

Deep Industries Limited

Quarter 1 FY 2025

06 Aug, 2024

Moderator:

Ladies and gentlemen, good day and welcome to the Q1 FY25 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 relation teams from Adfactors.

As a reminder, all participants line 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. Before we begin the earnings call, I would like to mention that some of the statements made during today's call may be forward-looking in nature and hence it may involve risk and uncertainties, including those related to the future financial and operating performance. Please bear with us if there is a call drop during the course of the conference call. We would ensure the call is reconnected the soonest. I now hand the conference over to Mr. Paras Savla for his opening remarks. Thank you and over to you.

Paras Savla:

Good morning, everyone. It gives me immense pleasure to speak to you all today as we present our first quarter performance. Thank you very much for joining this call. I hope you all would have gone through quarter one results and investor presentation that are available on our website and on exchanges. I'm also joined by Mr. Rohan Shah, Director - 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 will then take questions.

Building on last year's performance, India remains the fastest - growing economy in the world, with GDP growth expected to be between 7 to 7.5% this year as well. The new government's agenda centered around Viksit Bharat, emphasizes infrastructure development and energy transition. As the nation continues its rapid growth, the need for accessible energy for all has become increasingly urgent. While efforts to transition to renewable energy have intensified, the government is also focusing on enhancing the efficiency of conventional energy assets. We at Deep industries are aligned with this mission of government and committed to leverage on these opportunities.

Today, the vision of contributing to nation building, we are continuously working on increasing our portfolio with value added services now occupying center point. Our new services of providing entire gas processing facilities on charter basis is receiving encouraging response from the key industry players. With robust bidding pipeline and consistent order flow in existing as well as new service offerings, we are committed to capitalize on these opportunities for maximizing shareholder value and achieve long term success. The Government of India is focusing on a gas-based economy to increase the share of gas in primary energy mix to 15%. This is likely to attract huge investments in the gas sector, which would create many opportunities for our various service offerings in natural gas processing vertical.

Over the next few years, India is aiming to significantly scale up investments in the exploration and production sector, eyeing opportunities worth up to \$ 100 billion by 2030. The winners of the ninth round of Centre's Open acreage licensing policy (OALP) are likely to be announced in next couple of months. There have been news reports that to accelerate the exploration and production, the government is also planning to announce 10th round of OALP. Both these rounds put together would bring in around 50 blocks under exploration, thereby providing immense opportunities for the Company for oil and gas support services.

As you all might be aware, prior to OALP under hydrocarbon exploration and licensing policy (HELP), separate rounds of new exploration and licensing policy (NELP), Coal – Bed Methane (CBM) and Discovered Small Fields (DSF) were also held by Government. Under NELP, 32 blocks out of total 254 blocks awarded are operational. Additionally, 33 CBM blocks and 2 DSF blocks recently announced are also potential opportunities for the Company.

Now coming to the quarterly performance, the first quarter has been robust growth with strong order flow and bidding pipeline. During the quarter, we received two major orders among few others from ONGC worth approximately Rs. 140 crore. Among these two, one is hiring of DPDU (GDU) for gas processing and second one is Charter hiring of 2 workover rigs for Tripura and Rajahmundry asset for the period of three years.

The update on Barge asset Prabha is that the refurbishment is now in the final stage of completion and we expect it to contribute to revenue from next quarter onwards. We have few opportunities available for Diving Support Vessel (DSV), Platform Supply Vessel (PSV) and Anchor Handling Tugs (AHT) in both local and international market and we are evaluating the same in terms of their margins and payback. We are confident that synergies generated out of the acquisition of Dolphin Offshore would be ROE accretive for the company as a whole and would help company emerge as a prominent one-stop-solution provider for both onshore and offshore oil and gas support services.

We are highly optimistic about the robust bidding pipeline, which will add further to our strong order book over 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 the shareholder value and achieve 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.

Rohan Shah:

Thank you Paras bhai.

Investor friends, thank you for joining the call today. Happy to share with you another stellar quarterly performance of Deep Industries Limited. All the comparisons are on year-on-year basis, which would provide fair evaluation.

Consolidated revenue from operations rose by 22% to Rs. 123.45 crore. The strong growth momentum in top line comes from execution of our orders as well as consistent new order flows.

Tight control over costing and operational efficiencies have helped us post 26.40% growth in EBITDA to Rs. 61.50 crore in Q1FY25 with EBITDA margin of 45%. We have been maintaining margins in the range of 42% to 45% providing us a decent cash flow to strategize our future growth trajectory.

Net profit for the first quarter stood at Rs. 38.74 crore, up by 25% compared to corresponding period of last quarter with PAT margin of 28.80%, pretty much in line with EBITDA growth.

Our order book has grown to rupees 1246 crore, 12% higher than Q1 FY24.

The financial year 24 was a landmark year for us as we reported highest ever revenue, EBITDA and Net profit. Continuing with last year's performance, Q1 has built on that momentum, strengthening our base for this financial year as well. With infrastructure and exploration and production sector spending likely to get boost by new government, we expect our northwards trajectory to be intact this fiscal too.

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

Moderator:

The first question is from the line of Nirvana Laha from Badrinath Holdings. Please go ahead.

Nirvana Laha:

Hi, thanks for the opportunity. Sir, when you said that Prabha will be operational from next quarter, you meant Q2 or Q3, Sir?

Rohan Shah:

It would be from Q3, yes.

Nirvana Laha:

From Q3. OK. And just to understand more about Prabha, so if you can tell us a little bit about like what kind of client does it get going to get contracted to? And whether the contract will be for 365 days or will it be only for, you know non-monsoon or for part of the year because one of your peers in India has recently, I think contracted with ONGC for a similar barge and the

rates, I believe there are the daily rates are \$75,000 a day for about 220 days of the year. So, if you can give some color on this, it will be very useful.

Rohan Shah: Primarily, this asset - Prabha would be deployed in the markets of Mexican region, so we would be planning to deploy this in those regions only and there, they do not have break of monsoon. So optimistically there operating day rates are more than 320 in a year, and so the rates what we are getting expression are in range of \$50,000 a day. So, this particular asset would be deployed on those regions with similar kind of day rates.

Nirvana Laha: OK, so 320 days and \$50,000 a day, is indicative what you're trying to deploy it for, got it. And regarding the other assets that Dolphin possesses, if you can tell us a little bit because in your presentation you've mentioned PSV and anchors tugs handling both. So, is there any asset which is available which can be restored or when you mentioned this, are you talking about your plans to buy such Asset?

Rohan Shah: So, DSV and PSVs are not available as of now with Dolphin, so we are evaluating opportunities on getting some good contract. We may buy those assets.

Nirvana Laha: OK, Sir. And what about anchor tug handling Boat?

Rohan Shah: We have tugs available, but they are not in class condition, so we'll have to do refurbishment in that tug as well. So, we would be taking that in task based on the award of contract.

Nirvana Laha: Got it. So last question from my side. Right now, as I understand rates for OSV, DSV in the market are very high due to no supply. So, if you plan to buy, what kind of ROCE do you think you can generate at the contracted rates and where do you think you are exploring contract? Is it in Indian waters or are again similar to the barge Mexican water.

Paras Savla: We are exploring the opportunities in Indian waters as well as international. But there is a huge demand of all the vessels, the barges across the globe, so the regions would be pretty much in line to what the standards are and we would be maintaining the ROCEs to the levels that what we have indicated.

Nirvana Laha: Sir. What is that? Sorry, I must have missed it. Is it the company ROCE or?

Rohan Shah: Yeah. So, margins are pretty good as you rightly said. Demand and rates are quite decent as of now and we are exploring opportunity of buying old asset as well because lead time of delivery is little less if we are buying old asset. So, there we can optimize our margins way beyond.

Nirvana Laha: Sir, do you think you can do 15% ROCE by buying an asset from the secondary market in these prices?

Rohan Shah: Yes, maybe more.

Nirvana Laha: OK, alright, Sir. I'll come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Manan Shah from Moneybee Investment Advisor. Please go ahead.

Manan Shah: Yeah, hi. Thanks for the opportunity and congratulations for your good set of numbers. I wanted to understand in the Q1 for Dolphin, we've reported a revenue of roughly 8.34 crores. So, what is the nature of this revenue and is this likely to be sustained going forward?

Rohan Shah: Yeah. Hi, thank you. Yes, we have reported revenue of around 8 or some crore. So, this is particularly for a project which we have taken for execution for one of the DSV which we would be executing for our client where in our scope, it is sourcing, preparing and getting that asset is in class. So, with our experience of getting Prabha in class, we have taken parallel project for some small project, the revenue for which may be spread over three or four quarters, yeah.

Manan Shah: What is the absolute value of this project?

Rohan Shah: We are expecting total for us would be in range of around 40 to 50 crores over a period of projects.

Manan Shah: OK. And this is likely to be executed this year itself?

Rohan Shah: Yes.

Manan Shah: OK, so are there more opportunities of similar type available in the market which we are exploring?

Rohan Shah: Yes. So as of now, we have kept ourself open for evaluating all type of opportunities which are coming in our way. So along with Prabha getting in class, we are also evaluating similar type of opportunity.

Manan Shah: OK. And the order book of Deep of 1246 crore, this does not include this project order and dolphin. Or it includes that?

Rohan Shah: No, it does not.

Manan Shah: OK. Understood. On this barge, how much CapEx have we done till now and how much have we projected to do further before we commissioned the same?

Rohan Shah: Yeah. So, we have invested around almost 11 to 11^{1/2} million dollar till now. And probably it is in last few Lakhs dollar is just pending, yeah.

Manan Shah: OK. Understood. And you mentioned that we would be looking to acquire a second-hand equipment vessel in terms of dolphin, but given the demand scenario, are there any such assets that are available in the market? And if at all they are, what sort of capital investment will that entail and how do we plan to then fund the same?

Paras Savla: The markets are very, very dynamic, so opportunities always come, you know, they keep coming. To answer that what kind of margins and at what cost would be available that would depend only on when the deal is put on the table. But I can be sure of that looking to the market today, whatever rate that we are going to buy, we are going to source or we are going to refurbish the equipment, we will have a very good market to deploy the same equipment into the market, which would definitely yield a very, very good numbers so the market is very dynamic. So, to come out with the absolute numbers would be difficult at this point.

Manan Shah: OK, sure. Thank you. I'll get back in the queue.

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

Raghu: Yeah. Hi. Thank you for the opportunity. My question is regarding the drilling rig and workover rig [inaudible 25:22]. What is the capacity utilization in this particular line of payment?

Paras Savla: So currently we have all our assets in this business completely deployed and that is why we have ordered few more rigs and we have the firm orders for those rigs as well. So, we don't have any idle capacity in this vertical.

Raghu: OK. Just one small addition to this. What is the revenue contribution from this particular segment in our total revenue?

Rohan Shah: It is around 34 to 35% in total revenue.

Raghu: OK. Thanks. And I have one last question. It is a bit long term, excuse me if I am bit naive in this, but because we are in the compression, dehydration business, do we have any idea of going into hydrogen and that kind of business or do we have any expertise in that if suppose it materializes over next 3-4 years, do you have any value at which we can do in that?

Paras Savla: Hydrogen is something that is going to be the future and we have started working on various opportunities on hydrogen. It would be to, you know, premature for us to comment on what and how we are going to shape on that. But being in this industry, we are very sure that we will

try to venture in this segment because this is something that is going to add a lot of value for the company as we get into the future.

Raghu: OK. Thank you so much.

Moderator: Thank you. The next question is from the line of Aastha from Pkeday Advisors. Please go ahead.

Aastha: Hi, first I just want to understand is it possible for you to reveal what is the bid pipeline in terms of value that is currently that you're bidding for?

Rohan Shah: So, to say about value is little difficult because at the end of day it's an L1 based awards. So, whatever we have bid is quite I would say quite hefty, will not be able to quantify in numbers.

Aastha: OK. So OK, fair enough. I appreciate your point. So essentially what I'm trying to understand is that your order book with the tailwinds that we have, you know, spoken about extensively, your order book does not seem to be growing at the same speed at which the industry should be growing according to the macro commentary. Or is that an unfair statement?

Rohan Shah: So I would not agree to that to the extent because see in our case order book is always revolving and it's a continuous supply of services for us. So, the amount we add into order book equally it would be reduced by execution of those part of contracts. And so, it would always be like adding to an order book with new contract and then realizing revenue out of existing running. So yes, to the extent I would say that in our business, some of orders are having some good amount and some are in regular nature. So probably differentiation between new orders and execution would be little less appearing in recent one or two quarter. But it can anytime bump up with big orders.

Aastha: That's exactly what I was trying to understand, Sir, are there upcoming big orders that we are hoping are going to close in the next quarter or two quarters so that one way or the other, we will find out whether we won those?

Paras Savla: So, I'll just give an idea about it. So last year in middle of last year or the third quarter of the last financial year, our order book was close to around 1200 odd crore or something. Today, while we are speaking, we are saying that even that order book is today as we speak, it is 1246 crore. So, there had been an incremental there had been certain amount which we had already executed and despite that execution the order books stood exactly where it was last year and today the bidding pipeline is having a substantial number so with, you know, with those awards coming up, those numbers would definitely they are bound to go up then the bidding pipeline is also dramatically high. So, the award would depend purely on how the outcome of the tender is going to happening and that is very clearly reflected and if you see the last two years, the numbers the same are also being reflected in the in the top line of the company. So that is only because of the fact that the order book is increasing. It is in the increasing mode and that is how the numbers are increasing.

Aastha: No, absolutely makes sense. I was just wondering whether we are expecting a lot of big orders to close and be awarded over the next quarter or two quarters or is this still a few quarters away?

Paras Savla: That is, we are clearly expecting some awards to get awarded in one to 2 quarters. So that would increase the order book going forward. And in this again sorry let me explain and we have not taken any order book coming in from Dolphin. So, this is stand alone, we are talking of Deep industries. So, if you are trying to add anything coming in with the dolphin and all those things, they will be definitely very, very high.

Aastha: Right, Sir. I have a follow up. In dolphin, we are basically talking about that barge, right, Vikrant and the Prabha barge that's what we're talking about in dolphin or is there anything else also?

Paras Savla: For now, that and the one that Rohan explained about the order that we are exhibiting for our clients. So, for now we have those two things and we have other equipment and assets also, but we are trying to evaluate and trying to get them refurbished so that they can also add to the revenue stream.

Aastha: Ok. But I'm assuming these other assets that we are evaluating that is some time away that's not already?

Paras Savla: That's right.

Aastha: Got it. So last question I had was that, you know, one of the ideas was especially for the gas business or the gas processing business was that not only are the new orders being more prone to outsourcing, but existing operations could also be outsourced because people are just tired of managing the business themselves. Are we seeing that in actuality, are some of the bids that we're bidding or some of the business that we're winning, is it coming from captive processes now being outsourced?

Paras Savla: Yeah, yeah. We got awarded some tender only last quarter. I think it was in this quarter or last quarter like I'm not very sure about it. So, we got the gas processing, gas compression facility which our client had and they outsourced the facility for smooth operation and maintenance. And that was also the one of the contracts that we got awarded. So likewise, we are sure that this concept is now getting very popular. And going forward, those will also be adding to our stream of business.

Aastha: All right. Thank you, Sir. Thank you so much.

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

Gaurav Sachdeva: Good morning, Sir. Sir, there was news from your side regarding the interest in the acquisition of some Kandla Energy and Chemicals. Could you throw some light on this?

Rohan Shah: Yeah. So, this particular company was involved in manufacturing of chemicals where we are seeing synergy for manufacturing some chemicals which are used in drilling of wells and since it was under liquidation, it was available at very cheap price. So, we decided to get that company.

Gaurav Sachdeva: So, what kind of investment we are doing in it?

Rohan Shah: Currently it's a very small investment of around 2 cr.

Gaurav Sachdeva: And Sir, what was the total acquisition cost for the dolphin offshore? Could you please tell?

Rohan Shah: The resolution plan value was 27 crores.

Gaurav Sachdeva: OK. And Sir, what is the current total cash available on books and investments as on date for the Deep industries?

Rohan Shah: It would be more than 150.

Gaurav Sachdeva: This is cash.

Rohan Shah: Cash and liquid investments.

Gaurav Sachdeva: OK. OK. Thank you, Sir. That's it from my side.

Moderator: Thank you. The next question is from the line of Harsh D from Kuber Investments. Please go ahead.

Harsh D : Thank you for giving me the opportunity Paras bhai. Congratulations for a very good set of numbers. I have a question. You mentioned that Prabha is undergoing refurbishment at this point of time. But do we have a contract in hand for Prabha?

Paras Savla: We already are in advanced talks with few clients and we are deliberately not closing because we are trying since it is under refurbishment; we are of the view that we have a good amount of time to explore and get the better rates. So, contracts and expressions are already available with us. We are just looking in for the opportunity and we are going to time it in such a way

that on one hand and we have equipment ready and on the other hand we have an order to be executed ready for signing.

Harsh D: Understood. Fair enough. Could you also talk a little bit about what is the deal pipeline for our gas compression business given that there are multiple pipelines that will be commissioned in the current year across the country.

Rohan Shah: So, our gas compression services are not only used in those pipelines, but they are being used in various different applications as well. So overall gas compression bidding pipeline is quite good and we expect good conversion out of it.

Harsh D: OK, fair enough. Can you talk a little bit about the planned CAPEX that we have for the current year?

Rohan Shah: So current year we have planned around 150 crores for CAPEX of which currently we are already in process of doing CAPEX of around 100 cr. We are buying 3 new rigs.

Harsh D: Got it. And this is only for Deep? This would not include anything that might come for dolphin against some of the tugs which you mentioned don't necessarily have an order against them at this point of time.

Rohan Shah: No, this is for Deep yes.

Harsh D: This is for Deep only. OK, got it. And going forward, would we report the Dolphin Order book separately or would it be consolidated in with the Deep order book as well?

Rohan Shah: Yeah. Going forward, we can report separately for Dolphin and we'll include also in consolidated order book as well.

Harsh D: OK. And my final question is that how many assets apart from the barge do we have in dolphin and what is the different kinds of assets? You mentioned tugs as one, if you could throw light, what else do we have there?

Rohan Shah: We have SDS as well which is diving support system. So, in addition to tugs we have SDS as well. Those assets are also not in working condition, so we'll have to get them in class.

Harsh D: OK. Thank you. That's it from my side. All the very best Paras bhai for the upcoming year.

Moderator: Thank you. The next question is from the line of Bhuvan MG from Tiger assets. Please go ahead.

Bhuvan MG: Congratulations. I would like to know as to how much time will it take to execute your present order book?

Rohan Shah: Yeah. So, the existing order book can be executed over a period of 2 and a half to 3 years.

Bhuvan MG: OK. And if I see past five quarters, your margins have been quite volatile. Can you throw some color on that?

Rohan Shah: See in our business, margins are more or less in range of 40% to 45% in range. Since we are dealing with mechanical equipments, sometimes it happens that some repair maintenance job can have some higher expenses. So, it would be in range of that and I believe it should continue to be improving only.

Bhuvan MG: OK. So, on an average, can we expect 40% to 45% margins?

Paras Savla: Yes.

Bhuvan MG: Yeah. OK. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Ananth Shenoy from A S capital. Please go ahead.

Ananth Shenoy: Good morning. Firstly, on the dolphin side you mentioned we have got 40-50 crore order book for the DSV. Is it executable, completely executable this year only?

Rohan Shah: Yes. So, we are expecting to execute this by March of this financial year.

Ananth Shenoy: OK. And along with the barge now, with the 40-50 crore like what kind of sales do we expect in dolphin and EBITDA margin there?

Rohan Shah: So there, along with this project and barge, we are expecting somewhere around 70 to 80 crore to be put in on board with margins of more than 50% EBITDA.

Ananth Shenoy: And what is the visibility for next year, the next year we will have the barge available with us for the full year, right and how does it happen? Like do we expect further refurbishment of the tugs and all to add to the revenue on the dolphin's side?

Rohan Shah: Yeah. Yeah. So, we believe that on full year basis, a single barge can earn revenue of 90-100 crore, so next year 90-100 crore from barge and further revenue from other projects which we are evaluating.

Ananth Shenoy: OK, that is great. And on second question is on the subsidiaries that we have, one is the RAAS that we manufacture booster compressor packages. Can you tell about how much sales we did in Q1 and like what is the outlook there?

Rohan Shah: So, in manufacturing of booster compressor, the demand is not coming up as per our anticipation and so there we are going slow.

Ananth Shenoy: OK, so this year like what is the orderbook outlook and what kind of sales we will do in the RAAS side?

Rohan Shah: RAAS, we would be doing around 18 to 20 crore this year, that is what our expectation is.

Ananth Shenoy: And on the other JV that we had with the Euro Gas, you had told that you were like bidding for some contracts there. And can you talk about that?

Rohan Shah: So yeah, it is still under evaluation. That contract is not yet awarded.

Ananth Shenoy: OK, OK. And the standalone Deep, now that we have done around 112 crores, like this year given that we have one further contract, what kind of sales we will do at standalone level?

Rohan Shah: Yeah. So, we are expecting growth of almost more than 20% to 25% year on year even on standalone basis.

Ananth Shenoy: OK. OK. Thanks a lot for answering my question.

Moderator: Thank you. The next question is from the line of Avinash who is an individual investor. Please go ahead.

Avinash: Yeah, Paras ji and Rohan bhai, excellent numbers. In fact, most of the questions have been answered, but I've got just one question. Normally when we have a contract signed for the OSV that is for the dolphin business, how long are these contracts typically Paras ji? Is it a year or two or is it like, you know on a six monthly or 12 monthly basis? How are the contract periods you know designed?

Paras Savla: So, these contracts are very dynamic. So, this is the lesser the contract you have a higher visibility of getting higher the margins. So, we keep this position you know flexible keeping the market conditions in mind. So, if we find that we now need to get into a long-term contract. Normally these contracts ranges for about two to three years, but that depends. Today the market, the way they are, the shorter the contract, definitely better the margin. So that is something that we keep it flexible for the markets to determinate at appropriate time.

Avinash: OK. Next question, Rohan bhai, to you is you know we have seen a very large other income in the quarter, one that is almost 10.84 crores. So, can you give us a break up? What is this other income consisting of?

Rohan Shah: So, this income primarily consists of interest and the returns from liquid funds. Exact breakup, I am not having as of now I can share you separately.

Avinash: Yeah, but typically I mean, you know, can we expect that this momentum of 10 crores, you know this is like a one-time accrual which we have accounted. So, you know for the full year, you know what we earned last year, can we assume that a similar other income will come or we are looking at a slightly higher other income you know as far as the year FY25 is concerned, that's what I just wanted to know on a very, very rough-cut basis.

Rohan Shah: Yeah. So, see other income and interest in all is all depending on your available liquidity invested so more or less it would be in line with what last year we had recorded.

Avinash: And just one last question, Rohan, on the financial part here. We were seeing interest cost has jumped quite significantly, you know, 2 and a half crores from 1.63 crores. Now you know a company having hundred crores, you know cash on the books, you know typically you know one would have assumed that some sort of better cash management is done, you know, because after all money saved is money earned. So, you know any specific reason why the interest cost has gone up almost significantly for this quarter?

Paras Savla: The reason why this interest cost has gone up because the fact that we got some debts. But to answer your question about, you know cash management and effectiveness of that, we are trying to be staying on the more of the liquid position for the fact that we feel that there would be enormous opportunities for acquisition. As we got an opportunity to buy dolphin, we got an opportunity to buy Kandla energy and going forward there could be a number of opportunities coming in our way. So, we are being cautious to make sure that when these opportunities come, we would be having enough cash with us to acquire those companies. And that is the reason we are trying to manage the liquidity in a way for the acquisition of better assets at the appropriate time.

Avinash: Anyway, thank you, Sir and all the best for you.

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

Nirvana Laha: Hi, thank you so much. So, if I look at the receivables from Dolphin in the Deep Industries' Annual Report, 142 crore has moved from greater than three years to not due. So, can you tell us has there been a renegotiation and when are they due and who is the counterparty here?

Rohan Shah: So, for dolphin there are several customers, including domestic and international, of which we are in constant discussion about recovery of those dues. So, in one or two cases, we have got success also and we would be recovering some good amount out of those old dues in current and next quarter.

Nirvana Laha: OK, Sir. But are we looking at any potential writeoffs here? And why are they shown not due like is there a new date that has been agreed with them?

Rohan Shah: No. So, these are old receivables which on acquisition wherever we felt that we can recover those receivables we had kept them as outstanding and those we felt that it would not be recoverable. We had written off on first year of acquisition itself. So, from current outstanding in current financial year, we are not looking for any right off as of now.

Nirvana Laha: OK. And what is the 142 Cr. number right now?

Rohan Shah: So exact number I'll have to check. I am not having it. We'll get back to you on that.

Nirvana Laha: Sure. And questions on Prabha. So, you said to the earlier participant that you know full year you can do 90 to 100 crores, but the rate that you discussed with me \$50,000 and 300 plus days of deployment, that should be higher, right revenue should be closer to 130-140 crores.

Rohan Shah: Yeah. So, you will have to always be conservative while competing any top line, yeah.

Nirvana Laha: Sure, sure. And regarding, you know Prabha, you spent around say 11 to 13-14 million by the time it's fully refurbished. So how was this spent? Was it completely from the capital raise or did we take on any debt for this?

Rohan Shah: Yeah. So, we have taken some debt and balance we have contributed from internal accruals.

Nirvana Laha: OK. So, for depreciation and interest, right now in Dolphin, it's almost zero, we don't see any figure. So now the debt has been taken and.

Rohan Shah: It is under capital work in progress, so once it is put to use, those expenses will start appearing.

Nirvana Laha: Sure. So, can you guide us a little bit what kind of yearly depreciation and what kind of yearly interest will be paying in dolphin?

Rohan Shah: Numbers. Sorry I'm not having those numbers. We can have separate call on this.

Nirvana Laha: Sure. OK. I will write to you. Just trying to understand like if 100 crores offline you say 55 crore was EBIDTA. So, what kind of PAT can it look like? That's what I was trying to understand. That.

Rohan Shah: Yeah, yeah. So, I'll ask Adfactors to arrange a separate call for this.

Nirvana Laha: OK, sure. Thank you.

Moderator: Thank you. The next question is from the line of Isha Mahavala from Envision Capital. Please go ahead.

IshaMahavala: Hi, Sir. Good morning. Just one question with respect to Prabha, this was earlier expected to commercialize and start generating revenue in Q4 or H2 of last year and now we're saying it will be Q3 of this year. So, one, what is the reason for the delay? And I believe at that time we were saying that the refurbishment cost about 30-35 crores and the number that you're saying right now is sounding slightly higher. So have there been cost overruns, some clarification will be useful. Thank you.

Rohan Shah: Yes. So, since that asset was idle for more than three years, the expected refurbishment cost has increased because our initial estimate was a little lower as you rightly said. So, we had to do entire bottom more hauling which was not envisaged before and so refurbishment cost has increased and so the time.

Isha Mahavala: OK, but now we're confident that by Q3, we should start the leasing of the asset.

Paras Savla: Yes.

Isha Mahavala: And we would also mentioning a few calls earlier that Dolphin had some real estate assets. I believe that we were looking at selling .what is the update on that?

Rohan Shah: Yeah. So, we have already sold their, one of the offices in Nariman Point and one of the warehouse in Mahape. So that we have already sold and one of another warehouses is we are looking for some opportunity to sell that as well. So, we would be going asset-light only in initial period, yeah.

Isha Mahavala: So, what have we so for the one office that we sold and one warehouse that we sold, what have we got for it or what has been at what price have we managed to liquidate the assets?

Rohan Shah: I think these two assets were sold in last financial year itself, both put together, we had realized around 10 cr.

Isha Mahavala: OK. Great. Yeah. Thank you.

Moderator: Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: Good morning and thank you for the opportunity. So, I have some basic questions. So, what would be the segment wise revenue for our company?

Rohan Shah: For us, all services are part of oil and gas support services, so we generally do not separate those services into segments. But if we'll talk about major two verticals of, let's say, gas compression and rig services. Out of this almost, I would say 45% types was coming from gas processing and almost 34% to 35% is coming from rigs business.

Pradeep Rawat: Yeah. OK. And what would be the peak revenue potential from our current assets?

Rohan Shah: Peak revenue potential is something that whatever my existing order book is there in hand so if we'll have to multiply like 1240 crores of order to be realized over a period of 2 and 1/2 years, you will have to just do a simple math by dividing it by 2 and 1/2.

Pradeep Rawat: Yeah, so, our assets are fully occupied right now, right?

Rohan Shah: Yes, our rigs are 100% occupied. Our gas processing equipment's are more than 85% occupied.

Pradeep Rawat: OK. And my other question is regarding Dolphin Offshore. So, what is the refurbishment and other expenses in this acquisition to make them operational?

Rohan Shah: I think I have already answered this question, but again it would be in range of 11 and half to 12 and half million dollars, refurbishment cost and acquisition was around 27 crores rupees.

Pradeep Rawat: And do we expect more expenses in this particular segment?

Rohan Shah: Not for refurbishment of the asset which we are currently refurbishing. Yes, of course. Once we will get into acquisition of some other assets and getting them ready, there might be some other expenses, but that depends on acquisition and getting contracts.

Pradeep Rawat: And how much of revenue can we generate from Dolphin Offshore?

Rohan Shah: This year we are expecting to put somewhere around 70 to 80 crore and next year onwards it would be quite big.

Pradeep Rawat: It would be somewhere around like 100-120 crore.

Rohan Shah: 100 plus, yes.

Pradeep Rawat: OK. And we have an ROCE of something around 8% to 10%. So, what is our long term target for this particular metric and why are we trending so much lower in ROCE?

Rohan Shah: For us ROCE, you need to calculate little differently because there are two, three reasons. One, there is one item of goodwill appearing in my balance sheet which is non-cash. So ideally that should be excluded. And second since we are in continuous growth phase, my CAPEX is always going on so the assets or the money or capital I am employing is not necessarily be earning immediately. So, it has a lead time of almost six months. So, CWIP assets needs to be excluded. I think then it would be correct ROCE and going forward we would be looking to improve the current ROCE as well.

Pradeep Rawat: What should be the target for ROCE when we are doing new acquisitions or something like that?

Rohan Shah: Around 14% to 16%.

Pradeep Rawat: OK. OK, understood. And thank you and all the best.

Moderator: Thank you. The next question will be from the line of Shikar Sai , who is an individual investor. Please go ahead.

Srikar Sai : Yeah. Sir, it's regarding Kandla energy and chemicals. So, if you look at their filings with the NCLT, we can see that they have said that the plant has been shut down in 2013-14, if I'm not

wrong. And by 2019, the consortium of Banks have sold most of their assets like the property plant, the equipment within the plant and also from 2019, they said that almost most of the movable and immovable's have been sold. So, and also if you look at the order recently like in 2024 from the NCLT, the liquidation costs are also even the fair value cost is around 1.6 to 1.3 CR. So, what is it that we are actually looking for Sir like the asset wise if there's no plant or if there's no factory at all? So what are we actually like, you know, looking to acquire in this particular company?

Rohan Shah: No, I agree with you, but still, they are owning one office in Ahmedabad and one land in Kutch, which is very much ideal land for setting up factory. So, few assets are still left. And since the value was not that much, and the manufacturing which they used to be in can be helpful in our synergy of drilling, so we decided to go for it.

Srikar Sai: So, we are going to set up a new plant over there?

Rohan Shah: We as of now, we are just evaluating various opportunities what we can do out of that particular land and their original capacity of manufacturing those chemicals. So as of now, it is little early to say what exactly we will be going to do.

Srikar Sai: OK, Sir. Thank you, Sir. This next question is regarding Dolphin shipping, Sir. So, is it I mean, if I'm not wrong, it's an associate or a sister company of Dolphin Offshore Enterprises no, Sir. So, is there any other asset within this dolphin shipping, which after the acquisition it will come and add to the dolphin enterprises consolidated figure?

Rohan Shah: Yes, so they also have one office in Mumbai and one or two tugs are also there with some receivables are also there.

Srikar Sai :: OK, Sir. Sir, the next question is regarding the Euro Gas like JV, Sir. So, what about the order like complete?

Rohan Shah: The order which the bid which we have submitted is not yet out, not yet came for award or something so it is still under evaluation.

Moderator: Thank you. The next question is from the line of Isha Mahavala from Envision Capital. Please go ahead.

Isha Mahavala: Hello. Yes, just a clarification, you said that we're looking at buying 3 new rigs during the year, which is again firm orders. When are we looking at commercializing these risks?

Rohan Shah: In next four to six months.

Isha Mahavala: OK. Thanks.

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

M N Kumar: Do you have any plan to write down the goodwill that is there on the books, Sir?

Rohan Shah: Yeah. So, we are evaluating the options. See as per IND - AS, you will have to go for impairment testing of goodwill at every year. Based on that impairment testing report, you can take decision on that particular goodwill. So as of now we are checking options whether and what we can do with that.

M N Kumar: The top line growth is good. Margin seems to be very good, but our ROE and ROCE numbers are do not give a very good impression about the company. While you do a fantastic job of acquiring the dolphin and turning around and making a very good asset. So, and there's the cash on the books so the ROCE numbers does not reflect the status of the business. So, I think if you can do something about it, it would make the whole business and books and make users look very good. Sir, please do something on that.

Rohan Shah: I appreciate and I also believe that, yes, what you are saying is right to the extent, we are working on it, what can be done yeah. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now have the conference over to Mr. Rohan Shah for closing comments.

Rohan Shah: Thank you everyone for joining this call today. I hope we have answered all your queries and if you still have any doubts or further questions you can approach us through Adfactors. We would be happy to answer your questions. Thank you.

Moderator: On behalf of Deep Industries Limited, that concludes this conference. For any queries you can connect with Adfactors PR team. Thank you for joining us and you may now disconnect your line.