DEEP Industries Limited
Oil & Gas Field Services

November 04, 2024

To,
Corporate Relations Department
BSE Limited
2nd Floor, P.J. Towers,
Dalal Street,
Mumbai – 400 001
SCRIP CODE : 543288

To,
Corporate Relations Department
National Stock Exchange of India Ltd.
Exchange Plaza,Plot No. C/1, G-Block,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051.
SYMBOL : DEEPINDS

Sub: **Transcript of Earnings Call pertaining to Un-Audited Financial Results for the Quarter and half year ended on September 30, 2024 held on October 29, 2024**

Respected Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of audio call recording of the Company's Earning Call to discuss the Un-audited Financial Results (standalone and consolidated) for the quarter and half year ended on September 30, 2024 held on Tuesday, October 29, 2024.

The Transcript will also be made available on the Company's website at https://www.deepindustries.com/call-transcript.html.

Thanking you,

For, Deep Industries Limited

SHILPA SHARMA
Digitally signed by SHILPA SHARMA
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Shilpa Sharma
Company Secretary & Compliance Officer
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Encl: a/a

"Deep Industries Limited Q2 & H1 FY25 Earnings Conference Call"

October 29, 2024

MANAGEMENT: **MR. PARAS SAVLA – CHAIRMAN & MD, DEEP INDUSTRIES LIMITED**
MR. ROHAN SHAH – CFO AND WHOLE TIME DIRECTOR, DEEP INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Q2 and H1 FY25 Earnings Conference Call of Deep Industries Limited.

From the management we have Mr. Paras Savla - Chairman and MD and Mr. Rohan Shah - CFO. We also have an Investor Relations team from Adfactor PR.

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 the "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Paras Savla for his "Opening Remarks." Thank you and over to you, sir.

Paras Savla: Good afternoon, everyone. It gives me immense pleasure to speak to you all today as we present our 2nd Quarter and half yearly performance. Thank you very much for joining this call. I hope you all would have gone through Quarter 2 and H1 Results and Investor Presentation that are available on our website and on our exchanges.

I am also joined by Mr. Rohan Shah - Director of Finance and CFO, who will assist me in answering your queries.

After my brief, he will share "Financial Performance" of the Company in detail and we take then the question.

A crucial factor in countries' growth is the energy sector, where efforts are being identified to reduce dependency on imports. India is the third largest importer of oil and gas, currently relies on imports for around 85% of energy needs. In FY24, the country imported 233 million metric tons of crude oil, a slight increase from FY23. This heavy dependence underscores the critical importance of increasing domestic production.

To address these challenges, the government has opened more than 1 million square kilometers for exploration and production. Areas previously classified as No-Go zones. The Open Acreage Licensing Program (OALP) is central to these efforts. The tenth round of bidding for oil and gas assets is scheduled to take place early next year, offering fresh opportunities for companies like Deep Industries.

At Deep, we see immense benefit from Open Acreage Licensing Program (OALP) initiative. It aligns perfectly with our strategic objectives, allowing us to expand our footprint in oil and gas servicing sectors. By leveraging the opportunities from Open Acreage Licensing Program (OALP) rounds, we are well positioned to contribute to increasing domestic oil and gas production, thereby supporting our country's goal of achieving greater energy security.

Through Open Acreage Licensing Program (OALP), India aims to enhance crude oil and natural gas production which is vital for reducing imports and ensuring long-term energy independence. As the energy demands of the nation continue to grow, Deep Industries remains committed to playing a pivotal role in this transformative journey.In conclusion, as India continues on this path of economic expansion and strengthens its energy infrastructure, potential for growth is immense. We at Deep Industries are excited to be part of this journey, helping to drive the nation's progress while ensuring a sustainable energy future.

Now, let us review our quarterly performance:

The 2nd Quarter and half year have demonstrated solid growth backed by a strong flow of orders and a promising bidding pipeline. A key recent win is Rs. 1,402 crore production enhancement contract from ONGC set for a duration of 15 years. This contract aims to boost production from ONGC's mature field in Rajahmundry, aligning its ONGC's goal to increase hydrocarbon output and enhance reserves.

Through this contract we will earn service revenue linked to production increase. Although the contract spans 15 years and since it is a front loaded, majority of the revenue will be booked in the first 10 years. This contract is the first of its kind from ONGC, with more rounds likely to follow. Our public sector units and private clients are also introducing PECs and with our 30+ years in the industry, we are well positioned to secure similar projects in the future.

Consistent with our EBITDA margins of around 40% in other verticals, we anticipate margins above 40% for this production enhancement contract as well. Such high value contracts with excellent margins are expected to significantly improve both our top and bottom lines. Execution of this contract will commence in 7-8 months targeting the next financial year.

With this new order, our order book has been more than doubled. Growth is evident across all verticals including this new PEC segment. We anticipate additional valuable contracts to be added in our order book in the coming 3-6 months, alongside strong bidding pipeline conversion within our regular business verticals.

The update on the Barge asset Prabha is that the refurbishment is now in the final stage of completion, and we expect it to contribute the revenue from quarter IV onwards. The refurbishment process has taken a little more time than our initial estimates. However, in such kind of major refurbishments, such delays can happen due to some unforeseeable circumstances beyond our control. Having said so, we have already started generating operational revenue from Dolphin and are confident that synergies generated out of the acquisition of Dolphin Offshore would-be RoE accretive for the Company as a whole.

We are highly optimistic about the robust bidding pipeline, which will add further to our strong order book over the next few years. This optimism is bolstered by the promising and favorable macroeconomic scenario. With a solid foundation and strategic positioning, we are well prepared to capitalize on the opportunities presented by this favorable environment. Our confidence is further reinforced by the positive economic indicators and market trends which suggest sustained growth and profitability. As we look ahead, we are committed to capitalize on these opportunities for maximizing shareholder value and achieving long-term success.

With this, I would now hand over to Mr. Rohan Shah, who will share financials in detail. Thank you for joining and patient listening. Thank you.

Rohan Shah: Thank you, Paras bhai. Investor friends, thank you for joining the call today, happy to share with you another stellar quarterly and half yearly performance of Deep Industries Limited.

All the comparisons are on a year-on-year basis, which would provide fair evaluation.

- Consolidated revenue from quarterly and half yearly operations rose 29% to Rs. 130.62 crores and 25% to Rs. 254.07 crores. The strong growth momentum in top line comes from the execution of our existing orders as well as consistent new order flows.

- Tight control over costing and operational efficiencies have helped us post growth in EBITDA to Rs. 64.60 crores in Q2 FY25 with EBITDA margins of 46.9% and our half-yearly EBITDA has shown growth of 46% to Rs. 126.04 crores. We have been maintaining the margins in the range of 45% providing us decent cash flow to strategize our future growth trajectory.

- Net profit for the 2nd Quarter and half year stood at Rs. 41.54 crores up by 40% and Rs. 80.29 crores, up by 32% year-on-year.

- Our order book has grown to Rs. 2,622 crores, almost 119% higher than Q2 FY24.

The Financial Year ‘25 is shaping up to be a landmark year for us as we are on track to achieve our highest ever revenue, EBITDA and net profit. Building on last year's strong performance, the 2nd Quarter has further strengthened our position for this fiscal year. With government initiatives expected to boost infrastructure, exploration and production sector investments, particularly in the energy sector, we anticipate maintaining our upward trajectory throughout the rest of the year.

With this, I now open the forum for question and answers. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Mukesh Panjwani from WC Securities. Please go ahead.

Mukesh Panjwani: Sir, my question is regarding our asset that is Prabha. What is the status right now? Has the refurbishment completed and from when we are expecting to get the revenues out of it and what kind of revenues should we expect now?

Rohan Shah: So, the refurbishment is in final stage, and we believe it should start contributing to revenue from Q4. The refurbishment process has taken little more time than our initial estimates. However, such kind of major refurbishment, such delays might happen. So, these are the circumstances which are beyond our control, but yes, having said so, it will start from Q4 and start contributing in revenue.

Mukesh Panjwani: And sir, what kind of revenues can we expect like in the last concall, you said that it would be like $50,000 per day?

Rohan Shah: Yes, in fact, $50,000 is what we expect minimum revenue per day. Currently, the rates are even higher than 50,000.

Mukesh Panjwani: So, can be even better?

Rohan Shah: Correct.

Mukesh Panjwani: And sir, how can we expect our H2 as compared to H1 in terms of revenue and profitability?

Rohan Shah: Yes, it has been seen in past, in majority of years, our H2 has always been higher than H1. And so we believe this year will also continue the same trend and our H2 would definitely be higher in terms of revenue than H1.

Moderator: Thank you. The next question is from the line of Sudhir Bheda from Bheda Holdings. Please go ahead.

Sudhir Bheda: Sir, my question is pertaining to FY26. See, there are two major events positively will contribute to the topline and bottom line, one is the production sharing enhancement contract which will start I think from next year and then deployment of Barge which you just said will be revenue will start from Q4, so that we will get next full year operation of the Barge. So, two major events will be there which will have a positive impact on the earnings, so considering this, what kind of growth do you foresee in FY26 as far as profit and topline is concerned?

Rohan Shah: We are quite bullish on these two opportunities as you rightly said, these two opportunities will start contributing in FY26 like the Barge should contribute full year revenue and production enhancement contract should start contributing from FY26 onwards. So, putting all together, we believe we can have a growth of almost 35% year-on-year like last financial year, we closed somewhere around Rs. 426 crores and this year we are expecting almost 35% growth to close FY25. And similar amount of growth we are expecting for FY26. So, our estimate says that we can close FY26 topline somewhere around Rs. 800 crores.

Sudhir Bheda: And sir, my second question is like, if we should see order book, the major contribution is like production sharing contract. If we remove that, there is not much orders are coming in last 3-4 months, so what are the pipeline of our core business orders for next 2-3 months?

Rohan Shah: So, we are expecting a few big orders from our core business as well. So, our core business order book is somewhere around Rs. 1,250 crores and we believe a few good amount of orders should come in next 3-6 months and considering the bidding pipeline of almost Rs. 800 crore for our regular traditional business, it should continue to grow even further.

Moderator: Thank you. The next question is from the line of Nirvana Laha from Badrinath Holdings. Please go ahead.

Nirvana Laha: Sir, I have a few questions on Dolphin. So, on the Prabha contract, sir, last year we had said that we expect to get it started in H1, then it got delayed to October and November and now we are saying Q4, so sir with oil price fluctuating, investors are also getting a little jittery about the start of this contract, so if you can give us some more detail on why this is taking so much time? And also, if you can say something about the nature of the contract we are looking at like, I believe it is possible to get a really long-term contract like 5 years plus and it is also possible to get a shorter one. So, what is that short there and what exactly is causing this delay, and are we now sure that from Q4 90 days of revenue we will get in FY25?

Rohan Shah: Yes, I agree to your point that it has been delayed than our initial estimate. See, this particular Barge was idle for more than 3 years and was lying on port in Mexico, so of course there was a lot of work to be done. Our initial estimates were saying that it should not take this much time, but as and when we opened that machinery and Barge, some other expenses or some other refurbishment came up which we never anticipated. And so it has taken a long time than what we are estimating. However, as per our recent visit to the asset, it has almost completed, the entire thing. Probably, it will start putting into operation in December itself. However, we are considering it should contribute revenue of 90 days considering from January onwards that is for Q4 only. So, such higher size of equipment, when you are refurbishing, this type of estimate changes are about to happen because this machinery was idle for more than 3 to 3.5 years. However, we are quite bullish that it should immediately start operating and start contributing in revenue to the tune of what our initial estimate was more than $50,000 a day.

Nirvana Laha: In terms of the contract, if you can say something more, have you already signed with the client or how easy or difficult is it going to be to signed like, do we already have discussions going on with multiple clients? So, if you can give us some color on that?

Rohan Shah: Correct. So, currently, the discussions are already going on with potential clients and we are evaluating both possible options whether to put on a charter hire of long term more than 5 years plus or to have a short-term charter hire. We are just evaluating the cost benefit analysis and whatever best would be in the interest of the Company, we would go with it. So, both long-term and short-term charters have their own pros and cons and so according to the best possible judgment, we should go with such contracts.

Nirvana Laha: My next question is, sir, if I look at the CWIP, the capital work in progress in Dolphin has increased sharply from Rs. 47 crores in March to Rs. 167 crores now. So, earlier you had indicated last quarter that we are going to spend around $12 million like Rs. 100 crores for the final refurbishment of Prabha. So, looking at this figure, has that cost for Prabha gone up or is this we are putting capital to use for some other asset?

Rohan Shah: No, the cost of Prabha is in the range of 12 to 13 million only. So, Rs. 100-Rs. 110 crores is for Prabha. Balance amount was original value of vessel, which was there in book, but the amount has been shifted from one subsidiary to another because the asset we have transferred from Mauritius subsidiary to Dubai and so in Dubai subsidiary it has now parked into CWIP unless the entire refurbishment will complete. So, this amount which you are referring to is including of original book value as well as refurbishment cost.

Nirvana Laha: And sir, coming to the other contract that Dolphin is currently executing, the asset in class of a DSV, so how much revenue is pending from that contract for this financial year? And also, if I look at H1 revenue, we have booked about Rs. 25 crores, sir, almost everything has flown into receivable. So, what are our payment terms with this client? When do we expect to get the cash for this revenue that we have executed and how much more revenue can come out from this contract in H2?

Rohan Shah: In H2, we are estimating something around $2-$3 million to be added into revenue from this particular contract and with regards to the money flowing, it should start immediately after Diwali for this particular contract.

Nirvana Laha: So, what are the payment terms in such repair for asset in class contract?

Rohan Shah: So, in this particular contract, we have a billing methodology on stage wise and payment terms are 90 days and so they are largely in the contract tenure only.

Nirvana Laha: And sir, the old receivables of Dolphin which have been Rs. 140 crores since we acquired the Company via NCLT after settling all other dues that has not moved at all. So, I believe that there are some arbitration awards that we have won and Rs. 140 crores number should come down, so sir, please give some color on how much we have won, when is the cash expected to hit and what is your outlook on the remaining receivables?

Rohan Shah: Yes. So, out of those old receivables in three of our debtors, we have received an arbitration award in our favor. Putting all together, as of now, I believe it would be more than Rs. 33-to. 35 crores which arbitration award is already received in our favor. Just amount has to be flown to us and in other debtors, we are pursuing for recovery of the receivables, which we believe should definitely come to us.

Nirvana Laha: Sir, when do we expect to collect this Rs. 33 crores? When should the cash come in?

Rohan Shah: Ideally, it should have come by now, but since these clients are PSU's, we will have to give some more time to them.

Moderator: Thank you. The next question is from the line of Gaurav Shukla from Finvesters. Please go ahead.

Gaurav Shukla: Sir, pertaining to debtor days, continue increasing your debtor days, I want to ask a question about the debtors days of your companies?

Rohan Shah: Our normal debtor days are in range of 90-100 only. The debtors which are appearing high are inclusive of old debtors from Dolphin Group of almost Rs. 141 crores. And because of those old debtors, overall debtor days are appearing high. However, that is not the case. Those old debtors, if we can exclude, then our normal debtors are in the range of 90-100 only.

Gaurav Shukla: Sir, are some measures taken for lowering the debtor days?

Rohan Shah: I think just before your question, we were discussing on debt only about the recovery of old debtors from Dolphin. And those recoveries will definitely improve overall debtor days.

Moderator: Thank you. The next question is from the line of Heet Jhaveri from Moneybee. Please go ahead.

Heet Jhaveri: Sir, my first question is, we have an order book of Rs. 2,622 crores. Is that including Dolphin offshore or is that separate?

Rohan Shah: No, it is separate.

Heet Jhaveri: So, what is the order book for Dolphin if you need that?

Rohan Shah: So, Dolphin, we have not yet signed any major contracts. The contracts which we are executing have a balance value of around $2-$3 million. So, that is not much significant in overall order books. We have not yet added those in the overall order book, yet.

Heet Jhaveri: And to reach this Rs. 800 crores figure that you mentioned, will you be able to do that using our existing Barges and the new contracts that we have with ONGC, or will we expect to do a larger CAPEX in the next coming years or so?

Rohan Shah: No, so our existing order book only will be sufficient to reach that level. Of course, in the production enhancement contract, we will have to do a certain amount of CAPEX, but that has been staggered over a period of 10-12 years.

Moderator: Thank you. The next question is from the line of Parikshit Gupta from Fair Value Capital. Please go ahead.

Parikshit Gupta: I have a couple of questions. I am going to begin with the standalone business. So, my first question is more on an opportunity level question. I understand that there are multiple blocks which have been awarded under the Open Acreage Licensing Program (OALP) program. However, I believe about 10%-12% of those blocks are actually operational, so going forward, you also articulated that the government has increased exploration licensing in areas which were earlier a no-go, but on a industry wide level, can you please talk about the production capabilities of these different blocks that are coming in picture as of now?

Rohan Shah: Yes, with these different rounds of Open Acreage Licensing Program (OALP) and earlier, there were NELP rounds, CBM rounds and HELP rounds and all. So, all put together, to the extent, I am in agreement that not all of these blocks are coming under development, but yes, whatever is coming under development will definitely require services which we provide and with these different rounds, new entrants in the industry are also coming up with bidding of these blocks. The companies, which are not predominantly having interest in oil and gas, are also getting in this bidding and they are getting awarded blocks. So, for them, we can be a one stop solution provider for developing their entire field and so we believe with such awards and with such development programs, our opportunities will tend to increase.

Parikshit Gupta: I am new to this industry, so please pardon my lack of knowledge, but so far I have seen that the recent new exploration regions include a significant amount in the offshore space, I understand that with the Dolphin acquisition and the Company's trajectory towards the offshore services, but at this point, I am not sure if you have offshore drilling and production capabilities?

Rohan Shah: Correct. So, we do not have offshore drilling capabilities. In offshore, we would be starting with support services through Dolphin only. But with regards to onshore, we have our full-fledged range of services and whatever opportunities coming in onshore, we can easily tap them.

Parikshit Gupta: And if I may just ask the question about the order book of the standalone business, how much on a percentage split level, would it be for drilling and work over as well as the gas processing, please?

Rohan Shah: I am not having those breakups as of now, but I can share separately, so you can be in touch with Adfactor, and we will definitely share those breakups.

Moderator: Thank you. The next question is from the line of Raghu from Travest Capital. Please go ahead.

Raghu: My question is just specifically regarded to the gas processing segment of ours. I just want to understand generally who are the customers in the gas processing segment? Is it the City Gas distributors or is the national gas pipeline grid? Who are generally the customers there?

Rohan Shah: For us, customers are gas producers. So, like ONGC and Vedanta, CAIRN oil and gas are our larger customers for gas processing facilities.

Raghu: So, the City Gas distributors generally, they don't use our pump sets for increasing the pressure in the pipeline, I am really sorry, I don't know, so I am just asking?

Rohan Shah: Yes, for City Gas distribution, the requirement of a compressor is quite low versus which we operate on wells. And so, in City Gas distribution network, our services are not there because we operate with quite a huge amount of quantity of gas.

Raghu: And for the customers like Vedanta and ONGC, the gas, how is the ordered structure generally? Is it a maintenance contract or is it just a one-time installation and then it runs for a particular lifetime. How is generally that particular business, is it repetitive?

Rohan Shah: So, these are service contracts and largely these contracts have been awarded in the range of 3-5 years. And on completion of those 3-5 years, they will come up for rebidding. And our revenue generally depends on the quantity of gas we process.

Raghu: So, it is like an annuity contract. It is not like the onetime revenue booked and so it is a long time?

Rohan Shah: Yes, they are more of annuity contracts.

Raghu: I have one last question regarding the recent ONGC order. I think in the initial comments, it was mentioned that the payment is front ended, can you please explain why is it so? Why is the deal structured that way?

Rohan Shah: No, the contract is for 15 years, but it is our estimate that we should bill majority of revenue in initial years because once we will take over the field and once we will start applying the technologies to increase production, so majority of incremental production we should target in first 10 year itself and so our billing in first 10 year would be the major one and eventually that incremental production will start dipping. So, revenue in later part of years would be less than earlier part of years.

Raghu: And just additional to this, now because anyway we are going into taking responsibility of increasing production and all. Do we have any idea of maybe bidding for the already discovered fields or do we have an idea to go into that line of business where we actually own the asset?

Rohan Shah: No, sir, we do have our similar kind of business in our different group Company, but we do not have any idea to have such assets in Deep Industries.

Moderator: Thank you. The next question is from the line of Gaurav Sachdeva from Sajag Fund House. Please go ahead.

Gaurav Sachdeva: Sir, my question is, as you know ONGC and other major PSU's are going for billion dollar plans for this offshore drilling and government is also pressurizing, why has Deep Industries not entering into the offshore drilling rigs, workover rigs?

Rohan Shah: The offshore drilling Rig segment is altogether different segment with huge amount of CAPEX involved. For an example, my onshore drilling rig 1000 horse power drilling rig costs somewhere around Rs. 45 to50 crores versus offshore drilling rig cost somewhere around Rs. 500 to.600 crores. And second this particular segment or business is exposed to competition worldwide. And so their rates are very variable and directly linked with crude price. So, we believe that particular business is for deep pocket and a high-risk business. And so as of now, we do not intend to enter into that segment.

Gaurav Sachdeva: And my second question is regarding this ONGC project we have got, the revenue will be linear one like every year we will be booking like Rs. 100 to 150 crores or will it be a variable one?

Rohan Shah: So, our estimate says that every year, we should book more than Rs. 100 crore a year.

Moderator: Thank you. The next question is from the line of M.N. Kumar, an Individual Investor. Please go ahead.

M. N. Kumar: Sir, one question that I have is that in standalone business with the existing equipment that we have, what is the maximum revenue potential we can achieve?

Rohan Shah: See, our existing fleet, we are just adding three rigs in our fleet. So, if we consider that also as existing equipment because that CAPEX we have already started doing it. So, on those particular numbers, if we have to look at, then, I would say we can book revenue of somewhere around Rs. 460 to 500 crores a year.

M. N. Kumar: This includes all segments, gas compression and onshore, all services and everything?

Rohan Shah: Standalone Deep Industries, yes.

M. N. Kumar: So, now with the order book that is coming on our plate as we see, most probably we have to start doing a CAPEX, maybe next year after this new drilling that we are buying?

Rohan Shah: No, in the current financial year, we are adding three new rigs, which will definitely start contributing in revenue probably in Q4 or in Q1 of next financial year. Our targets are that these rigs should start contributing in Q4 itself well within the mobilization time allowed for those contracts. And with regards to other new orders, depending on the client's requirement, we might have to do CAPEX for buying new equipments and if the client is okay with existing equipment and if we have available equipment, we will definitely try to use our existing equipment first.

M. N. Kumar: The reason for asking this question is that in the context of the bidding pipeline that you are talking about of substantial nature if you get a 30% out of that Rs. 800 crores bidding pipeline that you are talking about, we will have to prepone this CAPEX program because once we win the contract, we will have to do the mobilization and everything, etc., right, sir?

Rohan Shah: Right. So, as a policy, we always go for CAPEX only after getting a confirm order and it varies from contract to contract, order to order. That client is in requirement of new equipment or they are okay with existing equipment. So, if that award demands for new equipment, then we should go for CAPEX. Otherwise, we do not do CAPEX.

M. N. Kumar: With respect to ONGC contract, now that we have order in hand, do we need to do any CAPEX for that one or is it going to be essentially services?

Rohan Shah: Yes, we will have to do CAPEX for that contract as well, but since that contract is of long tenure, we have planned CAPEX in different years. So, initially there will not be much CAPEX as per the existing plan, but yes, overall, we will have to do CAPEX for that particular contract as well.

M. N. Kumar: That means we will start doing the CAPEX after 2-3 years of revenue generation or it is going to be?

Rohan Shah: So, the exact CAPEX plan will be formalized once we take over that field and start implementing the strategy which we have planned.

Moderator: Thank you. The next question is from the line of Nirvana Laha from Badrinath Holdings. Please go ahead.

Nirvana Laha: Sir, before moving to question on standalone business, there is one final clarification on Prabha. So, the delay that is happening is more due to the asset refurbishment and not due to issues in getting a contract from a client, right? Is that understanding correct?

Rohan Shah: Absolutely correct.

Nirvana Laha: So, on standalone, sir, you said that sometime back in the call that you are looking at a 35% growth, so that means this year. So, that means about console revenues of Rs. 575 crores or Rs. 570 crores and if I take out Dolphin revenues of around Rs. 70 crores that means on standalone you are aiming to do Rs. 500 crores. Just now, you said that your total capacity is there that can support the revenue of Rs. 460 to 500 crores. So, it seems like this is a bit of a stretch this financial year to do Rs. 500 crores standalone revenue. So, how confident are we that in H2 we will be able to do Rs. 280 crores to meet this number?

Rohan Shah: No, 35% growth I am expecting on consolidated basis and not on standalone basis that is one. And out of 570-575 which we are expecting on consolidated basis if we exclude Dolphin then it remains with Deep Industries standalone as well as its other subsidiaries, which are contributing around Rs. 40-Rs. 50 crores a year. So, that put together 500 and then 70 comes to 570.

Nirvana Laha: So, standalone you are aiming at around Rs. 450 crores this year?

Rohan Shah: Yes, 460 around.

Nirvana Laha: And sir, in one of the conferences at public investor conferences that you had participated in, in answer to one query for the Rajahmundry Revenue Enhancement project, you had said that the order book value was Rs. 1,400 crore is calculated based on a gas price of $7, but you said that current gas prices are at $11, but sir, if I am not wrong, this Rajahmundry asset is under the APM price mechanism, right? And the current APM price is $7.7. So, are you saying we will be able to sell this gas at a non-APM higher price?

Rohan Shah: So, this asset is not under APM price. The asset which we have got is not under APM price.

Nirvana Laha: So, is it an HPHT field or how is the pricing over?

Rohan Shah: Yes, we can sell it at market price.

Nirvana Laha: And sir, in the standalone balance sheet, there is Rs. 58 crores increase in loans to related parties. So, which subsidiary or which entity has just gone to and towards what end has it been disbursed?

Rohan Shah: The loan of Rs. 58 crores has been given to a Company called Prabha Energy, which is our group Company, and it is a short term loan recoverable within a year's time.

Nirvana Laha: And the total balance outstanding with Prabha would be how much, I think there was already a balance outstanding, right?

Rohan Shah: The exact number I need to check. I can explain that or give data later on separately. As of now, I am not having that particular data in hand.

Nirvana Laha: No problem, sir. And sir, one last question on Dolphin. So, you said that CWIP number was looking big because of some transfer from one subsidiary to another, but if I look at the balance sheet, the balance sheet size itself has expanded with some other liabilities getting added on the liability side. So, it seems like it is not like from one head to another, but it is the expansion of the balance sheet. So, any comment here or I can take it offline?

Rohan Shah: No, so primarily the CAPEX which we are doing for Prabha has been funded primarily through the QIP, which we had done initially and with other loans from Deep Industries. So, the liability which you are referring to is loan from Deep Industries which has increased.

Moderator: Thank you. The next question is from the line of Pawan Kumar from Finvesters. Please go ahead.

Pawan Kumar: As we have added three new oil fields that will be commencing operational by quarter 1 of financial year 26 if I am not wrong. What will be the expected revenue from each rigs if it is 100% operational? And my second question is regarding the rental days of Prabha after operationalization, it will be contracting for 365 days or neglecting the maintenance days?

Rohan Shah: We are adding 3 rigs, out of these three rigs, one is 1000 horsepower drilling rig and other two are workover rigs of which one is 100 ton and other is 150 ton. So, all these three rigs are having different rates, and we have already confirmed order for these rigs. And based on those orders only, we are importing them. So, the revenue would definitely be as per their orders, which we have already announced in the past. Exact numbers as of now I am not having, but I would say 1000 horsepower drilling rig should bill somewhere around Rs. 3 crores a month and workover rig billing should range from Rs 50 lakhs to 75 lakhs a month. With regards to Dolphin Barge (Prabha) our daily rates are in range of $50,000 to $55,000 per day and working days we should consider around 330.

Moderator: Thank you. The next question is from the line of Gaurav Sachdeva from Sajag Fund House. Please go ahead.

Gaurav Sachdeva: Sir, in the last concall, you said that you have also bided for a production enhancement, any news on it?

Rohan Shah: No, it is still under evaluation. Yes, we have already bidded. As of now, no outcome is there.

Gaurav Sachdeva: And what is the value of that?

Rohan Shah: As of now, it is difficult to explain about the value, unless it is awarded.

Gaurav Sachdeva: And sir, when is the ONGC expected to go for the second round of this?

Rohan Shah: So, I think they are quite happy with the awards they had given in the first round, and they should definitely come up with second and third round. But the timing we cannot quantify as of now because it was the first kind of award they had given for this time. So, I don't think we can estimate that timeline.

Gaurav Sachdeva: And my last question is sir, since another some market related investments, so it will be always depend on the market, how market is fluctuating in the other income?

Rohan Shah: So, my other income largely consists of interest from fixed deposits, debt mutual funds and other arbitrage products. So, largely it is coming from that.

Moderator: Thank you. The next question is from the line of Parikshit Gupta from Fair Value Capital. Please go ahead.

Parikshit Gupta: Just to continue the questions. One question on the ONGC production enhancement contract, in the last conference, you did specify the revenue model for this. Would it be possible to listen to it once again, please just to understand it better?

Rohan Shah: Revenue model, I didn't get your question.

Parikshit Gupta: You mentioned that there is some part of the payment is fixed. The rest of it is about 65%-70% is production linked, so if you can just articulate that once again?

Rohan Shah: Yes, so the revenue is splitted in two different modes. One is fixed, which is for their existing production line and whatever incremental production we achieve, we will get our services charges which are similar, or you can say equivalent to 64% of revenue of that particular incremental gas.

Parikshit Gupta: Just a follow up on this. I believe you mentioned that you can charge the market price for this particular region; however, looking at the overall natural gas story, liquefaction plants globally are getting added up and domestic exploration, as you also articulated, is increasing, which all in all hints us toward direction of moderation of natural gas prices. And while the contract was ordered considering $7 of natural gas price, do you think there is any chance of in the near term maybe the gas prices falling below that?

Rohan Shah: Not at all, because currently it is trading somewhere around $12.5-$13 MMBtu and price falling below 7, we don't foresee even in rarest of rare thing kind of.

Parikshit Gupta: Because I think in the APM model, the CAP is about $6.5, if I am not wrong?

Rohan Shah: So, in APM there is a CAP, the CAP is 7.7 or 6.5, I am not sure, but since we are not under APM, we do not have to worry about it.

Parikshit Gupta: So, my next question is about the other businesses including the international business in the Middle East and the booster business, I think it is called RAAS. Can you tell us a little bit about those businesses' performance in this quarter and short to medium-term outlook for each?

Rohan Shah: In Middle East, we provide various gas processing services from compression, dehydration, and processing to countries like Egypt and Oman, and this particular Company is contributing around Rs. 40 to 50 crores a year. And we believe it should continue contributing this similar amount with growth of around 10%-15%. With regards to booster compression business, under

RAAS, we are not anticipating much growth because the GA's which have been awarded for City Gas distributions are getting extensions and so the demand of those booster compressors is not picking up as per our expectation. So, that particular Company is contributing not more than Rs. 15 to20 crores a year.

Parikshit Gupta: And my final question is more like a fundamental one. I have mentioned previously that we are new to this business. So, any investor who comes and evaluates an oil and gas Company usually is attracted by the good valuations and such is the case with Schlumberger, such is the case with Deep Industries as well. However, the first risk that comes to mind is obviously risk linking to the crude prices globally and considering a very uncertain year and possibly, I hope not, but possibly continuing over the next year as well. Can you talk a little bit about the Deep's business as a link with global crude prices?

Rohan Shah: So, our business is not at all linked with crude prices or their fluctuation because primarily we are into services business. And our service contracts are fixed price contracts for the tenure of contract. So, once we have entered into a contract with X rate, those rates will continue for the tenure of contract. They are not at all being affected by crude price. Second, in our overall service mix, our major focus is on natural gas rather than on oil because in our drilling rigs or workover rigs, if my client is giving me to drill oil wells, then only we are exposed to crude oil. Otherwise, we are drilling gas wells also and oil wells also. Other than that, our entire service portfolio is pertaining to natural gas, which is not direct linked with crude oil prices. And since our entire business is largely domestic within India, so we haven't seen any direct relation with crude oil prices in last 30 years. In fact, we have seen sometimes where crude was going down and our services rates were increasing. So, I don't think we have any direct impact of crude price in Deep Industries' business.

Parikshit Gupta: Just the final follow up, if I may, but do you think the velocity of exploration comes down when there is tensions in the global crude prices, it is just my limited understanding of the industry and I really appreciate your detailed answer so far?

Rohan Shah: See, generally it is notion which everyone carries, because developing a particular field and reaching to the production level, it is not one or two month's job. So, if you will start increasing your exploration plans where crude is at lower level, then you can be able to position yourself to sell crude when it is going to higher level. So, it is not like 2-3 months or 6 months job, developing a field is required 1, 1.5, 2 years' time and so I don't think with reduction in crude price, exploration activities will start dipping and largely with clients which are PSUs like ONGC, they largely run on national interest rather than making it profitable, and so to meet the country's energy requirement, we haven't seen such clients reducing their exploration plans in any crude oil price.

Moderator: Thank you. The next question is from the line of Srikar Sai, an Individual Investor. Please go ahead.

Srikar Sai: So, it is regarding our production enhancement contract business, sir, would you say how many competitors we have, like the major number of competitors like 2, 3, 4 or something like that? And the follow-up is that this is another small Company, compared to Deep it is a smaller Company, so they have received a certain contract which is worth nearly Rs. 3,500 crores and same for 15 years of tenure. And I think this is the same like production enhancement contract, sir. So, can you please throw any light on it, sir?

Rohan Shah: Yes, so in first round of this production enhancement contract, few other companies have also received similar kind of awards for different fields. So, in this particular kind of business, the selection of field is very crucial because if you do not have any data or knowledge about geology of that particular field, then getting such contract may not be that fruitful even if you get contract for 15 years because you will have to understand and evaluate the geology of those particular fields well in advance before even applying for those fields, because at the end of day your revenue is more linked with incremental production. And so we have been able to select the field which we believe is very resourceful and from which we can definitely increase the production and get our best part of revenue. Second, in increasing the production and developing this particular field, the experience and the equipment portfolio required to develop or to increase the production is immense, so we as a Company with experience of more than 30 years in this particular field can develop that particular field or increase the production by our internal fleet and our own manpower and technology versus if others are getting such contract, they will have to come to companies like us to develop their fields. So, net-net, I would say it would be more beneficial to Deep than others in such kind of production enhancement contract.

Srikar Sai: Sir, this is one other Company, just like one or two months back, it was banned by ONGC for like 2 years. So can we say that this particular Company that just got banned when they were not banned in this particular field, like in the production enhancement contract field, was this particular Company which has got banned by ONGC for 2 years, was it a competitor for us?

Rohan Shah: So, I am not sure which Company you are referring to. Probably, let Mr. Savla can reply, but unfortunately he could not be continuing on this call, so we do not have answer to that.

Srikar Sai: Sir, the next question is regarding HF offshore, like we have made preferential issue for like nearly $1.5 million for HF Hunter Shipping PTE**,** so what is that regarding sir?

Rohan Shah: So, that is from the subsidiary of Dolphin and not from Deep.

Moderator: Ladies and gentlemen, that was the last question for today's conference call. I would like to hand the conference over to Mr. Rohan Shah for their closing comments.

Rohan Shah: Thank you everyone for joining this call. It was pleasure to respond to reply to your questions. And if you have any further queries, you can definitely approach us through Adfactor or you can directly connect us as well for any further queries. We would be happy to answer all your queries. Thank you.

Moderator: On behalf of Deep Industries, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.