



IPO Note

Deepak Builders & Engineers India Limited

Recommendation: **APPLY!**

Company Background -

- **Incorporation:** Deepak Builders & Engineers India Limited was originally formed and incorporated on Sep 11, 2017. The registered office is located at New Delhi, India. They acquired the business of M/s. Deepak Builders which is a partnership firm constituted by their promoter Deepak Kumar Singal on Apr 01, 1990.
- **Business Activity:** The company is an engineering and construction company specializing in construction projects (residential/ industrial buildings, hospitals, institutions etc.), infrastructural projects (road and railway projects) and sale of products.
- **Revenue Stream:** The major revenue stream for the company is from construction projects (hospitals and medical college).
- **Human Resource:** The company had 632 full-time employees as of June 30, 2024.

Objects of the Issue -

- Repayment/prepayment, in full or part, of certain borrowings availed by the Company
- Funding Working Capital Requirement
- General Corporate Purposes

Promoters Name -

Deepak Kumar Singal and Sunita Singal

Rationale for recommendation -

- ✓ The PE ratio of 13.49 post issue makes it fairly priced.
- ✓ The top line has increased consistently over the years.
- ✓ The bottom line and profitability margins have seen sudden increase in FY2024 but should not be of major concern. (Refer Recommendation)
- ✓ They have an order book of Rs. 1,380.39 Cr.
- ✓ They have vast experience in the industry.
- ✓ The management of the company is satisfactory.
- ✓ The construction and engineering industry is growing.

IPO Details

Opening Date	Oct 21, 2024
Closing Date	Oct 23, 2024
Allotment Date	Oct 24, 2024
Listing Date	Oct 28, 2024
Stock Exchange	BSE, NSE
Lot Size	73 Shares
Issue Price Per Share	₹192 to ₹203
Issue Size	260.04 Cr.
Fresh Issue	217.21 Cr.
Offer for Sale	42.83 Cr.
Application Amt	₹ 14,819 – ₹ 1,92,647 (73 to 949 shares)

INDUSTRY – Construction & Engineering

Avg. PE Ratio as per RHP – 25.03

KPI's	KPIs (In Crores)			
	FY 22	FY 23	FY 24	Jun-24
Revenue	363.05	433.46	511.40	105.11
EBITDA	41.94	50.89	112.20	30.22
Net Profit	17.66	21.40	60.41	14.21
RoCE	23.70%	18.77%	31.82%	7.16%
ROE	20.85%	21.28%	37.73%	8.16%
P/E	41.26	34.06	12.05	10.39*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post Issue
99.99%	72.50%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	16.84	15.05
BVPS	44.62	146.09
P/E	12.05	13.49
P/BV	4.55	1.39
Mkt Cap (In Cr)	728.38	945.59

Lead Managers -

Fedex Securities Private Limited

Registrar -

Kfin Technologies Limited

Business Overview -

Deepak Builders & Engineers India Limited is an integrated engineering and construction company, specializing in execution and construction of administrative & institutional buildings, hospitals and medical colleges, industrial building, historical memorial complex, stadium and sports complex, residential complex and various developmental and other construction activity. They also undertake specialized structural work such as flyovers, rail under bridge, rail over bridges, approach roads and development and redevelopment of railway stations. They also undertake O&M activities in accordance with contractual obligations under the projects. They have established their presence in 4 states of India i.e., Punjab, Haryana, Rajasthan, Uttarakhand and 2 Union Territories i.e. Chandigarh and Delhi. The company owns and maintains 398 major equipment and machineries.

Order Book: As of June 30, 2024, they have an order book of Rs. 1,380.39 Cr. and have 12 ongoing projects, including 4 hospital and medical college projects, 1 administrative & institutional building, 1 industrial building, 4 projects relating to upgradation/development of Railway Station and related work, and 2 roads & bridges projects relating to rail over bridges.

Clients: Northern Railways, Public Work (Roads & Buildings) Department, Punjab (PWD Punjab), Public Work (Roads & Buildings) Department, Haryana (PWD Haryana), Public Work Department, Uttarakhand (PWD Uttarakhand), WAPCOS, NPCCL, HSCC, IOCL, Greater Mohali Area Development Authority, Punjab (GMADA Punjab), Ludhiana Smart City Limited (LSCL), Punjab Cricket Association (PCA) and Punjab Heritage and Tourism Promotion Board (PHTPB).

Completed Projects -

Jang-E-Azadi, Kartarpur, Punjab



International Cricket Stadium, New Chandigarh, Punjab



Heritage Walk, Golden Temple, Amritsar, Punjab



Revenue Bifurcation -

(Amt in Cr.)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Construction Projects						
Administrative & Institutional	2.19	0.60	-	-	2.46	0.48
Hospitals and Medical College	164.72	45.37	223.24	51.50	172.26	33.68
Sports & Stadium Complex	9.17	2.53	-	-	4.34	0.85
Developmental and other Construction Activity	23.24	6.40	30.07	6.94	3.26	0.64
Residential Buildings	59.97	16.52	24.33	5.61	2.72	0.53
Industrial Buildings	-	-	50.75	11.71	101.81	19.91
Infrastructure Projects						
Road Projects	40.88	11.26	16.11	3.72	9.88	1.93
Railway Projects	-	-	2.85	0.66	175.27	34.27
Sale of Products						
Sale of Material	62.90	17.32	86.11	19.87	39.40	7.70
Total	363.05	100.00	433.46	100.00	511.40	100.00

Utilization of Net Proceeds -

The net proceeds of the issue will be utilized for repayment/prepayment of borrowings availed by the company (Rs. 30 Cr.), funding working capital requirements (Rs. 111.96 Cr.) and remaining for general corporate purposes.

Competition -

- 1. Market Competition:** The industry is highly competitive and the key factors of competition are type of project, total contract value, potential margins, the complexity, location of the projects and risks relating to revenue generation.
- 2. Geographic Competition:** The company faces competition from organized as well as unorganized players in both domestic as well as international market.
- 3. Barriers to entry:** Low barriers to entry.
- 4. Threat of Substitutes:** High threat of substitutes.
- 5. Bargaining power of Suppliers:** The bargaining power is slightly high with the suppliers.
- 6. Bargaining Power of Buyers:** The bargaining power is high with the customers.

Business Strategies -

1. The company intends to focus on undertaking government projects in Northern India, where they believe they have reputation associated with quality and a track record of successful execution.
2. They are accredited as Class I – (Super) Contractor with Central Public Work Department, Government of India and are pre-qualified to bid independently for single projects up to a tender value of ₹650.00 Cr. and intend to enhance their bid capacity.
3. They also seek to implement an enterprise resource planning (“ERP”) system for improved efficiency and better control over project sites.
4. They intend to enhance in-house integration model in the areas of design and engineering capabilities, project management and central procurement facilities.

Risk Factors -

The company is dependent on top 10 customers for majority of their revenue generation which contributed to 82.61%, 80.13% and 92.30% for FY2022, 2023 and 2024 respectively.

The company is derived majority of its revenue from Punjab and Haryana which contributed to 38.25%, 37.62% and 79.99% for FY2022, 2023 and 2024 respectively.

The company has 35 outstanding cases against it for criminal, civil and tax matters amounting to Rs. 15.72 Cr and they have filed 5 cases regarding criminal and civil matters amounting to Rs. 34.37 Cr.

The directors have 13 cases against them regarding criminal and tax matters amounting to Rs. 0.66 Cr. and 4 cases were filed by them regarding criminal and civil matters amounting to Rs. 0.15 Cr.

The company has contingent liabilities of Rs. 293.28 Cr. as of June 30, 2024.

PEER ANALYSIS

Particulars	Deepak Builders & Engineers India Limited			IRCON International Limited			Ahluwalia Contracts (India) Limited			PSP Projects Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	4.9%	4.9%	11.8%	7.7%	7.1%	7.2%	5.7%	6.8%	9.2%	9.4%	6.7%	4.9%
EBITDA Margin	11.6%	11.7%	21.9%	11.1%	10.4%	11.7%	10.5%	11.6%	15.2%	15.8%	13.0%	11.3%
RoCE	24.9%	18.1%	31.8%	10.5%	12.2%	13.7%	21.7%	21.4%	27.9%	35.2%	25.6%	23.0%
ROE	20.9%	21.3%	37.7%	12.7%	14.7%	15.8%	15.0%	15.8%	23.4%	24.3%	16.5%	13.4%
EPS (INR)	4.92	5.96	16.84	6.30	8.14	9.88	23.17	28.96	55.96	46.29	36.65	34.16
P/E	41.26	34.06	12.05	6.43	6.88	22.23	20.21	19.91	18.25	11.84	18.31	20.14

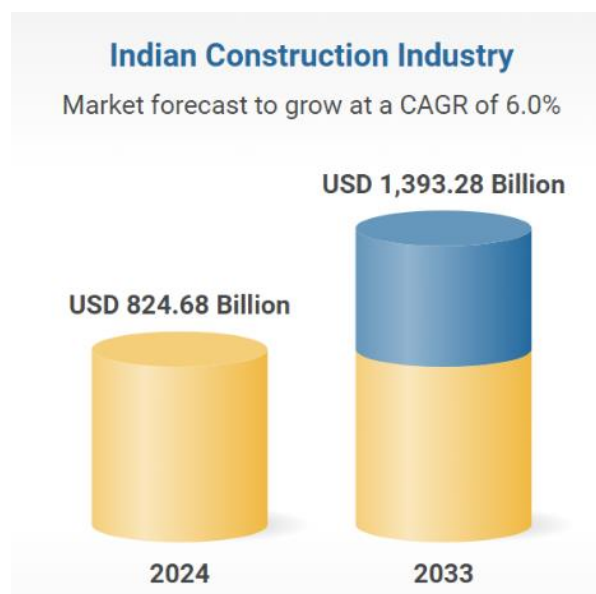
Interpretation -

- The market cap of the company is less compared to its peers.
- The cash conversion cycle of the company is worse than its peers.
- The NP Margin and EBITDA margin of the company has seen a sudden increase in FY2024 and a similar increase can be for Ahluwalia Contracts. For PSP Projects the margins have decreased and IRCON International has maintained its margins over the years.
- The PE ratio of the company is less compared to its peers.
- The RoCE and ROE is higher compared to its peers.

INDUSTRY OVERVIEW

Indian Construction Industry -

India's construction industry is on a phenomenal growth trajectory, projected to reach a staggering USD 1.4 trillion by 2025, accounting for 8%-10% of India's GDP. The industry is expected to double in size within the next six years. Projections indicate the construction sector's contribution to India's GDP could rise to 15% by 2030, further solidifying its role as a critical economic driver.



(Source: Research and Markets)

Growth under infrastructure construction industry -

Railway - India's vast railway network, spanning 132,310 km, supports over 22,000 daily trains, with a record-breaking 5243 km of new lines added in FY 2022-23. Remarkably, there has been a significant increase in funding for railway development, with allocations growing at a CAGR of 37% from FY 2020 to FY 2024. The major government policies are Amrit Bharat Station Scheme, One Station One Product Scheme, National Infrastructure Development fund etc.

Road - India has a road network spanning approximately 6.6 million kms, making it the second largest in the world. India also has the second largest highway network in the world spanning approximately 146,145 kms.

Airport - India has witnessed massive growth in air travel in the recent years. The air passenger traffic in India is expected to double its 2019 market size by 2035. According to the Airports Authority of India (AAI), in the last eight years, the number of airports in the country has increased from 50 to 148 in 2023, and over the next five years, 89 new airports are expected to be opened.

Industrial Construction - India's industrial landscape is undergoing a transformative journey, fueled by ambitious government initiatives like "Make in India" and rapid economic growth. The market is estimated to grow at a robust CAGR of 12% by 2027. The major government initiatives include Make in India, PLI Scheme, Skill India etc.

Medical Colleges & Hospital Infrastructure - The overall hospital infrastructure in India comprises of nearly 70,000 hospitals with approximately 1.9 million beds. Private sector accounts for nearly 63% of hospitals and 62% of hospital beds in the country. The Union Health Ministry aims to set up 100 new medical colleges by 2027 by upgrading district hospitals.

Key Management -

- The overall management of the company is satisfactory.
- The promoter and management has good experience.
- There is an evidence of dual chairmanship, which is not favourable.
- Rishabh Gupta (CFO) has completed B. Com and is a qualified CA with 10+ years of experience.



Key Management Persons Name - Age	Deepak Kumar Singal 67
Designation and No. of experience	Promoter, Chairman and Managing Director, 30+ years of experience in construction industry.
Qualification	Secondary school education
Responsibility	Currently looks after the day-to-day affairs of the Company and contributes to the overall growth and expansion of the Company
Other Ventures	M/s Deepak Builders

Key Management Persons Name - Age	Sunita Singal 64
Designation and No. of experience	Promoter and Whole-Time Director, 11 years of experience in construction industry
Qualification	Bachelor's degree in Arts
Responsibility	Responsible for administrative affairs of the Company
Other Directorship	Deepak Singal Engineers and Builders Private Limited

Key Management Persons Name - Age	Inder Dev Singh 74
Designation and No. of experience	Independent Director, 40+ years of experience in banking and finance
Qualification	Bachelor's degree in Law (Non-Professional)
Other Directorships	Satia Industries Limited

Key Management Persons Name - Age	Kashish Mittal 35
Designation and No. of experience	Independent Director, 8+ years of experience in Govt of India
Qualification	Bachelor of Technology in Computer Science, IAS officer
Other Directorships	Blendnet Tech Solutions Private Limited

Key Management Persons Name - Age	Vinod Kumar Kathuria 66
Designation and No. of experience	Independent Director, 43+ years of experience in banking and finance
Qualification	Master's degree in Commerce and associate of Indian Institute of Bankers
Other Directorships	XL Energy Limited, Super Smelters Limited, Sarda Cropchem Limited etc.

The overall management of the company is satisfactory. Their senior management and key managers have good experience. Senior management members Ashok Kumar (General Manager – Administration) and Sunil Kumar (Manager – Tender/ Documentation) have been involved with M/s Deepak Builders partnership since a long time. Even though the company's founders are elderly, the following generation will take over the business and is already employed there in various departments.

FINANCIAL SNAPSHOT**Statement of Profit and Loss**

Amt in Crores

Particulars	FY 22	FY 23	FY 24	Jun-24
Revenue from Operations	363.05	433.455	511.40	105.11
Other Income	1.94	2.01	5.34	1.23
Total Income	364.99	435.46	516.74	106.34
Expenses				
Cost of Material Consumed	249.32	289.08	268.39	49.91
Construction Expenses	49.48	67.14	86.37	15.34
Employee Benefit Expenses	16.47	20.43	31.34	6.15
Finance Cost	16.53	18.60	28.58	6.59
Depreciation and amortisation expense	3.60	5.57	7.17	1.62
Other expenses	5.85	5.92	13.11	3.50
Total Expenses	341.24	406.73	434.96	83.10
EBITDA	41.94	50.89	112.20	30.22
EBITDA Margin	11.55%	11.74%	21.94%	28.75%
Profit/(Loss) before tax	23.75	28.73	81.78	23.24
Tax Expense				
Current tax	6.01	7.57	21.57	6.08
Tax for earlier years	0.07	-0.24	-0.265	-0.03
Deferred Tax	-	-	0.07	2.98
Total Tax	6.08	7.33	21.38	9.03
Profit/(Loss) for the year	17.66	21.40	60.41	14.21
Net Profit Margin	4.84%	4.91%	11.69%	13.37%

Statement of Assets and Liabilities

Amt in Crores

Particulars	FY 22	FY 23	FY 24	Jun-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	35.88	35.88	35.88	35.88
Other Equity	48.84	64.66	124.22	138.23
Total Equity	84.72	100.54	160.10	174.11
2. Non-current liabilities				
Financial Liabilities				
(i) Borrowings	31.50	33.18	80.42	71.83
(ii) Lease Liabilities	-	-	3.46	3.43
(ii) Other financial liabilities	0.99	1.55	0.73	0.77
Provisions	0.48	0.66	0.87	0.87
Deferred tax liabilities	4.47	2.35	1.80	1.71
Other non-current liabilities	39.59	103.13	82.62	118.82
Total Non-current liabilities	77.02	140.87	169.92	197.42
3. Current liabilities				
Financial Liabilities				
(i) Borrowings	48.15	63.39	72.62	81.34
(ii) Lease Liabilities	-	-	0.12	0.12
(iii) Trade Payables				
(a) Outstanding Dues to MSME	3.75	75.26	41.63	41.11
(b) Outstanding Dues to other than MSME	78.60	41.98	74.03	95.94
(iv) Other Financial Liabilities	4.35	8.10	14.25	15.33
Provisions	0.05	0.22	0.26	0.26
Other current liabilities	25.54	18.57	16.91	18.78
Current Tax Liabilities (net)	-	0.36	8.92	16.68
Total Current liabilities	160.44	207.89	228.73	269.57
Total Liabilities	237.47	348.76	398.65	467.00
Total Equity and Liabilities	322.18	449.30	558.75	641.10
ASSETS				
1. Non-current assets				

Particulars	FY 22	FY 23	FY 24	Jun-24
Property, Plant and Equipment	50.90	50.86	54.03	52.86
Right-to-use assets	-	-	10.54	10.34
Financial Assets				
(i) Investments	0.07	-	0.07	0.15
(ii) Other financial assets	46.27	66.68	74.93	74.97
Other non-current assets	23.03	27.82	41.65	41.46
Total Non-Current assets	120.27	145.36	181.22	179.76
2. Current assets				
Inventories	69.11	170.00	212.87	240.19
Financial Assets				
(i) Trade receivables	95.80	97.51	72.26	99.54
(ii) Cash and cash equivalents	0.24	3.17	0.09	1.25
Current Tax assets (net)	1.83	-	-	-
Other Current Assets	34.94	33.26	92.31	120.36
Total Current assets	201.92	303.94	377.53	461.34
Total Assets	322.18	449.30	558.75	641.10

Cash Flow Statement

Amt in Crores

Particulars	FY 22	FY 23	FY 24	Jun-24
Net Cash Flow from Operating Activities	0.60	12.88	-26.85	6.43
Net Cash Flow from Investing Activities	-5.19	-13.10	-11.13	-0.59
Net Cash Flow from Financing Activities	0.04	3.15	34.90	-4.67

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	4.92	5.96	16.84	EV/EBITDA	3.91	3.81	2.79
BV per share	23.61	28.02	44.62	Market Cap / Sales	2.60	2.18	1.85
<u>Operating Ratios</u>				P/E	41.26	34.06	12.05
EBITDA Margins	11.55%	11.74%	21.94%	Price to Book Value	8.60	7.24	4.55
PAT Margins	4.84%	4.91%	11.69%	<u>Solvency Ratios</u>			
Inventory days	69.48	143.15	151.93	Debt / Equity	0.94	0.96	0.96
Debtor days	96.31	82.11	51.57	Current Ratio	1.26	1.46	1.65
Creditor days	102.31	109.73	135.63	Quick Ratio	0.83	0.64	0.72
<u>Return Ratios</u>				Asset Turnover	1.13	0.96	0.92
RoCE	23.70%	18.77%	31.82%	Interest Coverage Ratio	2.32	1.53	5.73
RoE	20.85%	21.28%	37.73%				

FINANCIAL ANALYSIS –

- The top line has consistently increased over the years by 19.39% in FY2023 and by 17.98% in FY2024. The increase was mainly due to increase in revenue from construction contracts which includes 3 railway station projects, industrial building in Panipat, National Institute of Ayurveda, New Medical College, Advanced Neurosciences Centre and other projects and sale of construction materials.
- The net profit growth has also increased over the years by 21.12% in FY2023 and by 182.36% in FY2024. Reduction in cost of materials and railway projects as well as their project with IOCL has contributed to the sudden increase in FY2024.
- The PAT margin and EBITDA margin have also increased over the years and seen a sudden increase for FY2024.
- The RoCE and RoE has increased over the years.
- The PE ratio has improved over the years.
- The cash flow from operations was negative for FY2024.

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Fedex Securities Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Fedex Securities Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	HVAX Technologies Limited	33.53	458.00	Oct 07, 2024	658.75
2.	Naturewings Holidays Limited	7.03	74.00	Sep 10, 2024	60.50
3.	Boss Packaging Solutions Limited	8.41	66.00	Sep 06, 2024	58.00
4.	Broach Lifecare Hospital Limited	4.02	25.00	Aug 21, 2024	26.82
5.	Magenta Lifecare Limited	7.00	35.00	July 12, 2024	30.54
6.	Finelistings Technologies Limited	13.53	123.00	May 14, 2024	61.00
7.	Vrudhi Engineering Limited	4.76	70.00	April 03, 2024	76.50
8.	GConnect Logitech and Supply Chain Limited	5.60	40.00	April 03, 2024	190.55
9.	Mukka Proteins Limited	224.00	28.00	Mar 07, 2024	41.45
10.	Deem Roll Tech Limited	29.26	129.00	Feb 27, 2024	99.80

The company has handled 28 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 18th Oct 2024.

As per the offer document, the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

Deepak Builders & Engineers India Limited has been in the industry since 2017 and have acquired M/s Deepak Builders partnership which was incorporated on April 01, 1990. So, the company has vast experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 13.49 times which makes it fairly priced compared to its peer's average PE.

The company's top line has increased consistently over the years and looks sustainable in the future. The bottom line and profitability margins of the company has seen a sudden increase in FY2024 but it should not be of major concern. The sudden increase is due to their railway projects (redevelopment of Ludhiana Junction railway station, Faridabad railway station and Jalandhar railway station) and also their project with IOCL plant building have high profit margins. The tenders that they had taken in this period are highly valued compared to tenders taken up during COVID. Furthermore, their purchase cost had seen a slight decrease which was due to overall decrease in steel price and their purchase cost might further decrease in future. They are planning to enter the airport infrastructure segment as well.

The company has a good order book of Rs. 1,380.39 Cr. which will help them improve their top line in the future.

Thus, investors can **APPLY** to this IPO.

Disclaimer

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