

May 12, 2022

To,  
Corporate Relations Department  
Bombay Stock Exchange Limited  
2<sup>nd</sup> 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**

Dear Sir/ Madam,

**Sub: Transcript of Conference Call pertaining to Financial Results**

Please find enclosed herewith a copy of the Transcripts of Conference Call held on Monday, May 9, 2022 on Financial Results for the quarter and year both ended on March 31, 2022.

A copy of the Transcripts of Conference Call is available on the company's website:  
<https://www.deepindustries.com/call-transcript.html>

You are requested to take the same on your records.

Thanking you,  
Yours faithfully,

For, Deep Industries Limited  
(Formerly known as Deep CH4 Limited)

  
Roshni Shah  
Company Secretary & Compliance Officer



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# “Deep Industries Limited Q4 & FY-22 Earnings Conference Call”

**May 09, 2022**



**MANAGEMENT: MR. PARAS SAVLA – CHAIRMAN & MD, DEEP INDUSTRIES LIMITED**  
**MR. ROHAN SHAH – DIRECTOR, FINANCE & GROUP CFO, DEEP INDUSTRIES LIMITED**  
**MR. B. RAVI – STRATEGIC ADVISOR, DEEP INDUSTRIES LIMITED**

**MODERATOR: MS. SURABHI SUTARIA – GO INDIA ADVISORS**

**Moderator:** Ladies and gentlemen good day and welcome to the Deep Industries 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 ‘\*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Surabhi Sutaria from Go India Advisors. Thank you and over to you sir.

**Surabhi Sutaria:** Thank you Mike. Good afternoon, everybody. Welcome to the Deep Industries Earnings Call to discuss the Q4 and FY22 Results. We have on the call Mr. Paras Savla – Chairman and Managing Director, Mr. Rohan Shah – Director of Finance and Group CFO and Mr. B. Ravi – Strategic Advisor.

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:** Thank you Surabhi. Good afternoon, everyone. A warm welcome to you on Deep Industries Q4 and FY22 Earnings Conference Call. I trust you had the opportunity to run through the earnings presentation which was shared earlier.

Just to give you a brief introduction about our company. We are one of the largest outsourced natural gas compression providers in India. We have presence in niche segments like gas compression, gas dehydration, workover and drilling rigs and integrated project management services.

I'm happy to announce that after a challenging 3-year period we are back on a strong growth track. Deep Industries have clocked highest ever consolidated revenues in FY22 of Rs. 326 crores, a growth of 63%. We also witnessed inflationary pressures on our input cost and cost of operations putting some pressures on margin front as well. Despite the near-term challenges this presents, we are seeing the benefits of our actions to maximize our profitability, cash flows and returns to our shareholders. We have a robust and growing order book. The order value of our recent awards is around Rs. 154 crores. The total order book stands at around 632 crores which will be executed in next 18 to 24 months. This provides us the decent visibility over the next 2 years.

I'm happy to announce that Deep Industries is now an approved vendor with Kuwait Oil Company. Very few Indian companies have been able to pass all the eligibility criteria and we are one of them. This opens doors of opportunities for us to expand our rig services internationally on a larger scale. With our existing technical capabilities, we can expand our

onshore rig business manifold overseas and this could be a key revenue driver for Deep going forward. In our continuous efforts to de-risk our business model and diversify the revenue segments, Deep Industries have bid for the assets of Dolphin Offshore and Enterprises. Dolphin Offshore has been a leader in providing services to offshore oil and gas industry. Acquisition of these assets is a natural extension of the business while the company at its peak achieved a revenue of Rs. 400 crores with an EBITDA margin of around 30%. The company faced existential crisis on account of poor capital management. Along with all the technical capabilities we will now have experienced workforce. Currently we have received letter of intent by COC and it is in NCL approval stage. This can take anywhere between 6 to 9 months.

We see good growth opportunities in the offshore business as well. We are excited to work with the team to restore the company back to its original level and chart out exciting future growth path. We are continuously executing our goal to strengthen our balance sheet. I am happy to report that we are currently a zero net debt company. We have strong free cash flows and for FY22, it stands at Rs. 70 crores. We are committed to creating superior shareholder value and happy to announce that board has approved a final dividend of Rs. 1.85 per share taking total dividend for FY22 at Rs. 3.25 per share. This is in line with our board approved dividend policy of 15% on standalone PAT. With that I would like to hand over the call to Mr. Rohan Shah, our CFO and Director of Finance to take you through Quarter 4 and FY22 numbers. Thank you.

**Rohan Shah:**

Thank you. Good afternoon, everyone. I'll just go through the financial performance in brief; standalone revenues for Q4 and FY22 were at Rs. 76.36 crores and Rs. 271.57 crores, growing by 48% and 52% on YOY basis respectively. This was particularly led by better utilization levels and overall operational performance. Consolidated revenue for Q4 and FY22 were at Rs. 84 crores and Rs. 322 crores, growing 39% and 66% on YOY basis. Standalone EBITDA for the quarter stood at Rs. 30.73 crores with margin around 39%. For full year EBITDA is at Rs. 115 crores with margin of around 41%.

During the year we witnessed some inflationary pressure on overall input costs on consolidated basis. Because of that on consolidated basis EBITDA had some pressure. Our robust cost management practices helped us at the end of year with EBITDA margin of more than 40%. We remain vigilant on cost front going further. Q4 standalone PAT remains at Rs. 17.7 crores with PAT margin of 22.40% and full year standalone PAT at Rs. 69.34 crores with PAT margin of 24.6%. Q4 to consolidated PAT at Rs. 17.18 crores with PAT margin of 20% and full year consolidate PAT at Rs. 72.40 crores with PAT margin of 22.19%. De-leveraging continues to be our key priority. We have reduced our long-term debt from 223 crores in half FY17 to 17 crores in FY22. With good liquidity on balance sheet, we are now zero debt on net debt basis. Our debt to EBITDA ratio continues to be one of the best in the industry at less than 0.05. We have been able to strengthen our balance sheet and achieve this negligible debt status by strategically focusing in projects which have with payback period and are high cash generating. For FY22 period our operating cash flow to EBITDA was 61%. With this I would like to now open the floor for questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Mr. Ashwin Agarwal from Akash Ganga Investments.

**Ashwin Agarwal:** Can you please give the segmental breakup of your order book and also with ONGC? The second question is, with now being an approved vendor with KOC, what kind of revenue potential do we have? Will we have to do any additional CAPEX and how much would that be? And the third question is, can you please provide an outlook on CNG booster compression unit in terms of opportunity, competitive landscape and potential for next 2 to 3 years?

**Rohan Shah:** On our overall orderbook basis almost 30% to 33% would be contributing from compression and dehydration business, around 35% to 37% is contributing from rig services business and around 20% is contributing from integrated project management and few some other projects put together. With regards to KOC, yes, we are looking forward to it. They have exceptional rates when it comes to the rig services business and they have some CAPEX requirements as well. We are as of now evaluating the opportunities and trying to bid for rigs as many as we can. Going forward once we have some firm numbers; we'll be able to confirm on the CAPEX which we will be aiming for that KOC tender because we have not yet finalized how many rigs, we are going to bid for that KOC tender. With regards to CNG booster compressors...

**Paras Savla:** There has been an increasing demand in the CNG business. With the kind of the GAs and the licenses that have been given away there is a reasonable amount of demand coming in for all the areas, all the states across the country. It won't be possible for us to put that in quantum in numbers because these are certain datas we keep getting these as and when. So, we don't have a consolidated data of what the demand could be but with the kind of orders or kind of inquiries that we have, we have a reasonable idea on what the possible demand could be. We currently are executing the orders from companies called AG&P, we have an order for around 100 compressors from that side. We have got few orders coming in from IOC, IOCL and likewise and there are few tenders that we have already submitted. But it seems these numbers and these requirements should go up significantly. It looks very promising as we go forward.

**Ashwin Agarwal:** Lastly, if you can also talk about the potential of the ONGC tender in the gas dehydration business because recently Vedanta had also floated a tender. What are the opportunities in that segment?

**Paras Savla:** As I had mentioned sometime back, dehydration service is a very essential. It is practically impossible for any producer to inject the gas into the pipeline unless it has been dehydrated. The tender that was coming up by Vedanta that was for probably one field but probably we see that as we go forward these requirements would keep on increasing from almost all the fields. It is only about the time how long it is going to take. We have submitted our bids in all these tenders. We largely have our interest on the rental fleets. We normally don't bid for the projects where it is in supply contract. We are clearly focused on providing services on the charter hiring basis. There you would have seen certain tenders that would have come up on the requirement

side but it wouldn't be you need to classify whether they are on our charter hiring or on the supply basis.

**Ashwin Agarwal:** Overall how do you look for growth in terms of next 2 years? What can be the revenue growth and margins because of this commodity price inflation which we are seeing all across industries? So, can you add some flavor what kind of direction we can expect?

**Paras Savla:** Now what I can see at this junction is largely going to be a guesstimate but with the sentiments and with the kind of orders that are being processed or the enquiries that we are getting, they are quite big, day in day out we keep getting lots of inquiries. Now how would that be getting converted into order book or the kind of the growth but being on a very conservative side we expect that we should grow around 15% year-on-year. That is when I say this is, this is conservative numbers. The numbers could go even up or maybe much more but to put that in an exact numbers would be difficult.

**Ashwin Agarwal:** And margin wise will we be able to what should we expect?

**Paras Savla:** We had mentioned that there had been some pressures on the input cost because of the ongoing inflation. We feel that more or less we should be in the similar ranges but some percentages maybe we should go up or down but we are not really sure of the numbers what kind of it would be. But they would be nearly practically on the similar lines to what our current margins are.

**Ashwin Agarwal:** So, around 40% we can expect.

**Paras Savla:** Yes between 38% to 40% is something that we expect.

**Moderator:** We have the next question from the line of Sudhir Bheda from Right Time Consultancy Services.

**Sudhir Bheda:** My questions are like; you have mentioned in the investor presentation that almost your work rigs are at 100% capacity and thus compressors are working at 85% capacity. I would like to know from where growth will come because are you going to do more CAPEX looking at tailwind sector is witnessing? How do you see going ahead next financial year, the current financial year?

**Paras Savla:** When I said that there are a lot of opportunities coming up. It would imply that there would be a new CAPEX that could come up. The project that we are trying to look at is on the level of trying to be a little low on CAPEX and more on the services side. Our focus has always now been to reduce or to have the minimal capital requirement for growth. Having said that we are bidding for both the contracts which do have a sizeable CAPEX and there are certain projects which are low CAPEX but the growth definitely has to come in with the infusion of new CAPEX. That is how we'll be able to achieve new revenues.

**Sudhir Bheda:** So, for kind of growth which you are witnessing, you will have to do more CAPEX of what I understand, is it right or you can see value growth also in terms of whatever tailwind the sector is facing and kind of enquiries you are getting?

**Paras Savla:** There would be revenue growth in terms of, as we mentioned that there could be an inflationary pressure on the input cost but at the same time certain services would also be hired at little higher rates. That would also add to the revenue growth. We would try to use the internal accruals as much as we can. Only the balance portion would be used for raising funds. Largely our internal funds would be used to fund the CAPEX.

**Sudhir Bheda:** We have been able to reduce our debtor's days significantly. Are we planning to reduce it further going forward, so we can have less pressure on the working capital side?

**Paras Savla:** We are practically zero net debt. On the debtor's side as, we had mentioned there are certain projects when they are at the initial level. The first billing cycle normally takes an abnormal time. Like the debtor day normally we work from 60 to 90 days is a normal debtor day. When there are new projects that are coming up that puts the pressure on getting the first cycle cleared out. So, we have witness that those pressures or those timelines goes as high from 7 months to 8-9 months. So, keeping that debtor is something. Once their invoicing is getting cleared from there, we have on a routine cycle which is a between 60 to 90 days. We see maybe next couple of months probably, in next quarter you would see that debtors have reduced drastically.

**Sudhir Bheda:** My last question would be like when do you expect Dolphin revenue to kick in approximately if everything goes on as per plan?

**Paras Savla:** As mentioned it is going to take at least 9 months for the NCLT orders to come. So, post that we have a big journey to revive this company. To expect the revenues in this financial year we think it is next to impossible but maybe we can see some flavor of it assuming everything goes well. maybe from the middle of the next year.

**Moderator:** We have the next question from the line of Jaykant Kasturi from Way2Wealth Securities.

**Jaykant Kasturi:** I just had three questions. First one is, I can see your investments amount have gone up close to about 3.5X to 4 X. Can you throw some light on it and particularly you spoke about CAPEX, so what kind of an amount do you expect for this current financial year? You said you would be primarily doing it—if I'm not wrong—via internal accruals and what kind of future orders are you expecting for this current financial year? If you can give some guidance on that.

**Rohan Shah:** As I said we have a good amount of liquidity available in balance sheet which is invested in some liquid investments and we'll be using those free cash in doing CAPEX further. With regards to idea on CAPEX since we are in a business where we do CAPEX only on getting firm order and there too if required if it is not being done through internal or available fleet then only,

we go for new equipment which will entail into CAPEX. Amount I cannot give you a broad idea but yes, we'll be doing some CAPEX in this year.

**Jaykant Kasturi:** And about the future orders what do you expect for this financial year?

**Rohan Shah:** We are witnessing very good inflow on tenders and enquiries recently. We are quite bullish on getting new awards in coming 2-3 months. We believe it would be a good time for us.

**Jaykant Kasturi:** Any particular with regards to what kind of amount of the orders worth would be?

**Paras Savla:** It won't be proper for us to put the numbers but just as a point of guesstimate, maybe in a year or so we can expect orders over 500 crores or so.

**Moderator:** We have the next question from the line of Niharika Jain from Aequitas Investment Consultancy.

**Niharika Jain:** Regarding this operating margin fall of 680 bps, can you just give us a clarity on which component has impacted the most in our direct expenses side?

**Rohan Shah:** EBITDA we had seen pressure on consolidated business. On standalone basis we are still good, above 40% but yes, fuel price increase has impacted us because in our rig services major operating cost is fuel. To certain extent spare cost has also impacted.

**Niharika Jain:** As a follow-up question. So, this fuel is not charged on actual basis to the client because our tender is generally like for 3 years or so like the contracts with the client, so this fuel is not charged to them on an actual basis?

**Rohan Shah:** In some contract yes, but not in all contracts. In some contracts we get some range of fuel that if fuel ranges in between this price then it is on you. If it crosses some define ranges then client may reimburse to certain extent but it's mix and match of all different contracts put together. In not in all contracts that is charged on actual basis to client.

**Niharika Jain:** And going forward seeing the volatility of the energy prices and fuel and everything, so how are we hedging ourselves? Are we putting an escalation clause or regarding this too how are we going about it?

**Paras Savla:** So, the new contracts that we bid we definitely keep in mind the ongoing fuel prices and we submit our bids accordingly. They are already factored for the new bids but for the ongoing we have to take the heat of whatever the pressures that come up on the fuel escalation.

**Niharika Jain:** On this IPM side, integrated project management; in the last call you had said that we will be qualified to provide all the services using in house expertise after we complete our first contract. So, what is the status of it and do we have an order book regarding IPM?



- Rohan Shah:** Yes our first contract which was supposed to complete in June which has now extended up to December '22. Our first contract will get completed somewhere in December '22 and then we'll have our self-qualification.
- Niharika Jain:** Do we get penalized for this extension?
- Rohan Shah:** It's not about penalty. It is about additional revenue. So, there is no penalty in that.
- Niharika Jain:** Regarding this RAAS, so we have said that we have sold around 46 units in this current financial year which was a full year of operation. We have a capacity of around 250 crores which we were planning to double in like coming 2 years or so. How are we planning to capture the market because it's only 46 which we have sold out of the capacity of 250?
- Rohan Shah:** This being first year of our venture, we are I would say we are not very much satisfied, but we are satisfied with the numbers we have put in in first year. Definitely in this year we are targeting more than 100 units to be sold for this CNG boosters and to achieve another like numbers more than 200 in next financial year. It depends on how and what scale this demand comes up. We are quite bullish on getting new orders considering the demand of the CNG compressors in India. We are quite bullish and are working on it, yes.
- Niharika Jain:** And clientele for this RAAS is basically CGD companies, the downstream ones, is it?
- Rohan Shah:** Largely yes.
- Niharika Jain:** So, on this investment side, I understand that major portion of your investment is for the liquid fund like you just clarified but what about the long-term investments which we have seen when the balance sheet?
- Rohan Shah:** Long-term investment largely are into our subsidiaries.
- Niharika Jain:** I think in the last annual report you said some preference share to Prabha Energy, so that's not the subsidiary, right?
- Rohan Shah:** Yes. We have some investment in Prabha but that are limited to that amount only, it has not increased.
- Niharika Jain:** What is that against for like how are you planning to get it back?
- Rohan Shah:** In this financial year it will get back to Deep Industries.
- Moderator:** We have we have the next question from the line of Levin Shah from Valuequest Investment Advisors Private Limited.

- Levin Shah:** On this booster compressor, so what I can read from our presentation is that the overall requirement is going to be around 23,000 units. We are talking of around 100 units next year, 200 units the year after that. If you can explain who are the other players who are here because the opportunity seems to be quite large and our capacities are very small as compared to the opportunity?
- Paras Savla:** There are few players already predominantly in this market and I'm sure looking to these opportunities everyone would be trying to boost up their capacities. But the requirement is going to be static. It is going to be increasing as years pass by. We are also trying to gear up, first we want to achieve to what our installed capacities and if the demand still persists, we will try to ramp up the capacities. But today if I have to clearly say and the demand supply ratio, the demand is much higher than what the supply is. There is a strong gap between both and that is where we think that these opportunities for us would be not only challenging but very exciting.
- Levin Shah:** If you can name any players who are already there and might have some sizable capacity?
- Paras Savla:** I don't think from the domestic players there are companies more or less to the capacities that what we are talking. There are one or two other companies who have some base in China and maybe they have larger capacities to address this but we are following a complete model of Make in India model and we are confident that as time passes by, we would be able to match the requirements.
- Levin Shah:** These 250 odd capacities for 250 compressors, right? What would be the peak revenue potential at this 250 number?
- Rohan Shah:** On peak 250 units we can expect around Rs. 100 Cr out of it.
- Levin Shah:** Lastly so have we started getting orders or is there a negotiation-based orders that happen for this booster compressors or is it a tender based ordering that, that is the way to go about for these compressors?
- Paras Savla:** Negotiations are indispensable so they normally happen at every tender that is being submitted. Negotiations do happen but they get also awarded with the kind of urgencies and requirement the client has.
- Rohan Shah:** So, its tender based awards along with negotiations.
- Levin Shah:** What I wanted to understand is that are these orders based one-on-one negotiations or is there a tendering process? If we are L1 then we get orders for this?
- Paras Savla:** It is on the tendering process and once you are L1, only then you would be called for the negotiations.
- Moderator:** We have the next question from the line of Akshay Kothari from Envision Capital.

- Akshay Kothari:** I wanted to understand what percentage of our order book would be fixed price contracts?
- Rohan Shah:** Our entire order book is a fixed price. We do not have price escalation during the continuance of contract.
- Akshay Kothari:** Could you please elaborate something on the working capital cycle? Like how is it going to look go forward and any efficiencies likely to come in?
- Rohan Shah:** Yes so, we are foreseeing some efficiency on debtor's recoverable so there as of now it is appearing little high which we are entailing to get it below. Otherwise, it would be in almost similar range.
- Akshay Kothari:** Regarding the supply side import; so, we don't import anything from any other country? All raw materials are domestically sourced?
- Rohan Shah:** No, we are importing from US largely and there we have either LC or cash payment terms.
- Akshay Kothari:** I'm not aware about this integrated project management. Can you please elaborate something regarding this business, IPM?
- Rohan Shah:** Integrated project management is a contract pool of services under one roof. These services include drilling, hydrofracturing, cementing, mud logging and well completion jobs. It's a pool which ensures right from drilling to completion of well. If any producer is having assets, fields and they want to monetize that. This integrated project management ensures all services put together in a single contract.
- Akshay Kothari:** Just to give an what we can say a landscape so in India which other companies are in IPM if you can give that?
- Rohan Shah:** As of now no Indian companies is providing these services. Of course, companies like Schlumberger and Halliburton they are providing this type of services.
- Akshay Kothari:** On the compression side, please correct if my understanding is wrong that on the gas compression side there are companies like Kirloskar and all these. Are we doing something different from them or what is it?
- Paras Savla:** Kirloskar is a company who are the manufacturers. They are the packagers for the compressors. What they do is largely the compression and the assembling side of that. What we do is we buy certain equipments on our gas compression hiring business. We buy a few equipments from them, largely we buy such big size equipments from US and then we put it on a service base to our clients. So, they are largely into supply. They're largely into the packaging of these compressor packages.
- Akshay Kothari:** They also don't manufacture it, compressors, Kirloskar's?

- Paras Savla:** Normally these compressors are something that the companies in US are the ones who would be making this. Engines are something companies again in US would be doing this so Kirloskar imports all this, they try to package them along with the coolers and the skids and the packages and they sell it to the customers maybe us or maybe to the client directly, maybe, the limited role.
- Akshay Kothari:** We are more on the leasing model?
- Paras Savla:** We provide the services along with the equipment and manpower and we deliver our services to perform the gas compression that is required by the client.
- Moderator:** We have the next question from the line of Reena Shah from Elara Capital.
- Reena Shah:** I just wanted to briefly understand your acquisition announcement of company off shore? Like what could the financial parameters, what would be the timeline of completion of this acquisition post NCLT approval? If you can give some light?
- Rohan Shah:** As we said, we have received approval from COC and Letter of Award from COC. The process is under NCLT and it will take 6 to 9 months; that is what our estimate is to get through the NCLT process. Once that NCLT process completes, we'll have entire control over that company and then we'll start reviving it. So, it will take another 6 months to start the business.
- Reena Shah:** What is the financial thing like on that management side and everything? What kind of arrangement that is being planned?
- Rohan Shah:** I would say that as the time passes, the moment we'll reaches to that NCLT approval stage, it would be then proper to quantify the amount. But as of now I can just say that it's a very good deal for us and we would be getting much out of it.
- Moderator:** We have the next question from the line of Priya Harwani from Perpetuity Ventures LLP.
- Priya Harwani:** When we see the inflationary pressure on our operating cost. So, how much can we pass to our client?
- Rohan Shah:** As we said, in new contracts we can definitely pass that entire thing to our clients in new bids but those contracts which are actually running, we have those limitations because we do not have any escalation clause in running contracts. So, our contracts are fixed priced contracts. There we have certain chance; in some of contracts we have range for fuel escalation. If that price breaches that range then client will reimburse that.
- Moderator:** We have the next question from the line of Prateek Poddar from Nippon India Mutual Fund.
- Prateek Poddar:** What is the nature of this order book of Rs. 632 crores?

- Rohan Shah:** These all are our services contracts of all services put together and their execution is expected in 18 to 24 months.
- Prateek Poddar:** This is over and above the existing ones, right which is already there in the base?
- Rohan Shah:** They are put together which are already there. Their balance portion of work and the new contracts, put together.
- Prateek Poddar:** If I were to ask it sorry the other way this has been unutilized right? Rs. 632 crores of orders have not been worked upon as of now?
- Rohan Shah:** Correct.
- Paras Savla:** These are ones which we are going to execute it.
- Moderator:** We have the next question from the line of Siddharth from Zenith Capital.
- Siddharth:** Dolphin Offshore will result to incremental debt on a balance sheet?
- Rohan Shah:** As per our plan, I think our internal accruals will take care of it. To a certain extent, we may go for debt but as of now it's not yet finalized.
- Moderator:** We have the next question from the line of Piyush Mehta from Caprize Investments.
- Piyush Mehta:** So, first question would be on, we have mentioned the business segments and the various revenue mix that we have for the FY22; how was it different? How FY21 was different from this? If I have to consider natural gas, workover and drilling rigs, and IPM? What was the breakup then?
- Rohan Shah:** Sorry Piyush, different in a sense?
- Piyush Mehta:** Say currently we are at 35% to 40% comes from workover and drilling rigs in FY22. What was the percentage of the same in FY21?
- Rohan Shah:** So, more or less yes there will be some up and down in between verticals. I would say like in FY21 it would be from rigs. It was around 33%. This time it is somewhere around (+35%) and compression it was around 33% which is continues to be 33%-34%, IPM. It depends mix and match will happen but it will be more or less in those broad ranges.
- Piyush Mehta:** If I have to look at it in FY24, you think the mix will more or less remain the same?
- Rohan Shah:** We will try to put it in same boxes because as a conscious strategy we always believe that our services portfolio should be diversified in a way that all types of services should get similar

weightage but that will be our conscious attempt. But that doesn't mean that if I am getting some more orders in particular segment, I will not take that.

**Piyush Mehta:** Right because say if KOC alone you mentioned that it could be some things if we get it could be huge. If that comes up and plus say Dolphin is a completely up and running in FY24. So, both these would go in the oil & gas division?

**Rohan Shah:** I think for Dolphin we will have to create one more segment itself because it would then more into offshore. So, it will add one more vertical then.

**Piyush Mehta:** Can I assume that because Dolphin you mentioned that at peak it was about Rs. 400 crores at 30% margins. In FY24, we could do at least half of that from Dolphin alone?

**Rohan Shah:** Half of that is quite bullish assumption but yes, we will definitely try to get as much as we can.

**Piyush Mehta:** When we say we've acquired Dolphin, we have acquired all the assets and when we start going for new orders on the off shore side; don't we have to re-qualify again for all these contracts because this is been a defunct company and being some while that it was operating, all employees would have gone away in and we'll be starting to build it from scratch. Do we have to re-qualify for new orders?

**Paras Savla:** Qualification is basically based on the kind of experience and the contracts that have been executed. With that perspective we will definitely qualify technically. As far as the equipment is concerned, that will depend on the condition of the equipment that we would be having within the company. Or there would be a possible chance that looking to the demand in the oil & gas space we may also go ahead for buying new offshore equipments to bid for those tenders. The qualification probably won't be in an issue.

**Piyush Mehta:** When someone asked a question in terms of the segmental breakup of the order book. So, it was almost similar to the revenue breakup. So, was the understanding correct?

**Rohan Shah:** Almost yes.

**Piyush Mehta:** And the current Rs. 600 crores order books. Say we mentioned that in over the next year we could get (+ Rs. 500) crores of orders. From the present one what has been the order books which has been added over the past year?

**Rohan Shah:** Past full year's number I'm not having it but the recent orders which have been added in this is around 154 types. Full year number I can check and let you know.

**Piyush Mehta:** I'm just trying to see what has been the order book growth?

**Paras Savla:** It is a concurrent, we get keep getting the orders on a concurrent basis.

- Piyush Mehta:** So, Paras bhai from the order book which is a Rs. 600 crores order book, what would be the average margin profile of this order book which we will be executing over the next 18 to 24 months?
- Paras Savla:** Normally our margins are in the level of between, as I had mentioned 35% to 40% is the gross range. It would be by and large in these ranges only.
- Piyush Mehta:** Considering we add another Rs. 500 crores of order; is it fair to assume that in 2-years' time we could actually have those Rs. 1,000 crores of revenue or Rs. 10 billion revenue target?
- Rohan Shah:** Yes, like we discussed in past also; our margins are quite good in terms of gas processing contracts. They are good in rigs but in comparison they are little less. So, overall, when we talk about overall company level margins; we are able to maintain in range of around 40% and the new order book which you are expecting, we believe it would be in same mix. It is good to assume that we'll maintain those margins.
- Piyush Mehta:** What I was trying to ask is the current order books plus expecting another Rs. 500 crores could we see a Rs. (+1,000) crores revenue by end of FY24?
- Rohan Shah:** Sorry, 3,000?
- Piyush Mehta:** I was saying is we have a current order of Rs. 600 crores. We are expecting another Rs. 500 crores in the coming year. So, standing at FY24 ex-Dolphin could we see a (+Rs. 1,000) crores revenue for the company?
- Rohan Shah:** Order book, yes.
- Paras Savla:** Order book yes, not the revenue.
- Rohan Shah:** So, generally, that order book spreads over 18-24 months. So, order book it doesn't mean, it will be revenue for that particular year.
- Paras Savla:** By the time we get an order, new order to those ranges by that time we would have finished some orders that we are yet to execute. So, all that put together would give a visibility of the order book in next 18 to 24 months. In certain contracts we have around 3-years contract as well. Assuming the growth on a very conservative side, as I had mentioned earlier it could be possibly in the ranges of 15% year-on-year.
- Piyush Mehta:** When we say we expect say Rs. (+500) crores orders in the next year, does that include any order from KOC as well?
- Paras Savla:** Yes, we have not factored. We have not factored it because that is something that we are not sure what orders we are going to get. We have also not factored the revenue that could probably come from Dolphin but the 15% growth that we are talking is purely on our ongoing businesses

that we are running in Deep Industries. Anything that is to come up from Dolphin or KOC would be something that would be added in addition to what we are doing.

**Piyush Mehta:** You mentioned there's been a delay in terms of the first IPM contract that we are executing. What was the reason for this delay?

**Paras Savla:** There are two reasons. One delay was because of the monsoons. Monsoons in the area where we operate, they are extreme. So, in a year it happens so may be about the 3 to 4 months is a period where we have to literally stop the operation. The second is there was an increase in work, in the quantum of work that was given to us. The work that got extended was because of the extension of the work that we got. That is the reason we are now to work until December '22.

**Piyush Mehta:** In terms of ROE, we mentioned that is the excluding goodwill, we are at 10%. What is the goodwill on the balance sheet and why are we not writing it off?

**Rohan Shah:** Goodwill on balance sheet is around 380 odd something which has been derived over a process of demerger. As per Ind-As guidelines we are testing that goodwill for impairment every year. If impairment is required as per impairment testing, we'll go and impair it. Otherwise, it will remain as it is.

**Piyush Mehta:** Do we have a ROE target say over the next, within the company to have a certain ROE over the next 2 to 3 years?

**Rohan Shah:** Frankly we have not calculated or calculated in that perspective.

**Moderator:** We have the next question from the line of Suman Galpugalia from Rare Enterprises.

**Suman Galpugalia:** My questions are relating to the workover and drilling rigs. What kind of rig rate hikes have we have been able to capture separately for workover and 1,000 horsepower rigs?

**Paras Savla:** We have been able to capture around 10% to 12% of the hike of the rigs that we were previously working on. There are few tenders which are already under evaluation so I won't be able to quantify exactly what kind of a hike we would be getting but during these times we expect that the hikes could be anywhere in the ranges of 10% to 15% as a standard rise.

**Suman Galpugalia:** Just to clarify what would be the share of PSU clients for our workover drilling rigs?

**Paras Savla:** It could be in the ranges of around 65% odd. That would go with the PSU and the balance would go with the private clients.

**Suman Galpugalia:** Could you just explain the comparative structure in terms of demand-supply scenario in this particular segment?



- Paras Savla:** The workover business is something that is an ongoing business but currently looking to the crude oil markets both these segments on the workover and drilling are doing fantastic. All the oil companies, the PSUs and everyone is keen to produce as much oil they can. That is definitely holding a more pressure or more demand on the side of a workover. On the drilling equally we are seeing there's a lot of new requirements are coming up from all the sides of the clients. We feel that these requirements are growing enormously and there is a huge demand in both these sectors.
- Suman Galpugalia:** And the supply situation, capacity wise?
- Paras Savla:** Sorry, I didn't get your question.
- Suman Galpugalia:** I am asking about the supply situation to cater to the demand you'd spoke about. What is that situation like on the ground?
- Paras Savla:** There has been definitely a pressure on the supply side as well but we are confident that getting these supplies is not going to be that difficult barring delays it for few months. On a larger side; I hope you are asking the supply on the equipment side or you're asking the supply on the services side?
- Suman Galpugalia:** I am asking for the supply of drilling services to cater to the demand from the PSU companies?
- Paras Savla:** Yes, absolutely we are geared up. Whatever if the demand is to go up, we are completely geared to provide because we have systems in place. We have the entire infrastructure in place. Adding few more rigs won't be an issue with us.
- Suman Galpugalia:** Could you mention the EBITDA margins for this segment? What kind of EBITDA margins do we make?
- Rohan Shah:** On vertical wise we generally take this as a company as a whole. Vertical wise EBITDA, I would say these are little less than we are getting in gas processing.
- Suman Galpugalia:** Last final question is for this particular segment what is the outlook going forward? What kind of numbers are you projecting for this segment?
- Rohan Shah:** Workover drilling as Mr. Savla said we are....
- Paras Savla:** We are we are not projecting on the segment size but on the largely as I had mentioned the broad range would be in the ranges of 15%. That I'm just trying to be very conservative while I mentioned sometime back, we have not factored the new requirement or the new tenders that we possibly could gain from KOC and all but this is keeping in mind the ongoing fleets and the local domestic demand that comes up could range anywhere between 15%, around 15%.
- Moderator:** We have the next question from the line of Niharika Jain from Aequitas Investment Consultancy.

- Niharika Jain:** On this Dolphin Offshore side are we procuring only assets or the company as a whole?
- Rohan Shah:** Yes, getting company as a whole.
- Niharika Jain:** On the margin side you said that in general you have a margin of 40% to 45% on compression, dehydration and all of that. What about IPM? What kind of margins do we generally foresee for IPM?
- Rohan Shah:** IPM margins are around 25% to 27%.
- Niharika Jain:** This is lesser than the compression services?
- Rohan Shah:** Yes, these are lesser than all other services.
- Niharika Jain:** And regarding this KOC. I understand that once you get a new tender, so you will procure new rigs, right?
- Paras Savla:** Correct.
- Niharika Jain:** So, how much time does it take for you to get new rigs and kind of set it up and seeing the supply constraints all around so is it affecting you?
- Rohan Shah:** No. Generally, we get time of 6 to 9 months to deploy any new rig and we are comfortable getting new equipments.
- Niharika Jain:** We were talking about rigs. So, where do you procure your rigs from? Is it from US or are we even procuring it domestically?
- Paras Savla:** We buy all the rigs from China.
- Niharika Jain:** But as you all know that China, the shipment situation is really bad. So, do you see any constraints for you and like current scenario?
- Paras Savla:** There are definitely constraints as far as the logistics go. There has been a pressure on the timings and the cost on the logistics front but we have been constantly importing lots of spares in everything from China. We don't see a major issue coming in on that side, barring little issues of the logistics that are already prevalent in across the globe.
- Niharika Jain:** When we say raw material consumption in our standalone P&L, so what all constituents in it like what do we mean by raw material consumption seeing the services? Because I see power and fuel you club in other expenses and even repairs are clubbed in other expenses. When I say raw material consumption in standalone so what exactly constitutes that expense?

- Rohan Shah:** In our case it's a cost of operation like it includes spares, fuel, lubricants, coolants and all so it is more or less that and some services which we will need to take from other service providers like transportation, crane services and all.
- Moderator:** We have the next question from the line of Piyush Mehta from Caprize Investments.
- Piyush Mehta:** Paras bhai, just one question on the order book again. So, we have the current order book. You had mentioned that we are on a fixed contract basis. The entire order is on a fixed price basis and within this order book what part of the order book would be in terms of the fuel which is as you said has impacted our margins. What percentage of the order book would be on much lower fuel prices and what would be the new escalation, escalated levels?
- Paras Savla:** We have not calculated the order book to the impact of the fuel or the price escalation that we would be having. But again, as a guesstimate we can just assume those kinds of escalation services to be closely to around 25% or so, 20% to 25%. Don't have the entire rigs of having the escalation on or other pressures that we have on the inflation but there are as I had mentioned there are only few rigs which would have the impact on the escalation. You can say about 25% of the rig business would be having certain amount of pressure.
- Piyush Mehta:** It's from Rs. 600 crores we have 35% coming from the rig business. Within that you are saying 25% will be the order book which is subjected to inflation risk; rest of the order book is more or less stable?
- Paras Savla:** Correct.
- Moderator:** Thank you. That was the last question. I now hand it over to the management for closing comments.
- Rohan Shah:** Thank you everyone for participation in our investor call for quarter and year ended on 31<sup>st</sup> March '22. If you have any questions, you can approach us or Go India Advisors. Anytime we'll be available to answer your questions. Thank you.
- Moderator:** Thank you very much. On behalf of Go India Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.