected to display strong growth. The global market for process piping system is valued at ~$39.2 billion per annum in 2023 and is expected to reach $54.5 billion by 2030, registering a CAGR of 4.8% between 2023 and 2030. Demand would be driven by the Asia-Pacific region, which is the largest and fastest growing region. Chemical and petroleum refining is expected to drive demand, across Asia-Pacific as well as the global market.

■ Company Outlook – Strong earnings growth outlook

Dee Development is the largest player in the process piping solutions in India, in terms of installed capacity, and is a global leader in terms of technical capability. In the last three-and-half decades, it has attained a leading position in an industry having significant barriers of entry (skilled labour, high capex, designing and execution capabilities, and customer stickiness).

■ Valuation – Retain Positive view with a revised PT of Rs. 380

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. The company has a healthy order book position that is diversified across key sectors and geographies. We expect Dee Development to achieve a revenue and net profit CAGR of 35% and 83%, respectively, over FY2025-FY2027. At CMP, the stock is trading at a P/E of 17x/13x its FY2026E/FY2027E EPS, presenting an attractive investment opportunity. Our current estimates for FY2026/FY2027E remain conservative, and we anticipate potential earnings surprises on the upside. We maintain a Positive view on the stock with a revised base-case PT of Rs. 380 over the next 12-15 months.

About company

Dee Development is an engineering company providing specialised process piping solutions for industries such as oil and gas, power (including nuclear), chemicals, and other process industries through engineering, procurement and manufacturing. The company has a manufacturing experience of over three and a half decades. The company has 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, with a cumulative installed capacity of 1,00,500 MTPA. The company is currently ranked as one of the leading process pipe solution providers in the world, in terms of technical capability; and it is the largest player in process piping solutions in India, in terms of installed capacity.

Investment theme

Dee Development is on a strong earnings growth trajectory, led by its capacity expansion plans, leading industry position, operating margin expansion levers, and process piping industry growth tailwinds. The company has a healthy order book position, diversified across key sectors and geographies. The company is in the process of enhancing manufacturing capacities to capitalise on the capex revival in oil and gas, power, and chemicals sectors. Upcoming capacities near ports (reduction in logistics costs), focus on high-margin products (modular skids and usage of high-grade materials), increasing automation (at upcoming units), and operating leverage are expected to drive operating margins and net earnings.

Key Risks

- Downturn in end-user industries such as oil and gas and power would impact business prospects negatively.
- International exposure, competitive factors, and raw-material volatility are other key risks.

Additional Data

Key management personnel

Name	Designation
Krishan Lalit Bansal	Promoter, Chairman, and Managing Director
Pankaj Agarwal	Chief Operating Officer
Sameer Agarwal	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Kotak Mahindra Asset Management Co	6.94
2	LIC Mutual Fund Asset Management C	3.11
3	Aditya Birla Sun Life Asset Manage	2.76
4	Tata Asset Management Pvt Ltd	2.17
5	PineBridge Investments LP	2.01
6	HDFC Asset Management Co Ltd	1.04
7	IDBI Asset Management Ltd	0.64
8	Allspring Global Investments Holdi	0.64
9	Perennial Value Management Ltd	0.30
10	Insignia Financial Ltd	0.19

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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Other registrations of Sharekhan Ltd.: 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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