

Dinesh Engineers Ltd : Good Issue

IPO Note : High Risk, Small cap Telecom Infrastructure Company Reasonably Priced at a PE of 11.85, TtoT Listing : Ranking***



Issue details

Price band (Rs)	Rs.183-185
IPO Opening Date	28/09/18
IPO Closing Date	03/10/18
Issue Size	Rs. 185 Cr.

Recommendation

Total revenue grew at a **CAGR of 57.21%** from Rs.122.50 Cr for the FY16 to Rs.302.77 Cr for the FY18. Net profit after tax grew from Rs.12.88 Cr. for the FY16 to Rs.61.69 crore for the FY18. In the last three years net profit grew at a **CAGR of 118.82%** from FY16 to FY18. For the FY18, it posted an EPS of Rs.15.61. Based on it, asking price is at a P/E of 11.85. Issue is priced at a P/BV of 5.05 on the basis of its NAV of Rs.36.60 as on 31 March 2018. It has no listed peer to compare. It has Rs.420 crore orders in hand. **"Overall, It's a High-Risk Small cap infrastructure company with high growth, good margins and reasonable valuation. However, considering T to T segment, proceed with caution"**

Highlights

- Dinesh Engineers Ltd is a passive communication infrastructure provider Company in India
- Since the receipt of the IP-I license, we have created our own optic fibre network of around 7500 kms which runs
- across the state of Rajasthan, Gujarat, Maharashtra, Goa, Karnataka, Andhra Pradesh and Telengana.
- The company is a niche player in telecom/gas infra segment
- Some of the prominent clients are Bharti Airtel Ltd, Idea Cellular, Vodafone, Tata Communications Ltd. etc. as well as ISP clients like Intech, D-vois SSV, Atria, power grid, Hathway, Sify. Apart from the above it also have Mahanagar Gas Limited in client list for gas pipeline work.
- It has total debt of Rs.26.12 crore and debt equity ratio stood at
- As of April 01, 2018, Company's Order Book was approximately Rs. 420.00 crore.

Company Introduction

Incorporated in 2006, Dinesh Engineers Ltd is a passive communication infrastructure provider Company in India, mainly to the Telecom operators and internet service providers ("ISPs"). The company has been licensed by Department of Telecommunications (DoT) with the Infrastructure Provider (IP)-I License, under which it can establish and maintain wired networks, Duct space for the purpose to grant on lease or sale on IRU basis to the licensees of Telecom operators, ISPs etc. It's key expertise lies in the field of providing support services to telecom vendors which inter alia includes project management for laying of the duct and optic fibre cables, construction of basic transmission and telecom utilities, dark fiber leasing, optical fiber network construction, maintenance of duct and optic fibre and optical fibre project turnkey services



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Financial Summary (Rs. In Crore)

Particulars	FY2018	FY2017	FY2016
Total Income	302.77	169.91	122.5
Net Profit	61.69	22.00	12.88
EPS (Rs)	15.61	5.56	3.26

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

to various Telecom network operators & broad band Service operators across the states of India.

Since the receipt of the IP-I license, it has created own optic fibre network of around 7500 kms which runs across the state of Rajasthan, Gujarat, Maharashtra, Goa, Karnataka, Andhra Pradesh and Telengana. Its wired network infrastructure solutions are used by many Telecom Companies such as Airtel, BSNL, Reliance Jio, Vodafone, Idea, Tata Communication etc. which helps them inter-alia in increasing network's bandwidth, maximize existing network capacity, improve network performance and availability.

Company Promoters:

The promoter of the company are Mr. Dinesh Kollaiah Kargal and Mrs. Shashikala Dinesh Kargal. They hold, in aggregate 29496640 Equity shares, representing 99.989% of the subscribed and paid up Equity Share capital of the company.

The object of the issue

The objects of the Issue are:

- Expansion of business by setting up of further OFC Network under IP-1 License;
- To fund expenditures towards general corporate purposes; and
- To meet public issue expenses.

IPO Issue Proceed

To finance its Expansion of business by setting up of further OFC Network under IP-1 License, and the general corporate purpose DEL is coming out with a maiden IPO of 1.00 crore equity shares of Rs. 10 each via book building route with a price band of Rs. 183 - Rs. 185 to mobilize Rs. 183 cr. – Rs. 185 cr. based on lower and upper price bands. Issue opens for subscription on 28.09.18 and will close on 03.10.18. Minimum application is to be made for 80 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Post issue, its current paid up capital of Rs. 29.50 cr. will stand enhanced to Rs. 39.50 crore.

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