Deep Industries Ltd.

27 July 2025

Anchored for Growth with New Assets, Robust Margins

INITIATING COVERAGE

Sector: Oil & Gas Services	Rating: BUY
CMP: Rs 450	Target Price: Rs 693

Stock Info

Sensex/Nifty	81,463/24,837
Bloomberg	DEEPIND IN
Equity shares	64mn
52-wk High/Low	Rs 625/297
Face value	Rs 5
M-Cap	Rs 29bn/ USD 333mn
3-m Avg value	Rs 5.2mn

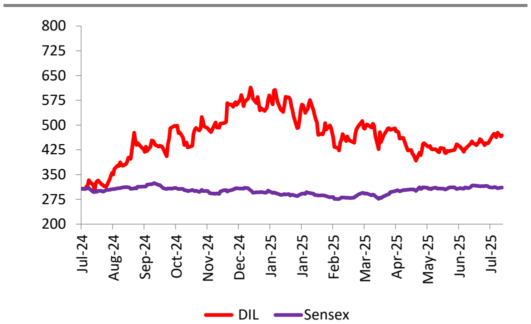
Financial Snapshot (Rs bn)

Y/E Mar	FY25	FY26E	FY27E	FY28E
Sales	5.8	7.9	10.5	13.0
EBITDA	2.3	3.4	4.7	5.7
PAT	1.6	2.3	2.9	3.4
EPS (Rs)	25	36	45	53
PE (x)	17.9	12.5	10.0	8.4
EV/EBITDA (x)	13.1	9.3	7.0	5.7
RoE (%)	10.5	13.3	14.3	14.5
RoCE (%)	13.4	16.0	16.7	17.6
DPS (Rs)	2.4	4.1	4.4	4.5

Shareholding pattern (%)

	Dec'24	Mar'25	Jun'25
Promoter	63.5	63.5	63.5
FII	2.0	2.2	1.5
DII	1.0	1.2	1.2
Others	33.5	33.1	33.8

Stock Performance (1-year)



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We initiate coverage on Deep Industries Ltd. (DEEPIND IN/DIL) with a BUY rating and a target price of Rs 693, as we believe the company is poised for a re-rating. DIL stands at an inflection point with a strong order book, favorable industry tailwind and aggressive expansion plans across its existing and new businesses to drive robust earnings growth for the company. Factors expected to drive this growth are 1) Regular increase in the number of rigs from 14 in FY24 to 20 in FY26E, with firm contracts for most of them (EBITDA margin 40%+), 2) huge traction at its integrated gas processing facilities, operating with three facilities (Bokaro started from May'25) and looking to add few more (with 50%+ EBITDA margin), 3) New Production Enhancement Contract (PEC) from ONGC worth Rs14bn to lift earnings, and 4) Turnaround in its recently acquired company, Dolphin Offshore enterprises with the addition of two Anchor Handling Tug Supply (AHTS) and three Diving Support Vessels (DSVs) by the end of FY28E (potential to increase revenue contribution from 13% in FY25 to 35% in FY28E).

DIL has a robust current order book of Rs 30bn, equivalent to 5.2x FY25 revenue. In the last three years, the company incurred a capex of Rs 5.7bn and it plans to spend ~Rs 13bn over FY25-FY28E towards growth projects. DIL is strategically placed with unique capabilities to achieve sustainable growth in the oil & gas services industry, with minimal competition. Based on the recent contracts, upcoming assets and strong growth at Dolphin, we forecast a strong ~31% revenue CAGR over FY25-FY28 and EBITDA margin of 44%-45% by FY28E versus ~40% in FY25. Consequently, we forecast EBITDA/PAT CAGR of 35%/28%, respectively, over FY25-FY28E. The stock trades at a P/E of 12.5x/10x/8.4x FY26E/FY27E/FY28E. We initiate coverage on DIL with a BUY rating and value it at 13x FY28E EPS to arrive at a target price of Rs 693. Key risks: Delay in execution, regulatory risk, significant drop in crude oil price may slow down exploration activities, currency exchange risk, etc.

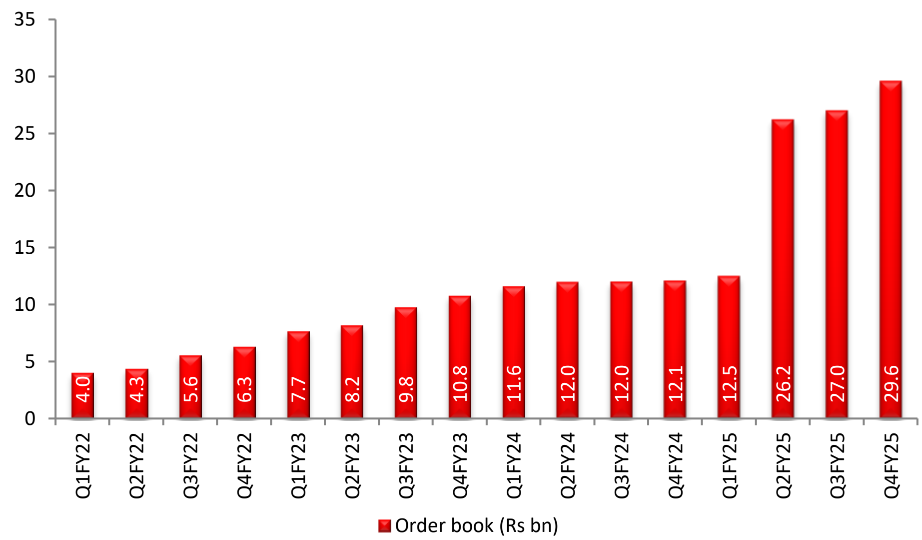
Key highlights

New rig addition & integrated gas facility to boost growth: DIL has 18 operating rigs and all are onshore rigs, deployed in Gujarat, Tripura, Assam, Andhra Pradesh and Jharkhand, 2 other rigs will be deployed by the end of FY26E. Currently, out of the 18 operating rigs, 6 are drilling rigs (each ~1,000 HP capacity), while the remaining 12 are workover rigs (with capacities ranging from 30mt-150mt). DIL is responsible for exploring ~20% of the wells in India and efficiently drills 15-17 wells per annum vs 10-12 drilled by PSUs. Management guided that they would add at least 2 rigs every year for the next couple of years, which is not factored in our estimates currently. Further, DIL commissioned one new gas processing facility at Bokaro (ONGC) from May'25, which is slated to add ~Rs 12mn/month; management is looking to add 2-3 new facilities ahead where currently DIL is operating with three facilitie0073.

Order book upscaling: DIL's order book expanded from Rs 6.3bn in FY22 to Rs 12bn in FY24 and further increased to Rs 30bn in FY25 (up 148% YoY), a huge 67.3% CAGR over FY22-FY25. Its order book has risen for the 16th consecutive quarter, reflecting strong demand for DIL's services and its expertise in handling complex projects. During Q2FY25, DIL secured an order worth Rs 14bn from ONGC to enhance production, increasing the orderbook by 110% QoQ. Later in Q3FY25, DIL won a contract from ONGC for the charter hire of a 100MT workover drilling rig for 7 years, valued at Rs 907mn. Additionally, it also secured an order of Rs620mn from Selan Exploration for integrated drilling services, strengthening its business pipeline.

Investors are advised to refer disclosures made at the end of the research report.

Exhibit 1: Total order book doubled post the recent ONGC contract



Source: Company, Systematix Institutional Research

High success rate: DIL constantly bids for opportunities and submits tender every 15-20 days. Such frequent participation reflects its proactive approach in securing new projects to expand market presence. The company has more than 25% success rate in rig tenders, which reflects a competitive yet challenging market landscape for drilling operations. DIL's performance in gas processing tenders is much better, in which it boasts an impressive 50%+ success rate. The company has solid reputation and technical expertise in gas processing (~85% market share), making it a preferred choice for clients. A high success rate in this segment indicates DIL's well-established presence, its efficient bidding strategies, and strong track record in delivering quality solutions.

Dolphin Offshore acquisition to add immense value: DIL is confident of turning around its recently acquired company, Dolphin Offshore; it is looking to acquire 2 Anchor Handling Tug Supply (AHTS) and 3 Diving Support Vessels (DSVs) by the end of FY28 (currently operating with one Barge and one anchor handling tug in JV). The company has already received a lease contract worth USD 32.85mn (~Rs 2.8bn) from a Mexican company, Ballast Shipping, for its barge, 'Prabha'. We expect revenue contribution from Dolphin to increase from 13% in FY25 to 35% in FY28. Recently, DIL acquired a Kutch-based chemical company, Kandla Energy and Chemicals, for Rs 20mn through the NCLT process. This acquisition is expected to strengthen its in-house capabilities, as the company produces chemicals used in rig operations.

Initiate coverage with a BUY rating and TP of Rs 693

We forecast revenue/EBITDA/PAT CAGR of 31%/35%/44% during FY25-FY28E, respectively. The stock trades at a PER of 12.5x/10x/8.4x on FY26E/FY27E/FY28E. The stock trades at an average P/E of 12x one-year forward EPS. We initiate coverage on the company with a BUY rating and value it at 13x FY28E EPS to arrive at a TP of Rs 693.

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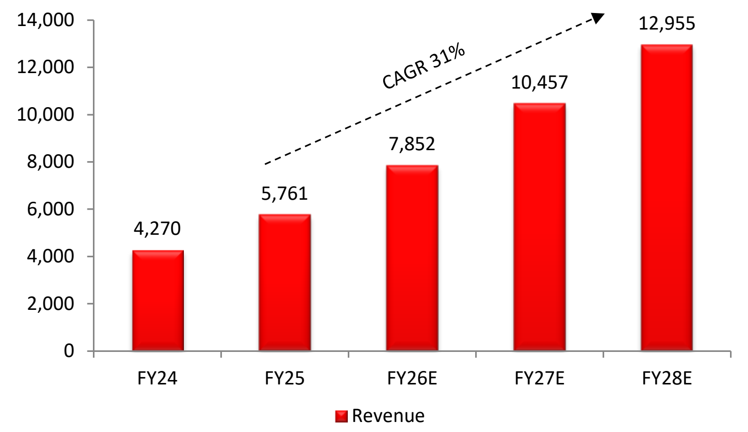
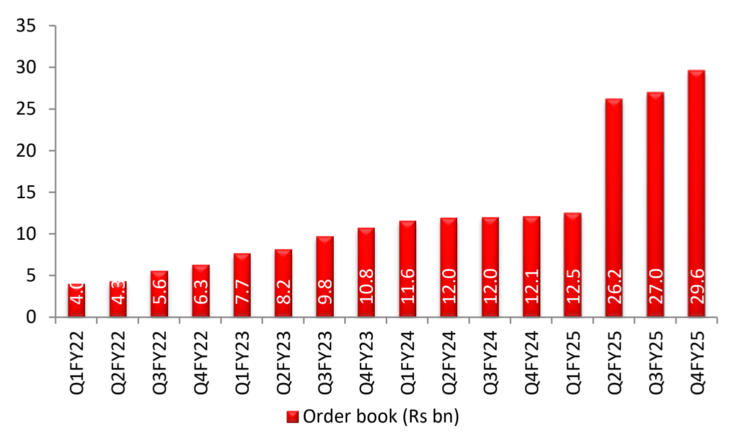
Story in Charts

Exhibit 2: Robust revenue growth (CAGR 31% over FY25-28E)



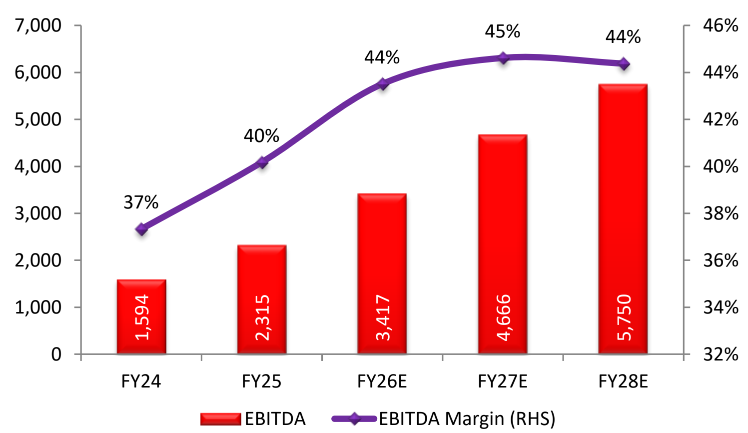
Source: Industry Reports, Systematix Institutional Research

Exhibit 3: Total order book doubled in FY25 led by ONGC's PEC



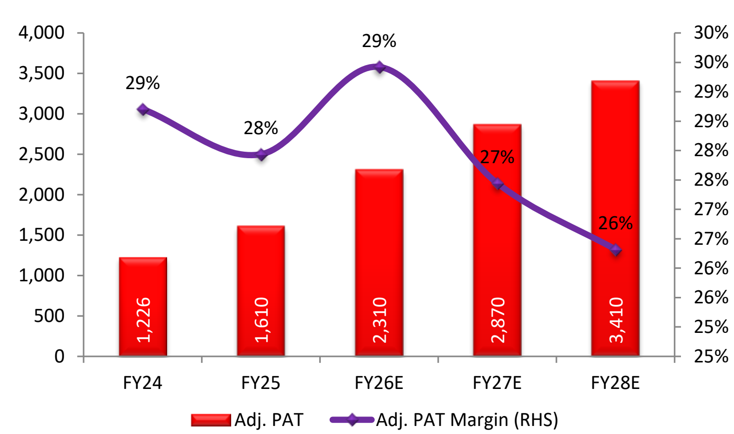
Source: Industry Reports, Systematix Institutional Research

Exhibit 4: EBITDA to improve at 35.4% CAGR to Rs 5.8bn by FY28E



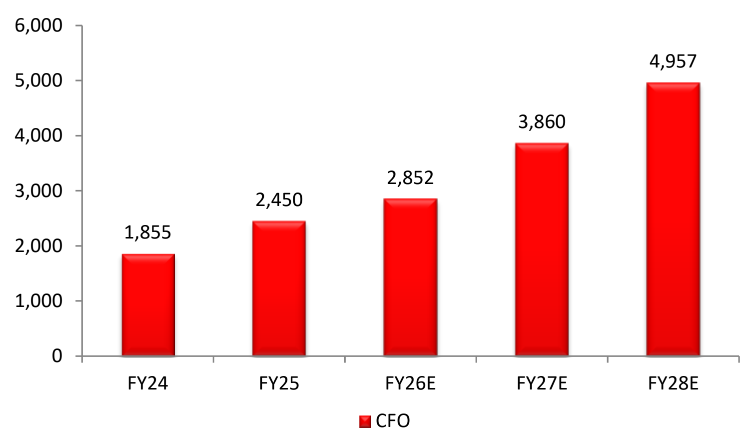
Source: Company AR, Systematix Institutional Research

Exhibit 5: 28.4% CAGR in PAT over FY25-FY28E



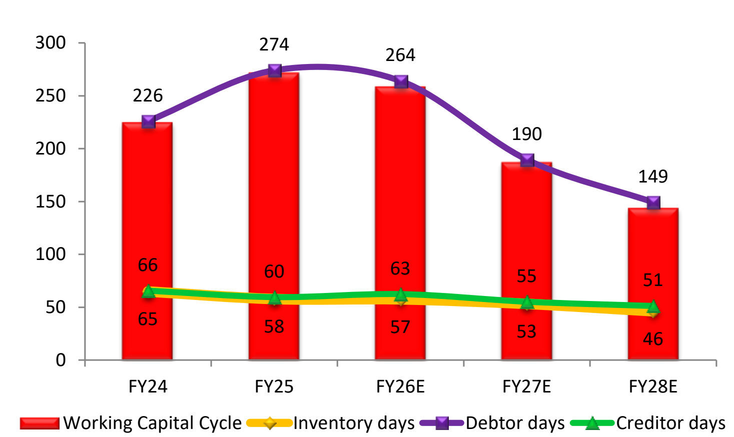
Source: Company AR, Systematix Institutional Research

Exhibit 6: CFO growth driven by enhanced operational efficiency



Source: Company AR, Systematix Institutional Research

Exhibit 7: Improving WC days shows efficient management



Source: Company AR, Systematix Institutional Research

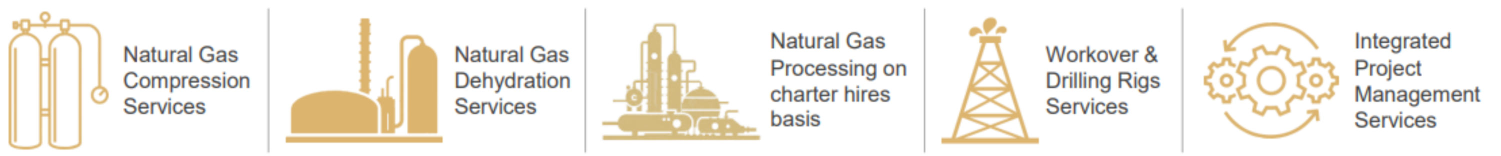
About the company

Deep Industries Limited (DIL) was originally incorporated in 1991 by Mr. Paras Savla to operate in the servicing business of oil & gas fields. The company has more than 30 years of experience and covers 70%+ of post-exploration services (drilling to gas/oil delivery to national grid/refineries). It enjoys 85% market share in India's outsourced gas compression space, excluding CGD. Its services portfolio includes a) Natural Gas Compression, b) Natural Gas Dehydration, c) Workover and Drilling Rigs Services, and d) Recently forayed into Integrated Project Management Services. DIL is now a 'One Stop Solution Provider' for every need of Oil & gas field operations and services. The company uses a wide range of equipment in its comprehensive portfolio that encompasses exploration & production to mid-stream services.

DIL started its journey in the 90s as a pioneer in gas compression services and subsequently expanded into gas processing (compression, dehydration, full facilities on charter hire), drilling/workover rigs and integrated project management (hydrofracking, cementing, logging) over time.

Recently, as part of its value-added offerings, DIL has forayed into charter hire of the entire Gas Processing facility. It intends to become the first entity in India to provide such unique gas processing services.

Exhibit 8: DIL is now a 'One Stop Solution Provider' for each of the operation & services in the oil & gas field



Source: Company, Systematix Institutional Research

Exhibit 9: Percentage break down of DIL's revenue

Revenue Contribution	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Rigs	39%	39%	30%	32%	26%	21%
Total Gas:	49%	50%	53%	48%	38%	31%
a. Gas Compressors	*46%*	*43%*	*42%*	*36%*	*27%*	*23%*
b. Gas Dehydration	*3%*	*4%*	*3%*	*2%*	*2%*	*1%*
c. Integrated Gas Facility	-	*3%*	*8%*	*10%*	*9%*	*7%*
Production Enhancement	-	-	-	7%	9%	10%
Dolphin Offshore	-	2%	13%	9%	24%	35%
Other Subsidiaries (DID+RAAS+SAAR)	12%	9%	4%	4%	3%	3%
Total Revenue	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company, Systematix Institutional Research

Investment Rationale

DIL secured ONGC's Rs14bn production enhancement contract

ONGC recently awarded a 15-year contract worth Rs14bn to DIL for its Rajahmundry field, Andhra Pradesh. It is the largest project ever awarded to the company, also DIL's total order book has doubled, because of this new order. The production enhancement contract (PEC) is estimated to generate ~50% EBITDA margin for the company, implying robust topline and profitability H2FY26 onwards.

The company aims to deploy advanced techniques to extract hydrocarbons from ONGC's mature fields. The contract is expected to broaden DIL's revenue stream and improve profitability. The Rajamundry block is currently undergoing developments to explore reserves that are expected to enhance production and recovery from the mature fields. The PEC is targeting 180,000 cubic meters/day of incremental production, with the baseline at 140,000 cubic meters/day and the improvement is expected to commence from Sep/Oct'25. DIL expects to achieve superior operational and economic efficiency for ONGC from its Production Enhancement Services. By bundling the services and providing them all under one contract, DIL would reduce the operating cost for the client company. As per the contract, DIL will receive a service charge equivalent to 64% of the incremental revenue generated over and above the current production of the field. The field will operate under an open price mechanism, outside the scope of the administered price mechanism (APM) regulation, and management expects higher returns as production ramps up. The contract value is ~Rs 14bn, based on a gas price of USD 7.5/mmbtu. However, with gas prices currently hovering at USD 12-14/mmbtu, the contract could potentially yield double the expected revenue, assuming operations start within the stipulated time frame.

Benefits of the first PEC to DIL:

- Share in incremental production revenue
- One of a kind of production enhancement contract from ONGC
- The PEC could deliver phenomenal EBIDTA margin
- A substantial portion of the revenue, will be booked in first 10 yrs

The full-year revenue contribution from the PEC is expected to commence in FY27, with management guiding for lower revenue of Rs 600-700mn in FY26, which could potentially double to over Rs1,200-1,300mn in FY27E. The company aims to secure similar PECs from Oil India and ONGC, which would open up significant business opportunities for the company.

Gas Compression Services: Huge opportunities ahead

DIL is the first company in India to provide high pressure Natural Gas Compression services on a charter hire basis. The private sector accounts for ~85% share of Gas Compression services market. DIL's offerings include BOO (Build-Own-Operate) and BOOM (Build-Own-Operate-Maintain) models. Natural Gas Compression services are known for delivering exceptionally high EBITDA margins, making them a financially attractive segment.

Currently, ONGC & Oil India meet about 70% of their gas compression needs internally, while 30% is outsourced, a share that continues to grow annually. Out of the ~30% outsourced, almost 85-90% is being executed by Deep Industries Limited. And as the 70% of their internal equipment ages, PSU companies are shifting toward outsourcing instead of reinvesting in new assets. Comparatively, developed markets such as the U.S. and Canada rely more heavily on outsourcing, for nearly 70% of gas compression.

DIL owns more than 70+ Gas compression units (ranging from 200 HP to 1,680 HP with in total aggregate capacity of 100,000 HP), which is the highest fleet owned by any company in India. The compression packages are imported from the U.S., and they prefer to buy packages which are brand new. Key success is due to 99% operational efficiency and uptime, resulting in their major market share in gas compression business.

Exhibit 10: Natural Gas Compression services offered by DIL with their utility

Artificial gas lift	Gas transportation	Boil of gas (BOG)	Gas-based power plant
Enhanced oil recovery	***Distribution***	***Reduce loss of evaporation***	***Power generation***
• Gas compressor injects gas into wells to boost oil production • Enhances oil from mature & depleted fields	• Boost the pressure for smooth flow of gas • Helps to avoid pressure loss	• Heat during storage and transportation evaporates LNG creating Boil-Of Gas • Compression ensures recovery of such Gas	• Compression pressure used to generate electricity through turbines

Source: Systematix Institutional Research

Exhibit 11: Natural Gas Compression process

1. • Gas enters the Compressor skid
2. • Goes through the inlet separator where excess / free water/ foreign material is removed
3. • Goes into first stage compressor cylinder and is compressed
4. • When compressed, temperature increases
5. • Gas goes to cooler for cooling
6. • When cooled, liquid is formed
7. • Goes to separator to separate liquid
8. • Steps 3 to 7 are repeated till desired pressure is achieved.

Source: Company, Systematix Institutional Research

Charter hiring of the entire Gas Processing facility

DIL provides services in terms of design, supply, installation, commissioning and regular operation and maintenance of production systems. Through its services it endeavours to receive, process and deliver hydrocarbons at the custody transfer point, which are produced from the wells. The development of facility signifies the continuous efforts of the Company to offer various value-added services to the clients as a key player in Oil and Gas Service Industry.

Under project Jaya (a contract from Cairn Energy), the company delivered the entire surface facility and produced fluid processing network from wellhead to the transportation point on a charter hire basis. Cairn has extended the contract by another two years, reflecting DIL's strong execution capabilities.

For ONGC, the company operates 2 facilities, each in Bokaro and Kakinada. The company has spent ~Rs 400mn for Bokaro and ~Rs 300mn for Kakinada, whereas Rs900mn was spent for Jaya (Cairn project). Cumulatively, management estimates Rs 1.3bn of annual revenue potential from all these three projects.

Exhibit 12: DIL operates the Jaya gas field owned by Cairn Energy in Bharuch district of Gujarat

Source: Company, Systematix Institutional Research

Source: Company, Systematix Institutional Research

Exhibit 13: Overview of a gas processing facility

Raw Gas Reception	Gas Treatment	Compression	Fractionation

Source: Company, Systematix Institutional Research

Integrated Project Management: New addition to boost profit

DIL stands out as the first Indian company that delivers turnkey Integrated Project Management (IPM) solutions—from drilling through to completion—under a unified contract (complete single or multiple wells under a single contract). Through this approach, the company ensures seamless project execution, by combining in-house knowledge with third-party resources. DIL has started offering various services under oil & gas exploration since 2016, keeping in mind the upcoming opportunities in the space and prospects of unconventional energy as the future.

Below are the types of services provided under Integrated Project Management:

- Drilling services (Surface Hole and Air Drilling)
- Work-over service
- Cementing
- Geo physical logging, wire line service
- Hydro fracturing and coiled tubing
- Well Completion - Workover operations to production

Exhibit 14: Percentage break down of DIL's (Standalone) business activities

Description of main activity	Business description (service)	Turnover of the entity (%)		
		FY23	FY24	FY25
Oil & Gas field services	NG Compression/Processing	43	49	54
	Workover and Drilling Rig	41	37	36
	Integrated Project Management	6	14	10

Source: Company, Systematix Institutional Research

In the IPM segment, the management expects revenue to grow between 10%-15% with the EBITDA margins to be around 40%-45%. This reflects the increasing maturity of the business, improved project efficiencies, and a higher share of value-added services.

Backed by:

- Strong execution capabilities
- Operational efficiency from scaling up
- Increased share of high-value, turnkey projects
- Growing track record in managing complex upstream operations

Exhibit 15: Services available on a charter hire basis:

➢ Workover Rig Services	➢ Drilling Rig Services	➢ Transportation of equipment
➢ Drilling Water Supply	➢ Diesel Pumping Unit	➢ Well Testing Services
➢ Mud Engineering Services	➢ Separators	➢ Mud Logging Services
➢ Air Compressor	➢ Gas Compressors Services	➢ Fuel Supply

Source: Company, Systematix Institutional Research

Dolphin: Strong demand, huge capex to boost cash flow

DIL acquired Dolphin offshore Enterprises (India) Ltd. (at Rs270mn, 75% stake) for offshore services. The DP2 – Dynamically positioned barge “Prabha”, owned by a subsidiary of Dolphin Offshore, represents a technically advanced offshore asset, underpinned by a high-precision Dynamic Positioning System. Following the completion of its final phase of refurbishment while stationed in Mexico, the vessel has now been formally commissioned for operations in the same region (Q1FY26 onwards). This DP2 barge have proven potential to command attractive daily rental rates (net $30,000/day current rate for around 320 days a year), with EBITDA margins of ~60%. Prabha is in high demand for its specialized features and capabilities. Typical contract durations range from 1-5 years, offering strong revenue visibility and underscoring the vessel’s strategic role in long-term offshore infrastructure development.

Contract for Prabha to add Rs 900+mn revenue/year: Beluga International DMCC, (Dubai), a wholly-owned subsidiary of Dolphin Offshore Enterprises (India), has entered into a lease agreement on 8 April 2025 with Ballast Shipping S.A. DE C.V for leasing Prabha - DP2 Accommodation Barge (Previously known as Vikrant Dolphin) for 3 years. The total estimated value of this agreement is approximately USD 32.85mn (~Rs 2.8bn).

Capex to boost growth: The company is looking to incur a total capex of Rs 8.8bn during FY25-FY28E to add, 2 of Anchor Handling Tug Supply (AHTS) and 3 Diving Support Vessels (DSVs). We expect Dolphin Offshore to register a revenue of Rs. 677mn in FY26E, Rs 2.5bn in FY27E and Rs4.5bn in FY28E, providing a risk weight of 20%, which largely captures delays in delivery & mobilisation and lower rentals. In FY26E, margins are expected to remain strong at 91% (net of opex). However, with opex, margins are likely to decline to 63% in FY27E and further to 54% in FY28E as the future order are assumed with opex.

Exhibit 16: Prabha - DP2 barge - currently in Mexico on a 3-year contract

Detailed characteristic information on Barge Prabha:

Type	Date of build	Call sign	Length	Breadth	Gross tonnage	Net tonnage
Barge	Oct 2011	3 BRS	90	30	7740	2322

Source: Maritimedirectory, Company, Systematix Institutional Research

DIL vs. ONGC on termination of dehydration contracts

Exhibit 17: Summary of the ongoing arbitration case

Arbitration award
DIL won an arbitration case against ONGC, with the tribunal ruling in their favor regarding the termination of dehydration contracts by ONGC.
Legal basis
The tribunal found ONGC's termination of the contract to be illegal and a violation of the contract agreement.
Compensation
DIL was awarded compensation of approximately Rs 1080mn for breach of contract.
ONGC's response
While the arbitration award was in favor of Deep Industries, ONGC challenged the said award in civil court where in DIL won the case and order was passed in favour of DIL. ONGC is challenging the said order in high court.
Expected payment
Out of the Rs 1080mn award, 75% has already been received by DIL, while the balance 25% is due to be received post the high court judgement.

Source: Co. Press release, Systematix Institutional Research

Exhibit 18: DIL vs. ONGC's arbitration case timeline

Period	Timeline
Jun 2014	ONGC awards Rs3.1bn Gas dehydration units (GDU) contract to DIL
Aug 2017	ONGC terminates contract; DIL obtains stay via High Court
Q1FY23	Arbitration rules in DIL's favor; awards Rs1.08bn
Q1FY24	DIL received ~Rs800mn (75%) of the awarded amount, post payment ONGC further appeals to civil court against the arbitration award.
Q4FY25	DIL received an order in its favor from civil court

Source: Company, Systematix Institutional Research

Oil & Gas Industry

India's growing oil & gas demand - A strategic tailwind

India is set to become the fastest-growing oil demand center globally, with growth rates nearly double that of China over 2025-2026. OPEC pegs this growth at 3.39%/4.18% (vs 1.5%/1.25% for China), respectively. Moody's has forecasted India's oil demand to rise from 5.55mbpd in 2024 to 5.74mbpd in 2025, at 3.39% YoY and to 5.99mbpd, up by 4.28% by 2026. ONGC and Oil India contributed about 70% to India's oil & gas production in FY25, with ONGC drilling a record-breaking count of 578 wells, highest in last 35 years. Oil India, which used to drill 35-40 wells in the past, drilled ~62 wells in FY25, with plans to drill 75-80 wells in FY26, backed by rig boost, integrated drilling, and gas infrastructure. The achievements are part of companies' efforts to boost domestic oil & gas production. Assam, Gujarat and Rajasthan account for more than 95% of oil production in India.

Policy supports expansion in E&P

India is on track to increase its exploration acreage to 1million square kms by 2030, anticipating a 16% increase in CY25. The Petroleum Ministry has simplified the approval processes for exploration and production (E&P) activities by reducing it from 37 in number to just 18 regulatory approvals, of which, nine are now available for self-certification. It introduced the Oilfields (Regulation and Development) Amendment Bill in 2024 to ensure policy stability for oil & gas producers and enable single licenses for all hydrocarbons. This bill was passed by the Rajya Sabha on 3 December 2024.

Listed are the policies the Indian government has implemented to encourage oil & gas exploration and production in the country

Open Acreage Licensing Policy (OALP): The Open Acreage Licensing Policy (OALP) along with the National Data Repository (NDR) was launched in June 2017. These policies are key drivers in accelerating India's E&P activities. OALP gives freedom and flexibility to identify and propose specific exploration areas, rather than limiting pre-defined blocks offered by the government.

Discovered Small Field (DSF) policy: This policy, launched in 2015, aims to monetize smaller oil & gas fields previously deemed uneconomical by national oil companies.

Hydrocarbon Exploration and Licensing Policy (HELP): HELP was introduced in 2016 and replaced the New Exploration Licensing Policy (NELP), transitioning from government-controlled to a government-supported upstream E&P regime. It allows companies to explore and extract all types of hydrocarbons under the Oilfields Regulation and Development (ORD) Act, 1948 and Petroleum and Natural Gas (PNG) Rules, 1959.

Revenue sharing model under HELP

- Under HELP's revenue-sharing model, the government will receive a share of gross revenue from the sale of oil & gas, etc., and will not be concerned with the costs incurred.
- NELP was a profit-sharing model under which the government and the contractor shared profits after recovering the costs.
- It became necessary for the government to scrutinize the cost details of private participants under NELP, which led to delays and disputes.

Robust demand outlook for petroleum products

India has been showcasing strong demand for petroleum products over the years. It recently overtook China as the world's most populous country, with its population projected to expand by ~4.9% during 2026-2030 (from 1.44bn to ~1.51bn). An expected surge in manufacturing/industrial activities, per capita income, travel activities, etc., would boost India's domestic market for total product consumption at 3% CAGR over FY25-FY30. HSD (Diesel), the country's most consumed fuel and a key indicator of industrial/commercial activity grew at 2.8% CAGR in the last 10 years/6% in the last 3 years and is expected to surge at a sharp rate. The share of gasoline (MS) at 17% of the total product consumption in FY25 is set to rise to 1.8% CAGR during FY25-30, fueled by expanding car ownership. India's road transport now accounts for around 45% of global oil demand, significantly higher than any other sector.

Exhibit 19: Consumption of petroleum products grew in the last 10 years

Consumption of petroleum products (mmt)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	10year CAGR	3-year CAGR
LPG	18.0	19.6	21.6	23.3	24.9	26.3	27.6	28.3	28.5	29.7	31.3	5.7%	3.5%
Naphtha	11.1	13.3	13.2	12.9	14.1	14.3	14.1	13.2	12.1	13.8	13.2	1.7%	-0.2%
MS (Petrol)	***19.1***	***21.8***	***23.8***	***26.2***	***28.3***	***30.0***	***28.0***	***30.8***	***35.0***	***37.2***	***40.0***	***7.7%***	***9.0%***
ATF	5.7	6.3	7.0	7.6	8.3	8.0	3.7	5.0	7.4	8.2	9.0	4.6%	21.5%
SKO	7.1	6.8	5.4	3.8	3.5	2.4	1.8	1.5	0.5	0.5	0.4	-24.8%	-35.1%
HSD (Diesel)	***69.4***	***74.6***	***76.0***	***81.1***	***83.5***	***82.6***	***72.7***	***76.7***	***85.9***	***89.6***	***91.4***	***2.8%***	***6.0%***
LDO	0.4	0.4	0.4	0.5	0.6	0.6	0.9	1.0	0.7	0.8	0.8	8.7%	-6.2%
Lubricants & Greases	3.3	3.6	3.5	3.9	3.7	3.8	4.1	4.5	3.7	4.1	4.6	3.4%	0.7%
FO & LSHS	6.0	6.6	7.2	6.7	6.6	6.3	5.6	6.3	7.0	6.5	6.5	0.9%	1.3%
Bitumen	5.1	5.9	5.9	6.1	6.7	6.7	7.5	7.8	8.0	8.8	8.4	5.1%	2.2%
Petroleum coke	14.6	19.3	24.0	25.7	21.3	21.7	15.6	14.3	18.3	20.3	21.8	4.1%	15.2%
Others	5.9	6.4	6.6	8.3	11.7	11.4	12.8	12.3	15.8	14.7	11.6	7.0%	-1.9%
TOTAL	**166**	**185**	**195**	**206**	**213**	**214**	**194**	**202**	**223**	**234**	**239**	**3.7%**	**5.8%**

Source: PPAC, Systematix Institutional Research

India plans to reduce reliance on imported crude oil

- India holds a total SPR capacity of 5.33mmt of crude oil, stored in underground caverns at Visakhapatnam (1.33mmt), Mangaluru (1.5mmt), and Padur (2.5mmt)
- As of April 2024, India had ~671.4mmt of proven crude oil reserves
- In FY25, India's production of crude oil fell by 2.5% YoY to about 26.5mmt
- India is 80-85% dependent on crude oil imports; The government aims to reduce this to ~50% by 2030, boosting domestic production, expanding renewables, increasing biofuel blending, and promoting energy efficiency
- The IEA projects demand to rise to 6.6 mb/d by 2030, from 5.3-5.5mbpd currently
- OPEC expects India's demand to rise to 11–11.7 mb/d by 2045
- India's oil & gas PSUs are significantly ramping up capex, investing over Rs 1trn per year in upstream, refining, and in infrastructure development.

Company Profile: Description of Services

Natural Gas Compression & Dehydration

With over 3 decades of expertise, the company has successfully executed multiple compression & Dehydration projects for both public and private sector clients. As one of the first companies in India to provide this service on a charter hire basis, DIL plays a vital role in enhancing the safety and efficiency of the national grid.

Production Enhancement Contract (PEC)

PEC is a long-term agreement where a company invests in capital and operating expenses to increase production from mature oil fields. DIL secured a significant 15-year PEC with ONGC worth Rs140bn for their Rajahmundry asset. These contracts are typically 15 years or more in duration and involve implementing a development plan and introducing new technologies.

Complete Gas Processing facility on charter hire

DIL provides end-to-end solutions for design, supply, installation, commissioning, and operational management of gas processing facilities. These facilities are designed to receive, treat, and process hydrocarbons from production wells before delivering them at custody transfer points.

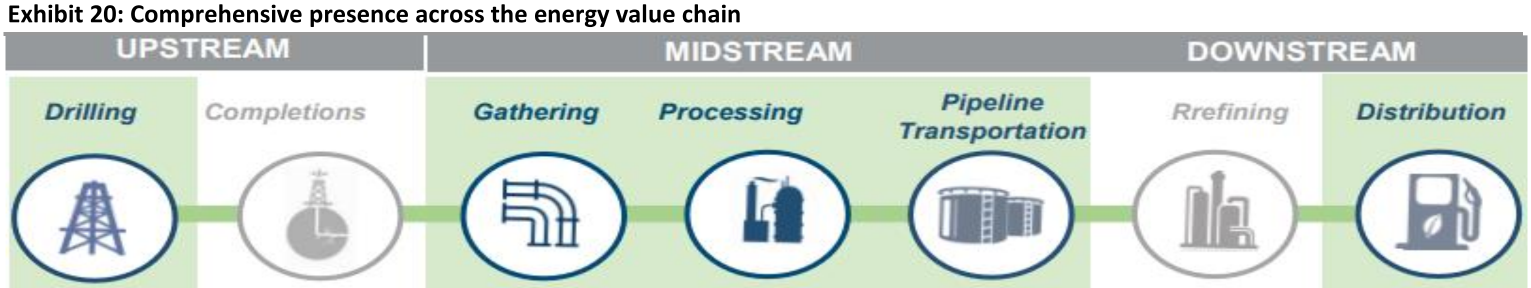
Drilling and Workover rig

The company has over 16 years of experience in this field and specializes in coring, air drilling, and workover operations, backed by a fleet of 11 drilling and workover rigs ranging from 145 HP to 1000 HP. Additionally, DIL has partnerships through which it offers rigs with capacities of up to 2000 HP, ensuring a wide range of solutions tailored to client needs.

Integrated Project Management

DIL delivers comprehensive Integrated Project Management (IPM) solutions, offering a single-contract approach for drilling and completing wells. Their IPM services include surface hole drilling, air drilling, cementing, geophysical logging, wireline services, hydro fracturing, coiled tubing, and well completion operations for seamless transition from drilling to production.

Exhibit 20: Comprehensive presence across the energy value chain



Source: Company, Systematix Institutional Research

DIL is present across the energy value chain, which spans upstream, midstream, and downstream operations. The company operates across the full spectrum that emphasizes stable production, long-term contracts, earnings stability, and financial flexibility. These advantages result in high operational efficiency, revenue visibility, EBITDA consistency of >40%, and strong cash flow generation. This integrated approach ensures reliability and financial strength across its different energy sectors.

Subsidiaries under DIL

Dolphin Offshore Enterprises (India) Limited: a step-down subsidiary with 74.99% equity. It provides offshore services to the Oil & Gas industry. Dolphin is currently refurbishing its key assets, as it attracts exceptional demand in the industry, evident from the fact that it is already receiving expression of interest (EOI). We expect the Dolphin assets to contribute a significant portion to the group's topline in the ensuing period.

Raas Equipment Private Limited a subsidiary with 80% holding**.** It produces advanced Booster Compressor Packages with capacities of 22 kW and 37 kW that boast of superior efficiency, minimal noise emissions, and meticulously engineered designs. Management diversified into this sector with the aim of establishing itself as a leading equipment manufacturer for the Oil & Gas sector.

Deep International DMCC, based in Dubai, is a wholly owned subsidiary. This international arm of the company provides similar Gas Processing Services across the Middle East, Africa, and Asia. Deep International DMCC is also engaged in some level of trading of customized gas processing equipment.

Deep Onshore Drilling Service Private Limited, a subsidiary with 74% holding, has entered into a joint venture (JV) with Euro Gas Systems to enhance the company's technical expertise and know how to further support gas field services.

Deep Onshore Services Private Limited (DOSPL) is a wholly owned subsidiary of DIL. DOSPL has strategically acquired Dolphin Offshore Enterprises (India) Limited to expand its business footprint into offshore services segment.

Breitling Drilling Private Limited is a 74% holding subsidiary of DIL, which it acquired in July 2023; currently the subsidiary is non-operational. DIL is willing to bid higher capacity rig tenders in JV with other qualified companies.

SAAR International FZ-LLC, based in Ras Al Khaimah Economic Zone, Dubai (UAE), is a wholly owned subsidiary of DIL, incorporated in March 2024. The company was incorporated to carry out various business activities in the Oil & Gas industry.

Deep Exploration: Deep Exploration Services Private Limited is a newly incorporated wholly owned subsidiary company with an objective of providing Air & Gas Compression Services, Drilling and Workover Services, Gas Dehydration Services and is engaged in the business of exploration and production of conventional and unconventional natural gas.

Dolphin Shipping: Dolphin offshore Shipping Ltd is a step down subsidiary of DIL. The said company was acquired through Insolvency and Bankruptcy through NCLT route by wholly owned subsidiary of Deep i.e Deep Onshore Services Private Limited. Deep onshore holds 100% stake in Dolphin Shipping. Dolphin Offshore Shipping Limited has a fleet of tugs which can help the company to increase its vessel fleet in offshore oil and gas services business. Currently Deep is in the process of reviving the business of the company.

Kandla Energy: Kandla Energy and Chemicals Limited is a wholly owned subsidiary of DIL. The said company was acquired through liquidation process and was engaged in the business of manufacturing of Chemicals and Hydrocarbon fluids. DIL requires many chemicals and fluids in its process of drilling wells under IPM and under PEC, which now can be procured in house. This acquisition will result into backward integration and can contribute into improvement of the Companies operating margins significantly going forward. Currently the company is in the process of reviving the business of Kandla.

Exhibit 21: Company's leadership team

Name	Designation	Profile
 **Mr. Paras Savla**	**Chairman & Managing Director**	• He has over three decades of experience. Graduated in Commerce from Gujarat University. • Under his leadership, the organization has experienced exponential growth. • Guided by his vision, the company has evolved from a mere transportation service entity to a comprehensive provider of energy infrastructure equipment solutions.
 **Mr. Rupesh Savla**	**Managing Director**	• Possessing over 28 years of experience in the energy sector, he has steered the organization towards extensive operational expansion. • He completed his Masters in Business Administration from Bentley College, USA, and holds a degree in Commerce from Gujarat University. • His responsibilities include supervising the coordination and implementation of various projects.
 **Mr. Rohan Shah**	**Director Finance & CFO**	• A Chartered Accountant with over 19 years of expertise in finance, accounts, audit, and statutory compliances. • He has dedicated more than 15 years to Deep, assuming several high-ranking financial roles, including Chief Financial Officer. • Before joining Deep, he served at ICICI Bank Limited. In 2019, he was honored with the "Financial Express CFO of the year award" in the category of Small Enterprises - Services Industry.

Source: Company, Systematix Institutional Research

Exhibit 22: List of long-standing customers in the Oil & Gas services industry

Upstream	Midstream	Downstream
Exploration & Production	*Transportation & Processing*	*Refining & Distribution*
ONGC	GSPL	GSPC
Cairn Oil & Gas	Gujarat Gas	GAIL
Oil India	Assam Gas	CPCL
HOEC	Naftogaz India	Reliance Industries
Selan Exploration		Gujarat Alkalies & Chemicals
Niko Resources		Essar Oil

Source: Company, Systematix Institutional Research

Strengths and opportunities

Exceptional operational efficiency: DIL has an outstanding operational efficiency rate of 99.6%. Such remarkable operational efficiency comes from the company executing tasks within 4-6 months as compared to 10-12 months taken by similar other organizations.

Rapid resource deployment: DIL can swiftly transport resources to any part of the country within months by leveraging the flexibility of its fully mobile units. This strategic capability allows the company to respond quickly to market demands and operational requirements, ensuring efficiency and reliability.

Exploring sustainable offshore opportunities: DIL's subsidiary is actively pursuing sustainable offshore opportunities with promising prospects expected to unlock significant value in the foreseeable future.

Strong financial position and stability: DIL's robust liquidity position and well-diversified resource base allow it to seamlessly meet its expansion requirements. The company maintains a careful balance between liquidity and debt, fostering a solid financial foundation. By adhering to its core financial principles, it ensures long-term financial health and sustainability.

Expanding Gas Compression services: DIL is poised to expand, given the demand for gas compression services is increasing. The company is strategically positioned to capitalize on the growing industry shift toward outsourcing specialized gas compression solutions, further solidifying its position as a key player in the sector.

Expertise in value-added services: DIL's deep expertise in value-added services helps in enhancing the revenue-generation capabilities and overall profitability of its clients. This approach ensures a well-diversified service mix within the company's product portfolio, strengthening its market presence and long-term growth prospects.

Risk factors and mitigation

Fines and penalties: The company has faced penalties in the past (1990s), amounting to 1-2% of the contract. The company could face other problems in the form of project execution delays, technical disqualification or even blacklisting.

A significant drop in crude oil prices: Lower prices often lead companies to cut back on capital expenditure and deter new exploration plans. This affects upstream investments, slows down project approvals, and may lead to rig layoffs. Ultimately, the industry's focus shifts towards cost optimization and maintaining existing production.

Operational hazards: Oil & gas operations are inherently risky in nature. These risks could include equipment failures, accidents, and environmental hazards, which could result in financial losses and damage of reputation.

Regulatory and environmental risk: Stricter environmental regulations and policies aimed at reducing carbon emissions could impact operations. Compliance with new standards may require additional investments in technology and processes.

Exhibit 23: DIL’s value added services is the future…

Source: Company, Systematix Institutional Research

Exhibit 24: DIL’s onshore drilling rig, Ahmedabad, Gujarat

Source: Company, Systematix Institutional Research

Financial Performance

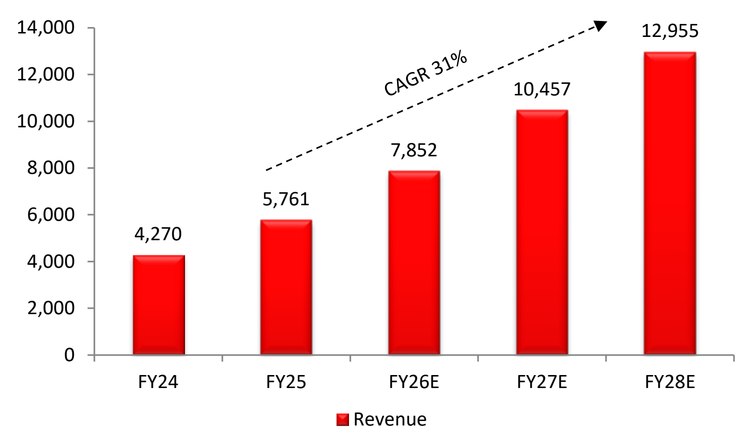
Healthy 31% revenue CAGR over FY25-FY28E; strong growth and profitability

DIL is poised for consistent revenue growth in the coming years, supported by a) strong and diversified revenue mix in its portfolio (Natural Gas Compression and PEC), b) strategic market expansion, and c) effective business execution.

In FY25, DIL reported revenue of Rs 5.8bn, up 34.9% YoY, primarily on the back of surging demand in the natural gas sector. The company not only successfully capitalized on this demand surge but also executed strategic expansions, including the acquisition of Dolphin offshore Shipping and Kandla Energy & Chemicals.

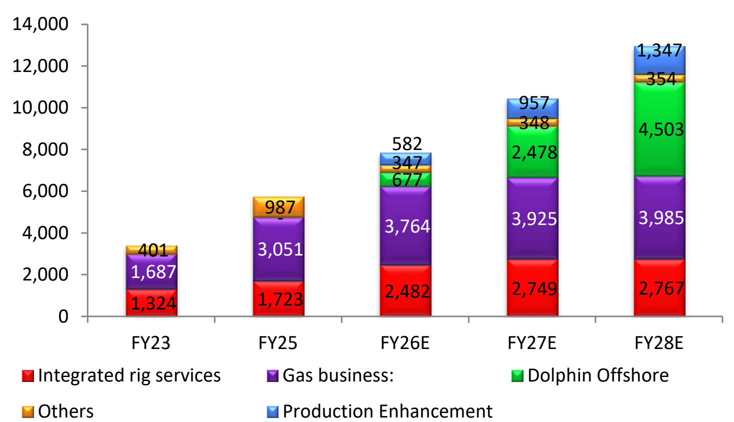
The company posted strong revenue CAGR of 29.9% over FY23-FY25. We estimate robust 31% revenue CAGR leading to Rs13bn by FY28E, likely driven by DIL's planned expansion of its offerings, broadened industry footprint, and deepened customer engagement.

Exhibit 25: Robust 31% revenue CAGR over FY25-28E



Source: Company, Systematix Institutional Research

Exhibit 26: PEC & Dolphin Offshore to grow sharply over FY26E-FY28E

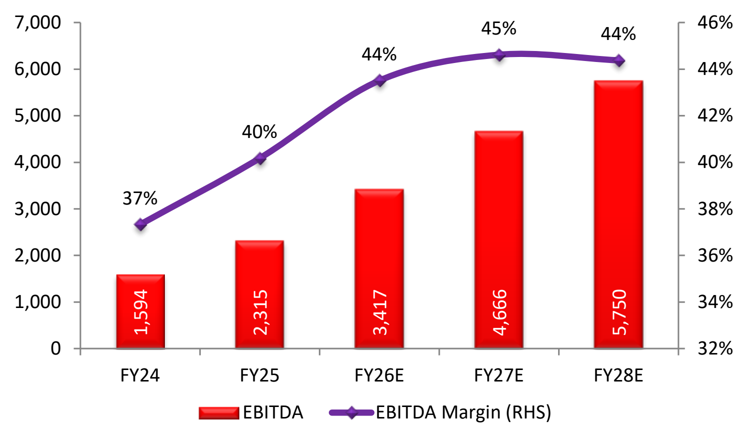


Source: Company, Systematix Institutional Research

Robust financial guidance -> 35.4%/28.4% EBITDA/PAT CAGR over FY25-FY28E

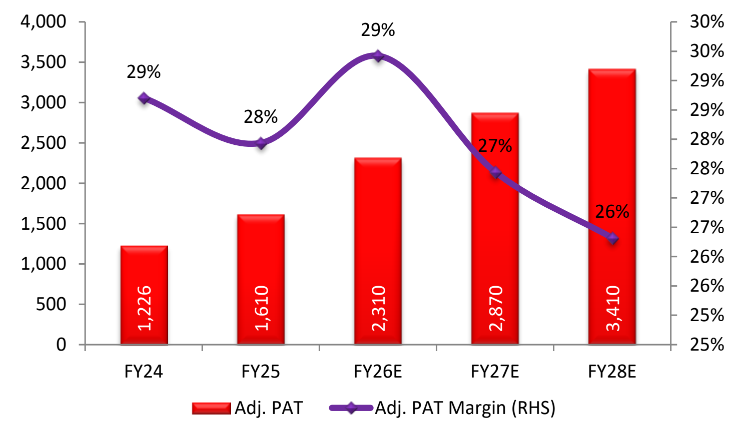
DIL currently operates 18 onshore rigs, and its order book has risen significantly from Rs 12bn in FY24 to Rs 30bn in FY25, primarily driven by the ONGC PEC. We believe India is on the cusp of a major shift in its energy mix, with the share of natural gas consumption expected to rise sharply from 6.5% currently to 15% by 2030. In FY25, DIL reported EBITDA of Rs 2.3bn, reflecting a strong EBITDA margin of 40%. We remain confident that EBITDA performance would continue to improve, with margins expected to expand to 44–45% over the coming years, translating into a projected EBITDA CAGR of 35.4% over FY25–FY28E. Similarly, we expect PAT to grow at 28.4% CAGR over this period, with PAT margin likely to exceed 25%, underscoring the company's strong profitability trajectory.

Exhibit 27: EBITDA to improve by ~35.4% CAGR over FY25-28E



Source: Company, Systematix Institutional Research

Exhibit 28: PAT could jump at 28.4% CAGR during FY25-FY28E



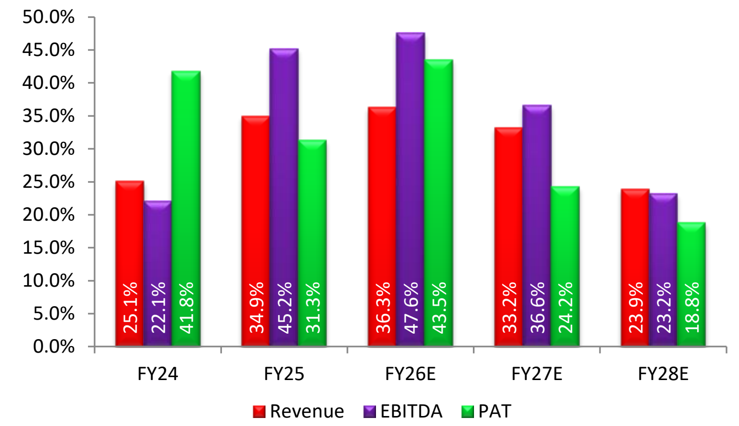
Source: Company, Systematix Institutional Research

Robust profitability and efficient capital allocation to boost returns

In FY25, the company reported RoE/RoCE of 10.5%/13.4%, respectively. However, we expect the company's recent strategic developments to catapult return ratios to double digits in the ensuing period. We project RoE/RoCE to remain robust at 13.3%/16% in FY26E, supported by sustainable profitability and prudent capital allocation and at 14.5%/17.6% in FY28E, supported by consistent earnings growth and thoughtful acquisition of assets, respectively.

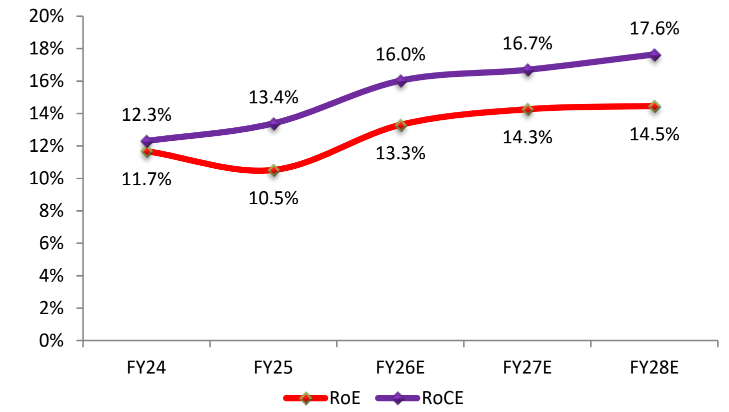
We attribute the rise in cash flow from operations (CFO) to improving operational efficiency, fueled by enhanced profitability and disciplined working capital management. The decline in working capital (WC) days from 272 in FY25 to 144 in FY28E reflects efficient inventory and receivables management and better terms with creditors. Cumulatively, these support the steady increase in CFO over FY25–FY28E (at 26.5% CAGR), in our view.

Exhibit 29: Expected revenue/EBITDA/PAT growth rates



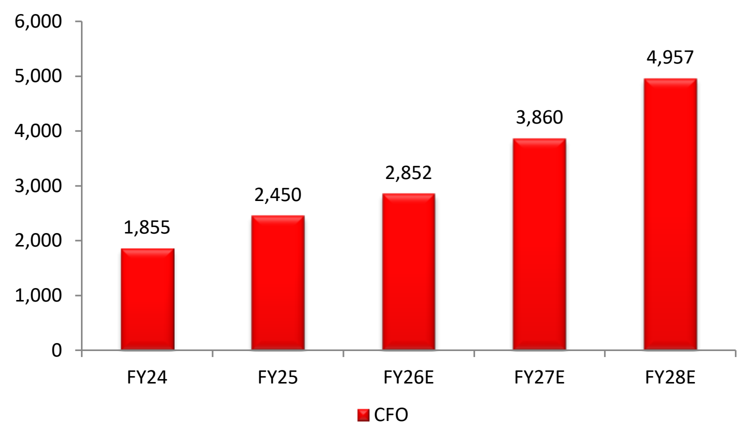
Source: Company, Systematix Institutional Research

Exhibit 30: Return ratios to expand at a modest pace from here



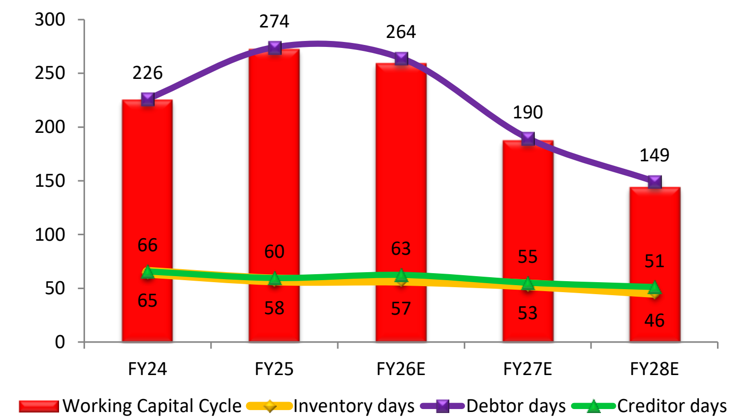
Source: Company, Systematix Institutional Research

Exhibit 31: Operational efficiency to improve CFO



Source: Company, Systematix Institutional Research

Exhibit 32: Improving WC days shows efficient management



Source: Company, Systematix Institutional Research

Valuation

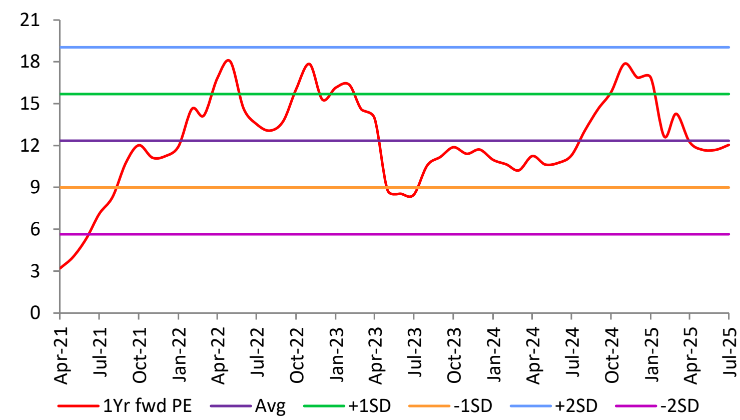
We forecast revenue/EBITDA/PAT CAGR of 31%/35%/28.4% over FY25-FY28E. The stock trades at a P/E of 12.5x/10.0x/8.4x on FY26E/FY27E/FY28E, respectively, and at an average P/E of 12x one-year forward EPS. We have valued the company at 13x FY28E (between the mean and +1 Std Dev of 15.7x), which gives a TP of Rs 693. We initiate coverage on DIL with a BUY rating.

Exhibit 33: Valuation methodology

CMP	**450**
Mkt Cap (bn)	28.8
EPS (FY28E)	53
P/E	13
TP	**693**
% upside	**54%**

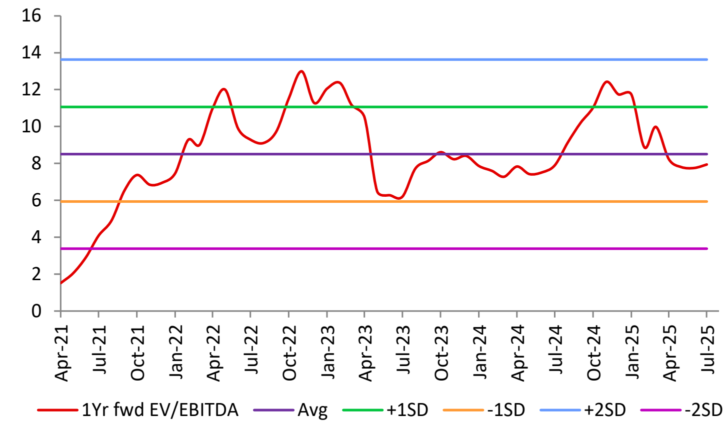
Source: Company, Systematix Institutional Research

Exhibit 34: DIL's P/E band trades at 5-year average, now at near 12x



Source: Company, Systematix Institutional Research

Exhibit 35: DIL's EV/EBITDA trades at its 5-year average



Source: Company, Systematix Institutional Research

Exhibit 36: Peer Comparison

Companies	CMP	M-Cap (Rs mn)	FY25 (Rs mn)			% CAGR (FY22-25)			PE		EV/EBITDA		EBITDA/ PAT Margin	
			Revenue	EBITDA	PAT	Revenue	EBITDA	PAT	FY24	FY25	FY24	FY25	FY24	FY25
Deep Industries	450	28,806	5,761	2,315	1,610	21.4	26.3	30.7	23.5	17.9	18.7	13.1	37.0/ 29.0	40.0/ 28.0
Asian Energy Services	285	12,763	4,650	661	421	21.4	0.1	2.6	49.1	30.4	26.1	17.1	14.0/ 8.0	14.0/ 9.0
Jindal Driling	624	18,107	8,280	2,370	2,159	25.4	29.2	50.0	35.5	8.4	9.9	10.0	32.3/ 8.3	28.7/ 26.1
Selan Exploration	621	9,433	2,581	886	740	49.7	48.6	94.9	28.7	12.8	15.0	8.9	23.1/ 19.8	34.3/ 28.7

Source: Company, Bloomberg, Screener.in, Systematix Institutional Research

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Net revenue	**4,270**	**5,761**	**7,852**	**10,457**	**12,955**
Operating Expenses	1,795	2,372	3,098	4,306	5,631
Gross Profit	**2,475**	**3,389**	**4,754**	**6,151**	**7,324**
Employee Cost	481	624	878	975	1,035
Other Expenses	400	451	459	509	540
EBITDA	**1,594**	**2,315**	**3,417**	**4,666**	**5,750**
Depreciation	344	412	490	760	1,044
EBIT	1,250	1,903	2,926	3,906	4,706
Interest Expense	85	118	249	359	366
Other Income	356	323	396	331	320
PBT Before EI	1,522	2,108	3,073	3,877	4,660
Exceptional Items	16	-2,511	0	0	0
PBT	1,538	-403	3,073	3,877	4,660
Tax	286	385	631	729	809
Minority Interest	13	113	132	278	441
Reported PAT	1,239	-901	2,310	2,870	3,410
Adjusted PAT	**1,226**	**1,610**	**2,310**	**2,870**	**3,410**
Reported EPS (Rs)	19	-14	36	45	53
Adjusted EPS (Rs)	**19**	**25**	**36**	**45**	**53**

Source: Company, Systematix Institutional Research

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	320	320	320	320	320
Reserves & Surplus	14,113	17,876	19,812	22,288	25,297
Networth	**14,433**	**18,196**	**20,132**	**22,608**	**25,617**
Non-controlling interest	840	953	1,085	1,363	1,804
Total Debt	1,585	2,054	3,608	5,445	5,078
Other LT Liabilities	-	-	-	-	-
LT Provisions	-	-	-	-	-
Deferred Tax Liabilities	412	778	800	901	1,032
Capital Employed	**17,270**	**21,982**	**25,625**	**30,317**	**33,530**
Gross Block	6,271	7,370	13,674	17,416	21,250
Accumulated Depreciation	344	412	490	760	1,044
Net Block	5,928	6,958	13,184	16,656	20,205
CWIP	2,199	2,582	250	275	300
Total Fixed Assets	**8,127**	**9,540**	**13,434**	**16,931**	**20,505**
LT Investments	11	12	12	12	12
Others LT assets	3,945	5,195	4,830	4,875	4,980
Current Assets	6,738	9,082	9,245	10,547	10,212
Investments	1,406	1,511	1,651	1,763	1,889
Inventories	494	597	801	887	938
Sundry Debtors	2,767	5,887	5,475	5,390	5,211
Cash & cash eq	**555**	**513**	**621**	**1,722**	**1,309**
ST Loans & Advances					
Others	1,516	575	697	786	865
Current Liabilities & Provisions	1,552	1,848	1,896	2,047	2,179
Creditors	410	718	803	953	1,073
Other Current Liabilities	1,141	1,131	1,092	1,093	1,105
ST Provisions					
Net Current Assets	5,187	7,234	7,349	8,500	8,033
Total Assets	**17,270**	**21,981**	**25,625**	**30,317**	**33,530**

Source: Company, Systematix Institutional Research

Cash Flow

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Earnings	1,239	-901	2,328	3,034	3,736
Depreciation	344	412	490	760	1,044
Others	-	4,821	-	-	-
Change in Working Capital	273	-1,882	34	66	177
Income Tax	-	-	-	-	-
Operating Cash Flow	**1,855**	**2,450**	**2,852**	**3,860**	**4,957**
Capex	-2,051	-1,825	-4,383	-4,257	-4,619
Change in Investments	-934	-105	-140	-111	-127
Others	130	-987	486	51	29
Investing Cash Flow	**-2,855**	**-2,917**	**-4,038**	**-4,317**	**-4,717**
FCF	-1,000	-468	-1,186	-457	240
Change in Equity	0	0	0	0	0
Change in Debt	886	468	1,555	1,837	-367
Interest & Dividend Paid	-118	-156	-260	-279	-286
Financing Cash Flow	**768**	**312**	**1,294**	**1,558**	**-654**
Change in Cash	-232	-155	108	1,101	-413
Opening Cash Balance	428	555	399	508	1,609
Closing Cash Balance	**555**	**399**	**508**	**1,609**	**1,195**

Source: Company, Systematix Institutional Research

Ratios

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
Growth					
Revenue Growth	25.1%	34.9%	36.3%	33.2%	23.9%
EBITDA Growth	22.1%	45.2%	47.6%	36.6%	23.2%
Adj. PAT Growth	41.8%	31.3%	43.5%	24.2%	18.8%
Margins					
Gross Margin	58%	59%	61%	59%	57%
EBITDA Margin	37%	40%	43.5%	44.6%	44.4%
Adj PAT Margin	29%	28%	29.4%	27.4%	26.3%
Tax Rate	19%	18%	21%	19%	17%
Per share					
Book Value/Share (Rs)	165	224	254	293	340
Dividend Per Share (Rs)	1.9	2.4	4.1	4.4	4.5
Dividend Payout	0.4%	0.5%	0.9%	1.0%	1.0%
Operating Cycle					
Inventory days	65	58	57	53	46
Debtor days	226	274	264	190	149
Creditor days	66	60	63	55	51
Working Capital Cycle	225	272	259	187	144
Yield Analysis					
ROE	11.7%	10.5%	13.3%	14.3%	14.5%
ROCE	12.3%	13.4%	16.0%	16.7%	17.6%
Net debt / Equity	-0.0	0.0	0.1	0.1	0.1
Valuation					
P/E (x)	23.5	17.9	12.5	10.0	8.4
P/B (x)	2.7	2.0	1.8	1.5	1.3
EV/EBITDA (x)	18.7	13.1	9.3	7.0	5.7

Source: Company, Systematix Institutional Research

DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

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