EKI Energy Services Limited
+91 (0) 731 42 89 086
business@enkingint.org
www.enkingint.org

September 28, 2023

To,
BSE Limited
Corporate Relationship Department,
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai-400001.

Scrip Code: 543284
Symbol: EKI

Sub: Intimation under Regulation 30 and 46 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 - Transcript of Investor Call.

Dear Sir(s),

With reference to our letter dated September 20, 2023 and pursuant to Regulation 30 and 46 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, read along with SEBI (Listing Obligations & Disclosure Requirements) (Second Amendment) Regulations, 2021, please find enclosed the transcript of the Investor call held with the Investors/ Analysts on September 25, 2023 to discuss the Audited and Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and financial year ended March 31, 2023 and quarter ended June 30, 2023, respectively.

The above information will also be made available on the website of the Company: www.enkingint.org

We request you to kindly take the above information on record.

Thanking you

For **EKI ENERGY SERVICES LIMITED**

Itisha Sahu
Digitally signed by Itisha Sahu
Date: 2023.09.28 16:10:57 +05'30'

Itisha Sahu
Company Secretary & Compliance Officer

Encl: a/a

"EKI Energy Services Limited

Q4 FY'23 and Q1 FY '24 Earnings Conference Call"

September 25, 2023

MANAGEMENT:	**MR. MANISH DABKARA – CHAIRMAN AND MANAGING DIRECTOR– EKI ENERGY SERVICES LIMITED** **MR. MOHIT AGRAWAL – CHIEF FINANCIAL OFFICER – EKI ENERGY SERVICES LIMITED**
MODERATOR:	**MR. DEVANSH DEDHIA – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the EKI Energy Services Limited Q1 FY24 Earnings Conference call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Devansh Dedhia from Orient Capital. Thank you and over to you, sir.

Devansh Dedhia: Thank you. Good evening, everyone. On behalf of EKI Energy Services Limited, I extend a very warm welcome to all the participants on Q1 FY24 Financial Results Discussion Call. Today on the call we have Mr. Manish Dabkara, Chairman and Managing Director, and we have Mr. Mohit Agarwal, Chief Financial Officer. I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded on the exchanges and on the company's website.

A short disclaimer before we start this call, this call will contain some forward-looking statements which are completely based upon our belief, opinion and expectations as of today. These statements are not a guarantee of future performance and involves enforcing risks and uncertainties. With that, I would like to hand over the call to Mr. Manish Dabkara for his opening remarks. Over to you, sir.

Manish Dabkara: Yes, thank you. Good evening, everyone. It feels great to interact with the wider capital market's community once again. The carbon credit markets around the globe rode the wave of uncertainties due to Russia-Ukraine war, ever-rising interest rates, European energy crisis and buyer uncertainties, etc. If we shed light on the critical issues that have contributed to the crisis in the international voluntary carbon market, the Russia-Ukraine war has sent shock waves through the global economy, affecting various sectors, including the carbon markets. This conflict disrupts supply chains, complicates international agreements and distracts resources from environmental initiatives.

It is essential that we find peaceful resolutions to conflicts like this as they jeopardize our shared climate goals. Second, a cash crunch has gripped many industries because of the several reasons including the recessions in the north and geopolitical unrest globally make it harder for organizations to invest into the sustainability initiatives. Without adequate financial resources, companies have delayed or cancelled carbon offset projects hindering progress towards carbon neutrality or net zero emission goals. Third, integrity issues within the voluntary carbon market raise concerns.

We must ensure that carbon offset projects deliver real and verifiable emission reductions maintaining the credibility of the carbon markets. Lastly, regulatory uncertainties can deter businesses from participating in the voluntary carbon markets. A clear and stable regulatory framework is vital to inspire confidence and attract investments in carbon reduction projects. Addressing these causes of the international carbon market crisis require global cooperation, diplomacy, financial support and the commitment to upholding environmental integrity.

Volatility in the market conditions because of the above-mentioned reasons have prompted necessary corrections to adapt to changing economical and environmental circumstances. While the current scenario may seem tumultuous, the horizon is certainly bright, fueled by various tailwinds. Ongoing initiatives to upgrade methodologies ensures the rigorous assessment and verification of carbon credit projects.

Enhancing market credibility has also caused market conditions along with the emergence of rating agencies. Example ICBCM, BCMI introduces standard assessments including market behaviour and transparency. The pursuit of ambitious national determined contributions and greater offset consumption by businesses to restrict global warming within 2 degrees centigrade will definitely drive market exponentially in recent future. Also, the introduction of more national or regional emission reduction or emission trading systems poised to contribute to the market growth to substantially higher by 2030.

First, increasingly more and more companies are pledging to be net zero beyond scope one emissions. Interventions by regulatory and investors means that this pledges will be concrete and definite actions being taken by the companies around the world to mitigate their emissions and keep the watchful eye on the effect of their operations on the environment. According to IPCC, in order to keep global warming to one and a half degree centigrade, greenhouse gas emissions must peak before 2025 at the least and then be lowered by 43% by 2030.

And for two degree centigrade emissions, it must be lowered by 25% by 2030. Carbon offsets and their fungibility across boundaries will become a more significant climate action option as countries cooperate more for global battle against climate change. Second, governments are framing regulations to adopt their own national carbon trading mechanisms to not only facilitate climate financing for greener projects, but also to meet national determined contributions. Like Indonesia will launch its first carbon exchange tomorrow on the Indonesia, Indonesia stock exchange.

The African carbon market initiative received millions of dollars in pledges for its voluntary carbon market. The Kenya government signed an amendment bill which will enable the country to soon have a national carbon registry which will set the stage for trading in carbon credits. We also received very positive news from our own Indian government to set the pace for the formalization of our own domestic carbon markets. India, Government of India is presently working on operationalizing Indian carbon market, ICM, as being provisionalized under Energy Conservation Act amended 2022.

We will soon have national cap and trade emission trading systems, the obligated market and offsets for non-obligated entities or buyers, which will be activated through a scheme called as Carbon Credit Trading Scheme, CCTS, thanks to the Government of India for this initiative. The Government of India has also notified its priority sector and activities for Article 6.2, sovereign trade among other interested countries towards meeting their own NDC targets.

The flagship environmental commodity trading scheme that are currently active in India includes Perform Achieve and Trade, PAT scheme, where ESCerts energy saving certificates is the commodity. Second one is the Renewable Energy Purchase Obligation Act wherein REC, Renewable Energy Certificates coming from solar and non-solar sources is the commodity. ESCerts and RECs will now be merged into single commodity under CCTS scheme and would be known as domestic carbon credits which will operate under cap and trade scheme under national emission trading system.

Third, the carbon market witnessed buyer hesitance as question arose on the verifiability of the efficacy of offset claims. Many carbon credits were discovered just young facto that this eroded and this eroded buyers trust in the current system. The need of hour is stringent verifiability and certification standards. We eagerly await clear and comprehensive guidelines from VCMI, Voluntary Carbon Market Initiative regarding rating of the buyers, providing a solid foundation for trust and transparency in the market.

Simultaneously, we anticipate guidance from ICVCM, Integrated Council for Voluntary Carbon Markets and the Science-Based Target Initiative, SBTI, concerning the quality of the carbon credits, which will serve as a cornerstone for the credibility and effectiveness of carbon credits. This would create the much needed guardrails that will provide the trust required to scale. This was the industry outlook.

Now, let me come to the highlights of the quarters gone by. We made some key addition in our broader organizational structure to improve the ambit of our services, service offerings, both through geography and business verticals. An important initiative in this aspect is our memorandum of understanding with UK-based Inclusive Energy Limited to strengthen the digitization of Monitoring, Reporting and Verification, MRV, of energy projects in the voluntary carbon markets. Inclusive Energy Limited is engaged in the business of manufacturing and supply of energy meters, smart meters for biogas and DC solar systems and associated software platforms.

Digital MRV process will replace manual data collection which is often questioned for its integrity and cost. This will provide verifier standards, researchers with a wealth of data that could be used to improve methodologies, verification and certification processes. Increasing, increase of accuracy and credibility of emission reduction or removal quantification and help optimize crediting activities. The biogas meters have been accepted by CDM and gold standard through two methodologies division approved by CDM and gold standard.

EKI further entered into the collaboration with WOCE solutions private limited to enable IT or IOT enable digitization of carbon footprint measurement and facilitating users to capture, measure, track, reduce and offset their carbon footprint all under one roof. This way, this one of its kind initiative will facilitate individuals, businesses and organizations with end-to-end carbon capture, inventory and footprint management where EKI and WOCE will jointly provide consultancy and technology and software solutions. Now, further will come from WOCE labs.

This collaboration pays the way to broaden our service offerings by providing an all-encompassing suit of sustainability consulting solutions through technological integration. In line with the global expansion strategy, we incorporated a step-down subsidiary in Turkey as well as whole only own subsidiary in Singapore to boost our brand presence, provide access to new markets and drive our own organic growth.

Following the path of incorporating the idea of greater good in our daily course of operation, we set up a wholly owned subsidiary called as EKI Community Development Foundation to work towards addressing the emerging needs of community from the lens of environmental friendly and sustainable projects. The resources provided by the foundation will help improve the existing lifestyle of the people we come in contact during our projects and also help elevate the impact of climate change through reducing the carbon and other greenhouse gas emissions.

This is the step towards our steadfast commitment that at EKI, we want to go beyond the normal day-to-day working in positively impacting a wider number of stakeholders. On the governance, administration and operational front, we have a couple of positive news to share with you. EKI became the first global carbon consulting company to gain the recognition of being a great place to work certified GEPTW in India.

It is the validation and just a minute, it is a validation of the open and holistic work environment we strive to create. People is an important pillar in our long term plans for success and with more than 25 climate enthusiasts working collectively towards the common goal of a net zero world. We are very proud of this recognition.

We are also pleased to welcome Mr. Pankaj Pandey, he is the Chief Operating Officer of the company. His appointment further strengthens our senior management. He was earlier heading the community-based projects and business development team of EKI. But now with more than 15 years of work experience under his belt in functional areas of business development, strategic execution and pricing sciences, we feel very upbeat that in the coming future, Mr. Pandey will lead EKI to the greater heights in the domestic and global space of environmental consultancy and carbon credits.

We intend to introduce manufacturing a supply of biofuels like pellet, briquette, biochar, biogas, CNG, power trading, audit and certification. These diversifications will pave the path for establishment of additional long-term business verticals, taking the favorable national policy environment and global decarbonization landscape.

We signed consultancy service contract for carbon credit project of Kochi Metro Rail project. As per the scope of contract, EKI will ensure end-to-end management of project eligible for carbon credits including its verification compliance with the guidelines followed by international carbon credit mechanisms.

With the help of EKI, Kochi Metro Rail Limited will also be able to monetize emission reductions and earn additional revenue which it can use to support its multiple developmental initiatives. The company engaged decided to disengage with the services of M/s Walker Chandiok & Co. LLP Statutory Auditors. This resolution was approved by the company stakeholder in its first AGM for the financial year.

The company subsequently appointed M/s Dassani & Associates as the Joint Auditor for the company and the second extraordinary general meeting shareholders voted in favor of this proposal. M/s Dasani and Associates has issued qualified opinion in its audit report. The audit committee looked into the concerns raised by the scene and followed the appropriate procedures to examine the matters mentioned.

The company had upon the concerns raised by the auditors in its later July 23 employed the services of two legal counsels. Now I would like to hand over to our CFO Mr. Mohit Agrawal who will take you through the financial performance of the company.

Mohit Agrawal: Thank you Manishji. Good evening everyone. Coming to our financial performance our standalone revenue for quarter one FY '24 stood at INR62 crores -- our standalone EBITDA stood at minus INR30.2 crores. Standalone profit after tax stood at minus INR31.8 crores, consolidated revenue from operations and EBITDA were INR63 crores and minus INR31.4 crores, respectively. Consolidated PAT stood at minus INR33.3 crores.

The standalone revenue from operation for the financial year '23 ended on 31st March 23 was INR1,258.4 crores standalone and EBITDA was INR152.7 crores and the margin was 12.1%. Standalone profit after tax was INR119.7 crores with a PAT margin of 9.5%. The consolidated revenue clocked in at INR1,286.4 crores with the consolidated EBITDA and PAT being INR162.4 crores and INR119.7 crores, respectively.

The EBITDA and PAT margin were in the range of 9% to 12% for both the aspects. I will request a coordinator to open the forum for FAQ.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Jayakumar Sambasivam from SAP. Please go ahead.

Jayakumar Sambasivam: Hi, thank you. Couple of questions. One is initially there was maybe a perception that because the contract was drafted in a certain way, the auditors have not interpreted the contract in a certain way. Therefore, the revenue was not being properly recognized. And hence, there is a dip in the revenue and also the negative profit that was visible and therefore that conflict extended and the auditor team was changed.

There was a perception that now the figures would alter and it would be in a positive direction, but it's difficult to see that both Q4 2022 and Q3 2023, now the June quarter of 2023 and the December as well, the March as well, is in the negative direction, which is unlike in the past.

What is the specific reason behind this? We thought this will change over as soon as this interpretation of auditors towards the contract will change but the result seems to be the same negative? That's the first question.

The second question is, I understood that the carbon credits being the major revenue source for EKI and I understand that the carbon credits is undergoing as everybody in the business is trying to improve themselves on the carbon credit. The market for carbon credit per se will be depleting. It is what has been an information around. So your views on that. Over to you for these two questions. Thank you.

Management: Yes, thanks for your question. The first question that you have asked is why the result is negative. The main reason behind having the negative result is the inventory that was lying over the books had got -- the prices had got corrected up to 80% for different types of credit, different correction factors are there. And because of which we were bound to sale the credits also because we were not, we do not have any clear position to keep those credits for very long over the books and so we have sold the credits which were there on the books in the negative prices that means are lower than what at what price we have bought the same.

So that is why the prices are negative. Another thing is the demand for the carbon credits like for any nation, for any company it is not possible to become a net zero company or country or carbon neutral company or country by reducing their emissions because it is impossible for any nation or for any company to reduce their emission and bring it to neutrality or net zero emission goals.

So the requirement for carbon credits is definitely is there. By 2030 it has been estimated that around 10 billion carbon credits would be required on a per annum basis in the international voluntary carbon markets and the domestic national carbon markets will bring in a much more higher demand as compared to what had been quoted for the voluntary carbon markets.

The only thing because of the criticism that has been done by -- the first thing that I mentioned in my speech is the Russia-Ukraine war, which led to the energy prices, higher energy prices at the developed economies. The second one is the criticism that had been done by media stakeholders over the voluntary carbon markets, because whatever the methodologies or the terms and conditions on which the project used to get registered had been majorly adapted from Kyoto Protocol or the Paris Agreement.

But since voluntary carbon markets do not have any regulator, the criticism that had been done by media stakeholders at the Western world, not at the Southern Global South. At the Western world, the media, they were covering the negative about the carbon markets, they were criticizing about the quality of carbon credits, about the buying strategy, that means the green washing that used to be done by the buyers, that means they are not reducing their emissions and only buying the credits.

Because of this criticism, buyers, they are quite resistive or quite hesitant that if they were to buy again the credits, then they may get into the criticism by the media stakeholders at the Western world and that is why they had stopped or they have reduced buying the credits. So, the two self-governing entities which are upcoming in our market which are trying to regulate the carbon market quality issue of green washing issue is ICVCM, Integrated Council for Voluntary Carbon Markets, which is going to bring in the definition of the quality of carbon credits, like which kind of carbon credits used to be, should be called as the quality credits and which should not be called as a quality credit.

Because for example if someone is buying the credits which were issued in year 2005 and if someone is buying the credits which were issued in year 2023 then which kind of credit either both are having the same quality or either '23 or 2005 vintage credits used to be called as having the good quality credits.

So that specific definition is yet to come in next two to four months timeline. Further VCMI, Voluntary Carbon Market Initiative is trying to bring rating for the buyers over their procurement strategy, that means ideally they should first estimate their carbon footprint and try to reduce the same and then ultimately buy the credits for their residual emissions.

But few buyers, they were buying only credits and they were not reducing their emissions and that is – that specific issue we call it as the greenwashing issue and this greenwashing issue has created the larger impact in the market.

So, FEMA is trying to come up with the rating with a new bronze, silver, gold and platinum wherein based on the procurement strategy or the information disclosure for the emission that used to be done by the big emitters across the globe. They will do rate them and then the issue related to the quality and integrity.

All greenwashing will do that resolved. So, probably in next four months to six months timelines the definitions should come from all these two organizations, further COP 28, which is going to happen at UAE during November and December first week or second week Article 6 of the Paris Agreement may get its whole regulations how the trading will do happen between the two nations under Article 6 of the Paris Agreement/

And that will do create a wider quality definition or greenwashing definition for the buyers or for the suppliers as well. So, these three things definitely we will do bring high momentum that we were able to see during year 2021.

Further, as I mentioned, the new demand will do come from national carbon markets. Like in India, we are going to have national emission trading scheme with the name carbon credit trading scheme that particular scheme is addition to the international voluntary carbon markets and Article 6 of the Paris Agreement carbon markets.

So, in India we would be having three different markets. One is the statutory market or compliance market under Energy Conservation Act 22. Second one will be the international voluntary carbon markets and third one will be the Article 6 carbon market of the Paris Agreement.

So, these three, as of now only one market do exist, two markets do not exist, but in next 6 months to 8 months timeline all three markets it is being anticipated that they will do work in full-fledged momentum and so whatever the issues which are there in the present situation should be taken over with the clear information or clear market guidelines.

Jayakumar Sambasivam: So, what is the approximate timeline by which this will change from negative to positive from the...

Mohit Agrawal: ICVCM had given the timeline to declare the result in next 2 months to 4 months timeline. VCMI had declared that they will do come up with guideline by November 23 and this COP 28 is going to get completed by second week of December of this year. So, once everything will be there in place, so probably during the quarter 4 or quarter 1 of next financial year, the things should be there in place.

Jayakumar Sambasivam: Okay, thank you for responding.

Moderator: Thank you. We have the next question from the line of Dharmen Mehta from Indi Stock Securities. Please go ahead.

Dharmen Mehta: Yes. Hi, I wanted to understand exactly which are the carbon credits you are trading, and in which country and which exchange is this being traded and in which currency is your entire turnover happening?

Mohit Agrawal: Yes. So, there are two types of carbon credits which do exist in the international carbon market. One is the avoidance-based carbon credits. So, the credits which are coming from renewable energy or energy efficiency or similar sectors which helps to avoid emission of greenhouse gases. We call those credits as the avoidance-based carbon credits.

Dharmen Mehta: And these are traded in the Euros, right and these are not being traded anymore, if I'm not mistaken?

Mohit Agrawal: No, as of now, 97% is the market share of avoidance-based carbon credits and the removal-based carbon credits do have less than 3% market share and the currency, trade currency depends on with which buyer are we working with. So, if the buyer is located in Europe, they work in Euro.

If the buyer is located in other parts of the world, we work in dollar. But majority of the trade used to happen in dollars only at the present point in time. The second thing is...

Dharmen Mehta: Is there an exchange for this?

Mohit Agrawal: No, there is no exchange. Major trades used to happen on over-the-counter basis.

Dharmen Mehta: So, all the trades are OTC and who would be the major generator of these carbon credits, who is the major issuer/generator for you all?

Mohit Agrawal: So, more than 70% credits used to come from a standard called as VERRA, VCS and the second largest standard is the gold standard. These two standards comes from the International Voluntary Carbon Markets while the credits which used to get issued under CDM, Clean Development Mechanism scheme, also used to be traded in the International Voluntary Carbon market but people do not consider whatever the volume that used to be traded by the CDM credits called as CERs.

Dharmen Mehta: So, the inventory you all have, you all acquired them, is that right?

Mohit Agrawal: Yes, so we have.

Dharmen Mehta: And who would be the sellers or the issuers of these typically?

Mohit Agrawal: So, the sellers used to be the Renewable Energy Project owners, Energy Efficiency Project owners like Delhi Metro Renewal Energy Projects Owners like NHPC. NTPC or maybe renewable energy [inaudible 0:30:30].

Dharmen Mehta: No your source is international nothing India, no NHPC or NTPC deals with [inaudible 0:30:39].

Mohit Agrawal: In the International Voluntary Carbon Market, sellers are located in developing nations and buyers are located in developed nations.

Dharmen Mehta: So, who are your customers whom you are buying from and who are your customers who you are selling to?

Mohit Agrawal: We work with both the entities with the seller of carbon credits which are located in developing nations like NHPC, NTPC for example and the buyers...

Dharmen Mehta: NHPC, NTPC are Indian entities right?

Mohit Agrawal: Pardon?

Dharmen Mehta: I mean NHPC, NTPC are Indian entities. They are not participating in this market right? I mean you mentioned shell and in your presentations Shell, [inaudible 0:31:25] are these are your people from whom you all have acquired them or they are your customers?

Mohit Agrawal: They are the buyer of carbon credits while the seller of carbon credits are the Renewable Energy Project owners.

Dharmen Mehta: And you're principally acting as...

Moderator: We request you to please rejoin the queue for follow-up questions. Thank you. The next question is from the line of Dipesh Sancheti from Maanya Finance. Please go ahead.

Dipesh Sancheti: Yes. I just wanted to understand when you buy these carbon credits, do you buy directly from the company or is there a mediator or is there a third party also?

Mohit Agrawal: Yes, the mediators are also there in the national or international carbon markets while we buy directly also. So, it's a mix. It depends whosoever used to convince the sellers to sell the credits. So, it depends.

Dipesh Sancheti: So, how does it happen I suppose if a renewable company has a carbon credit with it or wants to apply for carbon credits for its renewable project, do you help them with the same or you just buy credits which they have got?

Mohit Agrawal: We do provide comprehensive advisory services like starting from document collection, then getting the project registration. Further, second step is getting every year the verification of the carbon credits and finally buy those credits.

So, end-to-end comprehensive services we do provide. We do not only do trading of carbon credits, but we do work with like as of now we do have more than 1,000 projects for which we are working.

And those projects comes from around 170 different sectors, which includes solar, wind, hydro, biomass, biogas, geothermal, energy efficiency-based projects, removal-based credits, forestrybased credits, afforestation, reforestation, agricultural related projects, then improved cook stove, water filters, LED light. So, there are different sectors from which the credits can get.

Dipesh Sancheti: Hello. So we provide end-to-end services. Just wanted to know what is the market share and purchase of carbon credits in India?

Mohit Agrawal: So, we do have like 70% of our credits used to come from Indian market while 30% credits come from the international market. This is the broad category, but it varies on month-to-month basis and quarter-to-quarter basis depending on the inventory or the verification process or the approval process from various different standards like CDM, VCS and gold standard.

Dipesh Sancheti: And what are the margins which you are working on?

Mohit Agrawal: Sir, it depends.

Dipesh Sancheti: For an end-to-end service, I'm saying for the end-to-end service?

Mohit Agrawal: It varies from 60% to -- from 10% to 40%. So, that means 10% to 40% is our margin, while remaining 60% to 90% used to go to the project owners or the investors. It depends on the project and complexity and size also.

Dipesh Sancheti: Okay, size also. Fine. And going ahead, when do you see the profitability coming back? I mean, is this just a one-off quarter or are we looking at even more pain in the next quarters to come?

Mohit Agrawal: Sir, as I mentioned earlier, as soon as the clear guidelines which will do come from COP 28, Conference of Parties Meeting Number. 28 or VCMI and ICVCM. So, once we do get the clear guidelines related to what is the definition of quality of carbon credits and what is -- what should be the ideal procurement strategy for the buyers to buy the credits from the international voluntary carbon markets.

The market should -- the confidence in the market should come back as soon as possible once we get these two clear guidelines from the voluntary regulators and compliance regulators under the Paris Agreement.

Dipesh Sancheti: Okay, and when do we expect this happening?

Manish Dabkara: By like as I mentioned earlier, ICVCM had mentioned that they will do give the guideline by this November. VCMI again will do give guideline before November and during December COP28 meeting is going to happen there in UAE. So probably all the guidelines will do come in clear shape and size by January '24. So probably the clear impact should come from next financial year.

Dipesh Sancheti: Is that -- are we going to, we're going to hold on to those inventories? How are we going to do the inventory management?

Manish Dabkara: So based on the buyer's requirement, whatever the best way, which we are able to get, we are selling the credits. We are not selling the credits in the panic because there is no need expiry related to the carbon credits which we are holding in our books. But because a few credits are, a few million credits are there in the books, while a few million are coming in the pipeline. So it depends based on the market dynamics. I will do take the best call on month to month basis.

Dipesh Sancheti: Okay, just one last question. Will our results be delayed further or we'll be giving regular results going forward?

Manish Dabkara: As per the compliances, we need to give the regular result on quarter to quarter basis because of the auditor's concern, we had hired the new joint auditor and again came back into the compliances. So as per the compliance list, we are obligated to give the results on quarter to quarter basis.

Dipesh Sancheti: And we will do that, right? There is no issue right now of the auditors or anyone else?

Manish Dabkara: No, there's no any further concern.

Dipesh Sancheti: Fine. Thank you.

Moderator: Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Thank you so much. My first question is, sorry to belabour on the same thing, on the inventory of the carbon credits you have, is there a risk of further write down of the value of these and how do you assess the value given that it is an OTC market?

Manish Dabkara: So sir, in the OTC market, there are different factors because of which the prices used to vary. One is the vintage of the carbon credit, second one is the technology, type of technology, third one is the country of origin, then quality of consultant, quality of auditors, quality of third party inspection company, which we call as designated operational entities like Bureau Veritas or [inaudible 0:39:16], then the quality of the investor.

So there are various different factors because of which the prices used to vary and definitely before the clear guidelines, if it will not come, the prices as of now are at the correction point in between 70% to 80% but definitely once we get the clear guidelines, the eligible credits will do get the higher, very high jump in terms of the, or in reference to the rates which they had got corrected.

So the potential eligible credits we are -- we have strategy to hold them in our inventory while very old credits, we do not have any probability to get labelled as core carbon principle under ICVCM labelling. So, we do have strategy to sell them as soon as possible.

Puneet Gulati: So, is there a thumb rule where you can give us some number and what is dollar per ton of carbon? What is the worth of carbon grade that you own in dollar per ton? And what it was that you did a few years back when everything was very, very high?

Manish Dabkara: Yes, so during 2021 and first half of 2022, the rates for renewable energy projects were ranging in between $3 to $7. As of now, they are ranging in between $0.75 to $2 depending on the project. For example project is located in Africa then we would be able to get higher rates, if it's located in India for the same solar power project, it would be quite lesser.

For nature-based solution activities which had got high criticism for getting their over-crediting because we are the company which do follow the regulations, which used to get issued by the program operators like CDM, VCS, Gold Standard, GCC or maybe IREC. So, we do follow their standards and those standards had got criticized because of their over-crediting issues. So, the credits which were for nature-based solution activities which were ranging in between $10 to $25 these days, they are ranging in between $1.5 to $2.5.

Now for community-based projects earlier they were ranging in between $7 to $13. As of now, they are ranging in between $3 to $7. So this is the impact which is, which we had observed because of the Russia-Ukraine war and energy price crisis, in developed economies and second one is the criticism by the media stakeholders over crediting of the, over issuance of the carbon credits for various different types of projects.

Puneet Gulati: And since you are still acquiring carbon credits, are you getting it at further discount to these prices or has the pipeline itself slowed down?

Manish Dabkara: So pipeline had also because of the high criticism, this carbon credit project standards like VCS or Gold standard they had updated their methodologies. They are doing high scrutiny related to the new registrations and issuances. So earlier, we were able to get the issuance of the credits in two to four months' timeline, these days it takes six to twelve months timeline. So that is another concern, the credits which we should come at the higher pace are not coming at the same level, which we were able to observe during year 2021 and first half of 2022.

Puneet Gulati: Understood. And just lastly on the auditor front, so the new auditor has it complied with the similar valuation or revenue reflection as the previous one? And has it issued a qualified report? Did I hear it right or that was for the old auditor?

Manish Dabkara: Yes, so Mohit would be able to answer over, how do to put an NRV for the inventories, Mohit?

Mohit Agrawal: Yes, sorry. First of all, I will say that our inventory is being valued on the cost on NRV basis, and whatever the price correction, what Manish has told right now, is a temporary and we are not forecasting this type of crisis in a longer term. And we are holding the, as Manish has already told that, we are holding the credits, we are not selling them in a panic. That's why there is not much impact of current pricing on our inventory, first of all, I would say that.

Now, the qualification aspect, we have contractual agreements are there, and a sense of the contract, what we have envisaged earlier, that was established, that is there only, but to meet out with the regulatory requirements and for better corporate governance, we have adjusted our financial figures with what the auditor has suggested. Therefore, the previous qualification of quarter three has been removed by the auditor.

Puneet Gulati: Okay, and there is no further qualification for the Q4 numbers anymore?

Mohit Agrawal: Q4, there is one qualification if you go through the audit report, but that is not having any impact on the financial statement.

Puneet Gulati: Okay, and will it be fair to assume that whatever inventory write- down that you had to do is already reflected in the P&L, right? Because we do it on cost and energy basis.

Mohit Agrawal: As of now, the inventory is fairly valued and there is no further downside. As of now, we are not forecasting anything like that.

Puneet Gulati: Thank you. Thank you so much.

Moderator: Thank you. The next question is from the line of Ashit Kothi, an investor. Please go ahead.

Ashit Kothi: Yes, good evening. First thing which I would just want to request is, while it is necessary to limit the questions to two but the subject is such that many of us may or may not be having all the info and detailed understanding of the business process, business cycles and everything, in that scenario possibly you might -- you should be conducting more often this investor meets or a conference, that is one.

Now, coming to the questions, first and the foremost thing which I would want, sir, to provide information is the inventory, what we are having, if we can have a break up. Inventory, what we have acquired is through Indian community projects, from Indian corporates, or whichever other categories. So break-up in different categories, and as well as from overseas, if we have purchased any?

And the second question is, this is not the first time the carbon credit markets is seeing this upheaval. When the Kyoto Protocol got ended, and European countries who were the major buyers, if I'm not mistaken, the US has never been a major buyer. It has always been the European countries and the Japanese countries, who were the major buyers.

So most of the trades used to happen earlier, if I'm not wrong, used to be in Euro. Whereas what you have mentioned is the most of the trades are happening in dollars. So if you could throw light on that and second you had mentioned that Indian renewable energy any generating carbon credits they get a lesser pricing, lesser value compared to African. So if you could throw light on, what business this pricing is arrived at?

Manish Dabkara: Yes, so actually there is no any clear regulator or definition for the pricing related to the carbon credits. Any type of carbon credit across the world coming from any project, any country having used to have underlying asset as one ton of CO_2, emission reduction from the atmosphere or emission removal from the atmosphere, used to call as one carbon credit or one ton CO_2.

Further, the question which you have asked related to why the credits are getting traded into the USD and not into the Euros? So sir, under the Kyoto Protocol, the carbon markets of the Kyoto Protocol was from year 2005 to 2020. Now we are into the Paris Agreement era, starting from 1 January 2021. Under the Paris Agreement era, we do not have any clear guidelines under Article 6 of the Paris Agreement, like how the carbon credits shall get traded?

Ashit Kothi: Sir, sir, can I interrupt? Sorry, my question was that major buyers were used to be European countries and Japan. So I was under the impression that carbon credits were being traded in

Euros rather than dollars. Correct me, if I am wrong that major buyers were other than the European countries and Japan?

Mohit Agrawal: Actually sir, earlier during from 2005 to 2011, the carbon credits originated from developing nations like India, used to be bought by majorly European companies and there in Europe we have one emission trading scheme called as European Union Emission Trading Scheme and all the credits which we used to sell at that point in time during 2005 to 2011, we were selling majority of our credits to the European, EU ETS and since EU ETS their exchange was trading the European Union allowances, EUAS into the Euros that is why the credits which we were selling earlier were positioned into the euros and since major buyers more than 80% buyers were from Europe, so the other nations who were buying the credits like Australia, New Zealand, Japan or Russia they were also buying the same in the European currency or the rates were getting determined in the euros only.

But now we are into the voluntary carbon markets and the voluntary carbon markets buyers 40% buyers used to come from Europe, 40% come from North America and rest 20% comes from other developing and developed economies so that is why these days we do not trade voluntary carbon credits into the Euros, but the USD is the major universal currency to trade the credits.

Ashit Kothi: Okay. What I had read somewhere that EKI is saying in India is in the process of developing a regulated cap and trade emission trading market which will restrict trade of carbon credit certificates among the obligated businesses following the practices of similar operational markets in other parts of the world. However, India is also developing its offset market for voluntary participation. Now this would possibly affect the business model or business of carbon credit of the company?

Mohit Agrawal: No sir, actually not because the compliance market, which is upcoming called as CCTS, Carbon Credit Trading Scheme is based on company basis, not company emission basis, not on the project basis. So -- and such kind of carbon credits which -- for which we are working like solar power project, wind power project, their credits would not be allowed to get traded into the compliance -- India's compliance scheme.

So, we would be able to sell all the credits or the projects which are already registered into the international voluntary carbon markets. There is a restriction to sell the CCTS credits, carbon credit trading scheme which will be governed by Bureau of Energy Efficiency and the Ministry of Power. So those credits would not be able to sell into the international carbon markets that means to the Article 6 of the carbon market and if you want to sell we need to take permission from Ministry of Environment, Forest and Climate Change.

So under the earlier mechanism called a CDM, Clean Development Mechanism, they were having one test through internal department called as National CDM Authority of India. Now it will be called as Apex Committee for Implementation of Paris Agreement, AIPA. That specific committee will do issue the letter of approval to sell the credits and 13 different technologies already being notified by Government of India that if your project falls under that specific 13 categories, Government of India would not be having any problem to sell the credits.

But we need to understand very clearly there are two different markets. One is the compliance and another one -- the three different markets compliance -- national compliance market, international compliance market and international voluntary market. And there is no any conflict between the three different markets. Three different markets will do work in three different directions and that there would not be any intersection or conflict between the three.

Ashit Kothi: So, if our turnover has to be…

Moderator: Sorry to interrupt. We have a request…

Ashit Kothi: Our turnover, if we have to divide this into these three different markets, what would be that?

Mohit Agrawal: Sir, as of now, only international voluntary carbon market do exist. India's compliance national carbon market will do take its clear position in next two to four month timeline because Bureau of Energy Efficiency will do give clear guidelines on how the market will do operate and you need to visit Bureau of Energy Efficiency website very regularly to get the update about the same.

So, national carbon market, compliance carbon market do not exist as of now but it will do get into its existence by end of this year. While international compliance market under the Paris Agreement will do take its clear position after COP 28, Conference of Parties meeting number 28, which is going to happen there at Dubai during November/December this year.

So probably next financial year should come up with bigger developmental opportunities for our company as compared to this year which is going through the turbulence of -- because of the criticism by international media for international voluntary carbon markets.

Moderator: Thank you. The next question is from the line of Milind Raj, an investor. Please go ahead.

Milind Raj: Yes, my question is to Mohit. Mohit, I'm referring to the qualification made by the auditor. You know, it's it says that the previous auditor, Walker Chandiok, has found certain observations and qualifications in the financial transactions of the company. Then it also mentions that the audit committee has taken some opinions from legal counsels and qualified professionals.

The new auditor further mentions that due to uncertainty relating to future outcome, we are unable to quantify the impact of these transactions which may result in possible adjustments. So my question to you Mohit is, what are these certain observations and qualifications that the previous auditor has found out in the financial transactions of the company? What are these? If you can please elaborate?

Mohit Agrawal: Yes, hi Milind, I think you have raised the right questions and that is also mentioned in our audit report also and that legal counsels were ex-Supreme Court Judge, as well as practicing lawyer in a Supreme Court and we have taken our opinion in detail. But the matter is subdued that's why I am unable to comment as of now. Whenever this will final is we will come back to you through a suitable platform.

Milind Raj: No that is fine my question Mohit is, what are the observations you can say that?

Mohit Agrawal: That's why I am telling to you that that observations are based on the financial transactions only and some of the transactions covered under books of account only, but I can't disclose right now because of the matter is subdued that that's the reason, nothing else.

Milind Raj: Okay I was expecting that you know the new auditor will actually go and mention about these arrangements and agreements, I mean their observations. But okay, we can skip that if the management doesn't want to answer about that.

My second question is about Shell, the JV that we have, what is the progress going on, on that JV? What is the amount that has been invested by Shell? Is there any revenue that's been accrued by EKI from this JV that we are having?

Mohit Agrawal: Yes, Shell and EKI has already infused the equity amount, which is approximately INR8 crores rupees, both of the organizations have infused. And the company is in the phase of business development and two to three projects has already been on-boarded. Manish is the right person who can comment more on business aspect. But on a revenue booking I can say you that from ‘25 to ‘26, ‘25- ‘26 financial years revenue will start from the projects, project generation through the projects. Manish do you want to add something on this?

Manish Dabkara: Yes, we do have two different revenue streams for that specific JV. One is giving advisory services and another one is the trading of carbon credits. So whatever the projects like agroforestry projects we are investing through that specific JV and those agroforestry projects are the afforestation project that means we are helping new trees to get developed under the project boundaries and it will take almost -- the credits will do come in next three to five years timeline because as you know the tree should capture enough biomass or enough carbon dioxide, so that a quantifiable number of carbon credit will do come.

So, the consultancy income had already been started under that specific JV, but the credits which should come in the good quantity or justifiable quantity, it will take three to five years timeline and that is the normal time period for the high quality removal based carbon credits.

Milind Raj: Okay, and so what is the amount that Shell has invested so far in the KV? I think it was around 1.2 billion that was proposed, but what is the current status?

Mohit Agrawal: We will do disclose those specific numbers through specific platforms. It would be tough to quote the same during this call.

Milind Raj: Okay. Thank you.

Moderator: Thank you. In the interest of time, that was the last question, ladies and gentlemen. Please write to cs@enkingint.org or the Orient Capital team for further queries. I would now like to hand the conference over to Mr. Manish Dabkara for closing comments. Over to you, sir.

Manish Dabkara: Yes, thank you very much. I would like to thank every participant for joining this call. Like I said at the beginning of this call, it feels great to be interacting with you all once again. Feel free to send your queries across our investor relations advisors, Oriental Capital. With this, I would like to make one parting statement.

We remain very positive on the recovery of the broader carbon credit market and our sales in particular, diversifying of our operations along with our ability of leveraging technology makes us quite upbeat of our prospects. Thank you, everyone, and good evening.

Mohit Agrawal: Thank you everyone. Thank you.

Moderator: Thank you. On behalf of EKI Energy Services Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.