

Company Business

- Desco Infratech Limited is mainly engaged in providing **infrastructure and maintenance services to city gas distribution divisions in India**. Their activities include **pipeline laying, installation, testing, erection, and commissioning for Piped Natural Gas (PNG)** utilized by domestic and commercial users, as well as its **operation and maintenance**. The company also engages in power segment projects.
- Order Book as on December 31, 2024 consists of 78 ongoing projects and 7 upcoming projects aggregating to ₹ 243.67 Crores i.e., combined value of ongoing/upcoming projects awarded.

Industry Analysis

- The city gas distribution sector is considered a **catalyst for India's economic growth** as it drives the growth of allied sectors like townships, housing, built-up infrastructure, and construction development projects.
- In budget 2024-25, Rs. 497.25 crore (US\$ 59.75 million) allocated to the scheme for Development of Pipeline infrastructure for injection of Compressed Biogas (CBG) in City Gas Distribution (CGD) Network.

Promoter details

The promoters of Desco Infratech Limited are **Ms. Indiraben Pruthubhai Desai, Mr. Pankaj Pruthu Desai, Ms. Hina Pankaj Desai, Mr. Malhar P Desai, and Mr. Samarth Pankaj Desai**.

- Ms. Indiraben Pruthubhai Desai**, aged 87, holds a Secondary Teacher's Certificate from 1963 and served as a director from January 09, 2011, to June 07, 2024.
- Mr. Pankaj Pruthu Desai** is also a promoter and is the **Managing Director and Chairman/Chairperson of the Board of Directors**. He was also an initial subscriber to the Memorandum of Association.
- Ms. Hina Pankaj Desai** is another promoter.
- Mr. Malhar P Desai** is a promoter and **Whole Time Director**.
- Mr. Samarth Pankaj Desai** is a promoter and **Executive Director**.

As of the date of the Red Herring Prospectus, the **promoters held 79.29%** of the pre-issued, subscribed, and paid-up Equity Share capital.

IPO Details

- Type of Issue** : Fresh Issue
- Size of Issue** : **Up to 20,50,000 Equity Shares** aggregating up to ₹ 30.75 Crores). This constitutes 26.71% of the post-issue paid-up equity share capital.
- Price Band** : Rs. 147 to 150 per share.
- Listing** : Proposed on the SME Platform of BSE (BSE SME).
- Pre-IPO Promoters Holding**:
As of the date of the Red Herring Prospectus, the promoters held **44,61,000 Equity Shares**, constituting **79.29%** of the pre-issue paid-up share capital.
- Post-IPO Promoters Holding**:
After the issue of up to 20,50,000 new equity shares, the total number of outstanding equity shares will be up to 76,76,008. The promoters' holding of 44,61,000 shares will then constitute **58.12%** of the post-issue paid-up capital.

Object of the Issue

The Company intends to utilize the Net Proceeds from the Issue for the following objects:

- Funding of capital expenditure requirements towards setting up of a corporate office in Surat, Gujarat:** (₹1.04 Crores).
- Funding of capital expenditure requirements towards the purchase of machineries:** (₹1.68 Crores).
- Funding Working Capital Requirements of our Company:** (₹18.00 Crores).
- General corporate purposes**

Financials of the company

(Fig. in Cr)

Particulars	Sep 30, 2024	March 31, 2024	March 31, 2023	March 31, 2022
Revenue from Operations	22.63	29.39	29.22	19.85
EBITDA	4.85	5.55	2.19	1.65
EBITDA Margins	21.46%	18.91%	7.51%	8.35%
PAT	3.38	3.45	1.22	0.82
PAT Margins	14.94%	11.76%	4.20%	4.16%
ROE	19.51%	40.61%	27.62%	24.53%
D/Eratio	0.30	0.34	1.15	0.80
CFOA	-8.05	-0.27	-1.69	0.34

Comparison with Peers

Companies	Revenue	EBITDA Margin	PAT Margin	D/E Ratio	MCap	P/E
Desco Infratech (FY 2024)	29.39 Cr.	18.91%	11.76%	0.34	115.14 Cr.	33.37*
Rudra Gas Enterprise (TTM)	71.71 Cr.	13.44%	6.73%	0.71	58.40 Cr.	12.10
Likhita Infrastructure (TTM)	499 Cr.	20%	14%	0.00	1,137 Cr.	16.10

*Forward PE is 17.03 on the basis of FY 25 PAT.

Pros and Cons: _____

Pros

- ✦ Growing Sector

Cons

- ✦ The P/E ratio should ideally be slightly lower than that of the listed peers. It is generally expected that the valuation in an IPO should be somewhat discounted compared to already listed companies.
- ✦ Criminal complaints against the company.
- ✦ Negative CFOA.
- ✦ Corporate Governance as company repeatedly fails to file various returns and forms timely.



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