Earnings Conference Call

Q2 and H1 FY2022

November 1, 2021

Management:

Mr. Manish Dabkara - Chairman and Managing Director

Hosted by Hem Securities Limited

Bharati: Ladies and gentlemen, good day and welcome to EKI Energy Services Limited Q2 and H1 FY22 earnings conference call hosted by HEM Securities 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 touch screen phone. Please note that this conference is being recorded. I would now like to handover the floor to Ms. Astha Jain from HEM Securities Limited. Thank you and over to you ma'am.

Astha Jain: Thank you Bharati. Good afternoon, ladies and gentlemen. Thank you for joining the EKI Energy Services Limited Q2 and H1 FY22 Earnings Conference Call. Today, we have with us Manish Dabkara, Chairman and Managing Director of EKI Energy to discuss the operational and financial performance and to answer all of your queries. First of all, I would like to congratulate management for the strong set of numbers in Q2 and H1 FY22. So, without any further ado, I will handover the call to Mr. Manish Dabkara for his comments on the operational and financial performance of the company. Over to you Sir.

Manish Dabkara: Yeah, thank you Astha. Good afternoon ladies and gentlemen. I take the pleasure of welcoming you all to the Q2 and H1 FY2022 Earnings conference call of EKI Energy Services Limited. I hope you all had the chance to look at the financial statement and earning presentation uploaded on the BSE and our website. I will start a call with a few highlights of the H1 FY2022. We have reported a robust business performance in H1 FY22. During H1 FY22 our revenue from operations was reported at Rs.636 crores as compared to Rs. 191 crores in last financial year in FY2021. We have reported an EBITDA of Rs. 157 crores as compared to Rs. 25 crores for full year FY21. The outstanding business performance is driven by increasing demand for carbon instrument in international carbon market and carbon credit pricing. On quarter to quarter basis we have reported strong top line of 129% with stable EBITDA margin of ~24%.

Consistency widening the demand-supply gap, increasing global awareness and collective efforts of regulatory bodies for emission control are the key drivers for growth in carbon credit prices in the last few quarters. Considering this high demand for carbon credits in Q2 FY22, we had entered in a major deal to purchase carbon credits.

EKI Energy Services Limited is one of the leading players in the carbon credit industry with an established global footprint and has a strong presence across renewable energy projects, nature based projects, community development projects, waste management projects, e-mobility projects, energy efficiency, green building and infrastructural projects. Furthermore, as part of our business strategy of continuous expansion across different geographies and industries, we are also exploring new avenues of business. The company is exploring attractive business opportunity arising from the proposed Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The scheme is applicable from year 2021 and voluntary for all the nations until 2027. From year 2028 it would be a compulsory, but many countries including the USA and China have already implemented this scheme and other countries to follow in the near term. The implementation of CORSIA with increased global carbon market demand substantially will increase the demand supply gap further.

As part of our continuous geographical expansion during the last six months we have expanded our operations to three additional developing nations namely Indonesia, Jordon and Thailand. With strong industry experience and a global network, we are confident of operations in this country will grow further in the coming quarters.

With improving economic activities from the COVID 19 pandemic and increasing carbon market dynamic, the current carbon offsetting demand is substantial and expected to increase in the future. We are positively looking forward to the COP26 that is Conference of Parties meeting number 26, which is going to start from today in Glasgow., COP26 is expected to bring more stringent guidelines to control emissions and increase emission reduction targets under Paris Agreement. Paris Agreement is going to take over the Kyoto protocol under which, under the Kyoto protocol all developed nations are obligatory to reduce the emissions and now developing nations including all kind of nations including developing nations, developed nations, economies in transition, all are obligated to reduce their emissions under the Paris Agreement. The increasing awareness for the reduction in global expansion in collective effort of various regulatory bodies expected to increase the pricing and scope of carbon pricing instruments over the time.

Coming to the financial performance of Q2 FY2022, our revenues from operation increased by 129.4% QoQ to Rs. 443 crores. The EBITDA increased by 127.5% QoQ to Rs. 109 crores, while EBITDA margins reported at 24.5%. PAT increased by 127.3% to Rs. 81 crores, while PAT margins reported at 18.3%. The strong business performance has been supported by higher demand in pricing of carbon credits increasing global awareness of GHG emission and widening carbon credit demand-supply gap.

During H1 FY2022, we have reported revenues from operation of Rs. 637 crores as compared to Rs.191 crore for full year FY2021. EBITDA of Rs. 157 crores as compared to Rs. 25 crore for the full year FY2021 and a PAT of Rs. 117 crores as compared to Rs. 19 crores for full year FY2021. As compared to FY2021, during H1 FY22 EBITDA margin increased by over 11% to 24.6% while PAT margin almost doubled to 18.4%. Strong margin levels are supported by higher carbon pricing and effective cost control measures.

As of September 30, 2021, EKI Energy has a long term debt of Rs. 69 lakh while short term debt of Rs. 2 lakhs. Total debt of the company stood at Rs. 71 lakhs only. The company has shares and cash equivalent of around Rs. 24 crores and net cash of Rs. 23.3 crores. With strong business fundamental and effective working capital management, the company has maintained a net cash positive balance sheet. Going forward we will focus on strengthening our balance sheet through debt reduction and optimum resource utilization.

Looking forward with increasing demand for carbon credits, evolving carbon credit market and evident economic recovery from the COVID 19 pandemic, we are confident of continuing strong growth momentum and maximizing shareholder value.

Bharathi: Thank you, Sir. Ladies and gentlemen, we will now begin the question and answer session. First question comes from some Sam Patti from AUM Fund Advisors. Please go ahead.

Sam Patti: So, my first question is, if you can just explain how much of your Rs. 636 crores of income in H1 FY22 comes from pure consulting revenues where you are just providing advice and how much of it is basically a trade on carbon where you are taking a principal position and making a spread between the buying price and the selling price?

Manish Dabkara: Yeah. So, like our business model most of the projects we do on revenue sharing basis. Under that revenue sharing basis whatever the expenses which are required to hire a third party section company, to pay registration fee, ensuring our working capital requirement everything gets included including the margin in that particular model. We hardly differentiate between all these different schemes, it comes under the consolidated revenue from the sale of carbon credit and basis on the percentage that we are charging our client.

Sam Patti: When you say revenue share what does that mean?

Manish Dabkara: For example, there is a company who is having a solar power project and if we have done the contract on the revenue sharing basis, that means we need to invest all the expenses to complete the process like to put our own working capital. Working capital includes expenses required for project registration, verification and other different activities, such as travel expenses and paying third party companies. All the different expenses which are required in completing the process we will pay for that and then we will look at the reimbursement along with the sharing of the revenue. So for example, if we sell the credit at the rate of 2 dollars for example and the revenue sharing is 70-30, whatever the investment we have done that would be covered under that 30% along with the margins that we will to get basis on the pricing at which we are selling it.

Sam Patti: No, so the 30% will also take into account your cost or your costs are built separately over and above from the 30%?

Manish Dabkara: It is different on case to case basis. In some, in many projects first we will do deduct the expenses, then do sharing in some projects may be, it depends on the project and then the volume of the credit. It varies on case to case basis. It's not as a fixed business model.

Sam Patti: Okay. So, if carbon prices were to crash and then, is that theoretically possibility that you will make a loss on any of the projects because you have spent the cost and the working capital upfront and if you don't get paid enough at the end?

Manish Dabkara: Yeah, it may be the case, but it's quite impractical because if that would the case then what.. e.g. if we are considering 2 dollars is the price, carbon credit price and if it's, whatever the expenses, for example, if you are doing it say 30 cents to 40 cents, so if the credit rate will come down from 30 to 40 cents, lesser than that, then definitely we would be in the negative position perhaps. For last say 10 years, if you see in the international carbon market, the rates were never been less than 40 cents, so it's a hardly impractical case for us to consider.

Sam Patti: Fair enough. Sir second question is that you have made Rs. 156 crores of EBITDA in six months, but if I look at your cash balance has increased from Rs. 15 crores to Rs. 24 crores, so what is the cash conversion cycle of this business? How much of you EBITDA you are able to translate into cash earning? Is it a massive working capital cycle intensive business?

Manish Dabkara: Actually, our CFO could not join this call because of some health issues. So if you do pass this question and we will answer as soon as possible.

Sam Patti: Okay. So, will you be able to tell me what are the debtors for the company? As of September what is the total loan, total receivables from client?

Manish Dabkara: We will do reply to this question along with previous question as soon as possible.

Bharathi: Thank you, Sir. Next question comes from Farhan Amlani from S J Investments. Please go ahead.

Farhan Amlani: Yeah, congrats on an excellent set of numbers first of all.

Manish Dabkara: Thank you.

Farhan Amlani: I have some questions that you have reported exceedingly well sales and profit for the first half. Can we at least expect this to sustain in the second half?

Manish Dabkara: Definitely. The majorly, the demand as you see during last eight years, the major demand was coming from the voluntary carbon market. There are two types of markets used to be there in the international carbon market space; one is the compliance market and another one is the voluntary market. For last eight years after getting not fully negotiated commitment period to our future protocol almost the demand is coming from the compliance market. Compliance market means the buyers or the obligated entities who are having compliance to buy the credits. They are called as the compliance buyers or compliance obligated entities coming from compliance market and other one is the voluntary market that means there is no need, requirement for people to buy but because of their CSR activities, their pledges at the national-international level like the net zero emissions and other similar pledges like RE100, they buy the offset carbon credits or similar environmental commodities or instruments. So, for last eight years the demand was majorly coming from voluntary market, but now during from 1st January 2021, there are various avenues from where the demands are coming, so the first one is the net zero emissions, various nations including various big organizations they have committed their net zero emissions from year starting from year 2040-2050 or upto 2060. That is the one set of demand which is coming. Then voluntary demand, various nations, whosoever the company, who too all are not obligated entities, they are drawing the offsets from the voluntary aspects. That the CORSIA, for the civil aviation or civil airlines they need to buy carbon offsets starting from 1st January 2021. Then the national movements are also there like India also gear up and is planning to have its own voluntary carbon market and compliance carbon market under Paris Agreement. Then various investors are the, who are investing specifically for buying carbon offsets, carbon credits and then at their own discretion they may sell credits for some time or for the last longer time period. Then the Cryptocurrency, so they are also buying these carbon offsets to make their currency as a carbon neutral currency. These are all majorly and the most majors in carbon market which is upcoming is under Article 6 of Paris Agreement which is going to get fixed during COP26 starting form today till 12 November. So, these are all drivers of the demand which is coming in international carbon markets and the supply is not making the demand and so the gap is being wider. The demand supply gap is high and that is why we could anticipate that for many years to come high demand is going to get sustained.

Farhan Amlani: Okay. And what is your view on competition like the market will move from voluntary to compulsory in the coming years.

Manish Dabkara: Both markets will do survive. One is the compliance market. As of now compliance market is not at a high existing level, but the voluntary market is there, but slowly compliance market will do also come and that will also increase high demand. Because compliance market used to be there for longer period because of the international treaty like Paris Agreement or the national acts like in India its Energy Conservation Act 2001. So, such kind of compliance market used to be there for higher period and obviously, the voluntary market will do also survive. For example, if you are located in Europe and under European Union Emissions Trading System you have target to reduce your emission from 100 ton to 90 ton for example, but if you want to make your company as a net zero company or carbon neutral, if you want to sell your product as carbon neutral product, so the remaining 90 tons people used to buy voluntary credits. Both will do survive in parallel that we have experienced in past.

Farhan Amlani: Okay. And there is also an update regarding the split in the lot size of your share like earlier we had 1200 and currently it is 50, so you haven't given any update or disclosure as such.

Manish Dabkara: That we will do a note and if it is required under for the compliances, we will do definitely take a note of it, but as per my information that was the decision taken by BSE and it had been implemented by them some 20-30 days back. But if it's a requirement then we should also update the same, we will do take care of it same as soon as possible.

Bharati: Next question comes from Ashok Agrawal from Technip. Please go ahead.

Ashok Agrawal: My question is about, we want to know a little more color about the major deal in H1 FY22 which have been signed, so we want to know whether it is for buying the carbon credit or for selling the carbon credit? Also, is it multiyear or is it only for one year?

Manish Dabkara: The question that I have understood, so I will do answer accordingly. So, because of this various demand sources from CORSIA, from voluntary, from net zero emissions, high demand is coming in the international carbon market and we are supplying those carbon credits and carbon offsets from our portfolio for which we have given the consulting services. So, that is the equation which has drived our top line and bottom line at the highest in our history. If you see, for last 8-9 years, the rates were less than 50 cent and now it has increased and it's more than a dollar. Carbon credit price may be based on the country from which the credits are generated, technology used, vintage, CORSIA, non-CORSIA and Sustainable Development Goals (SDGs) from which it is created. So it's raising from 1 dollar to around 15 to 20 dollars for last 7-8 years and now because of high fraction in supplying the credits and rates of those credits. This is the major driving force over the top line and bottom line, increasing top line and bottom line. So, I hope I have answered your question.

Ashok Agrawal: No, it is specifically mentioned that there is a major deal signed in first six, half year of this year, so I am just wondering whether it is a routine activity of buying selling or there is a specific deal you had in the first half?

Manish Dabkara: Sir, this is not a single deal but large chunk of deals we have signed. This is a set of major deals and this is not long term. As you are aware that, the carbon credit prices are continuously increasing. For example, earlier if you have supplied the carbon credits say one lakh credits at the rate of one dollar, but now the similar one lakh credits you are supplying at the 5 dollar. Generally as soon as we get the issuance of the carbon credit from the carbon credit standard bodies, we will do supply the same. But here we have not entered into the long term deal because if you will do the same then whatever the new or the high carbon prices that we may bring for our clients and we will not be able to bring the same, so we have not done such kind of activity as of now.

Ashok Agrawal: One more credit question I wanted to say whenever you enter into deals with contract, with your suppliers of carbon credit in India, for example Adani Group or like that, so typically such agreements are for how many years let us say, 10 years or 15 years or throughout the lifecycle of the project or like that?

Manish Dabkara: See it depends. Generally the projects that used to get registered are from 10 years to 90 years, so we call it as the credit period. So, it's a common practice as a consultant or the advisory company for the organization, we work for very long term. So it depends on the contract that you are signing, but in the majority of the contracts we go for the long term service agreement.

Bharati: Thank you, Sir. Next question comes from Neerav Dalal from Maybank Kim Engineering Securities. Please go ahead.

Neerav Dalal: Good morning. Thank you for the opportunity and congratulations for strong set of numbers. Couple of questions, one is whether we have completed the acquisition that we had extended the date, right? So, have we completed that acquisition of this Sustainplus?

Manish Dabkara: Yeah, actually we were in various rounds of negotiation, but as of now we have, we are not moving ahead for that particular deal.

Neerav Dalal: So, we are, at the moment we are not moving ahead with the acquisition. Okay.

Manish Dabkara: Yes.

Neerav Dalal: And second thing I wanted to understand that we have got a very strong performance and I guess the carbon credit market is very strong, so I guess we have strong operational performance, but I wanted to understand what are the risks to our business? And what are the threats to our business which could impact our performance going ahead?

Manish Dabkara: Yeah, so the risks are that we have discussed. One is that if it substantially reduces that the investors to the projects like solar power projects or wind power projects or other comparable project if they are not able to bring at least whatever the investment that they are doing that is one of the risks that we anticipate and we are also being associated with majorly revenue sharing model, so the rates if drastically goes down, then that is one of the risks. Other one is the barrier if any nation will do create. As of now no nation had created any barrier in terms of say for example, Thailand government would not allow the solar power project to sell the credits in the international carbon market for that is also the one of the risks that we do, we may do anticipate, but since to mitigate the same we do also get the commitment or the terms and conditions that we have signed with our client as if the rates will do reduce drastically based on the national or international rules and regulations, then we need to adjust whatever the new market prices there. We keep such kind of terms and condition in contract to hedge the risk and along with if any country put barrier to any sort of technology credits to be sold in international carbon market to hedge the risk we have business operations in more than 15 nations. For example, any particular nation or any particular technologies if they create the barrier then we have alternate sources of credits in country to maintain sustainable business model.

Neerav Dalal: For example, if there is an exchange that comes up for trading of the carbon credits then will it be a risk or a growth driver for you?

Manish Dabkara: Various companies mention there has the exchange, but they are not exchange, they are working like a market place. If exchange comes in place then it will bring more and more buyer and seller, but if you see the practicality to bring such kind of exchanges during last 10 years it was quite difficult because each carbon credit is unique in nature based on its vintage, technology, program or carbon credit standard under which it has been registered, then sustainable development goals or SDGs parameters that project is generating. So each credit is unique in nature.

Neerav Dalal: My follow up to that is that okay not an exchange or a platform, right? If we get standardized would it be a, would you benefit from it or would it be a risk to you? So, in the future any such platform or an exchange comes to be created so will it be a risk to you or will it be a driver to you? Because see now at the moment it is all disintegrated, but at some point in the mean time looking at how big the market is right, there might be, you know, that might be a possibility that platforms might be formed, see technology can come in, right or when as the market becomes larger by going into say 2024-25 and exchange comes up, so would it be a driver to you or would it be a risk to you?

Manish Dabkara: Yeah so, I think since as per our present business model we work under a revenue sharing model so, for example if we sell over the counter mode or over the exchange, I think it will not impact us. Because what, whatever the business model as of now it is not going to impact us very much. Either it is the marketplace or over the counter business model or over the exchange, I don't think much impact over the present, considering the present business model.

Neerav Dalal: Right. So, in a way you can, you can also play as an aggregator and then go on the platform as it could be that way also. You might also work in that way also. Could that be a right assumption also?

Manish Dabkara: Definitely, definitely. If we do get good business opportunity to work under that aggregator model also, then we will do explore and we do consider if it benefits us and our clients.

Neerav Dalal: Correct. Because you are working on a revenue share with your clients, right? If there is a platform in place, you can obviously be on that platform representing the companies that you work with. So, is that a right assumption?

Manish Dabkara: Surely. If it happens, then surely we may explore whatever would be the maximum revenue realization opportunity would be there for us and for our clients we will do opt for the same.

Neerav Dalal: Right. And just one small question. Do we currently be benefited on both sides of the table or only one side? So, we are, we can be a seller as well a buyer? Do we, is there a possibility that we earn both sides of the business, both sides of the table?

Manish Dabkara: As a seller and as a buyer, yes for few of the cases, for example, if you do find a project, which hasn't sold the credit for very long, say for the last five-six years. They had accumulated and got into the verification and also had not sold any credit then we also get the opportunity to buy those issued credits from the projects, which we are going to execute for the verification activity and then sell the credits. We do these kind of activities also.

Neerav Dalal: Okay and just one last question. Is there a split in terms of what our services, revenues are and what are our buy and sales? I cannot say trading, but one is that our service verification and all those services and one is that new buying and selling credit. Is there a revenue split of that?

Manish Dabkara: We do not do such kind of activity. As I mentioned earlier it is a comprehensive service. We do not do bill separately and that is why it's a hardly, it's tough to differentiate between the two.

Neerav Dalal: Okay. And what would be our average realization? I know you, I know it is different for different years and, but what would have been our average realization this quarter?

Manish Dabkara: It's very tough because various vintage. The credits used to buy like vintage, technology, country of origin, so it's very tough to quote.

Bharati: Next question comes from Mohit Kumar from DAM Capital. Please go ahead.

Mr Mohit Kumar: Good afternoon, Sir and congratulations for good set of numbers. One question I have regarding the volume number if possible share the carbon credit numbers which is sold in the H1 FY21, H1 FY 22 and full year FY 21?

Manish Dabkara: So, during last year it was around 50 million plus and during the first half it is around the similar quantity we have supplying. But since, you know, earlier the rates were less than a dollar and now it's more than 1 USD, so within the same volume or less than the same volume.

Mr Mohit Kumar: And what is the revenue share sir in general proportion?

Manish Dabkara: It varies from 5-50% depending over the project. It depends on project to project basis.

Bharati: Thank you, sir. Next question comes from Surabhi Saraogi from SMIFS Capital Markets Limited. Please go ahead.

Surabhi Saraogi: My question is regarding the current discussions in Glasgow in the COP26 regarding the reduction in carbon emission. So, my question is that is in that meeting no agreement is reached, what effect will it have on our business?

Manish Dabkara: So, actually, under Glasgow the Paris Agreement Article 6 is going to get negotiated and it is going to get new carbon market, may be called as sustainable development mechanism. So as of now, no, I do not foresee it, for example if the negotiation has not being successful, it is not going to impact the present carbon market, whatever is, which is existing before. Actually, the decision is not being concluded. So, voluntary carbon market sales or credits or the other, the space from where the demand is coming it will remain continuous, so the additional demand it may come from Article 6 of Paris Agreement either 6.2, Article 6.2 or 6.4. It is going to help the carbon market.

Surabhi Saraogi: Okay. So Sir, basically what you are saying is that demands will not be affected by the decision reached in the meeting. Is that right?

Manish Dabkara: Yes, yes. Because for next, see from year 2005 to 2012, the major under Kyoto protocols commitment period 1, the driving force was coming from the developed nations, who they were the obligated entity to meet their emission reduction target and if they are not able to do then they need to buy the carbon offset from the developing nations, majorly developing nations. So, that was the first scenario. The second scenario, because of the failure of the negotiation during the last eight years, it had never happened because all developed nations were looking for USA to sign the international treaty and the USA was putting the question like India and China ,they were not ,they are also the largest emitter in the world and they are not being obligated under the Kyoto protocol. So during last 7-8 years the major demand was coming from Paris Agreement. Now in the Paris Agreement it had been constituted like all developing nations and developed nations are responsible for the global warming and they should reduce the emission by, to cap of the 1.5 degree temperature rise of 2 degree, reduce upto 2 degree centigrade, so now all nations are obligated the reduce the emissions and the demand is going to increase drastically both in the compliance market and the voluntary market because of this signing of the Paris Agreement.

The Paris Agreement had been signed already during 2015, but it's being, it's going to start from 1st January 2021, so all nations they actually need to demonstrate that they are reducing the emission from 1st January 2021 and only one article, Article 6 of Paris Agreement had not negotiated and in that article it is going to get mentioned that how this international carbon offset under the compliance market will do get traded. That is the only negotiation which is being pending, otherwise everything is in place that we do foresee.

Surabhi Saraogi: Okay and sir my another other question is can you give some color on the future outlook of the business?

Manish Dabkara: This, the same I had discussed earlier also, but I will be repeating again for you. Because any market will be survived if there is a demand. High demand is going to get created because of this Article 6 of Paris Agreement, under net zero emission all the nations are included, not India has signed or declared, but various other nations including China or Europe or USA or Australia they had declared the net zero emission.

Then voluntary demand is there, so if you see various events like FIFA or World Cup, they are all buying these carbon offsets for their, to meet their voluntary demands or requirements. Under CORSIA, the civil aviation airlines is going to, they have already started buying carbon offsets under this particular treaty. Then national movement is they are like India, going to form the voluntary market or the compliance market as soon as possible. Investors are there, cryptocurrency buyers are there, so now as we are moving ahead, various demand phases are being generated and Article 6 is, Article 6 of Paris Agreement is going to create a very high demand.

If you notice in coming years, so we do believe like for last 8 years only one demand was there that was coming from the voluntary market, but now there are various sources. I do think that there is going to be a high fraction in terms of demand and so we are into the business of supplying carbon offsets review, advisory services to identify the project, we help investors to invest in the particular specific technology, which can generate the carbon offsets, so then we can offer them to bring the revenues from sell of carbon credits, so starting from document collection up to revenue realization we supply side there is requisition. As the demand will do increase, supply will do also, will do also try to match the supplies looking at the demand. So obviously, I do feel or do anticipate that, the sustainability is going to be for really longer period looking at the present carbon market.

Bharati: Next question comes from Vivek Kaul from Action Capital. Please go ahead.

Vivek Kaul: My first question is the follow-up of the earlier questions asked, if in case there is a platform for carbon credits. Just to follow up, I believe there's already a platform for that and I think MOSS carbon credit, they are offering carbon credit online for everybody. It has already been listed on Coin Market Cap as well. So, this is no longer a hypothetical thing, it's an existing thing and they are also globally accredited. So, what I want to understand is although this is nascent very much right now, in the long term will there be a threat to the company in case people go onto this online platform to buy coins, you know, the carbon credits directly? Because at the end of the day they just have to prove to their investors or for CSR like you mentioned that they are investing in carbon credits. So, they can go directly to the platform as well and not come to EKI. Is that a realistic threat?

Manish Dabkara: So, for example if people go, if the seller or if the buyers go to the platform, or the exchange then obviously that we will do also move over the thing, so what is the harm while working in the over the counter model or the exchange? If we are able to find better prices for our projects that we are giving consulting services for. So, I do not think there would be any harm or threat in this.

Vivek Kaul: Okay, but what will be the possible impact? Will it be, will you have to treat your business model then accordingly to it? Will there any changes have to be brought to your operations and all, anything like that?

Manish Dabkara: In the short term, during this financial year or during the next financial year, we do not anticipate that there would not, there is some kind of exchange upcoming because, then there will be some market views and whatever the exchange that we have quoted now, so we believe that there will be a market place that would not be exchange. For example, if you see, what I do understand is for the definition of the exchange is the buyer need to come with the quantity, the selling rate, the buying rates and the seller will do come with the quantity and selling rates and then the exchange then will define what should be the best price for the buyer and seller to deal with. But this is not happening as of now.

Whomsoever is mentioning as an exchange in their name, its not an exchange, but that is the platform, online platform or the online marketplace similar to the Amazon or Flipkart. Amazon and Flipkart they are not the exchanges, they are just putting or dealing the business to do, online business using the information technology platform. So, that is the thing so called this financial year and next year we do not anticipate, but it will be if anything will to come then obviously, we will take suitable action to keep our market position.

Vivek Kaul: My second and final question is that you had possibly mentioned recently that you are going to venture into greenhouse controls emission devices, can you tell us more about that?

Manish Dabkara: Yeah, that is the concept which is going to take this and whenever we will do concrete actions over the thing we will do, put the other information over the exchange.

Bharati: Thank you sir. Next question comes from Danesh Mistry from Investor First Advisors. Please go ahead.

Danish Mistry: Hello Sir, hi, good afternoon and congratulations on good numbers and for taking the time out to talk to us. I have just one question, and that was that if you could just tell us, the carbon credit volumes that you dealt in Q1 and Q2 and what and any sense of what could be the volumes that you could do in this financial year? Thank you.

Manish Dabkara: So, during last financial year it was more than 50 million, during this first half it was I mean the similar number, it's more than 50 million, during this first half. We are looking to keep the same pace or same growth during the second half also, and since you know earlier I also quoted the similar thing, the rates are increasing so for the lower volumes also we would be able to achieve good numbers in the top line.

Danish Mistry: Got it, got it. So basically, we are seeing that the second half as well we will do another 50 million in volume.

Manish Dabkara: Yeah. We are very hopeful that we will be able to maintain the similar numbers.

Danish Mistry: And at the same rate of about let's say, average 2 dollars, right?

Manish Dabkara: So, 2 dollars is not the average rate if you will do consider, each credit is varied in nature based on its vintage and other various parameters or features. It ranges from 1 dollar to almost 15 dollars and few of the credit it also traded in the international carbon market it's more than the same. It's ranging from 1 to 15 dollar. Depending over the vintage of credit technology, country of origin and various other parameters are there which help you to decide the credit and depending on the volume also. If someone is selling lower volume then the rates could be higher if someone is also selling millions of credits then obviously the rate needs to be reduced or at least not higher.

Danish Mistry: Got it. So on a blended realization basis what do you think it would be wise to understand 1-15 dollars as you mentioned a whole lot of technicalities in it, but on an average in your opinion what would be the blended realization which we could have?

Manish Dabkara: It depends on the demand of the buyers and the accountability, the buyers are looking for, budget of the buyers, project credibility, and auditors credibility. So various factors that used to constitute for the prices of carbon credits.

Bharati: Thank you sir. Next question comes from Sachit Motwani from Param Capital.

Sachit Motwani: Hi Manishji, congratulations on a great set of numbers. I wanted to understand like you know one thing can you explain us how, you know, how would you measure your revenue? Would it be on a per project basis and if yes then how would it be generating? So, from a project perspective can you help us understand the economies better?

Manish Dabkara: From project perspective, I am not able to understand.

Sachit Motwani: Okay, so let say, you have a particular guy who says like you know I need a let say thousand carbon credits and how you would find a supply and do the revenue share exactly. So can you help us map on that.

Manish Dabkara: See revenue sharing, at the time of signing contract when you do fix up numbers.those numbers you still may fix for the time we are providing services to our client

Sachit Motwani: And then if there is a price increase or decrease, like, you know, would it reflect in the remaining project duration and the cash flow and the revenue?

Manish Dabkara: Definitely, if we are working as a revenue sharing model, obviously if the prices will do increase, then our number also, our share value also increased and our share also will be reduced if prices are decreased.

Bharati: Thank you sir. Ladies and gentlemen that would be the last question for the day. Now I will request Mr. Manish Dabkara, MD of EKI Energy to give closing comments .Over to you sir.

Manish Dabkara: Okay. So thank you everyone for your participation this evening. For any further queries or clarifications, please contact Churchgate Partners, our investor relations advisor. Thank you once again.

Bharati: Thank you Sir. Now I would request Ms. Astha to give closing comments. Ms. Astha over to you.

Astha Jain: On behalf of HEM Securities Limited I thank EKI for giving us a detailed insight on the results in the time we spent on this call. I would like to thank all the participants for joining this call. It was an extremely fruitful discussion. Thank you all for being on the call. Now, I would handover to Bharati.

Bharati: Thank you ma'am. On behalf of HEM Securities Limited that concludes the conference call. Thank you for joining. You may disconnect your lines now, thank you and have a pleasant day

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Note: This transcript has been edited to improve readability

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