EKI Energy Services Limited
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November 27, 2023

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

Scrip Code: 543284
Symbol: EKI

Sub: Intimation under regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Intimation regarding withdrawal of CRISIL credit rating by CRISIL Ratings Limited.

Dear Sir(s),

Pursuant to regulation 30 read with clause 3 of para-A of part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ('Listing Regulations') read with the SEBI circular no. CIR/CFD/CMD/4/2015 dated September 09, 2015, and further to the intimation dated October 05, 2023, we wish to inform you that at the Company's request, CRISIL Ratings Limited ("CRISIL") has vide letter dated November 27, 2023, withdrawn the **"CRISIL BB+/Negative"** rating assigned to Rs. 250 Crore long-term bank facilities of the Company.

A copy of the withdrawal letter dated November 27, 2023 from CRISIL Ltd. is enclosed herewith.

The above information will also be made available on the website of the Company at 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: 2023.11.27 22:49:26 +05'30'

Ms. Itisha Sahu
Company Secretary & Compliance Officer

Encl: a/a

CRISIL Ratings

Rating Rationale

November 27, 2023 | Mumbai

EKI Energy Services Limited

Rating Reaffirmed and Withdrawn

Rating Action

Total Bank Loan Facilities Rated	**Rs.250 Crore**
Long Term Rating	**CRISIL BB+/Negative (Rating Reaffirmed and Withdrawn)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its rating on the long-term bank facilities of EKI Energy Services Limited (EKI) and has subsequently **withdrawn** as requested by the company, and on receipt of no-objection certificate from the banker. The rating action is in line with the withdrawal policy of CRISIL Ratings.

The ratings continue to reflect the EKI group's established market presence supported by extensive experience of the management with established network of projects, geographically diversified operations, and moderate capital structure. These strengths are partially offset by its susceptibility to intense competition and high inventory levels, exposure to adverse changes in government regulations, vulnerability of operating margin to carbon credit prices and fluctuations in forex rates and subdued debt protection measures.

Analytical Approach

For arriving at the ratings, CRISIL Ratings has combined the business and financial risk profiles of EKI and all its subsidiary companies which are strategically important to and have a significant degree of operational integration with EKI. These subsidiaries are Glofix Advisory Services Private Limited (GASPL), GHG Reduction Technologies Private Limited (GRTPL), Amrut Nature Solutions Private Limited (ANSPL), and Enking International FZCO (EIF). These entities, together referred to as EKI group, have common promoters and strong operational and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position supported by extensive experience of the management:** The group has a strong market presence in the carbon credit trading and carbon advisory services, with experience of more than 10 years in the industry. The group has established 1000+ project network in its portfolio as of March 2022 and is focusing on further expanding its supplier base for carbon credits through exploring new projects such as nature based, community based and green hydrogen projects. The deep understanding of market dynamics and eligibility requirements, the group is also expanding into backward integration through setting up community and nature-based projects which will provide stable availability of carbon credits.

- **Diversified operations with large customer base:** EKI has established relationships with a wide number of clients, which are well diversified across geographies. EKI group derives majority of its revenues (more than 95% of its revenue) from export markets including UK, Europe, US, Australia, etc. Diversity in geographic reach and clientele should continue to support the business risk profile.

- **Moderate capital structure:** EKI had a strong networth of Rs 450.7 crores as on March 31, 2023 and is expected to reduce to Rs 360-380 Crores as on March 31, 2024 due to expected loss in fiscal 2024. EKI's capital structure is comfortable due to lower reliance on external funds yielding gearing and total outside liabilities to adjusted tangible networth (TOL/ANW) of below 1 time for year ending on 31st March 2023. Capital structure is expected to remain moderate over the medium term.

Weaknesses:

- **Susceptibility to intense competition and exposure to adverse changes in government regulations:** EKI's operations are susceptible to intense competition in global markets with the majority of its revenues being generated through exports. Subdued demand from international markets or slowdown in orders could limit the growth trajectory of EKI. Furthermore, the carbon credit trading business is susceptible to government regulations in domestic as well as international markets (including the recent developments around Energy Conservation Act, 2022 passed in Indian parliament), and any unfavorable change in policy may impact EKI's operational performance and profitability.

- **Increasing working capital cycle:** Working capital cycle was stretched with gross current assets increasing to 200 days as on March 31, 2023 primarily due to high inventory levels. Amid slowdown in global demand, inventory levels crawled up leading to above 100 days as on March 31, 2023, strong rebound in demand as well as further volatility in carbon credit prices remains a key monitorable. As a result, working capital cycle is expected to remain stretched over the medium term.

- **Vulnerability of operating margin to carbon credit prices and fluctuations in forex rates:** Operating margins have remained volatile in the range of 9% to 28% over the past four years ending fiscal 2023. The prices for carbon credits are market driven and tied to the global supply demand dynamics. Price realizations for EKI have remain volatile and decreased significantly from Q3 FY 2023 onwards and resulted in significant operating losses in last 3 quarters ended September 2023 after witnessing more than 400% increase in fiscal 2022 as compared to fiscal 2021. Operating margins have turned negative in Q3 and Q4 of FY2023 as well as H1 of FY 2024 and are expected to remain subdued over the medium term. In addition, with more than 95% of revenue exposed to export revenues the margins are further susceptible to fluctuations in forex rates.

- **Subdued debt protection measures:** EKI's debt protection measures are expected to remain subdued due to weak profitability in fiscal 2024. Sustained improvement in profitability and debt protection measures will remain a key monitorable.

Liquidity: Streched
Cash accruals are expected to be negative in fiscal 2024. Bank limit utilization is low at 26.7 percent for the past twelve months ended February 2023. Cash and cash equivalents were about Rs 109.3 crores as of March 2023. Current ratio is healthy at 2.34 times on March 31, 2023 and estimated at 1.95 to 2.0 times on March 31, 2024. Low gearing and moderate net worth support its financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Outlook: Negative
CRISIL Ratings believes the business risk profile of EKI may remain under pressure over the medium term owing to sharp volatility in carbon credit prices and weak profitability.

Rating Sensitivity Factors
Upward Factors:
- Strengthening of business risk profile, with stabilization of new businesses leading to operating profitability above 7%
- Improvement in working capital cycle with sustenance of financial risk profile

Downward Factors:
- Significant cash flows mismatches or sustained decline in operating profitability because of increase in raw material prices or continued losses leading to lower than expected cash accruals.
- Weakening of financial risk profile because of increase in working capital requirement or unanticipated debt funded acquisition or capex with TOLANW above 1.5 times.

About the Company
About the Company EKI, incorporated in March 2011, is promoted by Mr. Manish Kumar Dabkara. It is engaged in providing of carbon credit trading, carbon advisory services, climate change and sustainability solutions mainly buying of carbon credits from domestic market and selling into international market. The group is based in Indore and have presence in 40+ countries with more than 2500 clients.

Key Financial Indicators

As on/for the period ended	Unit	H1 FY 2024	March 31, 2023	March 31, 2022
Operating income	Rs crore	143.32	1,258	1,800
Reported profit after tax	Rs crore	(76.75)	120	383
PAT margins	%	(53.55)	9.5	21.3
Adjusted Debt/Adjusted Networth	Times	-	0.14	0.00
Interest coverage	Times	-	30.29	745.47

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs. Crore)	Complexity Level	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	127	NA	CRISIL BB+/Negative (Rating Reaffirmed and Withdrawn)
NA	Proposed Working Capital Facility	NA	NA	NA	83	NA	CRISIL BB+/Negative (Rating Reaffirmed and Withdrawn)
NA	Proposed Cash Credit Limit	NA	NA	NA	40	NA	CRISIL BB+/Negative (Rating Reaffirmed and Withdrawn)

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
EKI Energy Services Limited	Full	Operate in the same industry and have operational and financial linkages
Glofix Advisory Services Private Limited	Full	
GHG Reduction Technologies Private Limited	Full	
Amrut Nature Solutions Private Limited	Full	
Enking International FZCO	Full	

Annexure - Rating History for last 3 Years

	Current			2023 (History)		2022		2021		2020		Start of 2020
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	LT	250.0	CRISIL BB+/Negative (Rating Reaffirmed and Withdrawn)	04-10-23	CRISIL BB+/Negative		--		--		--	--
			--	25-07-23	CRISIL BBB-/Watch Negative		--		--		--	--
			--	31-03-23	CRISIL BBB/Stable		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	**90**	**ICICI Bank Limited**	**CRISIL BB+/Negative (Rating Reaffirmed and Withdrawn)**
Cash Credit	**37**	**HDFC Bank Limited**	**CRISIL BB+/Negative (Rating Reaffirmed and Withdrawn)**
Proposed Cash Credit Limit	**40**	**Not Applicable**	**CRISIL BB+/Negative (Rating Reaffirmed and Withdrawn)**
Proposed Working Capital Facility	**83**	**Not Applicable**	**CRISIL BB+/Negative (Rating Reaffirmed and Withdrawn)**

Criteria Details

Links to related criteria
CRISILs Bank Loan Ratings
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating criteria for manufaturing and service sector companies
CRISILs Approach to Financial Ratios
CRISILs Criteria for Consolidation

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About CRISIL Limited

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It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

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