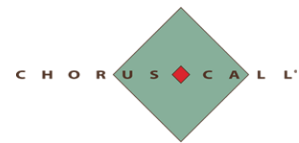




“DEE Development Engineers Limited
Q1 FY '25 Results Update Conference Call”

August 19, 2024



MANAGEMENT: **MR. KRISHAN LALIT BANSAL – CHAIRMAN AND
MANAGING DIRECTOR – DEE DEVELOPMENT
ENGINEERS LIMITED**
**MR. SAMEER AGARWAL – CHIEF FINANCIAL OFFICER
– DEE DEVELOPMENT ENGINEERS LIMITED**

MODERATOR: **MR. VAIBHAV SHAH – EQUIRUS SECURITIES**
**MR. SANJEEV SANCHETI – HEAD, INVESTOR
RELATIONS – UIRTUS LLP**

Moderator: Ladies and gentlemen, good day and welcome to DEE Development Engineers Limited Q1 FY '25 Results Update Conference Call, hosted by Equirus Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vaibhav Shah from Equirus Securities. Thank you and over to you, Mr. Shah.

Vaibhav Shah: Hi, good afternoon, everyone. On behalf of Equirus Securities, I would like to welcome you all to the 1Q FY '25 Earnings Conference Call of DEE Development Engineers. Today from the management team, we have with us Mr. Krishan Lalit Bansal, Chairman and Managing Director. Mr. Sameer Agarwal, Chief Financial Officer and Mr. Sanjeev Sancheti, Head, Investor Relations, Uirtus Advisors LLP. Without taking much time, I now hand over the call to Mr. Sanjeev Sancheti, Head IR, to introduce to the management. Thank you. Over to you, Mr. Sanjeev.

Sanjeev Sancheti: Thank you, Equirus team. Thanks a lot. Arranging this first earnings call post the listing of DEE Development. Good afternoon to all the participants. Before I hand over the call to Mr. Krishan Lalit Bansal for the opening remarks, I would like to draw your attention to the Safe Harbor statement in the earnings update presentation, which was uploaded on the BSE and NSE website. Please go through this very thoroughly. Over to you, Mr. Bansal.

Krishan Lalit Bansal: Thank you. Thank you, Sanjeev ji. Good afternoon, everyone, and a warm welcome to all of you to this first Investor's Call of DEE Development Engineers Limited after our recent listing in June. Before we dive into the financial results and operational highlights for Q1 FY '25, I want to take a moment to express our deepest gratitude to the entire investment community for the overwhelming response to our IPO. Words cannot fully convey how much we appreciate the trust and confidence you have placed in us. Your support not only empowers us, but also drives us to hold ourselves to an even higher standard.

We are fully aware of the responsibilities that come with this, and we will continuously strive to achieve the best outcomes. Since this is our first earnings call following our listing, I would like to take a moment to provide a brief overview of our company. I shall cover our core business operations, key value propositions, and growth drivers.

After this introduction, our CFO, Mr. Sameer Agarwal, will delve into the financial metrics and provide detailed insights into our performance. DEE is India's largest provider of process piping solutions with advanced manufacturing facilities strategically located across the country. We specialize in engineering, procurement, and manufacturing services for industries like oil and gas, power, chemicals, and pharmaceuticals.

Our product range includes high-pressure piping systems, pipe fittings, industrial pipe stacks, and modular pipe skids. We also excel in handling complex metals like carbon steel, stainless steel, and specialized alloys such as zinc alloys and gas alloys. We are extremely excited to

announce that we have just last week secured a significant order valued at \$40.71 million USD from Dow Chemicals Canada ULC for pipe spool fabrication. I just want to highlight that this is just the job-work value. It's just the conversion value. It doesn't include the material value in this. This order is slated for execution between September '24 and December '26.

The company's PAT was 32 million in Q1 FY '25 with a PAT margin of 1.7%, expanding 456 basis points over the Q1 of FY '24.

The company remains committed to automation and capacity expansion. We are establishing the new Anjar facility which will boost our capacity from 6,000 metric tons to 15,000 metric tons, bringing the total capacity to 112,500 metric tons. This facility will focus on oil and gas sector while our Palwal facility will cater to the growing power sector needs. Its proximity to Kandla Port will reduce logistics overheads.

Our strategy is to capitalize on the rising capital expenditure in the power and oil and gas sectors by proactively enhancing our capacities as well as our operational capabilities. As part of our growth strategy, the company has recently ventured into a new business vertical focused on design, engineering, fabrication, and manufacturing of pilot plants. These pilot plants serve as a pre-commercial production system, enabling to assess the feasibility of the processes before scaling up to full-scale production.

As highlighted in our earnings presentation, we always proactively prepare for the upcoming capex cycles of our target sectors, anticipating the present and ensuring growth in the power sector. We have strategically invested in capital expenditure ahead of time, positioning ourselves to fully capitalize on the opportunities presented by this cycle. Thank you all.

Now I will hand over the call to our CFO, Mr. Sameer Agarwal, to talk about the financial metrics. Thank you so much.

Sameer Agarwal:

Thank you, Bansalji. Good afternoon all and thank you for joining our Q1 Financial Year '25 earnings call. Before we open the floor for question-and-answer session, I would like to provide a brief overview of our financial performance for the quarter.

I trust everyone has had the chance to review our earnings presentation press release. While Bansal ji has already covered the business outlook, I will now focus on the financial performance of the past quarter in greater detail. The primary objective of our IPO funds were to fund our working capital requirements and repay our outstanding borrowings.

We are pleased to report significant progress on these funds. Of the total IPO proceeds of 3,250 million, we have already utilized 935.32 million so far, towards 179.82 million towards working capital needs and 755.50 million towards repayment of debts. Our revenue from operations grew by 17.6% year-on-year, reaching 1,850 million in Q1 FY '25 compared to 1,573million in Q1 FY '24.

Revenue from piping division saw a 13.2% year-over-year growth, contributing 81.3% over revenue, whereas heavy fabrication division saw a year-on-year growth of 295.2% with sales contribution of 7.4% of the growth. Operating EBITDA in Q1 FY '25 saw a robust year-on-year

increase of 76.1%, reaching 248 million, with an operating EBITDA margin expansion of 445 basis points to 13.4%. Profit after tax, that is PAT, for the quarter stood at 32 million, against a loss of 46 million in Q1 FY24, with a PAT margin expanding by 456 basis points year-on-year to 1.7%.

As of 30 June, our order book stood at 8,032 million, up from 8,001 million as of 31 March 2024, while the recent order of US\$40.71 million from Dow Chemical has further strengthened our order book. We expect a few more large orders in the coming future. With a strong order book outlook, coupled with our strategy to capitalize on the increasing capex by our customer segments, we expect strong top-line as well as bottom-line growth in near-medium term.

Since we will come out with more specific medium-term guidance after the next quarter visit, as we draw up our revised medium to long-term business plan, we deeply value your ongoing support and engagement as we advance our strategic initiatives. We are committed to achieving our goals and delivering strong returns, and we look forward to sharing our progress as we work towards creating long-term value for all our stakeholders. Thank you all, and now I open the floor for question-and-answer session.

Moderator: Thank you. We will now be conducting the question-and-answer session. The first question comes from the line of Mahesh Bendre with LIC Mutual Funds. Please go ahead.

Mahesh Bendre: Hi, good evening sir. Thank you so much for the opportunity. Sir, we raised around INR297 crores through IPO, and within that, INR175 crores was for the repayment of debt. So, we have, I think, as per the presentation, we have paid only INR76 crores. So, I mean, why the entire amount is not utilized so far?

Sameer Agarwal: Thanks, Maheshji. So, just wanted to clarify you that we had already made a payment of INR175 crores towards repayment of working capital. However, the amount of working capital demand loan, which were actually paid out post-30th June, that is why this amount is shown as INR75.5 crores. So, I just wanted to ensure you that we have already paid INR175 crores before 10th of July 2024.

Mahesh Bendre: Sure, sir. Thank you. Thank you for the clarification. Sir, we have received an order of \$40 million from Dow Chemicals. So, is this the first order or similar orders can be expected in future?

Krishan Lalit Bansal: So, this is the first order from Dow Chemicals. This is definitely going to be a game changer as far as our business is concerned, because it's, first of all, it's a very, very large order. Plus, we are getting it from Dow Chemicals. So, that's further adding a feather to our cap. So, this particular shows the faith which our customers have in us to execute such large orders, particularly in the North American continent.

Mahesh Bendre: So, going forward, is it fair to assume similar orders in the next 9 to 12 months?

Krishan Lalit Bansal: Many more orders are in the queue. Of course, they may not be as large as this particular order, but there are many large orders in the queue as yet. And we shall be announcing as and when it

comes, but it tells you that lot many orders are in the advanced stage of negotiations and every month we are expecting very good inflow.

Mahesh Bendre: Sure. And sir last question from me in the Anjar facility. I think how much I mean what is the progress on that particular facility in terms of capacity ramp up.

Sameer Agarwal: So, Maheshji as we have already started our commercial production with introduction of 3,000 metric tons of capacity at New Anjar facility and with effect from 1st October, we shall be rolling out another 9,000 metric tons of capacity. And post that also, we will keep continue our capex to complete that facility by expanding the total capacity of 30,000 metric tons from that facility.

Mahesh Bendre: Sure sir. Thank you so much.

Moderator: Thank you. Next question comes from the line of Vaibhav Shah with Equirus Securities. Please go ahead.

Vaibhav Shah: Thank you very much for the opportunity. My first question is regarding the Anjar facility. So, as you have highlighted the facility is largely automated and if the power and oil and gas works get segregated, so what kind of margin expansion do we anticipate once the facility is fully operationalized? Also, what would be your guidance for the full year in terms of the revenues and margins and also the order in place?

Sameer Agarwal: So, Vaibhav ji thank you for your question. As far as the margin expansion is concerned, since we are going to cater our oil and gas sector needs from this facility, so this facility will bring in three to four types of savings in terms of or increasing in terms of margin number one since it is in proximity of the port. So, it will bring down our logistics cost.

Number two, when we have a new facility all the machinery or plant and machinery new setup, a lot of amount of automation, the operational efficiency will be much better than what we have at Palwal facility. Third, since we are expanding our capacities, therefore the allocation of fixed costs shall get reduced. So, these all three things will add to our margin profile, and it will be properly seen once we come down to third and fourth quarter.

Vaibhav Shah: Sir, if you could just highlight about the full year guidance for the revenue margin and order inflow?

Sameer Agarwal: Sir, actually, as you know, we haven't reached to roll out our 9,000 metric tons of capacity as of now. So, it would be operating with effect from 1st October. So, we are in the middle of all these things and in the meantime, we are also gathering the approvals from various of our customers of that facility. So, it will take a little bit time. So, in a month's time, we will make sure to give you a good guidance in this respect

Vaibhav Shah: Sir, my second question is regarding, so there are situations arising from the global geopolitical tension and the transit times have increased, so does the freight cost. So, nearly our 40% to 45% of business comes from the export. So, is there any impact in terms of the freight cost or let's say on the working capital side?

Sameer Agarwal: So, as far as our orders are concerned, our orders are FOB basis. So, the impact of the cost increase in terms of freight cost does not come to us but as far as our import is concerned there may be some enhancement in terms of import logistics cost and that will not be substantial.

Vaibhav Shah: Understood, sir. Sir, my last question is regarding our addressable market. So, what would be our share or the scope of piping from total capex happening across the oil and gas sector and the power sector? Also, if you could highlight the order pipeline for these sectors and on the wind side, which is related to our heavy fabrication business. Okay.

Sameer Agarwal: So, as far as our share in the market is concerned, we are not very much bothered historically in terms of how much share we are handling. So, as far as our capacities are there, we have never ever faced any dearth of order except the period for the COVID. So, whatever we had capacities, we always had a substantial amount of work orders to utilize our capacities.

So, this is the answer to your first question. And the second question, as you know there is a lot of expansion in power sector, especially when the government has already announced 80 gigawatt of thermal energy. So, we are expecting a good amount of orders from that domain of work.

So, and the orders which we were expecting will flow somewhere in the middle of fiscal '26. Now, we are expecting it to get those orders much earlier maybe in the last quarter of this fiscal or maybe the first quarter of the next fiscal.

Krishan Lalit Bansal: So, since you are asking about the heavy fabrication, our heavy fabrication unit is also fully occupied. So, we do not have any challenge as far as the order booking is concerned for that particular unit.

Vaibhav Shah: Thank you very much for answering my question. I will join back in the queue.

Moderator: Thank you. Next question comes from the line of Harshit Patel with Equirus Securities. Please go ahead.

Harshit Patel: Thank you very much for the opportunity, sir. Firstly, given that there is a very strong pipeline for both supercritical power plant projects as well as nuclear power plant projects. So, where do we stand in terms of qualifications? And have we started receiving any orders the kind of pipeline that we have? If you could throw some light on these aspects that will be very helpful.

Krishan Lalit Bansal: Sir, as far as conventional power sector jobs are concerned, we are fully qualified. There is no hold on any of the items where anybody can say that we are not qualified. We are qualified with BHL. We are qualified with NTPC. We are qualified as any other player in the Indian power sector market, who shall be putting up these supercritical power plants.

So, there is absolutely no issue in that. But as far as nuclear sector is concerned, we are already approved by Nuclear Power Corporation of India. There is no issue in that. However, since the jobs which come from the nuclear sector, particularly from Indian customers, they run for years and years together. So, we are not very keen to go full blast, particularly for the nuclear sector in India. However, we are in advanced stage of discussions with some foreign customers, where

we are going to, where, we are having good opportunity to do the nuclear business in the overseas market, for which we have already qualified with that particular customer.

Harshit Patel: Understood, sure. Sir, secondly, on the oil and gas piping front, you have mentioned that we had a MOU or the tie-up with a global EPC player. So, have they started taking offtake from our new Anjar plant or that is still some time away? So, have we already started realizing revenues from this particular tie-up? I believe we were already doing some revenues with that player. What I am trying to gauge is that, has there been any particular ramp-up in that direction?

Krishan Lalit Bansal: Sir, we are in very, very advanced stage of discussion for that particular matter. We are calling that as step two. In that step two, we shall be formalizing all of our agreements and that is very much on the pipeline. As a matter of fact, it may happen in coming few weeks, but I am still not very sure on that. But the discussions are going on full steam for that particular thing which you are saying.

And we are discussing with them at least two to three very big jobs, once that agreement gets formalized for step two. For step one, we have already executed the jobs, and we have already tried the machinery, and it is working very well.

Harshit Patel: Understood, sir. Thank you very much for answering my questions and all the best.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Sameer Agarwal: So, just wanted to thank all of you for joining this call and taking our time, for this call on a particular Raksha Bandhan day. And as a management from the management side, we can assure we are, fully looking forward to grab all the possible opportunities in our sectors. And we will do and deliver the best in coming times. Thank you so very much.

Moderator: Thank you. On behalf of Equirus Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.