Arihant Capital
Generating Wealth

**Initiating Coverage**
**13th Aug 2026**

# Deep Industries Ltd

**Driving India's Energy Self-Reliance**

## CMP: INR 696

## Rating: BUY

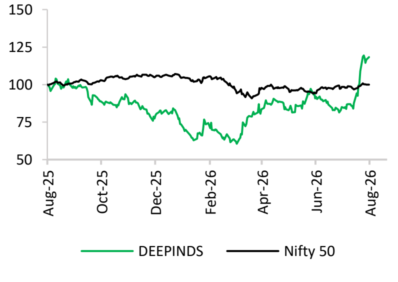
## Target Price: INR 1,190

| Stock Info | |
|---|---|
| BSE | 543288 |
| NSE | DEEPINDS |
| Bloomberg | DEEPIND:IN |
| Reuters | DEEI.BO |
| Sector | Oil & Gas |
| Face Value (INR) | 5 |
| Equity Capital (INR mn) | 320 |
| Mkt Cap (INR mn) | 44,544 |
| 52w H/L (INR) | 699/327 |
| Avg Yearly Volume (in 000') | 354.3 |

| Shareholding Pattern % *(As on Jun, 2026)* | |
|---|---|
| Promoters | 63.49 |
| DII | 1.53 |
| FII | 1.47 |
| Public & Others | 33.50 |

| Stock Performance (%) | 3m | 6m | 12m |
|---|---|---|---|
| Deep Industries | 42.8 | 62.7 | 18.3 |
| NIFTY | 3.2 | -5.2 | 0.0 |

**Deep Industries vs NIFTY**





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**Deep Industries Ltd,** started business in 1991, has evolved into India's premier integrated onshore and offshore oil and gas service provider, covering over 70% of the post-exploration value chain. The company dominates the natural gas compression segment with an ~85% market share and the largest fleet of over 80 compressor units, alongside 20 onshore drilling and workover rigs operating at 100% utilization. Its diversified business verticals include natural gas processing and dehydration, integrated project management, production enhancement contracts, and offshore services via its subsidiary Dolphin Offshore, with a loyal client base of major PSUs and private players including ONGC, Oil India, Reliance, and Vedanta. The company is net-debt-free with a strong balance sheet, a INR 30.47bn order book providing multi-year visibility. The company is strategically expanding into high-growth adjacencies like green hydrogen and geothermal energy, positioning itself as a key beneficiary of India's energy security drive.

## Investment rationale

**Structural Leadership in India's Energy Security Drive:** Deep Industries is the dominant, integrated onshore oilfield services provider in India, covering over 70% of the post-exploration value chain with an ~85% market share in natural gas compression. The company owns the largest fleet of over 80 gas compressors and 20 onshore drilling and workover rigs in the country, currently operating at ~100% utilization. India's aggressive "exploration-first" policy pivot to reduce 85% crude oil import dependency creates a multi-year structural tailwind. Key initiatives include royalty rationalization, opening of 1 mn sq km of exploration acreage, and the INR 80bn "Samudra Manthan" offshore mission. With a loyal client base including ONGC, Oil India, Reliance, and Vedanta, a healthy INR 7-8bn bid pipeline, and consistent order additions keeping the order book robust at INR 30.47bn, the company enjoys exceptional revenue visibility and pricing power.

**Margin improvement is expected through business mix:** The company's business mix is shifting towards higher-margin segments, driving profitability expansion. The flagship Production Enhancement Contract (PEC) is expected to generate over INR 1.5bn in annual revenue from FY28E, while offshore services deliver ~60% EBITDA margins. The strategic Kandla merger for backward integration is projected to improve EBITDA margins by 1.5%. This combination of strong top-line growth, disciplined cost control, and a margin-accretive business mix positions the company for sustained growth and margin expansion.

**Multi-Pronged Growth Strategy Backed by a Fortress Balance Sheet**: The company's growth is driven by multiple catalysts across its verticals. The transformative 15-year PEC contract provides a new, high-margin revenue stream, with the company actively evaluating additional tenders. The offshore segment offers a new growth frontier through disciplined, contract-backed fleet expansion. The company is leveraging its core drilling and gas processing expertise to venture into green hydrogen and geothermal energy, aligning with the global energy transition. The planned capex of INR 3bn in FY27E is funded through internal accruals and debt without equity dilution. The company has a strong balance sheet, a clear growth roadmap, and a robust order book, making it a low-risk investment opportunity to capitalize on India's long-term energy security megatrend.

**Outlook & Valuation:** **Deep Industries Ltd is exceptionally well-positioned to capitalize on India's transformative energy security drive. A multi-year structural growth trajectory anchored in the government's aggressive "exploration-first" policy pivot to reduce the nation's crippling 85% dependency on crude oil imports. The key initiatives include royalty rationalization, the opening of 1mn square kilometers of exploration acreage, the implementation of a unified pipeline tariff creating a democratic national gas market, and the ambitious INR 800bn "Samudra Manthan" offshore exploration mission designed to derisk high-stakes deepwater drilling. These policy tailwinds are translating into sustained demand across the oilfield services value chain.**

**The company is the dominant player covering over 70% of post-exploration services with an ~85% market share in natural gas compression and the largest fleet of over 80 compressors and 20 onshore rigs operating at 100% utilization. The company's entrenched position with a loyal client base including ONGC, Oil India, Reliance, and Vedanta, combined with a healthy INR 7-8bn bid pipeline. The consistent order additions maintaining a robust INR 30.47bn order book with over INR 8bn executable in FY27E ensure exceptional revenue visibility.**

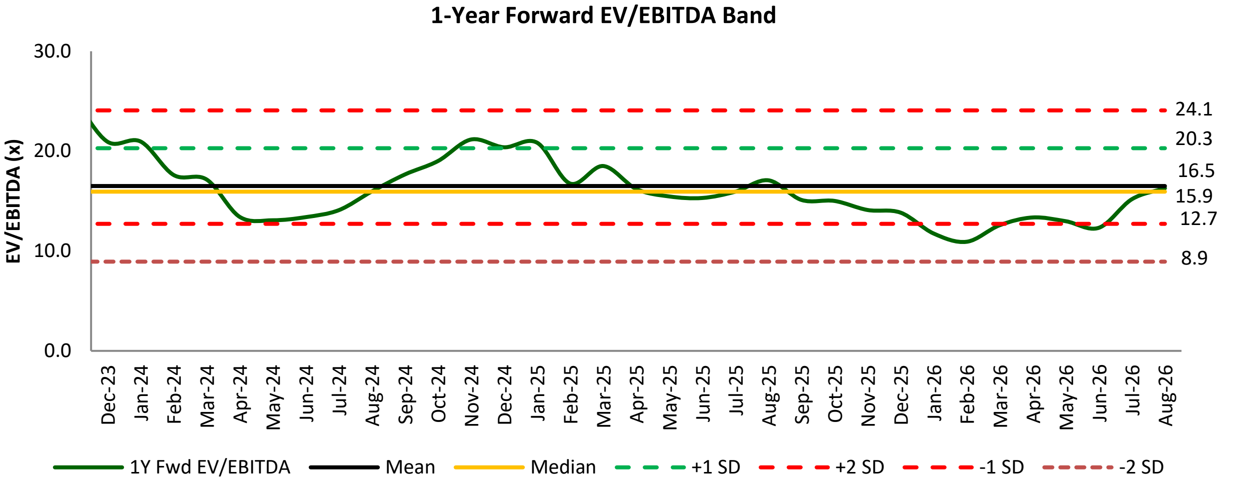
**The Production Enhancement Contract vertical represents the most transformative opportunity through a landmark 15-year, INR 14.02bn ONGC contract expected to generate over INR 1.5bn in annual revenue from FY28E, while additional PEC tenders are actively being evaluated. The Offshore Services vertical, via Dolphin Offshore, provides a new growth frontier with the DP2 barge "Prabha" fully deployed under a three-year contract generating ~60% EBITDA margins. A disciplined, contract-backed fleet expansion strategy is underway to capitalize on the massive domestic offshore opportunity created by the government's deepwater exploration push. The Integrated Project Management vertical is operating at full capacity with 100% rig utilization, and management is actively exploring higher-capacity drilling rigs (2,000 HP+) requiring capex of INR 1.1-1.2bn per rig, which would open a new lucrative revenue stream.**

**The company is leveraging its core drilling and gas processing expertise to venture into green hydrogen and geothermal energy, aligning with the global energy transition and creating future-ready revenue streams. The business mix is strategically shifting towards higher-margin segments, with offshore services delivering ~60% EBITDA margins and the Kandla merger for backward integration projected to add 1.5% to EBITDA margins. The disciplined capital allocation with its INR 3bn FY27 capex, funded through internal accruals and debt without equity dilution. The company is well positioned in a low-risk investment opportunity to participate in India's long-term energy security megatrend. We are estimating a revenue CAGR of 25.2% for FY26-FY29E. EBITDA margin is expected to improve from 39.9% (FY26) to 44.3% in FY29E, supported by a high-margin business mix. RoE is expected to improve from 7.8% (FY26) to 18.2% in FY29E, while return on capital employed (RoCE) is projected to rise from 10.6% to 18.4% over the same period. At the CMP of INR 696 per share, we initiate a "BUY" rating at a TP of INR 1,190 per share, valuing it at an EV/EBITDA of 10x (close to mean of -1SD & -2SD of 1-year forward EV/EBITDA) and FY29E EBITDA of INR 7,751mn, implying an upside of 71%.**

| Deep Industries Valuation based on EV/EBITDA - FY29E | |
|---|---|
| EBITDA (INR mn) | 7,751 |
| EV/EBITDA (x) | 10 |
| EV (INR mn) | 77,506 |
| Debt (INR mn) | 1,820 |
| Cash (INR mn) | 3,177 |
| Market Cap (INR mn) | 76,149 |
| Shares (mn) | 64 |
| **Target Price (INR)** | **1,190** |
| **CMP (INR)** | **696** |
| **Upside/Downside (%)** | **71.0%** |
| **Rating** | **BUY** |

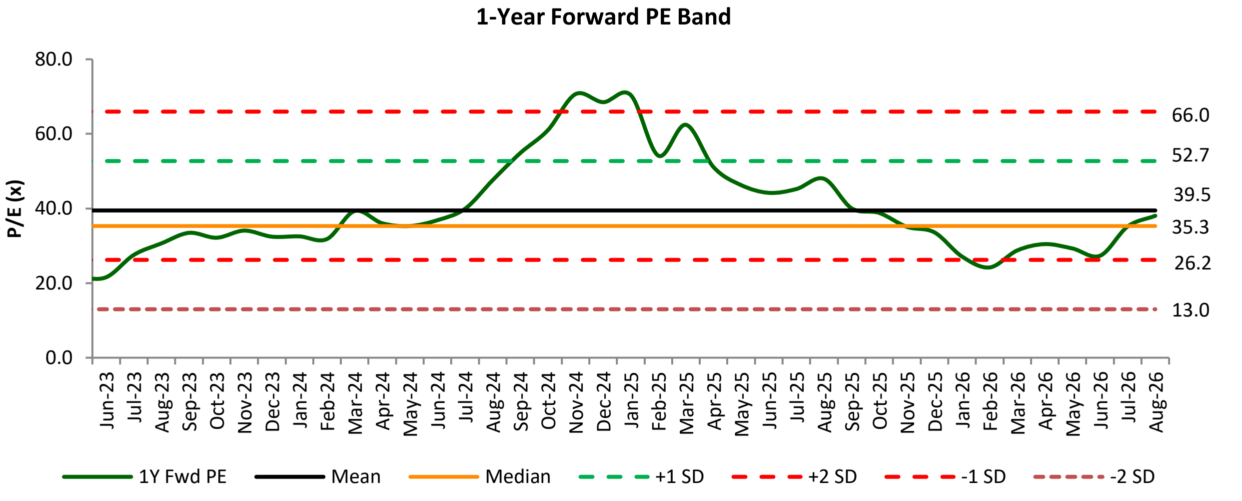
*Source: Arihant Capital Research*

**Exhibit 1: We have assigned 10x (close to mean of -1SD & -2SD of 1-year forward EV/EBITDA) due to services business in Oil & Gas. The business is resilient, permanence and scalable in gradual manner.**




*Source: Company Reports, Arihant Capital Research*

**Exhibit 2: 1-year forward PE**




*Source: Company Reports, Arihant Capital Research*

## Sensitivity Analysis

**Exhibit 3: Changes in revenue & EBITDA margin impact on PAT & EPS levels.**

**FY29E PAT (INR mn)**

| | | EBITDA Margin (%) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 5,691 | 43.0% | 43.5% | 44.0% | 44.5% | 45.0% | 45.5% | 46.0% |
| Revenue (INR mn) | 16,600 | 5,233 | 5,295 | 5,357 | 5,419 | 5,481 | 5,543 | 5,606 |
| | 16,900 | 5,330 | 5,393 | 5,456 | 5,519 | 5,582 | 5,646 | 5,709 |
| | 17,200 | 5,426 | 5,490 | 5,555 | 5,619 | 5,683 | 5,748 | 5,812 |
| | 17,500 | 5,523 | 5,588 | 5,653 | 5,719 | 5,784 | 5,850 | 5,915 |
| | 17,800 | 5,619 | 5,686 | 5,752 | 5,819 | 5,885 | 5,952 | 6,018 |
| | 18,100 | 5,715 | 5,783 | 5,851 | 5,919 | 5,986 | 6,054 | 6,122 |
| | 18,400 | 5,812 | 5,881 | 5,950 | 6,018 | 6,087 | 6,156 | 6,225 |

**FY29E EPS (INR)**

| | | EBITDA Margin (%) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 88.9 | 43.0% | 43.5% | 44.0% | 44.5% | 45.0% | 45.5% | 46.0% |
| Revenue (INR mn) | 16,600 | 81.8 | 82.7 | 83.7 | 84.7 | 85.6 | 86.6 | 87.6 |
| | 16,900 | 83.3 | 84.3 | 85.2 | 86.2 | 87.2 | 88.2 | 89.2 |
| | 17,200 | 84.8 | 85.8 | 86.8 | 87.8 | 88.8 | 89.8 | 90.8 |
| | 17,500 | 86.3 | 87.3 | 88.3 | 89.4 | 90.4 | 91.4 | 92.4 |
| | 17,800 | 87.8 | 88.8 | 89.9 | 90.9 | 92.0 | 93.0 | 94.0 |
| | 18,100 | 89.3 | 90.4 | 91.4 | 92.5 | 93.5 | 94.6 | 95.7 |
| | 18,400 | 90.8 | 91.9 | 93.0 | 94.0 | 95.1 | 96.2 | 97.3 |

*Source: Company Reports, Arihant Capital Research*

**Exhibit 4: Changes in revenue, EV/EBITDA impact on TP and changes in EPS & PE impact on TP.**

**FY29E Target Price (INR)**

| | | EV/EBITDA (x) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1,190 | 6.0x | 8.0x | 10.0x | 12.0x | 14.0x | 16.0x | 18.0x |
| EBITDA (INR mn) | 7,200 | 654 | 879 | 1,104 | 1,329 | 1,554 | 1,779 | 2,004 |
| | 7,400 | 673 | 904 | 1,135 | 1,366 | 1,598 | 1,829 | 2,060 |
| | 7,600 | 691 | 929 | 1,166 | 1,404 | 1,641 | 1,879 | 2,116 |
| | 7,800 | 710 | 954 | 1,198 | 1,441 | 1,685 | 1,929 | 2,173 |
| | 8,000 | 729 | 979 | 1,229 | 1,479 | 1,729 | 1,979 | 2,229 |
| | 8,200 | 748 | 1,004 | 1,260 | 1,516 | 1,773 | 2,029 | 2,285 |
| | 8,400 | 766 | 1,029 | 1,291 | 1,554 | 1,816 | 2,079 | 2,341 |

**FY29E Target Price (INR)**

| | | PE (x) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1,190 | 10.0x | 12.0x | 14.0x | 16.0x | 18.0x | 20.0x | 22.0x |
| EPS (INR) | 84.0 | 840 | 1,008 | 1,176 | 1,344 | 1,512 | 1,680 | 1,848 |
| | 86.0 | 860 | 1,032 | 1,204 | 1,376 | 1,548 | 1,720 | 1,892 |
| | 88.0 | 880 | 1,056 | 1,232 | 1,408 | 1,584 | 1,760 | 1,936 |
| | 90.0 | 900 | 1,080 | 1,260 | 1,440 | 1,620 | 1,800 | 1,980 |
| | 92.0 | 920 | 1,104 | 1,288 | 1,472 | 1,656 | 1,840 | 2,024 |
| | 94.0 | 940 | 1,128 | 1,316 | 1,504 | 1,692 | 1,880 | 2,068 |
| | 96.0 | 960 | 1,152 | 1,344 | 1,536 | 1,728 | 1,920 | 2,112 |

*Source: Company Reports, Arihant Capital Research*

## Financial Statements

**Income statement summary**

| Y/e 31 Mar (INR mn) | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|---|---|
| **Revenue** | **3,413** | **4,270** | **5,761** | **8,907** | **11,132** | **13,785** | **17,488** |
| Net Raw Materials | 1,447 | 1,795 | 2,372 | 4,002 | 5,051 | 6,047 | 7,532 |
| Employee Cost | 344 | 481 | 624 | 781 | 913 | 1,042 | 1,287 |
| Other Expenses | 317 | 400 | 451 | 572 | 679 | 765 | 918 |
| **EBITDA** | **1,305** | **1,594** | **2,315** | **3,553** | **4,490** | **5,930** | **7,751** |
| **EBITDA Margin (%)** | **38.2%** | **37.3%** | **40.2%** | **39.9%** | **40.3%** | **43.0%** | **44.3%** |
| Depreciation | 296 | 344 | 412 | 592 | 754 | 856 | 950 |
| Interest expense | 52 | 85 | 118 | 176 | 170 | 162 | 154 |
| Other income | 112 | 356 | 323 | 695 | 668 | 800 | 962 |
| Exceptional Items | 447 | 16 | (2,511) | (2,083) | - | - | - |
| **Profit before tax** | **1,517** | **1,538** | **(403)** | **1,397** | **4,235** | **5,713** | **7,609** |
| Taxes | 264 | 286 | 385 | (574) | 1,011 | 1,440 | 1,917 |
| **PAT** | **1,253** | **1,252** | **(788)** | **1,971** | **3,224** | **4,273** | **5,691** |
| **PAT Margin (%)** | **36.7%** | **29.3%** | **-13.7%** | **22.1%** | **29.0%** | **31.0%** | **32.5%** |
| EPS (INR) | 19.6 | 19.6 | (12.3) | 30.8 | 50.4 | 66.8 | 88.9 |

*Source: Company Reports, Arihant Capital Research*

**Balance sheet summary**

| Y/e 31 Mar (INR mn) | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|---|---|
| Equity capital | 320 | 320 | 320 | 320 | 320 | 320 | 320 |
| Reserves | 13,382 | 14,113 | 17,876 | 19,672 | 22,443 | 26,115 | 31,007 |
| **Net worth** | **13,702** | **14,433** | **18,196** | **19,992** | **22,763** | **26,435** | **31,327** |
| Minority Interest | 93 | 840 | 953 | 1,131 | 1,276 | 1,469 | 1,725 |
| Provisions | - | - | 0 | 149 | 111 | 110 | 140 |
| Debt | 699 | 1,585 | 2,054 | 2,030 | 1,960 | 1,890 | 1,820 |
| Other non-current liabilities | 608 | 667 | 710 | 606 | 612 | 689 | 787 |
| **Total Liabilities** | **15,101** | **17,525** | **21,913** | **23,908** | **26,723** | **30,593** | **35,798** |
| | | | | | | | |
| Fixed assets | 6,222 | 5,928 | 6,958 | 10,870 | 13,137 | 14,708 | 16,004 |
| Capital Work In Progress | 198 | 2,199 | 2,582 | 558 | 538 | 611 | 565 |
| Other Intangible assets | 3,850 | 3,849 | 3,849 | 3,850 | 3,850 | 3,850 | 3,850 |
| Investments | 36 | 23 | 921 | 1,360 | 1,670 | 2,068 | 2,623 |
| Other non current assets | 445 | 388 | 520 | 897 | 1,058 | 1,241 | 1,574 |
| **Net working capital** | **3,450** | **3,177** | **5,059** | **4,436** | **4,307** | **4,791** | **5,556** |
| Inventories | 457 | 494 | 597 | 943 | 1,107 | 1,259 | 1,548 |
| Sundry debtors | 2,523 | 2,767 | 5,887 | 4,801 | 5,185 | 5,854 | 6,947 |
| Loans & Advances | - | 742 | 1 | 2 | 3 | 4 | 5 |
| Other current assets | 1,240 | 763 | 589 | 731 | 858 | 1,023 | 1,202 |
| Sundry creditors | (555) | (410) | (718) | (932) | (1,510) | (1,765) | (2,134) |
| Other current liabilities & Prov | (215) | (1,178) | (1,296) | (1,110) | (1,336) | (1,585) | (2,011) |
| Cash | 428 | 555 | 513 | 528 | 493 | 1,326 | 3,177 |
| Other Financial Assets | 472 | 1,406 | 1,511 | 1,408 | 1,670 | 1,999 | 2,448 |
| **Total Assets** | **15,101** | **17,525** | **21,913** | **23,908** | **26,723** | **30,593** | **35,798** |

*Source: Company Reports, Arihant Capital Research*

**Du-Pont Analysis**

| Y/e 31 Mar | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|---|---|
| Tax burden (x) | 0.8 | 0.8 | 2.0 | 1.4 | 0.8 | 0.7 | 0.7 |
| Interest burden (x) | 1.5 | 1.2 | (0.2) | 0.5 | 1.1 | 1.1 | 1.1 |
| EBIT margin (x) | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 |
| Asset turnover (x) | 0.1 | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 | 0.5 |
| Financial leverage (x) | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 |
| **RoE (%)** | **6.0%** | **5.6%** | **-3.3%** | **7.8%** | **12.0%** | **14.8%** | **18.2%** |

*Source: Company Reports, Arihant Capital Research*

## Financial Statements

**Cashflow summary**

| Y/e 31 Mar (INR mn) | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|---|---|
| Profit before tax | 1,517 | 1,538 | (403) | 1,397 | 4,235 | 5,713 | 7,609 |
| Depreciation | 296 | 344 | 412 | 592 | 754 | 856 | 950 |
| Tax paid | (264) | (286) | (385) | 574 | (1,011) | (1,440) | (1,917) |
| Working capital Δ | (1,655) | 273 | (1,878) | 623 | 129 | (484) | (766) |
| **Operating cashflow** | **(106)** | **1,868** | **(2,254)** | **3,186** | **4,107** | **4,644** | **5,875** |
| Capital expenditure | (1,835) | (2,051) | (1,825) | (2,481) | (3,000) | (2,500) | (2,200) |
| **Free cash flow** | **(1,941)** | **(183)** | **(4,079)** | **705** | **1,107** | **2,144** | **3,675** |
| Equity raised | 1,297 | 345 | 4,821 | 198 | - | - | - |
| Investments | 271 | (920) | (1,003) | (337) | (571) | (727) | (1,005) |
| Others | 43 | 57 | (135) | (378) | (161) | (183) | (333) |
| Debt financing/disposal | 381 | 886 | 468 | (24) | (70) | (70) | (70) |
| Dividends paid | (59) | (118) | (156) | (195) | (308) | (408) | (544) |
| Other items | 116 | 60 | 42 | 46 | (32) | 76 | 127 |
| **Net Δ in cash** | **108** | **127** | **(42)** | **15** | **(34)** | **832** | **1,851** |
| **Opening Cash Flow** | **320** | **428** | **555** | **513** | **528** | **493** | **1,326** |
| **Closing Cash Flow** | **428** | **555** | **513** | **528** | **493** | **1,326** | **3,177** |

*Source: Company Reports, Arihant Capital Research*

**Ratio analysis**

| Y/e 31 Mar | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|---|---|
| **Growth matrix (%)** | | | | | | | |
| Revenue growth | 6.1% | 25.1% | 34.9% | 54.6% | 25.0% | 23.8% | 26.9% |
| Op profit growth | 13.8% | 22.1% | 45.2% | 53.5% | 26.4% | 32.1% | 30.7% |
| **Profitability ratios (%)** | | | | | | | |
| OPM | 38.2% | 37.3% | 40.2% | 39.9% | 40.3% | 43.0% | 44.3% |
| Net profit margin | 36.7% | 29.3% | -13.7% | 22.1% | 29.0% | 31.0% | 32.5% |
| RoCE | 3.9% | 5.3% | 6.8% | 10.6% | 12.1% | 15.0% | 18.4% |
| RoNW | 6.0% | 5.6% | -3.3% | 7.8% | 12.0% | 14.8% | 18.2% |
| RoA | 5.0% | 4.7% | -3.2% | 6.2% | 9.9% | 12.3% | 15.2% |
| **Per share ratios (INR)** | | | | | | | |
| EPS | 19.6 | 19.5 | (12.3) | 30.7 | 50.4 | 66.8 | 88.9 |
| Dividend per share | 0.9 | 1.9 | 2.4 | 3.0 | 4.8 | 6.4 | 8.5 |
| Cash EPS | 15.0 | 14.2 | (18.7) | 21.5 | 38.6 | 53.4 | 74.1 |
| Book value per share | 214.1 | 225.5 | 284.3 | 312.4 | 355.7 | 413.1 | 489.5 |
| **Valuation ratios (x)** | | | | | | | |
| P/E | 35.5 | 35.6 | (56.4) | 22.7 | 13.8 | 10.4 | 7.8 |
| P/CEPS | 46.5 | 49.1 | (37.1) | 32.3 | 18.0 | 13.0 | 9.4 |
| P/B | 3.3 | 3.1 | 2.4 | 2.2 | 2.0 | 1.7 | 1.4 |
| EV/EBITDA | 34.3 | 28.6 | 19.9 | 13.0 | 10.2 | 7.6 | 5.6 |
| **Payout (%)** | | | | | | | |
| Dividend payout | 4.7% | 9.5% | -19.8% | 9.9% | 9.6% | 9.6% | 9.6% |
| Tax payout | -17.4% | -18.6% | 95.5% | 41.1% | -23.9% | -25.2% | -25.2% |
| **Liquidity ratios** | | | | | | | |
| Debtor days | 207 | 226 | 274 | 219 | 164 | 146 | 134 |
| Inventory days | 108 | 97 | 84 | 70 | 74 | 71 | 68 |
| Creditor days | 118 | 98 | 87 | 75 | 88 | 99 | 94 |
| WC Days | 197 | 225 | 271 | 214 | 150 | 119 | 107 |
| **Leverage ratios (x)** | | | | | | | |
| Interest coverage | 19.3 | 14.8 | 16.1 | 16.8 | 22.0 | 31.4 | 44.2 |
| Net debt / equity | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | -0.0 |
| Net debt / op. profit | 0.2 | 0.6 | 0.7 | 0.4 | 0.3 | 0.1 | -0.2 |

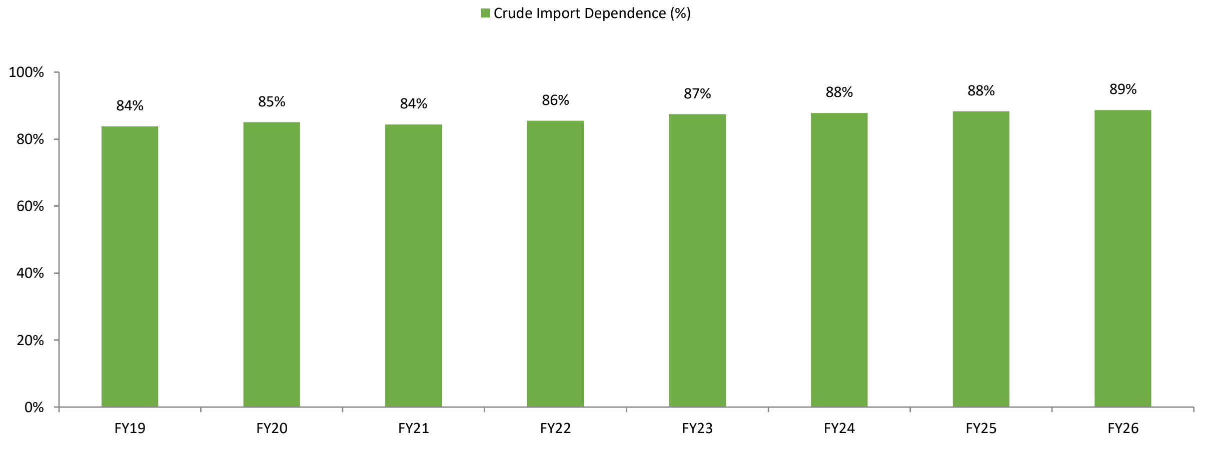
*Source: Company Reports, Arihant Capital Research*

## Investment Rationale

**Dominant Position in a Resilient Core Business Fueled by Powerful Policy Tailwinds:** Deep Industries has established an unassailable leadership position in the Indian onshore oil and gas support services market over three decades. The company's diversified service portfolio covers over 70% of the post-exploration value chain, creating significant competitive advantages and recurring revenue streams. In Natural Gas Compression, the company is the undisputed leader with an estimated 85% market share, backed by India's largest fleet of over 80 gas compressor units. This service is critical for artificial gas lift for enhanced oil recovery, maintaining pipeline pressure for gas transportation, and recovering boil-off gas from LNG operations. The company's turnkey solutions from supply and installation to operation and maintenance ensure long-term client relationships.

Complementing this, the company pioneered Natural Gas Dehydration services on a build, own, and operate charter-hire basis. This process is non-negotiable for gas producers as it removes water moisture and heavy hydrocarbons to meet stringent PNGRB pipeline safety standards. The company's expertise in commissioning units up to 10 LSCMD in record time and maintaining intensive spare parts inventory prevents costly client shutdowns. In Drilling and Workover Rigs, the company's fleet of 20 onshore rigs operates at 100% utilization, reflecting sustained strong demand. This fleet includes 14 workover rigs with capacities from 30 to 150 tons and 6 drilling rigs of 1000 horsepower, successfully completing contracts across diverse Indian terrains.

**Exhibit 5: Crude import dependence remains above 85% levels. The government focused to reduce import dependence through Samudra Manthan Mission.**

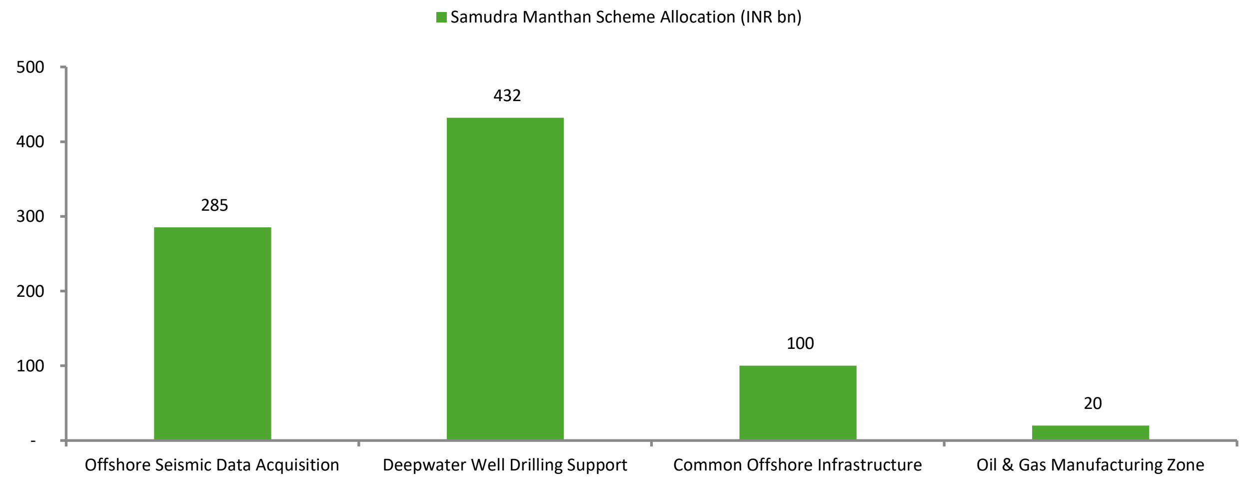



*Source: Ministry of Petroleum, PPAC, Arihant Capital Research*

This resilient core business is the direct beneficiary of India's transformative energy security policy shift. With the country importing over 85% of its crude oil requirements, the government has pivoted from a revenue-sharing mindset to an aggressive "exploration-first" agenda to achieve self-reliance ("Atmanirbhar Bharat"). This is being implemented through concrete initiatives including expanded exploration acreage through OALP and DSF rounds, the "Samudra Manthan" mission with an INR 800bn incentive package for deepwater exploration, and massive infrastructure investments targeting USD 500bn in energy opportunities by 2030. The expansion of the national gas grid by 43%, development of LNG stations, and acceleration of City Gas Distribution networks will require commensurate growth in gas compression, dehydration, and processing services. The introduction of a Unified Pipeline Tariff creates a single national gas market, making domestic production economically viable. The strategic push to increase natural gas share in the energy mix from 6.3% to 15% by 2030 ensures sustained demand. These are not cyclical but structural tailwinds creating a multi-year, predictable demand pipeline for the company's core services.

## Investment Rationale

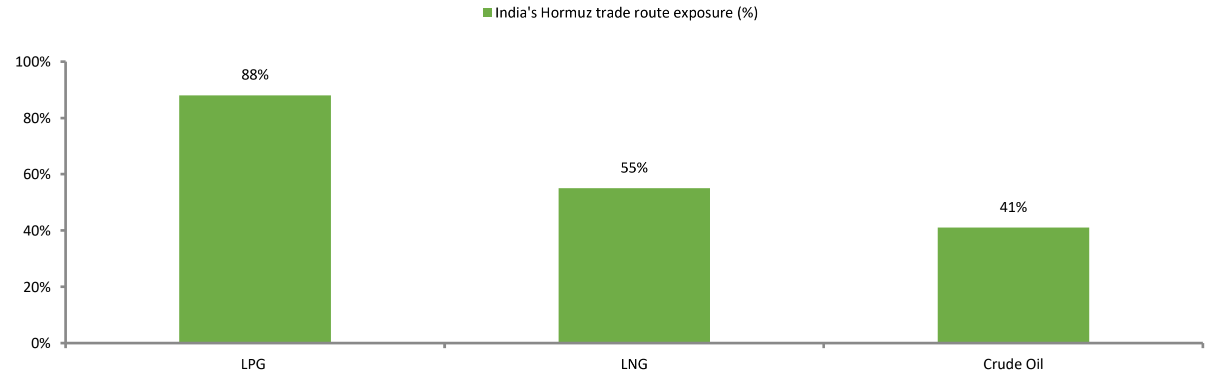
**Exhibit 6: Major allocation goes towards Deepwater well drilling support.**




*Source: Ministry of Petroleum, PPAC, Arihant Capital Research*

Deep Industries is India's only integrated onshore and offshore oilfield services provider. It covers over 70% of the post-exploration value chain. The company started in gas compression and grew outwards into gas dehydration, gas processing, drilling, workover, integrated project management, production enhancement and offshore support. Compression remains its strongest position, with India's largest fleet of over 80 units and the bulk of all outsourced compression work in the country. Three things hold that lead in place: three decades of operating history, long relationships with ONGC, Oil India, Cairn and Reliance, and a charter-hire model that gives clients equipment without the capital cost. The timing is unusually good. India imports roughly 88% of its crude, and the government has moved to an exploration-first agenda through OALP rounds, CBM auctions and lower royalties. Then came the event that settled the argument. The Strait of Hormuz closed in late February 2026; the largest oil supply disruption on record, per the IEA. Around 20% of the world's seaborne oil and LNG stopped moving and crude neared $130 a barrel. India was directly exposed, with the Strait carrying 41% of its crude, 55% of its LNG and 88% of its LPG in FY26. Producing at home stopped being a cost question and became a security one.

**Exhibit 7: India's major import coming through Hormuz trade route. Current ongoing geopolitical disruptions may impact on imports, so India actively increasing domestic productions.**




*Source: IEA, PPAC, Arihant Capital Research*

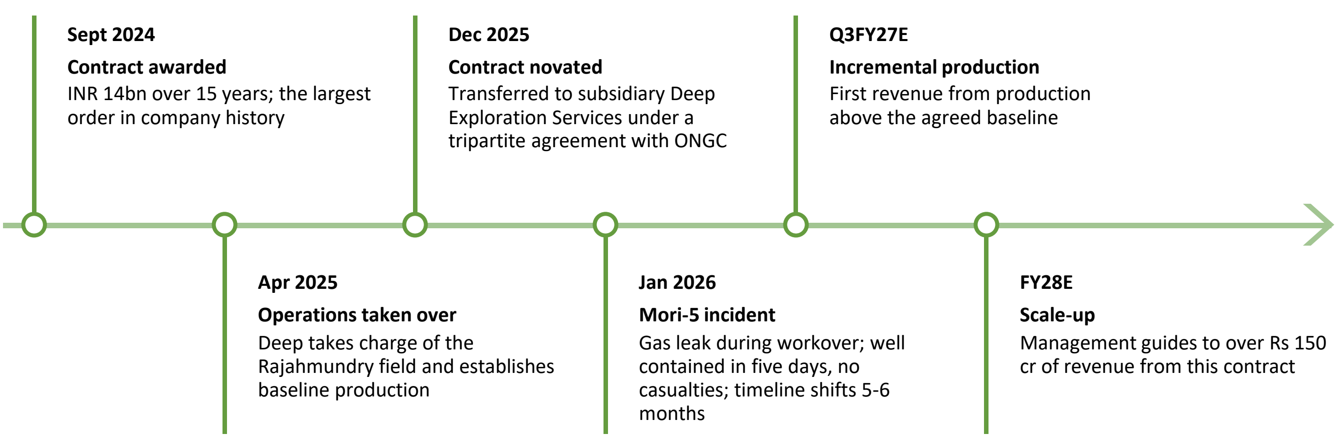
## Investment Rationale

**Strategic Diversification into High-Growth Verticals (PEC & Offshore) to Drive Next Phase of Growth:** While the core onshore business provides stability, Deep Industries' strategic diversification into Production Enhancement Contracts (PECs) and offshore services is the primary engine for its next phase of exponential growth. These verticals offer higher revenue potential, longer contract durations, and a transition from fee-for-service to performance-based partnerships.

The landmark 15-year Production Enhancement Contract from ONGC valued at INR 14.02bn is arguably the company's most transformative development. Under this contract, Deep provides comprehensive services to boost hydrocarbon production from a mature ONGC field, with revenue tied to a 64% share of incremental production revenue. This performance-based model creates powerful alignment of interests, incentivizing Deep to maximize production. The contract leverages the company's three decades of experience and unique in-house technical capabilities including drilling, workover, hydrofracturing, and coiled tubing. While experiencing a minor temporary operational setback at one well, the company expects significant contributions starting in the H2FY27, with over INR 1.5bn projected revenue from this contract in FY28E alone. The long-term 15-year nature provides multi-year revenue visibility. The company is actively evaluating similar tenders, confirming this is a nascent, recurring business line with attractive returns on the estimated INR 1.5bn capex required.

In offshore services, the company has strategically positioned itself through its acquisition of Dolphin Offshore Enterprises, making Deep India's only integrated onshore and offshore oil and gas service provider. The government's "Samudra Manthan" initiative has created a massive opportunity for marine support services. The company is pursuing a disciplined "contract-backed expansion strategy," committing capex for new vessels like Platform Supply Vessels, Diving Support Vessels and Anchor Handling Tugs only after securing firm deployment contracts, minimizing financial risk. Dolphin's DP2 barge "Prabha" is already deployed and generating revenue. The company plans INR 4-5bn of expansion into PSVs, DSVs and tugs, buying 10–15 year old assets and adding them only against contracts already won. The offshore services address multiple markets beyond oil and gas, including offshore wind energy, communications (undersea cables), and transmission & transportation. Management is highly optimistic about this segment's growth potential over the next 2-3 years. The combination of high-margin PECs and high-potential offshore market, both supported by strong government initiatives, creates a powerful dual-growth engine for the company.

**Exhibit 8: PEC and Offshore are strategic diversification. The company is current executing PEC contract of INR ~14bn and incremental production is expected from Q3FY27E onwards.**




*Source: Company reports, Arihant Capital Research*

## Investment Rationale

**Future-Proofing Through Strategic Adjacencies in the Energy Transition:** Deep Industries demonstrates significant foresight by actively exploring new opportunities in adjacent, future-focused green energy sectors. These initiatives strategically leverage the company's existing core competencies in drilling, gas processing, and project management, creating a bridge from current operations to the energy transition.

The company is actively evaluating opportunities in green hydrogen. Hydrogen production, purification, and handling rely heavily on unit operations already standard in the oil and gas industry. Deep's established expertise in gas processing, involving separation, purification, and compression of gases, provides a powerful and directly transferable technical foundation. The company's ability to handle high-pressure systems and complex gas streams gives it a competitive edge. The company is also exploring geothermal energy resources. Geothermal energy is extracted through drilling wells, and the mechanics of operating heavy onshore drilling rigs, managing drill strings, selecting drill bits, and handling circulation systems are nearly identical to oil and gas drilling. The core competencies transfer directly, though geothermal environments require handling higher temperatures and abrasive volcanic rock. This is a natural extension of its drilling and workover capabilities.

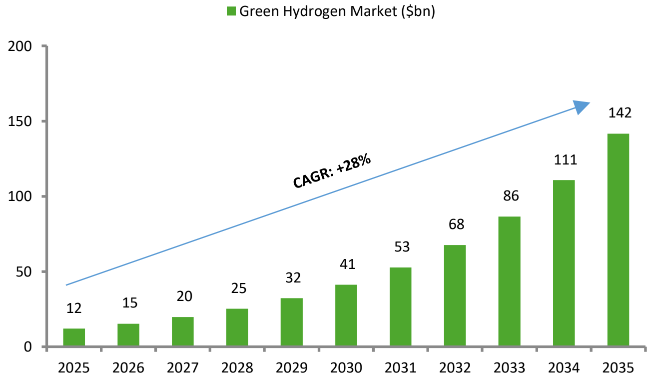
The company has entered into an MOU to venture into green business areas, while still in early evaluation stages and not yet expected to contribute materially to the top line, these initiatives represent significant long-term opportunities. They open up new, fast-growing markets aligned with global and national decarbonization goals, providing a hedge against any long-term decline in fossil fuel demand. They also allow the company to maximize returns on existing assets and human capital by deploying drilling and processing expertise in new sectors. These initiatives signal proactive management, ensuring the company remains relevant and continues generating value for decades, positioning Deep Industries as a key player in both current and future energy ecosystems

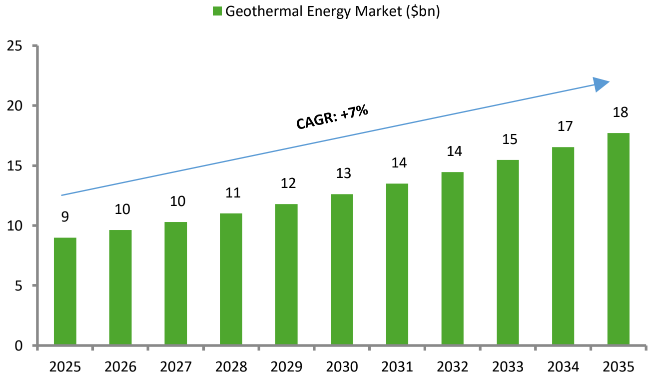
**Exhibit 9: The "Processing & Compression" Synergy Matrix**

| Existing O&G Unit Operation | Required H2 Production/Purification Use | Technological Overlap % |
|---|---|---|
| Gas Compressors / High-Pressure Systems | Compressing H2 for storage & transport | 95% |
| Gas Separation & Filtration Units | Purification of H2 to 99.999% purity | 90% |
| Heat Exchangers / Thermal Management | Managing electrolyzer heat / cooling needs | 85% |
| Process Control & Safety Systems | Managing volatile H2 gas safety protocols | 80% |

*Source: IEA, PPAC, Arihant Capital Research*

**Exhibit 10: The company is exploring green hydrogen and geothermal market. The geothermal market is expected to grow 7% CAGR over the period of 2025-35, while Green hydrogen market is expected to grow 28% CAGR over the period of 2025-35.**



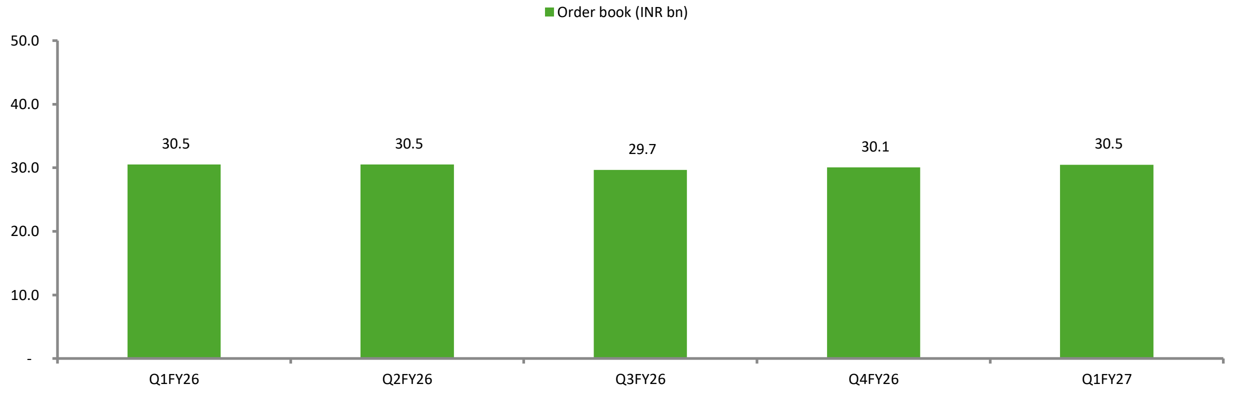




*Source: IEA, Arihant Capital Research*

## Investment Rationale

**Strong execution, backed by a growing order book:** Deep Industries' order book stood at INR 30.47bn as of Q1FY27, showing multi-year revenue visibility and de-risking the company's growth trajectory. This order book, which has consistently remained above INR 30bn over the past several quarters. The order book is well-diversified across the company's business verticals and includes a significant 15-year Production Enhancement Contract with ONGC valued at INR 14.02bn, which alone is expected to generate over INR 1.5bn in annual revenue from FY28E onwards. The quality of the order book is reinforced by the creditworthiness of its clients, predominantly comprising leading PSUs like ONGC and Oil India, as well as established private players such as Reliance and Vedanta, ensuring stable and predictable cash flows. The order book of INR 8bn is executable in FY27E, and the company is securing new contracts at a healthy run-rate, supported by a bid pipeline of INR 7-8bn that includes gas processing and rig contracts. This order book, combined with the company's 100% asset utilization in its rig segment and disciplined contract-backed capex strategy, provides clear business opportunities going forward.

**Exhibit 11: The company has an order book of INR 30.47bn (~3.4x of FY26) revenue shows business visibility. The pipeline is around INR 7-8bn and actively evaluating upcoming opportunities.**




*Source: Company reports, Arihant Capital Research*

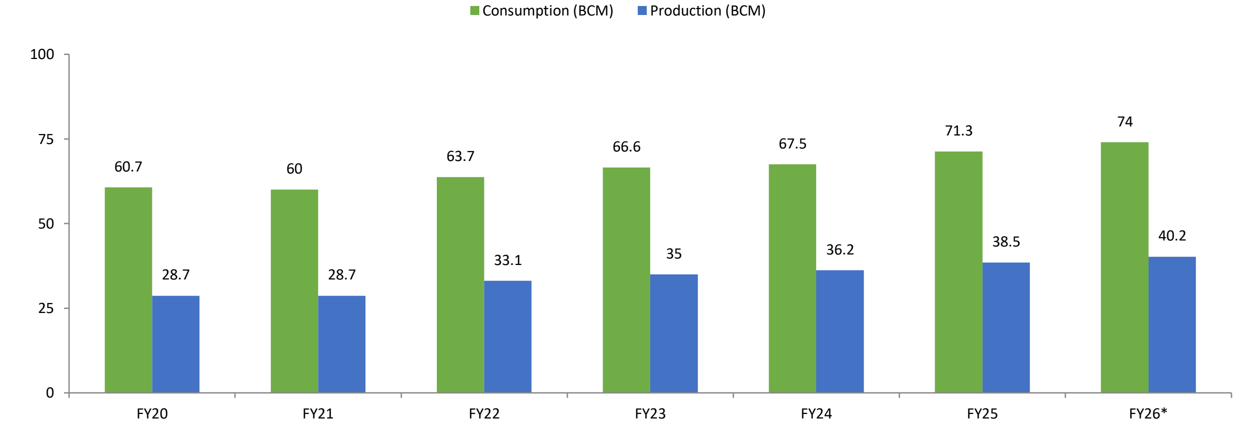
**Dominant onshore rig franchise driving growth:** Deep Industries commands a dominant position in India's onshore drilling and workover rig market, with a fleet of 20 rigs comprising 14 workover rigs (30-150 ton capacity) and 6 drilling rigs (1,000 HP capacity. The company's rig fleet benefits from India's aggressive "exploration-first" policy pivot, which is driving sustained demand for onshore drilling services as the government seeks to reverse a decade-long decline in domestic crude oil production and reduce 85% import dependency. The company is actively evaluating opportunities to expand into higher-capacity drilling rigs (2,000 HP and above), which would open a new lucrative revenue stream and require capex of INR 1-1.2bn per rig, funded through internal accruals and debt without equity dilution. The company's rigs are deployed across diverse terrains, from the deserts of India to eco-sensitive areas and difficult mountain ranges, demonstrating operational versatility and technical expertise. The company is also an approved drilling contractor for Kuwait Oil Company, indicating potential for international expansion and diversified revenue sources. With 100% fleet utilization and a healthy bid pipeline of INR 7-8bn, the company enjoys strong pricing power and multi-year revenue visibility from its existing contracts. The expansion into higher-capacity rigs positions it to capture a larger share of the growing onshore drilling market.

## Industry

**Natural Gas: The Next Growth Engine:** Natural gas is increasingly becoming India's preferred transition fuel due to its lower carbon emissions compared with coal and crude oil. The Government aims to increase the share of natural gas in the country's primary energy mix from around 6% currently to 15% by 2030.

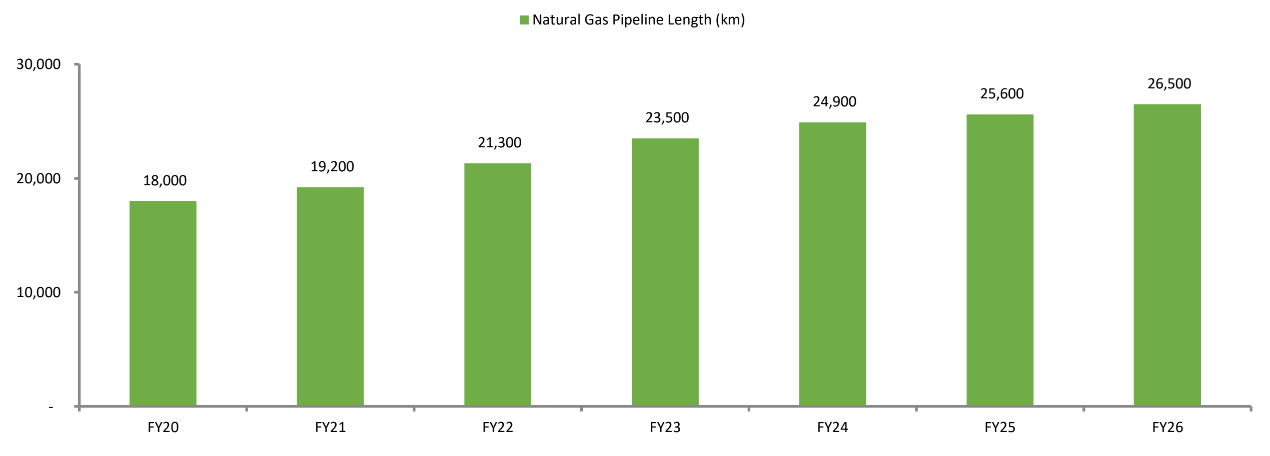
This transition is being supported by the expansion of the City Gas Distribution (CGD) network, cross-country gas pipelines, LNG terminals, industrial gas usage, fertilizer production, and gas-based power generation. As natural gas production increases, operators will require additional gas compression facilities, gas dehydration plants, gathering stations, and processing infrastructure before gas can be transported through pipelines. Deep Industries is one of India's leading gas compression service providers, operating over 80 compression packages with an aggregate installed capacity exceeding 100,000 HP. This positions the company to benefit directly from increasing natural gas production and infrastructure expansion.

**Exhibit 12: Natural Gas consumption and production steadily increasing and preferred transition fuel due to low carbon emission and costs.**




*Source: PPAC, ibef, Arihant Capital Research*

**Exhibit 13: Natural Gas pipeline network increased by ~50% over the period of FY20-26.**

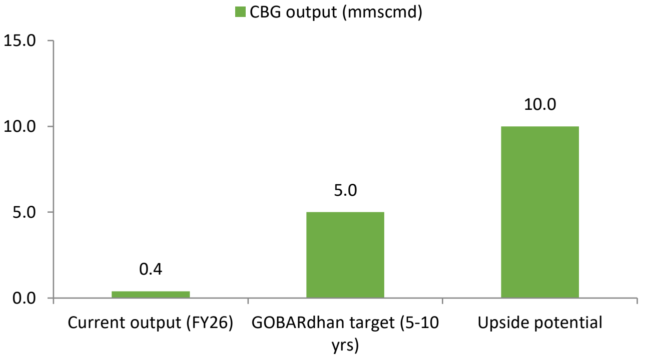


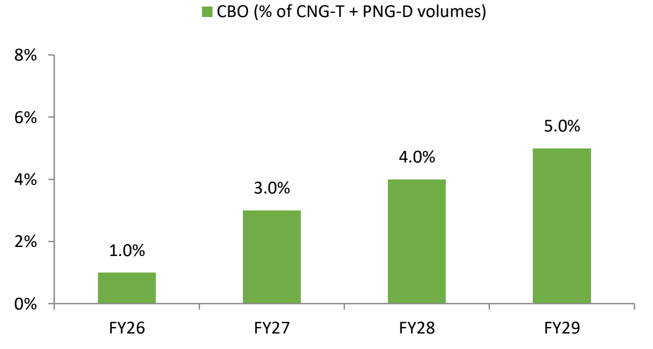

*Source: PNGRB, PPAC, Arihant Capital Research*

## Industry

**Unlocking India's Bio-CNG Investment Opportunity:** The Indian government has approved the GOBARdhan (Galvanizing Organic Bio-Agro Resources Dhan) National Circular Bioenergy Scheme with a substantial outlay of INR 237.31bn (US$2.49 billion), to be implemented over FY2026-27 to FY2035-36. This ambitious scheme aims to increase domestic Compressed Biogas (CBG) production nearly ten-fold by leveraging agricultural residue, cattle dung, and municipal organic waste. The key pillars are assured offtake, stable administered pricing (INR 2,110/MMBTU), capital assistance (up to INR 20mn per tonne per day capacity), pipeline infrastructure, credit guarantees. The mandatory CBG blending trajectory (3% in FY27, 4% in FY28, 5% thereafter) creates a predictable demand anchor, positioning CBG as a strategic pillar of India's energy mix while aiming to save over INR 400bn in forex through import substitution.

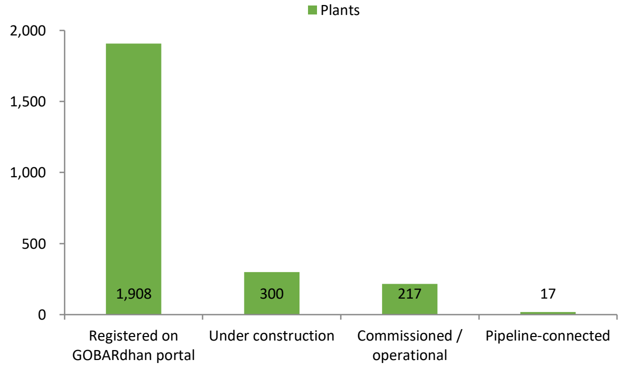
**Exhibit 14: CBG output is expected to reach 5 mmscmd over the 5-10 years through GOBARdhan scheme. The increase in blending towards 5% creates predictable demand.**

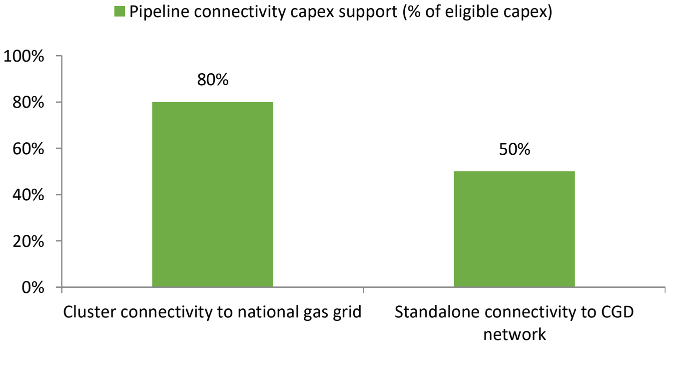



*Source: MoPNG, NBCC, PNGRB, PIB, Arihant Capital Research*

**Exhibit 15: 1,908 CBG plants are registered, but only about 217 are commissioned, with 300 more under construction; GOBARdhan's pricing and credit components exist specifically to convert that backlog into built capacity. Only 17 of 207 commissioned plants are connected to a pipeline. The scheme funds 80% of capex for cluster connectivity to the national gas grid, and 50% for standalone connectivity to CGD networks; spend that lands squarely on injection and booster compression packages.**



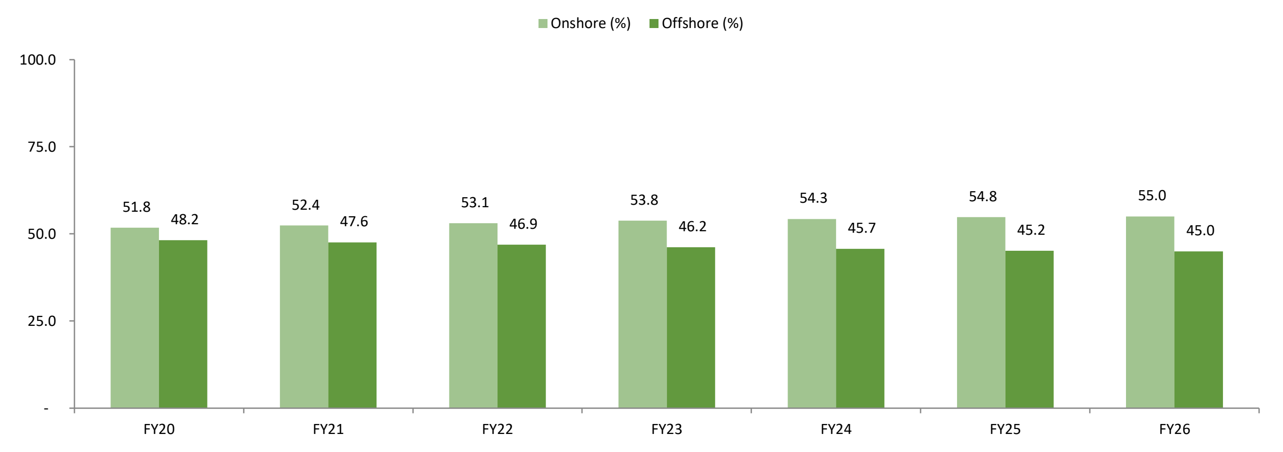

*Source: MoPNG, NBCC, PNGRB, PIB, Arihant Capital Research*

## Industry

**Offshore Sector Becoming a Major Growth Driver:** Offshore oilfields contribute nearly 45-50% of India's crude oil production and continue to receive substantial investment from ONGC and other exploration companies. Redevelopment of mature offshore assets, deepwater exploration, and new production platforms are expected to drive demand for offshore engineering, subsea construction, marine logistics, platform maintenance, and EPC services.

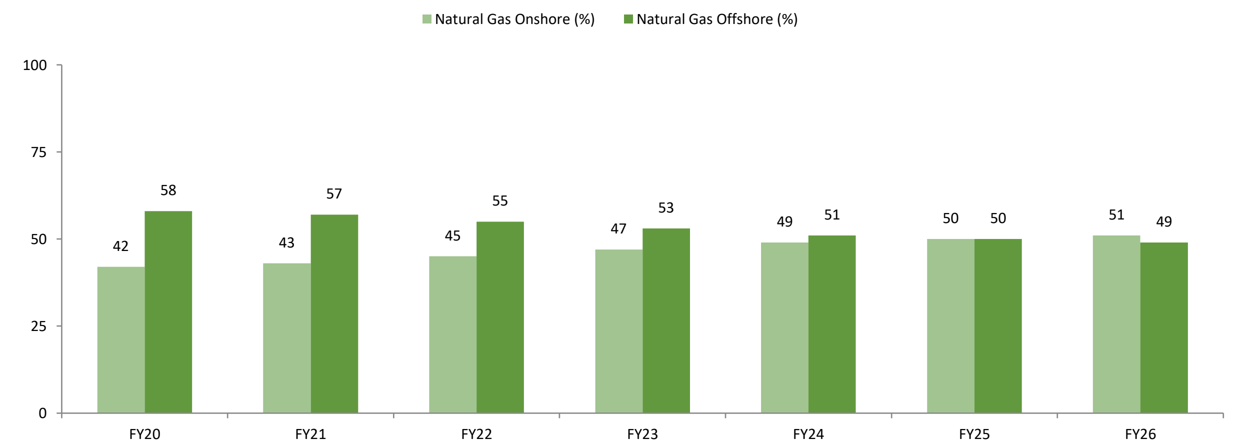
The acquisition of Dolphin Offshore Enterprises (India) Ltd. has significantly strengthened Deep Industries' offshore capabilities, enabling the company to participate in higher-margin offshore projects while diversifying its revenue beyond traditional onshore operations.

**Exhibit 16: Crude Oil Onshore and Offshore mix stood at 55:45 in FY26. Deep Industries entered offshore through Dolphin and its enable to participate high margin projects.**




*Source: MoPNG, Arihant Capital Research*

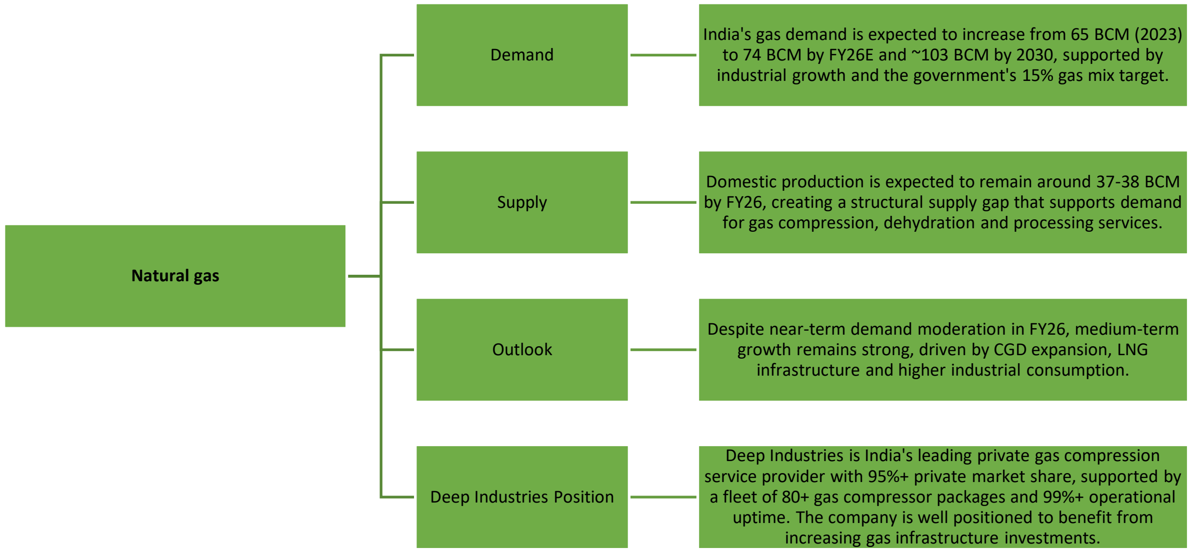
**Exhibit 17: Natural Gas Onshore and Offshore mix stood at 50:50 in FY26. The company has strong capabilities in natural gas onshore and offshore areas.**




*Source: MoPNG, Arihant Capital Research*

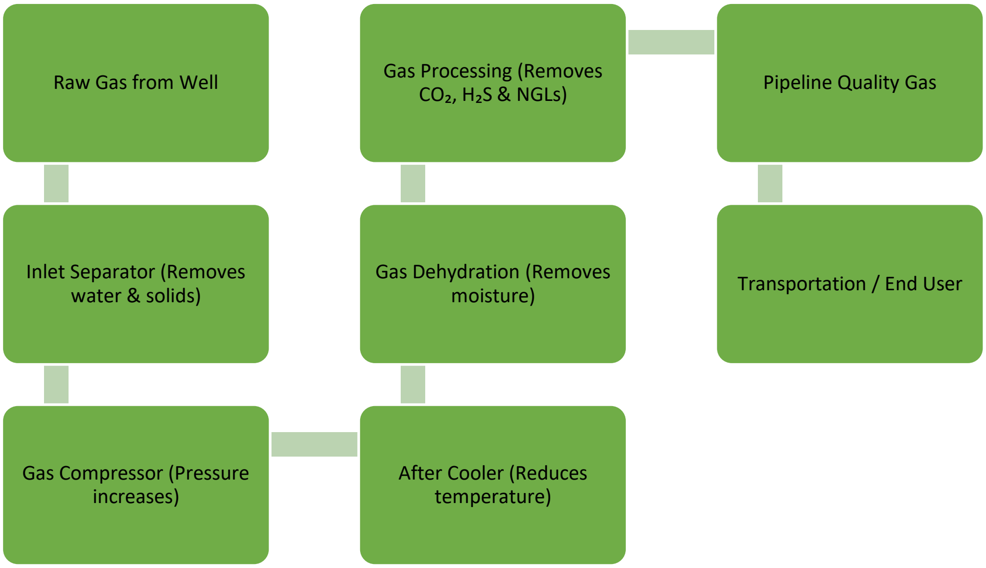
## Industry

**Exhibit 18: Deep Industries has 95%+ private market share in gas compression service. The company has well positioned to benefit from increasing gas infrastructure investments.**




*Source: Company reports, Arihant Capital Research*

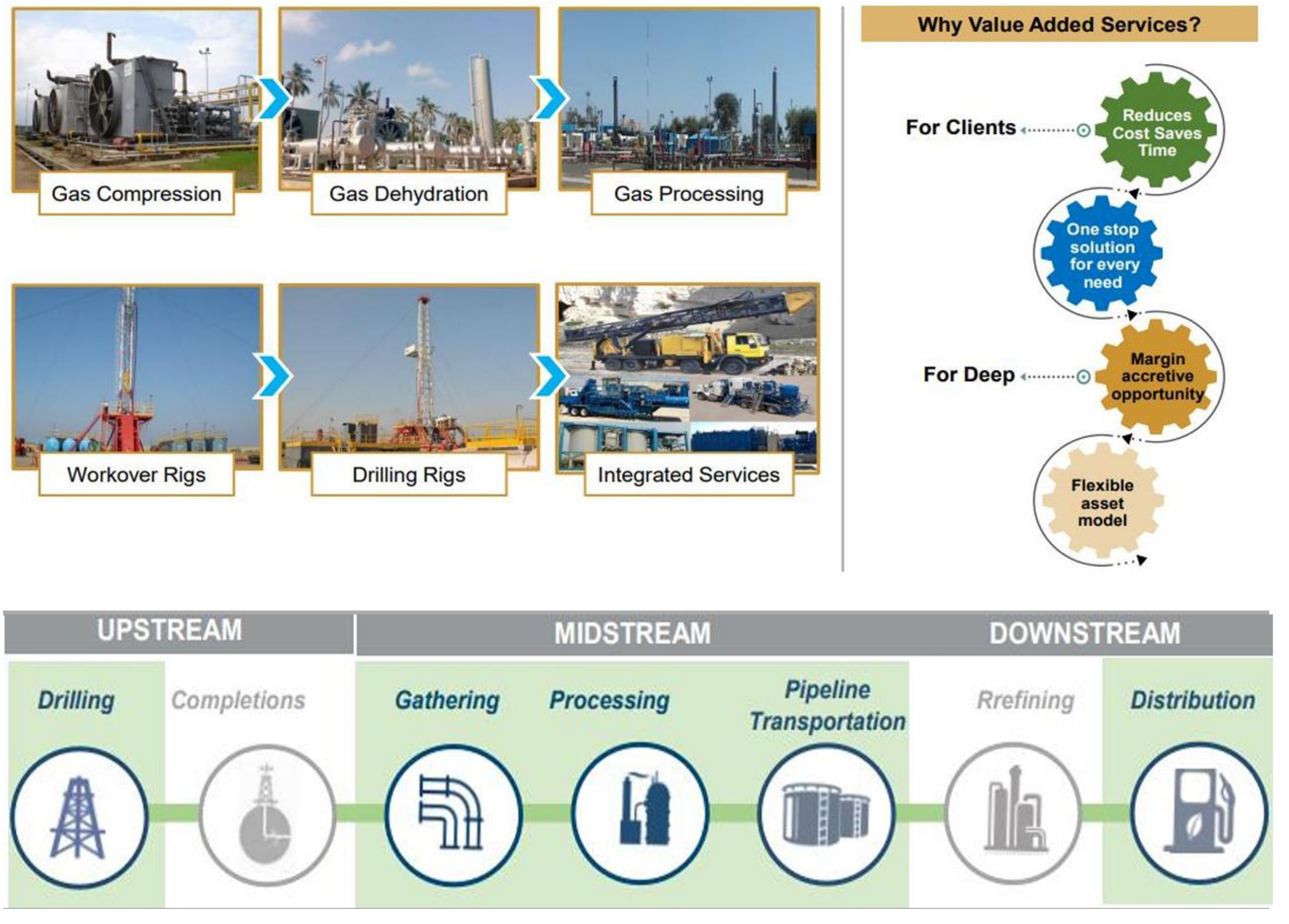
**Exhibit 19: Natural Gas value chain. The company has equipped with gas compression, processing and dehydration.**




*Source: Company reports, Arihant Capital Research*

## Industry

**Exhibit 20: Deep Industries majorly involved in mid-stream services. The services saves time for clients and value accretive opportunity for the company.**




*Source: Company reports, Arihant Capital Research*

## Production Enhancement (PEC) Opportunity

**Exhibit 21: The company's Production Enhancement Contract vertical represents the most transformative opportunity through a landmark 15-year, INR 14.02bn ONGC contract expected to generate over INR 1.5bn in annual revenue from FY28E**

**PEC**

- **Opportunities**
  - ONGC's DSF & Nomination fields offer a large production enhancement opportunity.
  - Over 160 onshore fields identified for redevelopment and enhanced recovery.
  - Mature fields produce ~5 lakh bopd, with output declining ~5% annually.
  - Enhanced Oil Recovery (EOR) can improve recovery by 10–15%.
- **Growth Drivers**
  - ONGC expanding PEC, O&M and IPM contracts to improve recovery from mature assets.
  - Integrated service model creates long-term opportunities for experienced service providers.
  - Deep's addressable PEC market is estimated at ~160 mature onshore fields.
- **Execution**
  - Deep secured its largest PEC order (INR 14.02bn), significantly strengthening its order book.
  - Project execution remains the key monitor due to the long implementation cycle.
  - Temporary delays may occur, but the long-term opportunity remains intact.

*Source: Company reports, Arihant Capital Research*

## Business Overview

**Deep Industries Ltd** is one of India's leading integrated upstream oilfield services companies, providing specialized engineering solutions, equipment, and technical services across the oil and natural gas exploration and production (E&P) value chain. Headquartered in Ahmedabad, Gujarat, the company has evolved from a niche natural gas compression service provider into a diversified oilfield services company with operations spanning Natural Gas Compression, Drilling & Workover Services, Integrated Project Management (IPM), Gas Dehydration & Processing, Production Enhancement Services, and Offshore Oilfield Support Services. Rather than producing oil and gas, the company partners with upstream operators by providing critical equipment and engineering solutions that improve production efficiency, enhance hydrocarbon recovery, and extend the productive life of mature oil and gas fields.

The company follows an asset-intensive, service-oriented business model, wherein it owns and operates specialized assets such as gas compression packages, drilling rigs, workover rigs, and gas processing equipment, which are deployed under long-term contracts. These contracts typically include equipment deployment, operation & maintenance (O&M), and technical support, resulting in recurring revenues, high asset utilization, and stable cash flows. The capital-intensive nature of the business, coupled with strong technical expertise and execution capabilities, creates significant entry barriers and enables Deep Industries to maintain long-standing customer relationships.

Deep Industries has established itself as a trusted partner for major exploration and production companies, including ONGC, Oil India Limited (OIL), Vedanta (Cairn Oil & Gas), Reliance Industries, Gujarat State Petroleum Corporation (GSPC), and other public and private sector operators. Over the years, the company has strategically diversified beyond its core gas compression business into integrated oilfield solutions, allowing it to participate across multiple stages of upstream field development. This diversified portfolio not only reduces dependence on a single service line but also enhances revenue visibility through long-term contracts and integrated project execution.

To strengthen its global presence, Deep Industries operates through its wholly owned subsidiary Deep International DMCC, headquartered in Dubai, UAE, which serves customers across the Middle East, Africa, and Asia. The international business enables the company to access larger oilfield service opportunities, diversify its revenue base, and leverage increasing investments in the global upstream oil & gas sector. Supported by a healthy order book, expanding asset base, and rising demand for domestic hydrocarbon production, Deep Industries is well positioned to capitalize on India's energy security initiatives and the growing need for integrated oilfield services.

**Exhibit 22: Deep Industries offerings**


*Source: Company reports, Arihant Capital Research*

## Business Overview

### Deep Industries Journey

**1991 - 2001**

#### Incorporation and Compression Pioneering

- Incorporated on 1 January 1991 in Gujarat; renamed Deep Industries Limited in May 2002, with the objective of serving India's upstream hydrocarbon sector
- 1994: won its first air compression contract and became the first Indian company to offer high-pressure air compressors on charter hire
- 1997: won its first natural gas compression contract, again a first for India; alliances with Valerus Compression Services and Hanover Asia followed in 2001

**2005 - 2010**

#### Rigs, Listing and Certification

- 2005: achieved ISO 9001:2000 certification and IADC registration; entered the workover rig business with a single 100MT mobile rig
- 2006: launched its Initial Public Offering and listed on Indian stock exchanges
- 2007: commissioned its first rig contract under ONGC and was awarded three marginal field gas blocks under ONGC's Marginal Field Monetization Programme; entered drilling rigs in 2010

**2015 - 2018**

#### Dehydration, IPM and the Overseas Platform

- 2015: became the first company in India awarded a gas dehydration plant on hire, at ONGC Rajahmundry, and won two 1,000 HP drilling rig contracts for ONGC's Tripura and Ahmedabad assets
- 2016: commissioned both 1,000 HP rigs and initiated the Integrated Project Management business
- 2018: formed Deep International DMCC to serve oil and gas customers in overseas markets

**2019 - 2022**

#### Restructuring and Service Expansion

- 2019: added mud logging and mud engineering to the service portfolio
- 2020: received approved contractor status from Kuwait Oil Company
- 2020: demerged oilfield services and exploration and production into two separately listed entities under an NCLT-approved scheme of arrangement

**2023 - 2024**

#### Offshore Entry and Largest-Ever Order

- 2023: acquired 75% of Dolphin Offshore Enterprises (India) Ltd through the IBC process, marking entry into offshore oilfield services
- September 2024: won the INR 14.02bn, 15-year Production Enhancement Contract for ONGC's Rajahmundry mature fields, the largest order in company history
- The contract pays a 64% share of revenue from incremental production, shifting Deep from equipment lessor to production participant

**FY26 - Present**

#### Scale and Production-Linked Growth

- PEC novated to wholly owned subsidiary Deep Exploration Services in December 2025; the Rajahmundry timeline shifted 5-6 months following the January 2026 Mori-5 well incident

## Business overview

**Exhibit 23: Loyal customer-base**

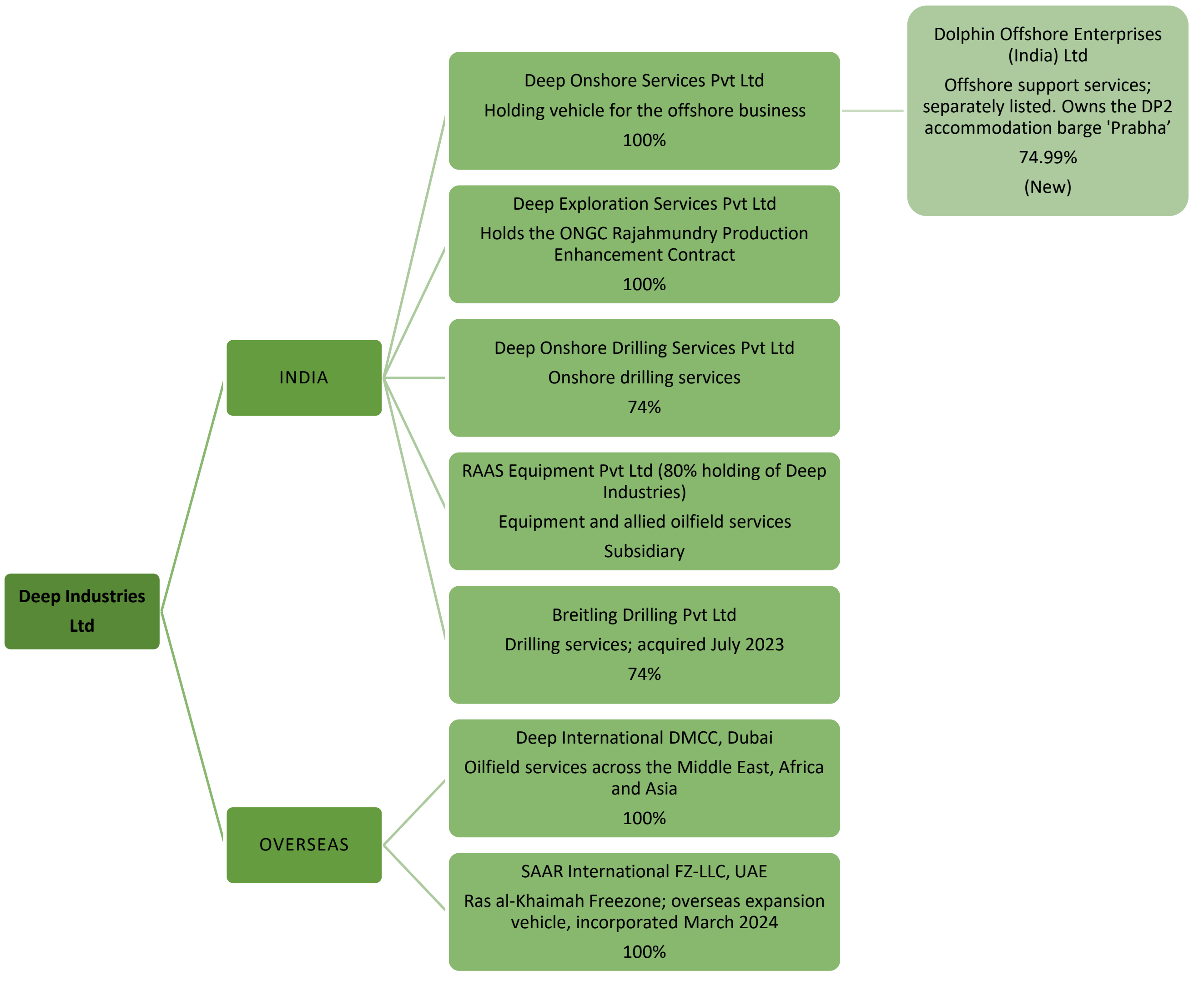

*Source: Company reports, Arihant Capital Research*

**Exhibit 24: Services value chain**


*Source: Company reports, Arihant Capital Research*

## Business Overview

**Exhibit 25: Deep Industries Structure**





*Source: Company reports, Arihant Capital Research*
*Note: Kandla Energy merged with Deep Industries*

## Business Overview

**Exhibit 26: Deep Industries Onshore and Offshore services**

**Onshore**
- Gas Compression Drilling & Workover
- Integrated Project Management (IPM)
- Gas Dehydration & Processing
- Production Enhancement (PEC)
- Operation & Maintenance (O&M)

**Offshore**
- Offshore Engineering
- Subsea Construction
- Platform Installation & Maintenance
- Diving & ROV Support
- Marine Logistics & Offshore Support
- Offshore EPC & Inspection Services

*Source: Company reports, Arihant Capital Research*

**Exhibit 27: Deep Industries growth drivers**

| | |
|---|---|
| **Near term growth drivers** | Government focus on increasing domestic oil & gas production through OALP, DSF and CBM licensing rounds.<br>ONGC and Oil India are significantly increasing upstream capital expenditure across onshore and offshore fields.<br>Strong demand for gas compression, drilling & workover, production enhancement and integrated project management services.<br>Rising execution of mature field redevelopment projects requiring production enhancement services.<br>Robust order inflow supported by increasing investment from ONGC, OIL, Vedanta, Cairn and private E&P operators. |
| **Long-term structural opportunities** | India aims to reduce crude oil and LNG import dependence through higher domestic exploration and production.<br>Multi-year upstream investment cycle expected with exploration spending projected to exceed US$ 100 bn by 2030.<br>Continuous exploration acreage awards ensure sustained demand for oilfield service providers over the next decade.<br>Expansion of offshore developments and deep-water exploration to create new opportunities in offshore engineering and subsea services.<br>India's transition towards a gas-based economy is expected to increase investments in gas infrastructure, processing and compression facilities. |

*Source: Company reports, Arihant Capital Research*

## Business Overview

**Exhibit 28: Natural Gas Processing and Drilling & Workover Services**

**Natural Gas Processing Services**

**Integrated Midstream Infrastructure**

Deep Industries provides a comprehensive range of natural gas processing solutions, including gas compression, dehydration, artificial gas lift, gas transportation and charter hire processing facilities. The company owns one of the largest fleets of gas compressors in India, allowing it to offer asset-backed services on long-term contracts. These solutions help customers improve production efficiency, maintain gas quality and optimise transportation, while generating stable recurring revenues for the company.

**Drilling & Workover Services**

**Core Upstream Operations**

Drilling and workover services form one of Deep Industries' largest business verticals. The company owns and operates a fleet of drilling and workover rigs that support exploration, development drilling and intervention in mature oil and gas wells. With more than two decades of operational experience and long-standing relationships with major E&P companies such as ONGC and Oil India, Deep has established a strong presence in India's onshore hydrocarbon sector. Increasing domestic exploration activity is expected to provide sustained demand for these services.

*Source: Company reports, Arihant Capital Research*

**Exhibit 29: IPMS and Offshore Services**

| | |
|---|---|
| **Integrated Project Management Services (IPMS)**<br>**End-to-End Well Development Solutions** | Deep Industries offers turnkey project management services covering the complete lifecycle of an oil or gas well, from drilling to production. The company undertakes activities such as surface and air drilling, hydro fracturing, coiled tubing, cementing, wireline logging and well completion under a single contract. Its integrated execution model enables customers to reduce project timelines, improve operational efficiency and minimize coordination across multiple service providers. The segment also creates cross-selling opportunities for the company's other oilfield services. |
| **Offshore Services** | Deep Industries has expanded its capabilities into offshore oilfield services through its subsidiary Dolphin Offshore Enterprises. The business operates offshore support assets, including the DP2 accommodation barge *Prabha-DP2*, catering to offshore oil & gas projects as well as marine infrastructure requirements. This vertical diversifies the company's revenue base and positions it to benefit from the expected revival in offshore exploration and production activities in India and international markets. |

*Source: Company reports, Arihant Capital Research*

## Business Overview

**Exhibit 30: Projects Portfolio**

Air & Gas Compression Services

Natural gas compression packages, booster compressors, O&M services

100+ compression packages, 200–1,680 HP capacity, 100,000+ HP aggregate installed capacity, ~95% market share in India's private charter-hire compression segment.

Drilling & Well Services

Onshore drilling, workover, coring, air drilling, well intervention

Fleet of 350–1,500 HP drilling rigs and 150–1,000 HP workover rigs, with 13+ years of operational experience across diverse terrains.

Integrated Project Management (IPM) & EPCN

Turnkey engineering, procurement, construction, commissioning, gas processing, surface facilities

First Indian company to provide end-to-end IPM solutions from drilling to production; active in IPM since 2016.

Gas Processing & Production Enhancement

Gas dehydration plants, gas conditioning, production optimization, pipeline & gathering stations

Operates 11 Gas Dehydration Plants with a combined capacity of 140 MMSCFD, offering complete gas processing and production enhancement solutions.

Offshore & International Services

Turnkey engineering, Offshore engineering, subsea support, marine logistics, platform services, international oilfield solutions

Offshore capabilities strengthened through Dolphin Offshore acquisition; international operations through Deep International DMCC (Dubai) across the Middle East, Africa, and Asia..

*Source: Company reports, Arihant Capital Research*

## Key Management

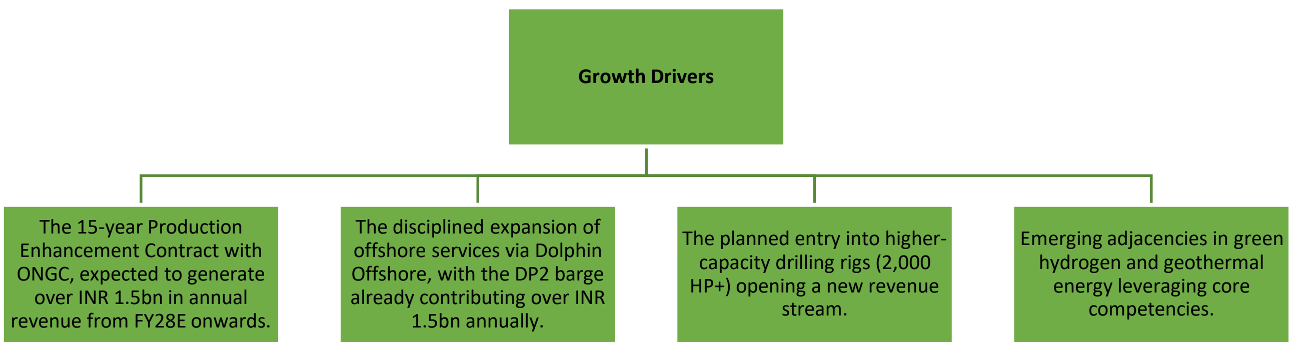
| Personnel | Designation | Description |
|---|---|---|
| Mr. Paras Savla | Chairman & Managing Director | Promoter of the company with 30+ years of experience in the energy sector. He has led Deep Industries' transformation from a transportation business into an integrated oilfield services and energy infrastructure company, driving strategic expansion, acquisitions, and international growth. |
| Mr. Rupesh Savla | Managing Director | Has 28+ years of industry experience. Holds an MBA from Bentley University (USA) and oversees business operations, project execution, and strategic expansion across domestic and international markets. |
| Mr. Rohan Shah | Whole-Time Director (Finance) & Chief Financial Officer | Chartered Accountant with 20+ years of experience in finance, accounting, audit, and statutory compliance. Associated with Deep Industries for over 16 years and recipient of the Financial Express CFO of the Year Award (2019) in the Small Enterprises Services category. |
| Dr. Kirit Shelat | Independent Director | Retired IAS officer with 40+ years of experience in public administration. Previously served as Industries Commissioner, Commissioner of Rural Development, and Chairman of Gujarat Agro Industries Corporation and Land Development Corporation, bringing deep expertise in governance, policy, and infrastructure. |
| Mrs. Shaily Dedhia | Independent Director | Qualified Company Secretary with degrees in Commerce, Law, and Management from Mumbai University. She has 11+ years of experience in legal, secretarial, compliance, and corporate governance, with prior experience at MMRDA (Mumbai Metro Rail Project) and Sheth Creators Group. |
| Mr. Shalin Patel | Additional Non-Executive Independent Director | Chartered Accountant, CFA Charterholder, IBBI Registered Valuer and Insolvency Professional with 19+ years of experience in corporate finance, business valuation, fundraising, debt restructuring, and advisory. Founder Partner of Samvritti Advisory Services LLP. |

*Source: Company, Arihant Capital Research*

## Financial Analysis

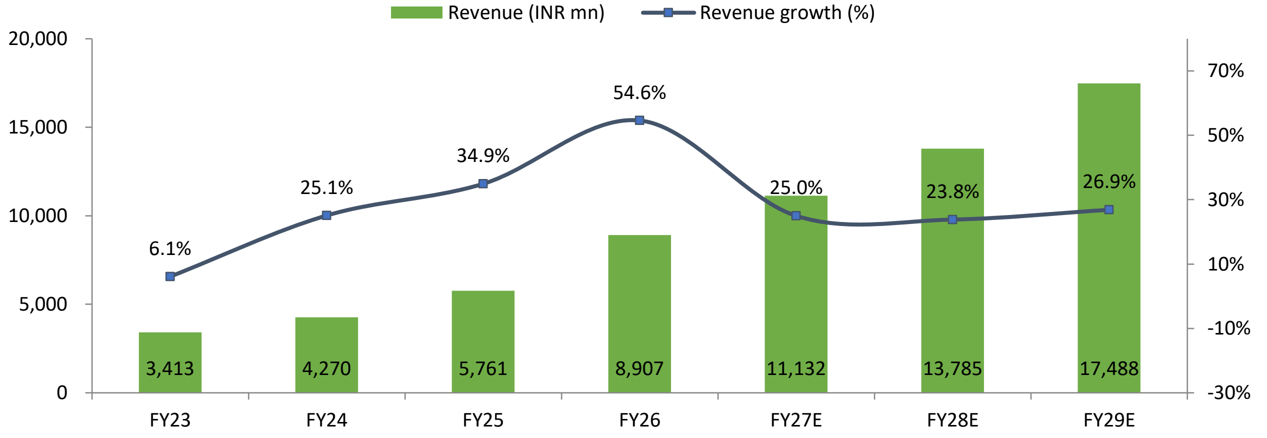
**Revenue is expected to grow at a CAGR of 25.2% over the period of FY26-29E:** Deep Industries revenue is expected to grow at a CAGR of 25.2% over the period of FY26-29E, driven by driven by strategic acquisitions, expansion into high-margin verticals, and structural tailwinds from India's energy security drive. The company's robust order book of INR 30.47bn provides multi-year revenue visibility, with over INR 8bn executable in FY27 alone, while a healthy bid pipeline of INR 7-8bn ensures continued order inflows. The business mix is strategically shifting towards higher-margin, recurring revenue models such as charter-hire of gas processing facilities and production enhancement contracts, which provide superior revenue stability and predictability compared to traditional project-based work. The company has diversified portfolio, entrenched client relationships with PSUs and private players, and disciplined contract-backed expansion strategy. The company is well positioned capitalize on the multi-year structural opportunity in India's oil and gas sector, driven by the government's aggressive push for energy self-reliance.

**Exhibit 31: Revenue growth drivers**




*Source: Company reports, Arihant Capital Research*

**Exhibit 32: Revenue is expected to grow at a CAGR of 25.2% over the period of FY26-29E.**

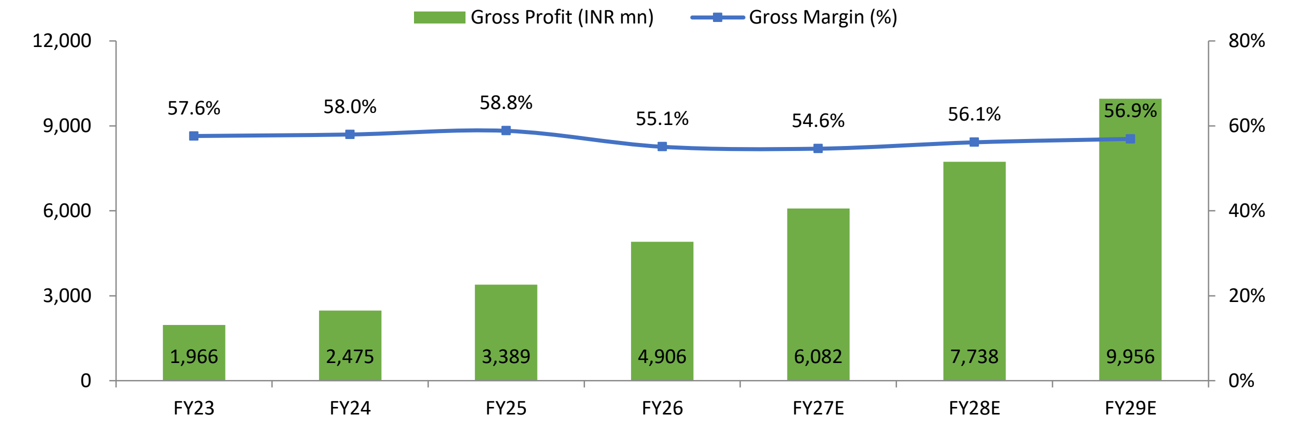



*Source: Company reports, Arihant Capital Research*

## Financial Analysis

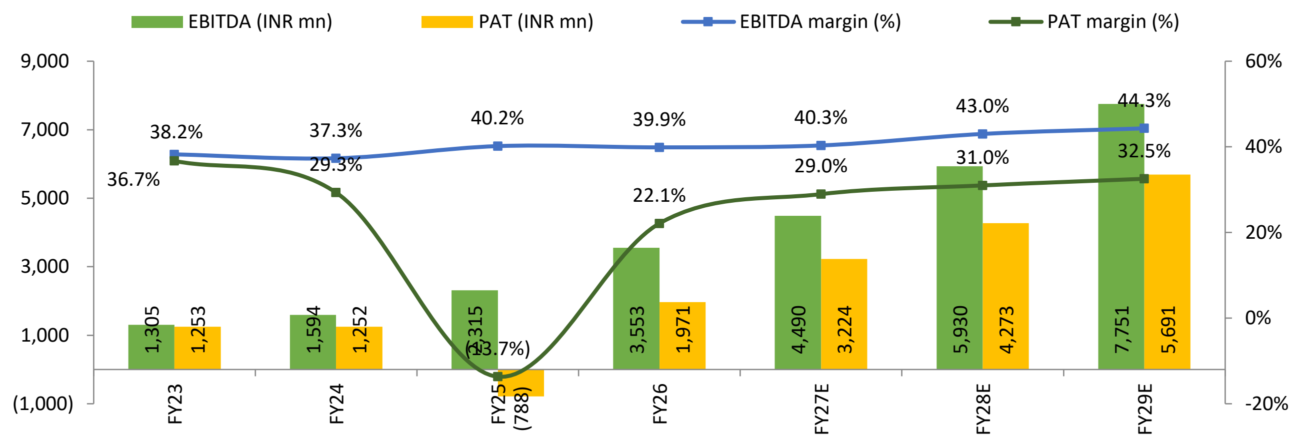
**Improvement expected in margin levels:** Deep Industries' EBITDA margin is expected to improve from 39.9% (FY26) to 44.3% in FY29E, driven by a strategic shift towards higher-margin business segments and operational efficiencies. The gross margin structure is benefiting from the company's unique charter-hire model for gas processing facilities, which converts traditional EPC projects into recurring, high-margin revenue streams. The strategic merger of Kandla Energy for backward integration is projected to add 1.5% to EBITDA margins by manufacturing critical chemicals in-house. The EBITDA margin expansion is further supported by the growing contribution from the Production Enhancement Contract (PEC), which entitles the company to 64% of incremental production revenue and is expected to be highly accretive. The offshore services through Dolphin Offshore, which deliver superior EBITDA margins of 60%, significantly higher than traditional onshore services. The company's focus on high-value, long-term contracts with creditworthy PSU clients, combined with 100% asset utilization in the rig segment and pricing power in a supply-constrained market, ensures that margins are well-protected and poised for continued expansion.

**Exhibit 33: Gross margins are expected to reach historical levels going forward.**




*Source: Company reports, Arihant Capital Research*

**Exhibit 34: EBITDA margin are expected to reach 44% levels supported by Dolphin high margin (~60% margin) business and Kandla merger, etc.**




*Source: Company reports, Arihant Capital Research*

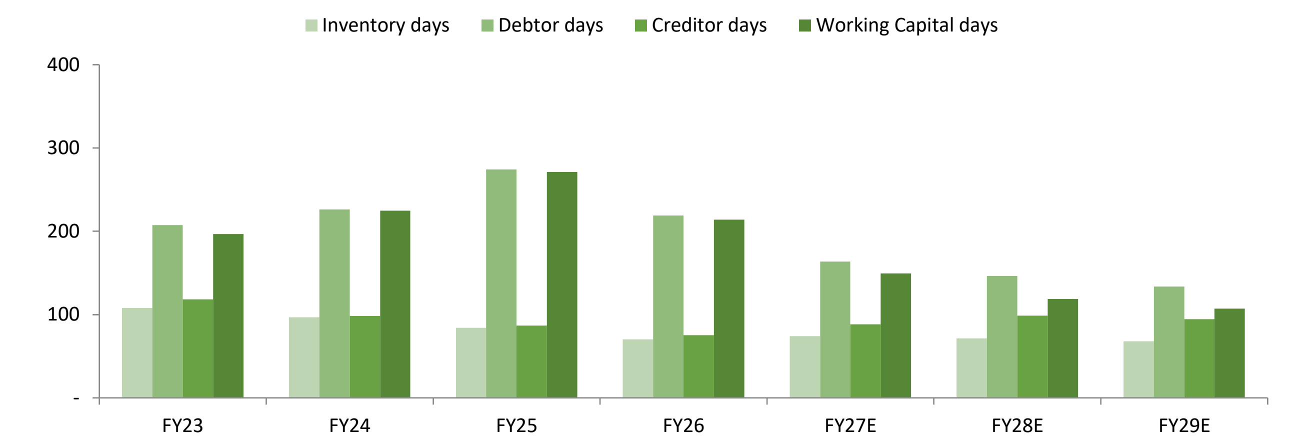
## Financial Analysis

**Working Capital Cycle to Improve**: Deep Industries' receivables days are declining from a peak of 274 days (FY25) to 219 days in FY26 and are expected to improve further to 134 days by FY29E. This improvement is primarily attributable to the prudent write-off of non-recoverable legacy trade receivables from the acquired Kandla Energy subsidiary, which has cleaned up the balance sheet and enhanced the quality of current assets. The company has also implemented intensive collection efforts and reconciliation programs, resulting in improved cash conversion cycles. The remaining legacy receivables from the Dolphin group, amounting to INR 1.6bn are backed by arbitration awards received in the company's favor, providing confidence in their eventual recovery. The company's focus on high-quality, creditworthy clients such as ONGC, Oil India, and Reliance, combined with improved collection processes and the increasing proportion of recurring charter-hire and PEC revenues, is expected to drive continued improvement in receivable days.

Inventory management remains efficient and is expected to decline from 70 days (FY26) to 68 days by FY29E, reflecting effective inventory control practices and the nature of a service-oriented business model. The company maintains adequate inventory levels to support its gas processing and drilling operations while avoiding excessive stockpiling, ensuring optimal utilization of working capital.

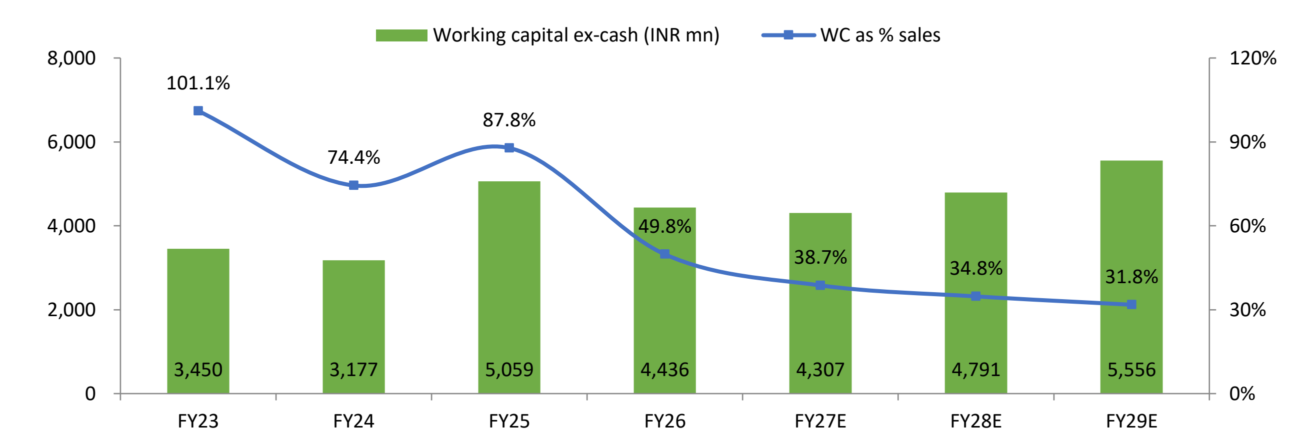
Payables days are in the 2-3 months range, indicating stable payment terms with suppliers and effective management of trade payables. The company's ability to maintain favorable credit terms with its suppliers, combined with its improving collection efficiency, supports a healthy cash conversion cycle. The net working capital days are projected to improve significantly from 214 days (FY26) to 107 days by FY29E, reflecting enhanced working capital efficiency across all components.

**Exhibit 35: Working capital days are expected to improve going forward.**




*Source: Company reports, Arihant Capital Research*

**Exhibit 36: Working capital in-terms of sales are expected to be less than 40% going forward.**



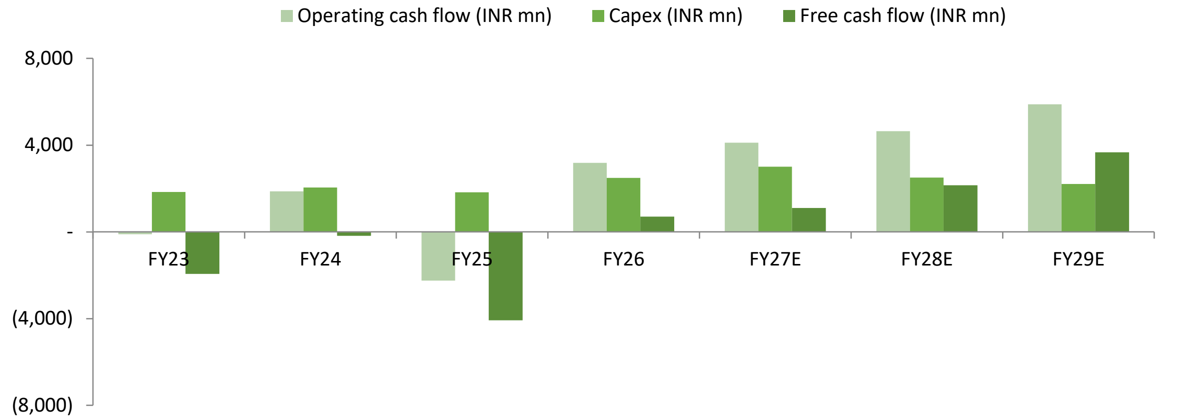

*Source: Company reports, Arihant Capital Research*

## Financial Analysis

**Improvement of cash flow generation:** The company's ability to convert EBITDA into cash has strengthened significantly, supported by improving debtor days, stable inventory management, and disciplined working capital practices. Free cash flow, which was negative in FY23-FY25 due to significant capex for acquisitions and capacity expansion, turned positive to INR 705mn in FY26 and is projected to grow to INR 3,675mn in FY29E, driven by strong operating cash flows and moderating capex requirements as the company transitions from a heavy investment phase to a harvest phase. The company's capex plan of INR 3bn in FY27E reflects investments in the PEC project, higher-capacity drilling rigs, and gas processing units, which are expected to generate attractive returns of over 20%, with future capex moderating to INR 2-2.5bn/annum as the asset base matures.

The company’s prudent capital allocation by funding its growth through internal accruals and disciplined debt, without dilutive equity, is evidenced by the recent decision to abandon a planned QIP. The company's net debt-free status and low leverage ensure it can weather cyclical downturns and capitalize on strategic opportunities.

**Exhibit 37: The acquisition and capex are majorly completed, the upcoming capex is based on order book and type of work.**

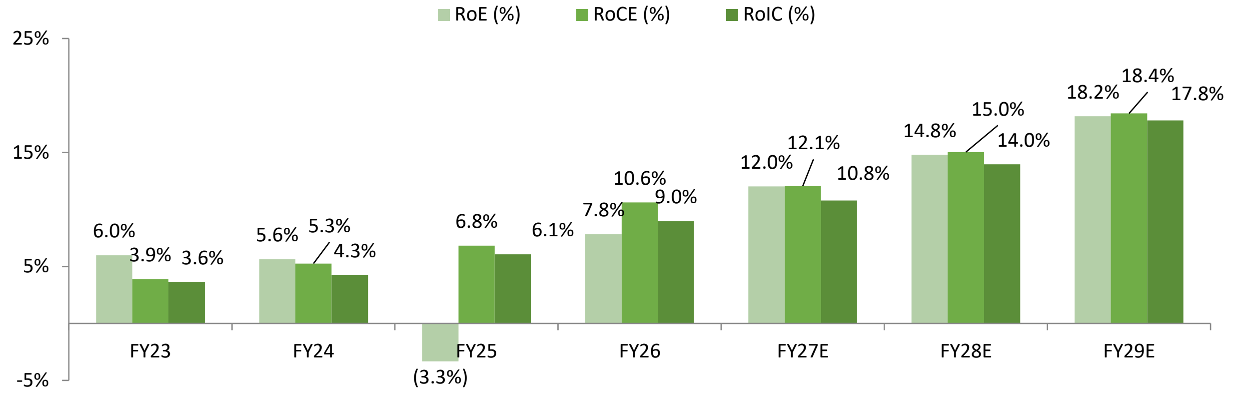



*Source: Company reports, Arihant Capital Research*

**Return ratios to improve:** RoE was negatively impacted to -3.3% in FY25 due to a one-time non-cash exceptional write-off of legacy receivables and has rebounded strongly to 7.8% in FY26. The strong PAT growth is expected to improve RoE sharply. The RoCE improvement is supported by the company's conservative leverage policy and disciplined capital allocation. RoCE is projected to expand from 10.6% (FY26) to 18.4% by FY29E, RoE strengthening from 7.8% to 18.2%, and RoIC rising from 9% to 17.8% over the same period, reflecting the company's transition to a higher-margin, asset-efficient business model. The improvement is driven by the strategic shift towards margin-accretive segments. The Production Enhancement Contract and offshore services (delivering ~60% EBITDA margins) contribute an increasing share of revenue, while the Kandla merger for backward integration adds another 1.5% to EBITDA margins. The company's 100% rig utilization and disciplined contract-backed capex strategy ensure optimal asset deployment, while the growing proportion of recurring charter-hire and PEC revenues provides superior returns on invested capital compared to traditional project-based work.

## Financial Analysis

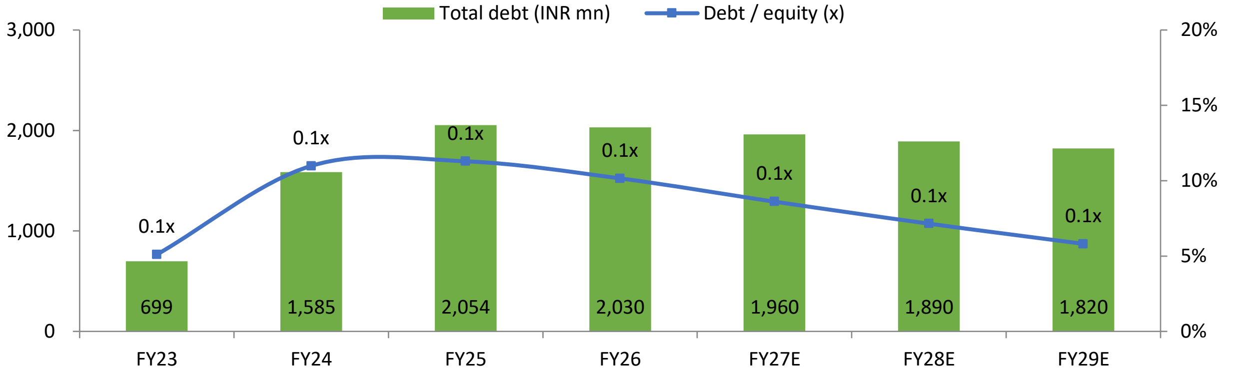
**Exhibit 38: The company's conservative leverage policy and disciplined capital allocation is expected to improve RoCE, and strong PAT growth (42.4% CAGR over FY26-29E) would improve RoE going forward**




*Source: Company reports, Arihant Capital Research*

**Debt levels are expected to be remain lower:** Deep Industries maintains minimal leverage, providing significant financial flexibility to fund its growth initiatives without dilutive equity. The capex of INR 3bn for the PEC project and expansion of rigs and gas processing units will be funded through internal accruals and debt, without the need for equity dilution, as demonstrated by the recent decision to abandon a planned QIP. The cash generation would be used to repay the borrowing. The debt-to-equity ratio has remained consistently low at 0.1x and is expected to continue going forward. This disciplined financial management, combined with strong cash generation capabilities and a fortress balance sheet, ensures that the company can pursue its growth strategy while maintaining financial stability.

**Exhibit 39: The company is maintaining minimal debt levels and debt-to-equity is expected to maintain 0.1x going forward.**




*Source: Company reports, Arihant Capital Research*

## Key Risks

| S. No. | Risk | Impact | Mitigation |
|---|---|---|---|
| 1 | Customer Concentration Risk | A significant share of revenue is derived from major customers such as ONGC, Oil India and Vedanta. Loss of a key contract or lower order inflows could adversely impact revenue and profitability. | Long-standing client relationships, diversified service offerings, increasing private-sector participation, and expansion into international markets reduce dependence on a single customer. |
| 2 | Oil & Gas Capex Risk | Demand for compression, drilling and integrated oilfield services depends on upstream E&P investments. Lower crude prices or reduced exploration spending may delay project awards. | India's focus on energy security, higher domestic gas production, HELP/OALP reforms and a diversified order book provide long-term demand visibility. |
| 3 | Execution Risk | Delays in project execution, equipment downtime, mobilization issues or operational failures may increase costs and affect margins. | Experienced engineering teams, owned asset base, preventive maintenance programs and strong project management capabilities help ensure timely execution. |
| 4 | Capital Intensive Business Risk | Continuous investment in compression packages, drilling rigs and offshore assets may increase leverage and impact cash flows if utilization declines. | Long-term contracts, disciplined capital allocation, high asset utilization and recurring O&M revenues support healthy cash generation. |
| 5 | Competitive Pricing Risk | Competitive bidding by domestic and global oilfield service companies may exert pressure on contract margins and market share. | Strong technical expertise, integrated service portfolio, long customer relationships and operational track record strengthen bidding competitiveness. |
| 6 | Regulatory & Environmental Risk | Changes in environmental regulations, safety norms or government policies governing the oil & gas sector may affect project execution and compliance costs. | Strict adherence to QHSE standards, regulatory compliance systems and diversified operations across multiple service segments mitigate regulatory risks. |
| 7 | Working Capital Risk | Delays in receivables from government-owned E&P companies can increase working capital requirements and impact liquidity. | Long-term customer relationships, prudent working capital management and healthy operating cash flows help manage liquidity efficiently. |

*Source: Company reports, Arihant Capital Research*

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| Stock Rating Scale | Absolute Return |
|---|---|
| BUY | >20% |
| ACCUMULATE | 12% to 20% |
| HOLD | 5% to 12% |
| NEUTRAL | -5% to 5% |
| REDUCE | -5% to -12% |
| SELL | <-12% |

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