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February 17, 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 February 10, 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 for Q3 and FY23 financial results held with the Investors/ Analysts on February 13, 2023 to discuss the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended on December 31, 2022.

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: 2023.02.17 19:10:47 +05'30'

Itisha Sahu
Company Secretary & Compliance Officer

Encl: a/a

"EKI Energy Services Limited

Q3 FY '23 Earnings Conference Call"

February 13, 2023

MANAGEMENT:	**MR. MANISH DABKARA – CHAIRMAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – EKI ENERGY SERVICES LIMITED** **MR. MOHIT AGRAWAL – CHIEF FINANCIAL OFFICER – EKI ENERGY SERVICES LIMITED**
MODERATOR:	**MR. MOHIT KUMAR – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY '23 Earnings Conference Call of EKI Energy Services Limited, hosted by DAM Capital Advisors Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Kumar from DAM Capital Advisors Limited. Thank you, and over to you.

Mohit Kumar: Thank you, Yashashri. Good morning. On behalf of DAM Capital, we welcome you all to the Q3 FY '23 Earnings Call of EKI Energy Services. We have with us from the management, Mr. Manish Dabkara, CMD and CEO, and Mr. Mohit Agrawal, CFO. We will start with the opening remarks by the management followed by Q&A. Over to you, sir.

Manish Dabkara: Yes, thank you, Mohit and Sarita. Good morning, everyone. I am pleased to welcome you all to our quarter three FY '23 Earnings Conference Call. I would like to thank our stakeholders for giving their precious time and being part of our journey. Today on the call, I have with me Mr. Mohit Agarwal, Chief Financial Officer at EKI Energy Services Limited and our Investor Relationship partner, Orient Capital.

This quarter saw a positive development from our industry as we have received much-awaited clarity from Ministry of Power and New and Renewable Energy, Government of India that its surplus compliance carbon credits from the country will be exported worldwide. There is no impact over exports of voluntary carbon markets to the international carbon markets since there is no issue related to the double counting under the Paris Agreement. This move will ensure stability as the domestic carbon market gears up for the development of the National ETS under Energy Conservation Act amended at 2022, revolutionary step for our India.

This will also facilitate a strong influx of Climate Finance to India, which will be used for climate action initiatives across the country, for carbon reduction projects and interventions. EKI is positioned well to provide expertise and services to foreign entities and facilitate transactions under Article 6 of the Paris Agreement Regime, given its project development experience in 40 plus nations, further clarity on regulations are expected by year end after completion of COP28 at UAE.

The key headwinds for the international voluntary carbon markets, which do impact top-line and bottom-line of the organization are continued Russia, Ukraine war, which has subdued economic growth and driven funds away from discretionary expenses related to carbon neutrality, global concerns around high inflation and recession and inflated energy prices resulting in the format of offsetting decision.

However, overall voluntary carbon market has grown at an accelerated pace to $2 billion in 2021 over two years and is expected to grow to around $50 billion by year '2030. Once the macroeconomic conditions improve, market is likely to see a gradual uptick of demand for carbon credits, given the increase in Net Zero commitments and investors' activism in our driving compliance. Further, Budget 2023 gave fresh thrust to India's transition to clean energy. Our Finance Minister announced INR 35,000 crores that means approximately $4 billion in priority -- capital investment towards energy transition, which will help achieve India's goal of Net Zero carbon emissions by year 2070.

The government proposed a green credit program, which will incentivize environmentally sustainable and responsive actions by companies and individuals. India's plan to increase its annual green hydrogen production to 5 million tons by 2030, reduce dependence on fossil fuel imports and cut greenhouse gas emissions by nearly 50 million tons. The push for green energy is increasing day-by day. And these initiatives will lead to development of carbon credits, which will be mobilized on a large scale. We are working closely with the government authorities in advancing carbon market and green energy initiatives.

EKI Energy had incorporated ClimaCool Projects and EduTech Limited as joint venture company with First Source Energy India Private Limited and its promoters to launch India's first-ever Climate EdTech and climate finance marketplace. The JV will drive focused educational initiatives and mobilized funds from global philanthropic funds for sustainable climate projects across the globe. The entity will drive focused initiatives for developing future carbon leaders who will provide strong foundation to carbon industry, where a decreased skilled resource is the highest or the biggest challenge.

Additionally EKI established four wholly-owned subsidiaries, given its focus on diversifying the credits and expanding into community-based projects in India and globally. These SPVs are incorporated for development of dedicated climate sustainable projects in focused manner. We also announced collaboration with DNV, a Norway-based independent assurance and risk management provider to foster climate transition ecosystem with innovation and digitalization by numerous measures. DNV is an independent expert in assurance and risk management driven by the purpose of -- to safeguard life, property and the environment for their customers and stakeholders with facts and reliable insights.

DNV is a world-renowned testing, verification, certification and technical advisory services to the energy value chain, including renewables, oil and gas and energy management. The collaboration is in line with the EKI's aim to diversify and expand further to advisory services. Through this collaboration, EKI will exchange advisory services to DNV's assurance customers on their journey towards carbon neutrality and Net Zero.

Coming back to the performance for nine months ended 31st December 2022, EKI reported standalone revenue of INR 1,364.2 crores, standalone EBITDA stood at INR 319.8 crores and PAT stood at INR 240.7 crores. I would like to highlight some of the key reasons for the drop in the performance versus the same period last year.

Now, the first one is prolonged Ukraine war, so doing economic growth and reducing discretionary expenditure towards carbon neutrality and second one is the anticipation of inflation and recession leading to deferment of decision on carbon credit utilization for offsetting by corporates. We have strong inventory of about 14 million carbon credits, of which approximately 25% are efrom non-technological solutions. In addition, the company continues to actively expand its portfolio to include a wider variety of carbon credits for its clients. We are committed to the risk management by actively focusing on working capital management. The new market conditions will stabilize in couple of quarters and we expect to see uptick in second half of FY '24.

With respect to limited review report by the auditor, I would like to reiterate that there is not any issue with our accounting policies and practices and there is only a difference in interpretation of Ind AS 115. The auditor is of the opinion that we should book revenue and cost for cook stove distribution only operations of the carbon credits. However, since we have actually distributed cook stoves, received full contractual amounts from the client and we have also processed the project under client's name and the client is owning the project.

We have booked revenue from distribution of cook stoves, which is in line with the accounting standards and essence of the agreement. And as and when we receive our share of carbon credits from this project, we do sell them and book the other revenues from the contract that we have signed.

The sharing of credit as far providing services of monitoring, verification and issuance of carbon credits. Mohit will explain this in further detail when he provides financial updates. I want to thank our team of climate warriors for showing resilience, despite these challenges. Apart from this, we have seen carbon market evolving with increased accountability of voluntary carbon market credits (9.57), with a particular focus on forestry projects.

We see as a positive development towards their maturing of carbon markets, few initiatives we have taken to further strengthen our position, which are, first one is building a diversified portfolio of projects and credits, that means coming from community-based projects, waste money in projects and other categories including credits from multiple certifiers like gold standard, verified carbon standard, global carbon council, clean development mechanism, etcetera.

Geographical expansion plan in developed and developing nations, both, defining quality criteria and due-diligence procedures for assessment of credits, before purchasing, example, a robust monitoring process for dynamic baselines and improved value chain to improve transparency and trustworthiness. We encourage our buyers to check the sustainable development goals as decision-making criteria, to procure the credits.

We continue to improve as a company to provide better services to our customers, in the short run, EKI would focus on capex infusion from our own accruals and term loans to have sustainable supply of carbon credits. This will reduce the dependability on our suppliers and modify mix of carbon credits in our portfolio using working capital cycle from existing to provide cash and cash equivalent to fund the capex without any tech and organization restructuring to strengthen the execution, accelerating the issuance of credits and its monetization.

And in the long-run, we would continue to diversify the business verticals, that is starting IT integrated ESG reporting, including carbon leisure, carbon bookkeeping, carbon credit supply to individual offsets, individual level offsets, also we would invest in biogas electricity generation projects, which is again linked with the generation of carbon credits and its ancillary activities such as skilled development program to provide resources to help in faster execution of projects, partnership with multiple layers for development of policies, exchanges and marketplaces, etcetera.

Further, we shall continue to geographically expand to developed and developing nations to access end user of carbon credits along with the suppliers**;** appoint additional independent directors with experience in energy transition or affiliated sector as well as financial and regulatory compliances to lay down the good corporate governance environment within the organization, we have onboarded globally-renowned accounting and assurance firm to Walker Chandiok & Co. LLP, which is the associated firm of Grant Thornton, a statutory auditor.

Further, we have appointed Protiviti India Private Limited as an internal auditor. We are committed to adopt the good international policies, processes and infrastructure in our organization, which will provide long-term sustainable foundation for growth of our business. The company has opened up new sales and marketing offices in Mumbai and Delhi to have close contact with big corporates, financial and regulatory bodies.

Now, we have seen a substantial growth over the past five years in terms of carbon credits mobilized building customer base, geographical expansion and diversification of our carbon solutions, given our strategic efforts, we would continue to retain leadership position in the market. To conclude, we are constantly monitoring the macroeconomic environment and are proactive in assessing new opportunities as we continue to retain our market leadership. We are very much confident that carbon market will grow gradually and EKI will have major market share with help of its investors, stakeholders, employees and clients.

Now, I would like to hand over the call to Mohit financial updates. Thank you.

Mohit Agrawal: Thank you, Manishji. Good morning, everyone. Let me brief you on the financial highlights for the nine months FY '23. In nine month FY '23, our standalone revenue increased by 3% to INR 1,364 crores, compared to the same period last year. For nine months, our standalone EBITDA stood at INR 319.8 crores and EBITDA margin stood at 23.4%. Nine months consolidated PAT stood at INR 240.7 crores and PAT margin stood at 17.6%. As Manish already mentioned, we have a strong mix of inventory in stock as well as pipeline of variety of carbon credit. Inventory is valued at cost or NRV whichever is lower, so holding inventory has no financial drawdown for the company.

During the quarter ended 31st December 2022 and 30th September 2022 and nine-month period ended 31st December 2022, we have recognized revenue from contracts with certain customers. However, as Manish mentioned, in view of the statutory auditors, the aforesaid revenues and the corresponding cost to fulfill the underlying performance obligation is not consistent with the accounting principle as stated in Ind-AS 115, Revenue from Contracts with Customers, as the performance obligation of delivering the verified carbon units that is VCU under the aforesaid arrangement or agreement is not yet satisfied by the company, this is the view of our statutory auditor.

However, we at EKI would like to say that this is the difference of opinion and interpretation of Ind AS 115 as the following principles are satisfied with respect to the contract. Substance over form, states that there is no performance obligation as cook stoves are procured and distributed among the beneficiaries and the data of the sale is already shared with our client. Transfer of underlying asset that is ownership of the project is already in favour of our client.

Satisfaction of performance obligations and transfer of projects to clients already done. We have received a standalone transaction prices as per the contractual agreement in our books, also we'll receive our sharing of carbon credits over the years for providing services and accordingly revenue will be booked in future as per accounting standard for carbon credit issued and sold.

To conclude, if revenue recognition is accounted for as per the auditor's opinion then it will only lead to deferment of recognition of revenue from those contracts and will not materially affect the profitability of the company in the long run. However, we are following the Ind AS 115 and contractual obligation to book the revenue detailed explanation on each of the points, which I had mentioned in my speech are included in Slide number 18 in our investor deck and someone can refer that and will request all that you can drop a mail for any clarity on the same.

We are happy to address the queries from our valuable partners at any moment. This is all from my side. We can now open the floor for question-and-answer session. Thank you.

Moderator: We have our first question from the line of Sudarshan Padmanabhan from JM Financial PMS. Please go ahead.

Sudarshan Padmanabhan: Yes. So I would like to understand, I mean, we have seen a pretty sharp drop in your sales in the third quarter. Can you give some colour with respect to the volumes, I mean, just to understand how the volumes and realization have behaved?

Manish Dabkara: Yes. So during quarter one, the supply volume was in the range of around 19 million during quarter two, again the same 19 million and during quarter three, it was around 18 million credits.

Sudarshan Padmanabhan: The drop has basically been in the realization side, because it is 19 million, 19 million and 18 million, so, I mean, I would understand that the prices would have come off sharply in the third quarter?

Manish Dabkara: Yes, because of the headwinds for the international voluntary carbon markets which I've covered during my speech. There were specific reasons behind the same and I have mentioned the same in the speech.

Sudarshan Padmanabhan: And, I mean, how has the prices behaved? I mean, in the third quarter, it's over as in December. But if you can give some colour with respect to October, November, December and till now, whether the prices remain as it is or primarily has there been an improvement or is it also because we had a poorer mix in that quarter. So just to understand on an apple-to-apple basis, what has really changed there?

Mohit Agrawal: Sorry, sir, can you repeat your question?

Sudarshan Padmanabhan: So, I mean, if I'm looking at 18 million credits and the realization for that, it is not equivalent every month. So if I'm splitting the month between October, November, December, and I mean I don't want the exact number today, as you in Feb. How has the prices behaved, has there been any improvement in price or is it remaining stagnant, etc.?

Mohit Agrawal: Okay. Price -- you want to say that -- you want to track the monthly price trend. Correct, sir?

Sudarshan Padmanabhan: Just the price trends, yes.

Mohit Agrawal: Yes, I can understand. Price trend remains same in the quarters, that means you can say 5% or 7% here and there, but there is no significant movement in the prices on during the quarters, in every month.

Sudarshan Padmanabhan: And with respect to the revenue recognition, you had earlier said, but just to get a little bit more clarity. If I understand correctly, even this is for the cook stoves, so typically when you enter into the agreement and you buy the cook stoves. And as the cook stove is transferred to your customer, you basically book the amount and the cost, as both the entries. But the auditor primarily would request you or as per the accounting, it basically should be recognized as the amount is received, is that correct? I mean, is that the difference or is there something that I missing?

Mohit Agrawal: No, I will explain you, sir. There is a two part in the contract, cook stove contract, which was done and this is the first year which where we have done, first part is a manufacturing under distribution part, where -- let's take an example, you have given an order of 100,000 cook stoves to me to distribute on your behalf to generate -- okay, then what I will do, and on a fixed-price mode, so in that scenario, you will pay me, let's take an example, INR 3,000 rupees per cook stove, we have agreed the prices. In that scenario, 100,000×3,000 you will pay me in a milestones whatsoever we've been agreed and we will get it manufactured and procured and distribute to the beneficiaries at a local level means field level, okay.

Then the second part of this contract will be the registration, verification, monitoring and issuance of the carbon credits and that will take after the distribution of the cook stoves that will take another seven to eight month time horizon and for that, we have agreed that some of the sharing of the credit will be done between EKI and tenant (22.28), okay. So there are two parts of revenue and two part of the contract, we have executed first part and project is already registered and transferred to the client.

Sudarshan Padmanabhan: And the second factor, I mean, yes, on the second part —

Mohit Agrawal: Second part we will progress – it we will progress and as and when, credit will get issued, our revenue will get generated from there and that is – that will be done in a future, four, five months down the road, as and when credit will get issued.

Sudarshan Padmanabhan: And one final question before I move back. I mean, you typically have a revenue sharing and you also give a client certain colour with respect to the credit cost. But in this case. I mean, you basically get the contract or the credit from the client and the prices have fallen. So how does, I mean, do you take the full impact, the difference between what the client should have got and what he is getting into your numbers or does the client take up proportionate part of certain amount of loss?

Mohit Agrawal: Sir, we always took a credit on our book and that's why whenever we pay to the client that is coming as a direct cost in our books of account. And when we offload or when we sold the credits in the open market that becomes my top line.

Moderator: We have our next question from the line of Nikhil Abhyankar from DAM Capital.

Nikhil Abhyankar: Sir, during the year, you had given a guidance of 100 –(24.25) to 100 million credits for the year. So given that you have reached 55 million, do you still stay with the guidance?

Manish Dabkara: Yes. So if you do add this three quarter volume, which stands out to be around $56 million. So definitely the -- in reference to the inventory, supply of inventory either which is there in the books or under process or maybe, we'll do by directly from the clients which already have the issued credits. So, we are looking forward, once -- the numbers that we have informed earlier provided, the headwinds do support and the target to meet.

There is not any problem in reference to the supply of credits, only the thing is, once the buyer is -- we'll do come up with the headwinds, which is associated international voluntary carbon markets. And thereafter, everything will be their increase.

Nikhil Abhyankar: Sir and earlier in October, you had announced the tie-up with Adani Green. So can you just tell us in brief like what this partnership entails?

Manish Dabkara: With Adani Green, that was an association, actually we have formed called as Carbon Markets Association of India in which not only Adani, but various different project owners like the ACME or other different investors who are there in India are the part of that specific association. So there is no any specific collaboration or other type of MoU that we have signed with Adani Green specifically, it was an association that we have formed. I will do repeat again the same, it's Carbon Markets Association of India.

Nikhil Abhyankar: And sir, what is the purpose of this association, basically? So is that to develop standardized market, exactly, I want to understand that.

Manish Dabkara: Yes, actually, as you know, in India, compliance market is upcoming in the -- through the implementation of Energy Conservation Act 2022. This -- so the sellers would be having three different options to sell the credits, one is to sell the credits in the international carbon markets, voluntary carbon markets, international Article 6 markets, which will be under Paris Agreement and domestic Emission Trading Scheme, which will be through Energy Conservation Act 2022. So it is to create more awareness at the government organizations or the policy makers level or to create more awareness, related to the obligated entities under the Energy Conservation Act? And having all three different markets. This should work hand-in-hand or without having any conflict, so to give more clarity to the policy makers, we have formed this specific association.

Nikhil Abhyankar: Sir, now, I would like to ask about the cooking stoves. So what is the capex that we have done till now and what is the target capex?

Manish Dabkara: Can you please repeat, how much capital?

Nikhil Abhyankar: What is the capex till now for the cooking stoves that we have done already and what is the target for the complete project?

Mohit Agrawal: Sir, we have done a capex of till date approximately INR 24 crores, okay, out of that 18 –(28.16) INR 8 crores is in Africa, we are doing a pilot projects in Africa on a cooking stove distribution and remaining in India only and we are expecting that in next five to six months, we are expecting that it will be somewhere around INR 100 crores plus.

Nikhil Abhyankar: Okay, with the next five to six months?

Mohit Agrawal: Yes.

Nikhil Abhyankar: Okay. And sir, just a final question from my side. Sir, what is the value of the 14 million credits that we holding right now?

Mohit Agrawal: Okay, that is somewhere around INR 247 crores.

Nikhil Abhyankar: INR 247 crores?

Mohit Agrawal: Crores, yes.

Moderator: We have a next question from the line of Milind Rach from Rach and Associates.

Milind Rach: Yes. Sir, I have understood the portion on revenue recognition between the view of management and the auditor. My question to the CFO is, when are we expecting this time difference to caught up I mean, how many months or quarters it will take for this mismatch to elapse?

Mohit Agrawal: This will be done in next six months time period, approximately.

Moderator: We have a next question from the line of Mahendra Jain from Way2Wealth Broking Limited.

Mahendra Jain: Yes. Sir my question is regarding the [inaudible 0:29:54] like deforestation or this green energy credits are not verified by very high-quality standard agencies. So is that we are suffering from or are we planning anything into technology removal like a hybrid direct air capture and all these things in future? This is my first question.

And second is, right, what are the chances that we can goes into losses because of we are in buying and selling of credit and if there is any chances that our inventory may go into losses and all these things. What do you look at in future in next two to three quarters?

Manish Dabkara: Yes. So there are three different categories, one is the technology-based credits, so that means with the credits which are coming from renewable energy on energy efficiency, second category is community-based projects likecredits coming from cook stove projects or water filter or LED and third category is nature-based solution activity, which also can be divided into two parts, one is related to the forest conservation and second one is afforestation, deforestation and that means planting new trees. So as of now, we have major exposure to the renewable energy and energy efficiency projects that means technologically-driven projects.

Now, the second one is community-based projects. So these are the two different category projects we do have. The third category that means comes from nature-based solution activities, so we do have almost no exposure to such kind of credits as of now, because from the past we are very strong in the first and second category and third category, we do not have any – the projects for which we are – the large number of projects only less than 10 projects we do have and the inventory is almost negligible as compared to the technology and inventory – the community-based projects.

The second question is related to the inventory prices. So whatever the stock or the inventory that we do have is that very below-market average price as of now and there is very less chance that the same may go into the losses because we always as per our internal risk management policies, we do not give high volume or high words or you can say high market price inventory on our books, whenever it comes, we'll do try to push the same within five, 10 days. So that is the strategy we do have to mitigate the associated risks.

Mahendra Jain: I mean, if there is any demand drop in this renewal type and liquidity. Because there was a Bloomberg report that renewable energy carbon credit is not going to sustain in longer future. So are you taking that argument or I mean and you are planning anything else to sustain in better way to deliver better credit supply?

Manish Dabkara: So during next 10 years, we do not foresee that there will be any decrease in demand. As you know the credits are of two types, one is avoidance-based carbon credits and avoidance-based carbon credits comes under all these three different categories like forest, conservation, second one is community-based projects, third one is the technology-based credits like renewable energy efficiency. So during next 10 years, we do not foresee that there would be any reduction in demand for such kind of credits, in fact during 2021 and during 2022, 10% -- almost 7% to 10% more demand was there for the renewable energy projects.

So some stakeholders do interpret that such kind of rates, since VCS and Gold Standard do not allow new project registrations to – from the renewable energy sector industry in India and China or maybe Turkey, but there are other standards like Global Carbon Council, they do allow such kind of registration, so there is no any issue related to the quality of renewable energy projects, but there are few stakeholders, they do anticipate that the credit should not be – this carbon finance should not be allocated to the projects which I think is a mega-scale like renewable energy efficiency and should be diverted towards the community or maybe afforestation, reforestation retro projects.

So the industry – few stakeholders do think like this, but if you do check the number of retirements that had been done by the buyers during last 2021-2022, there we do not foresee any reduction in demand for such kind of projects.

Mahendra Jain: Okay. Sir my -- sir that what are the —

Moderator: Mr. Jain.

Mahendra Jain: Yes, can you hear me now? Sorry. So my last question is that, what are the basically when cost -- behind this low profitable clearly compared to the last all quarters, being credit like 19 million or 20 million we are producing or buying from market. So then price fluctuation is around 5% to 7% and where is the -- where is the wrong like, what is the real cost?

Manish Dabkara: Can you please repeat, sir, 5% to 7% what?

Mahendra Jain: The price fluctuation between three quarters of carbon credit is around 5% to 7% as you said like, the drop in prices is around -- volatility is around 5% to 7%, then what is the actual call of getting slowdown in profit like? From INR 100 crores to around INR 40 crores, so what are the causes, I mean, what is the reason behind that? Be on same top line sir.

Mohit Agrawal: Yes, top line is same sir, but this isn't see the direct cost, that has been increased because prices have been revised -- prices -- selling price has been revised but in quarter one and quarter two, we were revising the prices for procurement also and that came into quarter three on a higher side. Our -- some of the bigger clients had revised the procurement price also and we are happy to share the revenues, because we ran the client base which is longer term, but that's the main reason because our cost of procurement has been increased from last two quarters.

Moderator: We have a next question from the line of Ashok from Techchip.

Ashok: Yes. I think my questions have already been answered to some extent. But only one thing is, want a very categorical thing, that certain revenues have not been considered by auditor and kind of -- so if that revenue has not been considered, that means our inventories have gone up correspondingly?

Mohit Agrawal: No, sir. We have not given any impact in financials. There is no impact of this one, given in the financials, they have given only a qualification report in their LRR. No adjustment has been done in the books of account.

Moderator: We have a next question from the line of Sudeep, an Individual Investor.

Sudeep Yes. So, I was wondering as an individual investor, is there any way to track these carbon credit prices as an individual investor. So I was looking at the CarbonCredits.Com and I see various prices there. So the company's prices are connected to these prices?

Manish Dabkara: Yes. So actually 95% of the trades that do happen in the international voluntary carbon market, do happen over-the-counter deals while only less than 5% of the deal seems to happen over the marketplaces which like (38.39) this in the present scenario. So it is very, very tough to check for the price because, for the normal stakeholder, if they do refer the prices which are -- for the credits, which are associated with the European Union Emissions Trading Schemes, then the rates -- the prices or the volume is increasing day by day and which had crossed around $100 during last couple of months, while in case of international voluntary carbon markets, this is not the case. So, these are totally disassociated or not connected markets.

The compliance market, regional compliance markets like California cap-and-trade or European Union Emissions Trading Scheme or Korea -- South Korea Emission Trading Scheme or China

Emission Trading Scheme. So they are international offsets which they do not allow and we do not work under such kind of compliance schemes, we only work in the international voluntary carbon markets. So it is tough for the normal stakeholder to track the prices from the -- because there is no any reporting requirement for the buyers and sellers to report related to the volumes or related to the prices which are there in the market and it is for the normal stakeholder it is there, but although since we do work with day-in, day-out in the market, we are closely(39.51) associated with what is happening in the different parts of the carbon market across the world.

Sudeep: So one more question, sir. So you said the last quarter total carbon credits have been 17 and before that quarter we did 18. So…

Manish Dabkara: Yes. During quarter one, quarter two, it was 19 and during quarter three, it was 18.

Sudeep: Okay. So there was a small dip in the total number of sales, but the expenses went up. Also the prices of the carbon credits have been down.

Manish Dabkara: Yes

Sudeep: Okay. So what was the erosion like from the quarter one to quarter three in the prices of the voluntary carbon credits?

Manish Dabkara: Yes, the reason for getting the low frequency -- low frequency for the trades and the low prices is the -- since the major buyers of the international carbon markets are located there at euro. And as you know because of the Russia, Ukraine war, there is a high inflation in reference to the energy prices. And the other economical parameters within that specific economy and there the buyers, they are looking that means, this is the discretionary expenses, the carbon neutrality and Net Zero expenses is the discretionary expenses, because as we call it as the international voluntary carbon market.

So that means it's a voluntary for them to comply and to manage their financials they are expecting low prices and they are also bifurcating the buying of the credits for the next quarters. So that is the reason behind these headwinds in the voluntary carbon markets.

Sudeep: Right now, the natural gas prices have come down, the NRV costs have come down. So you believe that there should be an uptick in the prices of voluntary carbon credits?

Manish Dabkara: Definitely. We do foresee the same, but exactly we do foresee that during the second half of this calendar year, we may be able to see more stability in reference to the more increase in the demand and further the prices will also go up. Because as you know, it is very inevitable foundation to not to comply or not to follow ESG, not to comply with the domestic emission trading schemes or not to comply with the international peer pressure related to the decarbonization and carbon credit is the solution at last solution for any organization, if they are looking to become carbon-neutral or Net Zero.

There is no organization or no country would be able to achieve this specific two goals of carbon neutrality and Net Zero goals without the help of carbon offsetting because it is impossible for any specific organizational or country to not to emit anything and have the similar GDP or business or economic growth. So, carbon credits are very, very important part of the whole journey for any organization or country to become Net Zero or carbon neutral. And this is -- these are the small impacts that we do foresee in the international carbon market. But in the medium-term and long-term, definitely more and more buyers will do come and more and more demand would be there, which is being anticipated by Bloomberg, by BCG, by McKinsey to their various different articles.

But definitely the market is tend to grow during the year 2025 -- by 2025 by 2030 by 2050, both at the voluntary carbon market front and the compliance carbon market front, although in the present market scenario, who do not work in the compliance carbon market, because in India, do not exist. During 2023, it is going to get established and the international compliance market there at Europe or South Korea, we do not work in that specific areas but we are looking to get addition of more geographies and more emission trading schemes to work during next quarters.

Sudeep: So in next few quarters, we can expect the net profits to increase, right?

Manish Dabkara: Definitely, our main intent is to grow all -- grow the volume and definitely and more and more demand will do come with a limited supply of credits rise are intended to grow in the coming few quarters.

Moderator: We have a next question from the line of Jai Patel from Hanimi Group.

Jai Patel: My first question is that how many carbon credit does EKI generate by itself? Like not through your contracts, but as a company?

Manish Dabkara: How many carbon credits, which have been generated till date?

Jai Patel: Yes, No, let's just go with the current quarter.

Manish Dabkara: So, the credits that we have supplied is around 18 million during last quarter and the total inventory we do have is around 14 million credits.

Jai Patel: No. So this is -- these carbon credits generated exclusively by EKI, like not contractually you procure it from your clients, but by your own company?

Manish Dabkara: Yes, these are -- these are being generated in house through our comprehensive advisory services.

Jai Patel: Okay. And lately IEX announced that it's going to open a carbon credit exchange in India. So how will EKI benefit from it? So, currently you procure the carbon credits from your clients to generate them and then you sell it in international markets or companies who are running. So how will this help you grow more? I'm just curious because the clients could be selling it directly to the exchange, not like -- not through your contractors as I said it to you, but they might directly sell it to the exchange and get money and return. So how will EKI benefit from it? That's -- yes, that's the main question.

Manish Dabkara: Yes, so if you see the similar exchanges that had been announced, they are at different parts of the world and there are various inefficiencies or deficit of the infrastructure which is there, we should do -- help all these exchanges or marketplaces to grow. So I cannot comment about the IEX initiative. But if you do see the trend which is there globally or the percentage of the market share, these marketplaces in fact, they call them as exchanges, but they are working, still they are working in marketplace.

It is being anticipated during next five to 10 years, it will be. They would not be able to get substantial market share in reference to the different kinds of voluntary carbon credits, which are there, which are depending -- their prices are dependent or the country of origin, vintage, technology, sustainable development goal parameters, programs, quality of auditor, consultant and the sellers, so it is very, very tough for such as exchanges to have substantial market share in coming few years.

Jai Patel: And my last question is that you also announced that you will be coming into the plastic credit and you will be coming into the forest credit. I'm not sure if I am saying is right, but so in terms of margin, which credit gives you the most amount of margins when you sell it?

Manish Dabkara: There are different types of commodities, which are there in the market like renewable energy certificates or carbon credits or plastic credits. So the globally accepted commodities, the carbon credit, then secondly -- second -- at the second level, the accepted one is the renewable in the certificates in factoring, international renewable in certificates and last -- it comes is the plastic weighted. Volume, the number of projects are very, very less. So, I think it will do grow in next three to four years' timeline, but before that, we are also doing some piloting of the projects and trying to find the whole ecosystem related to the buyers and sellers of the credit. So that specific market is very, very less in the international plastic market so to say.

But In India, we do also have EPR mechanism wherein the obligation is there over the plastic producers to buy the credits originated from India only, although we do -- we are not working very closely with that specific market, because we do have good opportunities to grow in the international carbon markets.

Moderator: We have our next question from the line of Amish Kanani from JM Financial Services.

Amish Kanani: Yes, hi. Manish, two questions from my side, one, our margins for the quarter has come down to a standalone margin at 11.5%. And if I do the quick math, for the realization, for the carbon credit this quarter, it's more like $2.75 correct me if I'm wrong. But the question is, in the past, our utilization was more like $3. So a 10% decline in the average pricing if I take it that way. Does it result in a 20% decline in EBITDA margin from 30 to 11.5, so maybe is what you said. We have also paid a probably a higher price for our purchase. So if you can explain what is the sustainable EBITDA margin in that sense, if you can share that that would be helpful? Thanks.

Manish Dabkara: Yes, so the sustainable EBITDA margin definitely will do depend on the more the prices. And as you know to create the average pricing is not the correct formula, because all the different credits are having the different vintages, different programs, different technology and country of origin. So to coming up over the average number and comparing with the last quarter performance, I wouldn't may not be the correct gauge to measure with. so actually just procurement price also do vary on quarter-to-quarter basis depending on the different contracts that we do have.

During last specific quarter then the major inventory is actually improving mobilized was having low margin while the credits, which are having high-margin or high share had got deviated because of the low issuances from the regulatory bodies. So the mix it was not as compared to during quarter one and quarter two, we had got good mix while in quarter three, it was not the same and that was the specific reason of having low margins.

Amish Kanani: But is it possible to give us some indication of sustainable margin. Will it be say 20% plus or below 20% going something here that on an annual basis, new normal?

Manish Dabkara: So depending on -- yes, so the number of projects and the credits for which we work, we always target that we should be able to maintain in between 20% to 25%, but depending on the different global factors, it may impact but the internal target is for us is having the credit mix of the credits from different technology country and other different parameters should be in between 20% to 25%.

Amish Kanani: Okay sure. And partly you answered that IEX question, but just to kind of further. If and when that exchange -- one, when do you think that exchange will come and whether the pricing that will be there in that exchange, whether buyers(53.07) will cold, their inventory and probably tend to directly sell. So what I'm trying to understand is, Manish, we have two-parts of our business. One is trading of carbon buying from client and selling and then sharing some profit there, but probably large part of our business will be advisory and registration on audit type of businesses, which probably no one else can do, barring few companies in India. So the question is if and when that IEX come the trading part of the business will have some effect, so your thoughts on that and when that can happen. Thanks.

Manish Dabkara: Yes, if you see during last two years, many exchanges that I already replied in the last few questions during last two years, as you see many exchanges had got incorporated or had got launched across the world and in fact those exchanges, they call them, as an exchange, but they do work as a marketplace during last two years. There are many inefficiencies, which are being associated for any exchange because the meaning of exchange as we all know that means the buyer should come with volume and price, seller should come with volume and price and exchange through its metrics should be able to give the proper reach to the demand and supply, which is there in the market.

So now during last two years or in fact, during since this voluntary carbon market do exist for the last 15 years, during last 15 years not at the national level budget international level in the specific international voluntary carbon market in which we work in case of compliance market trends, it's being driven by law and that is being there in India called as Energy Conservation Act 2022, under that specific market obviously, the trades would get regulated. But in case of international voluntary carbon market, there is no any regulatory body who do regulate the volumes, prices, buyers and sellers.

And it is very, very challenging situation for any exchange or marketplace to bring buyers, global buyers and global sellers over one platform and then help them to determine a specific trade price. So it is very, very challenging for last 15, 17 years in our international voluntary carbon markets and we do foresee that during next five to 10 years, the same challenges will do remain with the industry.

Moderator: We have a next question from the line of Milind Rach from Rach And Associates.

Milind Rach: Sir, my question is about ESG and Net Zero consulting vertical. The presentation mentioned that we have acquired 15 clients in Q3. These are project-based or retainership. And if you can let me know what is the average take value for the contracts?

Manish Dabkara: Yes. So we do have our in-house vertical, which helps buyers of the carbon credit to get through their ESG journey and low-carbon pathways. So, we help organizations to determine their carbon footprint, having low-carbon pathways and then also help them to achieve carbon neutrality on Net Zero emission goals, not only in India but across the globe. So through that specific like the companies, they do have their specific journey of three to five years or maybe 10 years and at -- in between and at the last, they do procure the credit.

So initially, it will be the consulting services that we are providing and the clients they do have different kind of services, needs related to someone only wish to determine their carbon footprint, only wish to optimize their low carbon pathways and finally, if you do go through the complete lifecycle within the short span of time. So the revenue, obviously depending on the maturity of the services and the maturity of the client, who is looking to adapt all those services or head those services.

So but the ultimate goal of ours is to help buyer of credits to have their obligations, internal voluntary obligations that they had committed to have proper ESG ratings for them or ultimately achieve carbon neutrality or Net Zero goals. So depending on specific years, the revenue will do vary on -- depending on the client-to-client or service-to-service basis.

Milind Rach: In that case, sir, will you be able to give any guidance for the upcoming quarters for this vertical?

Manish Dabkara: This vertical is the enabler for us to position ourselves with the buyer of credit to supply the credits for years to come. And so definitely we are intending to grow this specific vertical, not only in India but across the globe, so that we can remain closely associated with the buyer of credits, while helping them to determine their carbon footprint or ESG needs or maybe a low-carbon pathways and ultimately supply the credits through them.

So with that same goal we are also trying to be great with the information technology so that like SaaS-based model or other different models, so that clients would be able to do it by their own and then ultimately will do help them to provide the credits within the same portal. So that is the near-future plans we do have in reference to giving the services physically or through information technology.

Moderator: Thank you. I would now like to hand over the call to management for closing comments. Over to you, sir.

Manish Dabkara: Thank you very much for everyone for joining this call and we are committed to grab all the opportunities related to the voluntary carbon markets and upcoming compliance carbon markets across the globe and definitely, we are well-positioned to have leadership in our carbon markets. Thank you very much for joining this call. And for any specific query, you are requested to forward email to us. Thank you very much.

Mohit Agrawal: Thank you.

Moderator: On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining for us and you may now disconnect your line.