



**“Deep Industries Limited Q1 FY24 Earnings
Conference Call Hosted By Go India Advisors”**

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MODERATOR: MS. SANA KAPOOR – GO INDIA ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to Deep Industries Limited Q1 FY24 Earnings Conference Call hosted by Go India Advisors.

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

I now hand the conference over to Ms. Sana Kapoor from Go India Advisors. Thank you and over to you.

Sana Kapoor: Thank you, Seema. Good Morning, everybody. Welcome to the Deep Industries earning call to discuss the Q1 FY24 results. We have on the call, Mr. Paras Savla – Chairman & Managing Director and Mr. Rohan Shah – Director of Finance and Group CFO.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the Company faces. May I now request Mr. Paras Savla to take us through the Company's business outlook and financial highlights subsequent to which, we will open the floor for Q&A. Thank you and over to you, sir.

Paras Savla: Good morning, everyone. Thank you for joining Deep Industries Q1 FY24 Earnings Conference Call. I hope that you have got a chance to go through our “Earnings Presentation and Financial Results” that have been uploaded on the website and stock exchanges. We have commenced FY24 on an exciting note by delivering strong financial performance. Our “Financial and Operational Performance” has shown substantial growth compared to the same quarter last year.

Before Mr. Rohan discusses the financial performance, let me throw some light on the strategic updates of the Company:

I'm happy to share that Deep's order book is growing consistently and has reached Rs. 1,160 crore. This represents a year-on-year increase of 52% and a quarter-on-quarter increase of 8%. Deep has been able to successfully increase its order book for the 9th consecutive quarter. Recently, the Company secured a substantial order worth Rs. 130 crore from ONGC. The contract involves charter hiring of 90 metric ton mobile drilling rig with the integrated jobs.

I'm pleased to share with you all that Deep has entered into two joint ventures recently with the objective to tap different opportunities in the oil and gas industry. One JV is with Focus Energy Limited through subsidiary Breitling Drilling Private Limited, which aims to tap opportunities in higher capacity onshore drilling rigs in India. This JV will help in getting qualifications for the bidding certain rig projects and will also lead to synergy benefits to capture additional market share in higher capacity drilling rigs. Another JV is with Euro Gas SRL through a subsidiary Deep Onshore Drilling Services Private Limited, which aims to

carry out business of supplying oil field equipment to the oil and gas industry. Through this JV, we can achieve a synergy benefit to enter into niche business vertical of EPC. We are confident that this will open new opportunities for us to grow further and move one step closer to becoming one stop solutions provider to the oil and gas industry. As you may recall, last year we acquired Dolphin Offshore through the IBC route and began implementing our revival strategy. I would like to mention that the progress of the revival plan is going on as expected and we are confident that H2 FY24 Dolphin Offshore will start generating operational revenues. The integration process has commenced with the appointment of key managerial personnel and the board acquiring control of the assets and setting up the offices. Also, the refurbishment of major assets has commenced and is progressing as per the plan.

I'm happy to mention that Dolphin has started getting expression of interest and is evaluating the best available option. Further, we are in process of getting Dolphin Real Estate on stock exchanges as per regulatory requirement and are expecting to get it listed soon. This acquisition of Dolphin Offshore will grant Deep with a quick market access to offshore services, which otherwise would have taken at least 2 to 3 years to achieve the required qualification. This will also lead to diversification of the business verticals of Deep and synergy benefits from existing client relationships.

Overall, I would like to say that Government of India is targeting to increase the share of natural gas in primary energy mix from current 6.5% to 15% by 2030 and is taking various measures such as expansion of National Gas Grid, expansion of city gas distribution network, allocation of domestic gas to compress natural gas transport, pipe natural gas into no cut category, accepting recommendations made by Kirit Parikh panel on domestic gas pricing guidelines for the same. All these initiatives that are focused to increase the production of natural gas will in turn increase the demand for services provided by Deep Industries and shall provide significant growth opportunities to the Company. We also believe that bidding pipeline for Deep is very robust and will remain strong for the foreseeable future.

With this, I would like to hand over the call to Mr. Rohan Shah, our CFO and Director (Finance), to take us through quarter one FY24 Financial Performance. Thank you and over to you, Mr. Rohan.

Rohan Shah:

Thank you. Good morning, everyone and thanks for joining today's call.

I will now represent a brief overview of our 1st Quarter's Financial Performance, after which we will open the floor for questions and answers. For a fair comparison, we will be comparing the numbers on a year-over-year basis.

Starting with the "Consolidated Financial Performance":

I'm happy to share that Deep has performed extremely well compared to the same quarter last year. Revenue has increased by 39% to Rs. 101 crore from Rs. 73 crore in Q1 FY23 primarily

in line with our consistently growing order book and diligent execution of our orders with required operational efficiencies. EBITDA and adjusted PAT have increased to Rs. 49 crore and Rs. 30 crore, up by 52% and 54% respectively. EBITDA margin and adjusted PAT margin for this quarter has improved from Q1 FY23 and are strong at 45% and 28% respectively.

Coming to “Standalone Performance”:

I am pleased to mention that like our consolidated performance, our standalone performance is also strong for this quarter. Revenue is up by 49% to Rs. 90 crore whereas EBITDA and PAT are up by 51% and 53% to Rs. 41 crore and Rs. 24 crore respectively. Deep has shown improvement in financial performance not only on a sequential basis, but also on a year-on-year basis. Deep’s consolidated EBITDA and adjusted PAT showed an increase of 3% and 9% respectively on Y-o-Y basis.

Overall, Q1 FY24 performance marks a positive start to FY24. That's all from my side. We can now open the floor for question and answers. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take the first question from the line of Mr. Manan Shah from Moneybee Investment Advisors. Please go ahead, sir.

Manan Shah: Yeah, hi. Thank you for the opportunity and very big congratulations to Paras Bhai and Rohan Bhai for an amazing performance for the quarter. My question was regarding the JV that you have entered, one with Focus Energy and one with Euro Gas. So, you mentioned that Focus we have entered so that we'll be focusing on the higher capacity rigs and this will help us save us time in terms of getting the approval. So, wouldn't this new JV also require to go through the approval process or does that JV partner Focus Energy already possess the approvals which will indirectly be applicable for this JV as well?

Paras Savla: So, this JV does not have anything to do with the approval. In fact, this JV would help us to qualify for the bidding higher capacity of drilling rigs. See currently, what we have been drilling is up to 1000 horsepower drilling rig tenders. Now we are focusing to get into 2000 and beyond horsepower tenders. So, since Focus has already got that experience, we have done a JV with them, which will enable us to get technically qualified and participated in all those standards that we are looking forward to.

Manan Shah: Ok. Understood. So, we wouldn't have been able to do this by ourselves or I mean if the operations very different as compared to what we do right now, when the capacity goes up from 1000 to 2000 HP?

Paras Savla: The operational philosophy basically is the same, but as we move to a higher capacity, the requirements of the tender go in with that kind of an experience. So, since we have not operated any 2000 horsepower rigs, we need some qualification and instead of waiting for that

long, we thought for getting into a JV would help us to get easily into these markets. And that was the reason we did this JV.

Manan Shah: Ok. So, if you can throw some light on how big is the 1000 plus HP market and what would be the role of our JV partner over here and what sort of investments will this entail for us?

Paras Savla: The role of JV partner would be providing the technical knowhow, as far as the operations are concerned. Our role would be to operate the rigs with the technical guidance given away by the JV partner. 1000 horsepower rigs currently, there are huge amount of rigs are already into the markets for quite long and 2000 horsepower rigs are also running in this market for quite long. But if you see some of the areas like Northeast and Southern part of India which have deeper wells, they require a capacity with 2000 horsepower and we believe that in the days to come, these rigs would also get more popular and that is the reason we got into this JV. So, with this, the capacity looking to the kind of markets easily, I believe around 15-20 rigs would be something that would be required in 2 years or 3 years down the line and so that opens a great opportunity for us to enter here.

Manan Shah: Understood. And the margins over year would be similar to the existing drilling business or it is better or worse off?

Paras Savla: It is more or less similar to the one, but yes, the size matters a lot. I won't say it would be exactly the double, but yes, in a way it would be close to 70%-80% more **rates** than what 1000 horsepower rigs are normally fetch. So, it definitely would add to a lot of numbers in terms of revenue and also the margin.

Manan Shah: Ok, understood. And the CAPEX will only be post we win an order.

Paras Savla: Yes.

Manan Shah: Ok. Coming to the second JV that we did with Euro Gas, so this again if you can just highlight what will be the role of our partner over here whether this we are focusing on India or international business and again what sort of investments will be sent in?

Paras Savla: The scope of the JV partner would be as similar as what we mentioned in the Focus. It is providing the technical knowhow. The idea to get this EPC business is largely only for India for now and as we go forward, there are huge opportunities coming up. So, in an oil and gas sector, there are a lot of activities related to the development of oil and gas fields, creation of gas gathering facilities, buying the equipment and doing the EPC jobs. So, we believe with the kind of thing and experience that we already have that will enable us to go a step beyond and try and get into these activities which will enlarge our scope of business into this oil and gas sector.

Manan Shah: So, this EPC business is different from the IPM that we currently do or...?

- Paras Savla:** EPC business is different. IPM is integrated jobs. So, when all the pool of services put together are offered for services, they are called integrated projects which we are already doing. And EPC is something that we build, create and then we transfer the facility to the client. So, that is an EPC, but this won't be a typical EPC what the other companies are doing, we are trying to focus only on our sector and our mastery where we have been doing this for 30 years. So, we have focused only on those areas where we have a core competence.
- Manan Shah:** So, sir how big or what would be the opportunity for this particular market and who are the existing players also who are there in this market?
- Paras Savla:** There are a lot of players already predominant in this market, but what stands us apart is that we have the domain knowledge. We have been into this business for 30 years. As far as the market goes, I won't be able to put what kind of numbers and the prospects that would be, but to a limited understanding, these are huge prospects and which can change a lot of things within the Company. So, I am not aware about the numbers of prospects, but it would be huge, it would be quite huge.
- Manan Shah:** And this business will be asset heavy or asset light as compared to our existing business, which is a bit asset heavy?
- Paras Savla:** It would be asset light because this would be like procurement and then transferring, so it won't be on the asset heavy model. It is basically an asset-light model.
- Manan Shah:** Thanks. I will get back in the queue.
- Moderator:** Thank you, sir. We take the next question from the line of Mr. Avinash Gorakshekar from Profit Mart Securities. Please go ahead, sir.
- Avinash Gorakshekar:** Yea, I think Paras Bhai and Rohan Bhai, very good numbers. Congratulations. I had two questions. One is on the Dolphin acquisition, you said, possibly in the second half, we will be starting operations here. So, I just wanted to know what is the kind of visibility on the order book for this Company because as you mentioned rightly that there was a very strong kind of business profile for this Company earlier. So, if you could share some thoughts on what kind of orders Company could get here? And secondly, I believe the Company has got a large, accumulated tax shield, tax losses, so will that benefit the consolidated entity for the year FY25?
- Rohan Shah:** Thank you, Avinashji. I will answer your second question first. So, yes, that tax benefit will definitely be available to us and it is a quite good in amount. So, we can definitely take benefit of that tax benefit.
- Avinash Gorakshekar:** So, it means for FY25 tax benefit if we get, then does that mean should we come into zero tax benefit? I mean because it is 25% normal tax, if we get the benefit of tax shield for FY25 at least, not FY24, can we assume that tax will be more or less practically nil for the Company?

- Rohan Shah:** Yes, practically you can assume that, correct.
- Avinash Gorakshekar:** And first question, Rohan bhai, if you or Parasji can please answer?
- Paras Savla:** So, there are two approaches. So, our immediate target for Dolphin is to revise the current assets that we already have and the asset that what we are talking about is the Vikrant Dolphin that we have in Mexico. We are already undergoing the repairs and maintenance for that barge and we expect that to be over in next 2-3 months at the most. And we have already started looking for the clients and we have already got a lot of expression of interest in those territories. So, we have not been able to freeze those numbers for now since the repair is going on and we want the barge to be completely ready and to offer on a way that could fetch us good revenue. But but we are very very bullish on this barge and we expect that once it gets deployed, it would yield great amount of revenue to us.
- Avinash Gorakshekar:** Okay. Paras bhai, just one more question. Basically you said that in future, Dolphin also will get listed separately. So, I just wanted to know that can we expect this listing to happen in FY24 second half or will it happen in the first half of FY25?
- Rohan Shah:** Yes, we are expecting it to get it done in first half itself.
- Avinash Gorakshekar:** The first half of next year, that is FY25 right?
- Rohan Shah:** No, first half of this year, so it will be listing soon, probably in months' time.
- Avinash Gorakshekar:** Okay. Thank you and all the best to you.
- Moderator:** Thank you. We take the next question from the line of Mr. Dhruv Bheda from Richwell Securities. Please go ahead, Sir.
- Dhruv Bheda:** My first question is on the natural gas part. So, the natural gas dehydration has been on the same capacity utilization since a long time. So, what kind of progress are we seeing in this segment and how do you expect this segment to grow or what are the order pipeline or the order book in this segment which you have?
- Rohan Shah:** So, yes, natural gas dehydration side, the demand is not that great as we were expecting and so I think since last some time, the capacity utilization is little low of our existing equipment, but our endeavour is to deploy our equipment on new contracts which we have already bid. And since our equipment were having a capability to operate in different environments as well and in different services as well, we will be able to deploy these equipment probably in the coming time, yes.
- Dhruv Bheda:** And what kind of capacity utilizations are we seeing?

- Rohan Shah:** So, currently it is around 50% and we are expecting to take it to almost 75%-80% in next 2 quarters.
- Dhruv Bheda:** Okay. Can you please tell me the segment wise breakup of the order book vis-à-vis the revenues which you have booked?
- Rohan Shah:** So, for us, it is spread through all segments. Primarily if I'll have to put it into segments, gas compression is around 46% of total order book and rig segment is almost 42% of this order book. And rest is with other verticals like integrated project management and GDU, gas dehydration.
- Dhruv Bheda:** Okay. And in the bidding pipeline segment, what kind of order book are we seeing or an executable order book from a 1 year's perspective?
- Rohan Shah:** See for us, the orders in hand have a clear visibility of getting it executed in next 2.5-3 years and the bidding pipeline, we can say that the bidding pipeline is as good as more than Rs. 500 crores of bids and we expect them to get it converted into orders probably in next one quarter or so. So, we expect some good amount of conversion into the existing bidding pipeline and further this bidding pipeline is consistently increasing month on month. So, we are envisaging good amount of demand in our services going forward.
- Dhruv Bheda:** Okay. Thank you so much and all the best.
- Moderator:** Thank you, sir. We take the next question from the line of Kashvi Dedhia from Centra Insights. Please go ahead.
- Kashvi Dedhia:** Thank you for the opportunity and congratulations on great set of numbers.
- Rohan Shah:** Thank you.
- Kashvi Dedhia:** So, I have two questions. First will be on what is the segment price revenue breakup for the current quarter and second would be on the synergy. So, due to the synergy, how much additional benefits are you expecting in terms of revenue and EBITDA, if you can throw some light on that?
- Rohan Shah:** For revenue breakup for Q1, the revenue breakup is almost in line with what our order book is. If I'll have to put it in numbers, we have booked revenue from gas compression division of around 44%, from rigs division around 40% and the rest is from integrated project management and gas dehydration. With regards to your second question of synergy benefits, see, with this synergy we have started bidding certain projects and in fact we have already bid few. So, once we get those orders in place, probably at that time we would be in more confident position to say about some margins. But apparently, this businesses are as lucrative as what we are doing currently.

- Kashvi Dedhia:** And sir, if you can guide on CAPEX, what will be our requirement in next 2 to 3 years?
- Rohan Shah:** In our business, CAPEX is always driven by confirm orders. So, we do not anticipate any CAPEX without a confirm order in hand. So, I would say as and when we get an order, we do the CAPEX. So, probably it is hard to estimate for next 2 years because it all depends on award of contract. But tentatively, I would say in this current financial year, we can do CAPEX of around Rs. 80 – Rs. 90 crore.
- Kashvi Dedhia:** Okay sir, Thank you.
- Rohan Shah:** Thank you.
- Moderator:** Thank you, ma'am. We'll take the next question from the line of Mr. Gaurav Sachdeva from Further Investments. Please go ahead, sir.
- Gaurav Sachdeva:** Good morning sir. Congratulations for great set of numbers. Management has guided for the 20% revenue growth from, but looking at the results and the JV we have done and the order book we have, are we likely to revise our guidance maybe 30% or something like that?
- Rohan Shah:** With regards to guidance, we have always been conservative. So, we continued to be with 20% on a conservative basis. It definitely can increase is what you are saying, but as a guidance we would continue as 20%.
- Gaurav Sachdeva:** And EBITDA will be in the same margin sir above 40 we can?
- Rohan Shah:** Yes, it would be almost in same range. It can increase a bit, but it would be above 40.
- Gaurav Sachdeva:** And sir, just last question, what is the cost of this 2000 HP drilling rig?
- Rohan Shah:** It would be in range of Rs. 80 to Rs. 100 crore depending on the total requirement of client because the overall accessories requirement is differing from client to client.
- Gaurav Sachdeva:** And I think 1000 HP is around Rs. 45 crores, so. I think you told in last concall?
- Rohan Shah:** Correct.
- Gaurav Sachdeva:** Thank you. That's from my side.
- Moderator:** Thank you, sir. We take the next question from the line of Mr. Vignesh Iyer from Sequent Investments. Please go ahead, sir.
- Vignesh Iyer:** Congratulations sir, on the good set of numbers. My question is on the order book side of it. The Company is increasing its order book almost like last 9 quarters. So, just two parts of it. If you could just let me understand out of this 1,160 crore order book, can I get a breakup of

segment wise as to which order belongs to which segment and what is usually a typical execution timeline for each of the segment?

Rohan Shah: See for us, order book is on continuous basis like our services are 24 x 7, 365 days. So, it's a concurrent order book you can say. With an existing order book, our execution time is 2.5-3 years in total. And with regards to segment breakup, I have already mentioned in this call, whereas I'll just repeat the same. Gas compression is around 46%, rigs division is having around 42% and rest is with other verticals like integrated project management and gas dehydration.

Vignesh Iyer: Okay So, I'm actually new to the Company, but just to get an understanding is, any of this order constitutes export and what constitutes the domestic part of it?

Rohan Shah: So, majority is domestic. There are few orders of our international subsidiary concluding part of this order book, which is you can say export in terms of it would be executed overseas.

Vignesh Iyer: Okay got it. Thank you sir.

Moderator: Thank you, sir. We take the next question from the line of Rakesh Davera from 4R investments. Please go ahead sir.

Rakesh Davera: Congratulations for the great set of numbers. My first question is regarding order book convertibility ratio. If I'm not wrong, we are increasing our order book on consistent basis. But coming to the previous quarter like Q4 FY23, the amount of order book we got and comparing it with the revenue, we slightly decreased on the revenue. Can you throw some light on that?

Rohan Shah: See our order book, the existing order book can be converted into revenue for 2.5-3 years. So, this order book is consisting of, I would say more than 48 to 50 different awards or contracts which are being executed on a continuous basis. So, the revenue on quarter-on-quarter may have some variations this depending on the jobs we do on client places, but overall you can expect that this Rs. 1,160 crores can be executed over a period of 2.5-3 years.

Rakesh Davera: Yes, year-on-year basis, we have grown around 52%. What's the guidance for the order book coming to FY25?

Rohan Shah: So, in our business space, we are expecting and we are envisaging good amount of demand for our services and we believe this order book should grow further from this. And yes, we expect on conservative basis minimum 20% of growth.

Rakesh Davera: And one more thing. In what segment we are getting more orders?

Rohan Shah: Currently, we are getting orders from almost all segments which we are operating and order book is evenly spread over those segments and it is increasing on all those segments.

- Rakesh Davera:** Another question is regarding Dolphin acquisition and what is the working capital requirement for that and CAPEX installed at?
- Rohan Shah:** Currently, we are in process of reviving the existing equipment which Dolphin already had. So, as of now it is under CAPEX mode only and once we will get our assets in class, then it will come for an operation and then working capital requirement. So, for working capital requirement, it is early to say anything on it. But more or less, since they are part of oil and gas support services, it would be more or less in line with what we are having in our current business. With regards to CAPEX, currently we are doing CAPEX of around 35,00,00,000 for Dolphin.
- Rakesh Davera:** How much revenue we expect from Dolphin with the synergy effect of Deep Industries?
- Rohan Shah:** From Dolphin, currently what we are doing the refurbishment job of a particular equipment. There, we are expecting revenue of almost Rs. 90 to Rs. 100 crore a year from FY25 onwards.
- Rakesh Davera:** Okay. Got it. Thank you.
- Moderator:** Thank you, sir. We take the next question from the line of Mr. Sudhir Bheda from Right Time Private Limited. Please go ahead, Sir.
- Sudhir Bheda:** Yea, good morning and congratulations on excellent set of numbers. Congratulations to all the Deep team. Sir, my question is whether this kind of run rate is maintainable in a current year 23-24?
- Rohan Shah:** Yes, the way our bidding pipeline is built and the expectation of convergence are quite good. So, we expect this run rate should continue in the current financial year as well.
- Sudhir Bheda:** Great, great. And sir, when we see the March balance sheet, your debtors were very high. So, I believe that it is the some debtors belong to Dolphin. So, what is our working capital position right now and liquidity position?
- Rohan Shah:** Correct. So, our debtors are in range of 100, the debtors which are appearing on consolidated balance sheet on March 23, it includes almost 142 crores of debtors from Dolphin as a whole. So, I would say our regular business is having debtors day of 100 only.
- Sudhir Bheda:** Oh that's great. And what would be the net cash on hand as of now?
- Rohan Shah:** It is almost Rs. 100 crore.
- Sudhir Bheda:** Great great sir. Once again congratulations sir and all the best and thanks again for the opportunity.
- Rohan Shah:** Thank you.

- Moderator:** Thank you. We'll take the next question from the line of Sajan Joseph, an individual investor. Please go ahead, sir.
- Sajan Joseph:** I had four questions, two of them related to Dolphin and two for Deep Industries. Regarding Dolphin, you said we are looking at listing Dolphin. I wanted to know the advantage of listing Dolphin and after we list, how much percentage of holding with Deep Industries have?
- Rohan Shah:** Since Dolphin was already a public listed Company. To continue its listing, as per our approved resolution plan, so we will be holding 95% in Dolphin Offshore and 5% is still with general public. So, eventually, over a period of 3 years, we'll have to dilute our share to 75%.
- Sajan Joseph:** Thank you, sir. The other question about Dolphin Offshore was the barge that is being repaired. You said the cost for repairs is going to be around Rs. 35 crores. How about the manpower? Have we started hiring for people?
- Rohan Shah:** Yes. So, those activities have already started in parallel. So, we have already started scouting for the required manpower and the agencies which can help us in managing this entire operation.
- Sajan Joseph:** Thank you, sir. Regarding Deep Industries itself, you've been in operations for 30 years. How have you seen this kind of an order book build up previously? And when was that?
- Rohan Shah:** So, I am happy to say that the current order book is highest ever for us and the run rate which we are seeing since last 9 quarters is also for the first time for us.
- Sajan Joseph:** That's actually quite incredible sir and what is causing this change? Is it more spending by the PSUs?
- Rohan Shah:** Sorry, I dint get it.
- Sajan Joseph:** I'm saying congratulations on the high order book. Why is this order book so high? And is it because the public sector units are spending more or is it government policies that are causing this change?
- Rohan Shah:** In overall industry, the demand of our services is increasing year-on-year and if you were to look on overall outlook of natural gas, so today entire country is after natural gas production increase because currently even today we are importing almost 53% of our demand of gas. We are such an energy deficient country. So, the focus is to become energy sufficient and our government is also pushing hard to become energy sufficient. So, we believe the demand of natural gas processing and in all other vertical of hydrocarbons, it is increasing year-on-year which we are getting benefit. In addition to that, the service providers in this industry are very

few and some of them have already exited the market. So, that is also helping us to grow our business.

Sajan Joseph: And who are our customers, in your past conference call we have mentioned ONGC and Selan. Is HOEC also our customer like who are our major customers?

Rohan Shah: Our major customers are ONGC, Oil India, Vedanta, Assam Gas, Chennai Petroleum. HOEC, we had provided services in past. Currently, we are not doing any business with HOEC. Selan is also one of our larger clients.

Sajan Joseph: Okay sir. Thank you.

Moderator: Thank you. We take the next question from the line of Mr. Parin Gala from SageOne Investments. Please go ahead, sir.

Parin Gala: Sir, our capital employed in the Company would be to the tune of Rs. 1,100 crores to Rs. 1,200 crores including the intangible, is that number correct?

Rohan Shah: Correct. So, it includes that intangible part of goodwill, which is around Rs. 400 crore.

Parin Gala: That's right. So, even after removing the intangible and whatever capital employed we have, if you see the ROCE of a Company despite doing great margin, everything is, you know in very low double digit or single digit at times. I understand it is an asset heavy business currently, so just wondering that is there a way when we are doing the rig business, when we get some orders, we can also take it on higher and then redeploy on the yields and make it a little better ROCE business going forward. Is there any plan to improve our ROCEs sir?

Rohan Shah: So, yes, I would agree with you a bit. So, our current ROCE is around 12%, of course adjusted after that goodwill effect. But yes, as you rightly mentioned, we are into asset heavy business because our services are being provided with the help of equipment which are little costly. So, we have consciously started focusing on improving ROCE and probably the asset light model is one of the ideas which can improve your ROCE further. But the problem with asset light model is your operating margins then gets hampered because of asset light. We are trying to balance how to improve this further. In our business, the life of assets is more than 20 years. So, at any particular point in time, if you calculate the ROCE, it looks a little low. But if you will look from the perspective that the same capital employed and earned revenue for next 20 years, then probably the correct perspective would come.

Parin Gala: From an investor perspective on a 20-year basis, it's very difficult to do the math right. I mean you get what I say. So, in that perspective, I was just wondering.

Rohan Shah: No, I agree. The only problem with our business is assets are capital intensive, but they are having good amount of life as well.

- Parin Gala:** So, at best, so what number you could do in the next 2-3 years, 4 years?
- Rohan Shah:** So, we are targeting to take it closer to 20% in the next 2-3 years.
- Parin Gala:** 20%. You can give some clarity on how this can be achieved.
- Rohan Shah:** So, as I said, one of the options in our mind is asset light. So, instead of owning equipment, if we go on leasing of them, this can definitely give an immediate impact on ROCE.
- Parin Gala:** Okay, sure sir, thank you. So, last question again on the intangible, I understand that you would be doing a fair valuation every year or something and if impairment is required, any guidance on probably this will be impaired over the next few years and all understanding, I do not know the nature of the intangible that is why I was asking, could there be impairments coming through?
- Rohan Shah:** No. So, since the last 2 years, there is no impairment is coming as per the impairment study by separate valuer. So, I am not sure in what amount of years it can be impaired.
- Parin Gala:** And this intangible is created because of a demerger right?
- Rohan Shah:** Correct. It has been created in form of goodwill as a part of demerger.
- Parin Gala:** Okay, Sir Thank you.
- Rohan Shah:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Mr. Ankur Kumar from Alpha Capital. Please go ahead, sir.
- Ankur Kumar:** Sir, congrats on a good set of numbers. Sir, you talked about strong order book, but you also talked about 20% growth only. So, what is our thinking on the growth for this year?
- Rohan Shah:** As I said, for growth guidance, we have always been conservative and as I said, 20% is a conservative number which we are spelling out. The order book is excellent and conversion is also as per our expectation. So, we always believe in saying less and performing more.
- Ankur Kumar:** Got it, sir. And sir, in this current quarter there is an impact of monsoon which is generally there. So, what kind of expectation can we build in for this current quarter? Will it be much lesser than the Rs. 100 crore that we're doing on consol basis?
- Rohan Shah:** There will be some impact. Generally monsoon effect is largely impacted on integrated projects and this year in our overall revenue mix, integrated project has little less contribution. So, we are not expecting some major impact. Some amount of percentage would be there.

- Ankur Kumar:** And sir, on the Dolphin side, you're saying we are expecting listing in about a month or two?
- Rohan Shah:** Correct. It was already listed Company, but due to insolvency it was under suspension. So, we are getting it relisted.
- Ankur Kumar:** Got it, sir. And Dolphin, you are expecting revenue to start from second half. So, any expectation we can build in for this year and the next year on the revenue and margin side?
- Rohan Shah:** See, since we are in process of reviving the Company, putting any number would be little difficult or I would say it would be little early. But yes, we are expecting to start contributing into revenue from second half onwards. So, to what extent and how much it will get contributed, it's little difficult, but on a broader terms, if you want to know, it can be somewhere in between Rs. 30 crore to 50 crore this year.
- Ankur Kumar:** Got it. Thank you and all the best sir.
- Moderator:** Thank you, sir. We'll take the next question from the line of Mr. Manan Shah, Moneybee Investment Advisors. Please go ahead, sir.
- Manan Shah:** Thanks for the follow-up. I wanted to know this, you highlighted about Rs. 80 crores to Rs. 90 crores of CAPEX for this year. So, towards which segment will this CAPEX largely be?
- Rohan Shah:** So, currently, we are doing CAPEX of 1 drilling rig which we have received an order of Rs. 130 crores. So, that would be around Rs. 40 crores around. And other than that, we are doing CAPEX of compression part as well. So, that would be around Rs. 20 crores and the rest is depending on the new awards.
- Manan Shah:** Okay. And during the upcoming quarter, any new orders that we want which will commence execution?
- Rohan Shah:** Yes. So, there is one compression contract which is under mobilization stage, will start adding into revenue in the current quarter.
- Manan Shah:** And for the year, any major contract which is expiring?
- Rohan Shah:** See for our business, it is a rotational contract, so expiring would not have that impact because it will again be deployed in next contract. But no major such contract because our all major drilling rigs are for 3 years now. So, they are already deployed on 3-year contracts already. And other than that, there is no major completion.
- Manan Shah:** So, based on that understanding, our current quarterly run rate is only expected to go up from current Rs. 100 crores to probably Rs. 110 crores or Rs. 115 crores?
- Rohan Shah:** Yea, We are positive of that.

- Manan Shah:** Okay. Any sort of target order book that we are looking to end the year with, I mean internally any ambition or something that we are looking to end this year with say 1200 crores, 1300 crores or 1500 crores sort of an order book?
- Rohan Shah:** Manan bhai, expectations are huge, but we cannot quantify that. Of course, we'll definitely end up with quite good number.
- Manan Shah:** Okay and lastly on this two JVs, so you mentioned that we have already started bidding for contracts over here, right?
- Rohan Shah:** Correct.
- Manan Shah:** So, what is an average order size over here in each of these JVs?
- Rohan Shah:** A single contract can be in range of 150 to 250 crore types.
- Manan Shah:** And we can expect some positive wins over here during the year only?
- Rohan Shah:** Yes, we are hopeful.
- Manan Shah:** And mobilization of these orders would take anywhere between 6 to 8 months as usual.
- Rohan Shah:** More than six months, correct.
- Manan Shah:** Would it be faster in the EPC JV or over there also it will take 6 to 8 months?
- Rohan Shah:** There also it would be more than 6 months, yes.
- Manan Shah:** Okay. Also lastly on the receivables of Dolphin, so what sort of process have we started for recovery of this Rs. 140 odd crores and anything that you are expecting during the year?
- Rohan Shah:** See, we have already started following up wherever the recovery is possible, in few cases already arbitrations are going on and these arbitration awards are also expected to come. So, yes, we are hopeful that some good amount out of this should be recovered in this financial year.
- Manan Shah:** Okay understood. And the CAPEX of Rs. 35 crores will largely be capitalized, right or it will be expensed out, the refurbishment?
- Rohan Shah:** Capitalized.
- Manan Shah:** Okay. Thank you. That's all from my side.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Rohan Shah: Thank you all for joining the call. In the end, I would like to say that a zero net debt balance sheet, healthy liquidity position, strong and growing order book, diversification to offshore business and entering into joint ventures to tap new opportunities in oil and gas industry augurs well for the growth and success of Deep Industries. We hope that we were able to resolve all your queries. If you still have any follow-ups, please feel free to reach out to us or to our Investor Relations, Go India Advisors. Thank you all.

Moderator: Thank you, sir. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.