

Date: 03.02.2022

To,  
Department of Corporate Services  
BSE Limited  
P.J. Towers, Dalal Street,  
Mumbai-400001  
SME Platform

Sub: Investor Call Transcript

**Scrip Code: 543284**

Dear Sir(s),

Please find enclosed the transcript of the Investor Call conducted after the meeting of Board of Director on Wednesday, January 19, 2022, with regard to the financial results of the Company for the quarter and nine months period ended December 31, 2021. This information will also be available on website of the Company.

Kindly take the same on your record.

Thanking you

For **EKI Energy Services Limited**

  
Itisha Sahu  
Company Secretary & Compliance Officer



Encl: a/a



# Earnings Conference Call

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Q3 and 9M FY2022

January 19, 2022

## **Management:**

Mr. Manish Dabkara - Chairman and Managing Director

Mr. Mohit Agarwal - CFO



**Hosted by DAM Capital**

**Moderator:** Ladies and gentlemen, good day and welcome to the EKI Energy Services Limited Q3 FY2022 Earnings Conference Call hosted by DAM Capital. 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 ‘\*’ then ‘0’ 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. Thank you and over to you, Sir!

**Mohit Kumar:** Thank you Faizon. On behalf of DAM Capital, I welcome you all to the EKI Energy Q3 and 9M FY2022 Earnings Call. From the management today we have with us Mr. Manish Dabkara, CMD & CEO and Mr. Mohit Agarwal, CFO. Without further ado, I would now hand over the call to Mr. Manish for his opening remarks which will be followed by Q&A. Over to you Mr. Manish!

**Manish Dabkara:** Thank you Mohit. Good evening ladies and gentleman. I hope you and your families are staying safe and healthy during these challenging times. I take the pleasure of welcoming you all to the Q3 and 9M FY2022 earnings conference call of EKI Energy. I hope you all had the chance to look at the financial statements and earning presentation uploaded on the exchange and our website. I will start the call with a few highlights for the nine months ending December 2021. EKI Energy Services Limited continued its outstanding performance during Q3 FY2022 with revenue from operations for the 9M FY2022 at Rs.1,325 Crores up from Rs.637 Crores in first half FY2022. Robust business growth has been supported by higher demand and increasing carbon credit prices along with changing climate related regulations, increasing awareness of GHG emission reduction and carbon neutrality pledges by the corporate. During the 9M FY2022, EBITDA and PAT continued up trends, margins almost doubled to 27.9% and 21% respectively from last financial year FY2021. In line with our strategy to expand our operations across new verticals, during the quarter we have entered into the joint venture agreement with Shell to extend carbon consultancy services in nature based solution (NBS). Under the JV EKI will provide its expertise in climate sustainability projects as advisory organization and Shell will provide capital for the development of NBS projects. The JV will develop projects related to the forest, grass land, wet land, sustainable agricultural practices, other natural ecosystems to sequester and capture green houses gases majorly carbon dioxide from the environment. The JV operations are expected to start in February 2022 and we are confident it will contribute to EKI Energy’s mission to help India in achieving its net zero target by year 2070. Furthermore, as our efforts to backward integrated operations we have incorporated an associate company called as GHG Reduction Technologies Private Limited. The company will be engaged in the manufacturing, trading, selling, buying and exports of all kind of cook stoves in the phase one and then after we will be also looking for other reduction technologies. It will also undertake safe water technology or similar technologies which will help to generate carbon credits. The new company has pipeline of around Rs. 200 Crores order in near term and expected to increase business volume in the next year further. Along with backward integration and carbon credit

generation, the new company will also contribute to our community wellbeing effort through employment generation, savings in health cost and enhancement of indoor air quality inside homes in rural areas. As we mentioned earlier, we are always exploring new avenues of business and receptive to new opportunities with proposed CORSIA (Carbon Offsetting And Reduction Scheme for International Aviation) positive outcomes of COP26 where many countries are pledged for carbon neutrality with aggressive timelines, increasing number of voluntary pledges by the corporate and stringent regulations for climate control it is estimated that carbon credit demand gap is expected to widen further in near term. With these increasing business opportunities and as a strategy of continuous expansion across different geographies and verticals during the quarter, we have expanded our operations in new three countries namely Dubai, Indonesia, and Kenya. Moreover in the coming months we are planning to start operations in few more countries. Furthermore during the quarter we have also started operations of two new verticals that is nature based solution consultancy services and sustainability reporting consultancy services. Under NBS consultancy we will provide consultancy for the nature based projects in conservation enhancement and restoration of natural ecosystem to prevent emissions for concentration of greenhouse gases in the atmosphere. While under sustainability reporting we are offering solutions for sustainability reporting including sustainability report preparation, GRI reporting, carbon footprint determination and BRSR reporting. With ongoing geographical expansion, addition of new business verticals coupled with recently introduced backward integration for generation of carbon credits, we are confident of continuing current business momentum in the near term as well. Now I will hand it over to our CFO, Mr. Mohit Agarwal for an update related to the financial performance of the organization.

**Mohit Agarwal:**

Thank you Manish ji for your insight. Good afternoon ladies and gentlemen. I am starting with financial results. During Q3 FY2022 our revenue from operations increased by 55% quarter-on-quarter basis to Rs. 688 Crores. EBITDA also increased in the same line by 96.3% quarter-on-quarter to Rs. 214 Crores while EBITA margin reported for the quarter is 31%. Our PAT is also increased by 98.4% quarter-on-quarter to Rs. 161 Crores with PAT margin at 23.4%. The strong business performance and continued business growth supported by higher demand, increasing carbon credit prices, our geographic expansion, our strategic decisions of geographic expansion, hiring of new associates across the world has given us thrust to increase in business. During the first nine months of FY2022, we have reported a revenue from operation of Rs. 1,325 Crores as compared to Rs. 191 Crores for FY2021. EBITDA of Rs.370 Crores as compared to Rs. 25 Crores for FY2021 is also on a growth path. Similarly, PAT is also on 278 Crores as compared to Rs. 19 Crores for the full financial year. As compared to EBITDA and PAT margin almost doubled to 27.9% and 21% respectively and we are very much hopeful for the same performance in upcoming quarters. Looking at the project pipeline, I wish to say that we have a pipeline of 150 million credits in the next 3 to 12 months period and we can monetize all these credits in a very better manner. Looking forward higher global carbon credit demand, new demand generation from CORSIA as

already our MD has told you with their cryptocurrency and coupled with other positive outcomes from COP 26 are expected to widen the carbon credit demand in the near future. With a strong business fundamental and a positive outlook, we are confident of maintaining our current growth momentum and maximizing value for all stake holders. This is from my side. We can start Q&A session.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Samir Palod from AUM Fund Advisors. Please go ahead.

**Samir Palod:** Good evening Manish ji, congratulations on a phenomenal performance on the P&L side. Just some clarifications given that you had not much exposure to this company so when you say revenue from operations of Rs. 687.8 Crores how many sort of carbon credits would you have sold in this particular quarter.

**Manish Dabkara:** During last nine months we have supplied around 70 million credits, Almost during all the months now we are getting the constant demand because during last financial year, the last two quarters maximum demand used to come, but now various corporates are looking into buying carbon credits during the whole year as different corporates have decided different time lines.

**Samir Palod:** Okay, so if I look at the direct expenses line in your presentation of about Rs. 448 Crores, so this amount will include all the cost that you incur for registration, consultants, audits etc and the PROs to the client for are putting up lease renewal energy in projects, is the understanding correct?

**Manish Dabkara:** Yes.

**Samir Palod:** So wherever you book revenues, if you have booked Rs. 688 Crores of revenues then the direct expenses again retract all the payables to our customers who are selling you these credits are all accounted for. It is not like what you need to pay them will come in future quarters, is that correct.

**Mohit Agarwal:** Sir, I think you have asked that we have accounted all the payments in our direct cost, right Sir.

**Samir Palod:** Yes.

**Mohit Agarwal:** Yes whatever the invoices has been raised and whatever the inventory we have received till 31<sup>st</sup> of December that has been booked and that is booked on an accrual basis, not on a cash basis, so that means whatever the credit for which we have to pay in the future, our invoice has not been received and credit has not been received yet that has not been booked under this.

**Samir Palod:** The P&L looks fantastic, but we do not have the detail balance sheet. If I just look at your slide number 9 in your presentation despite making Rs. 213 Crores of EBITDA this quarter your cash and cash equivalent is down from Rs. 24 Crores to Rs. 1 Crores and you are borrowing has increase from Rs. 0 to 20 Crores approximately so what is the working capital cycle that the company is working with. I mean what sort of debtors are we working with. It looks like the cash flow generation is not there though the EBITDA and the P&L levels looks pretty phenomenal at Rs. 213 Crores.

**Mohit Agarwal:** Yes Sir. I am just explaining the thing Sir with you. The good PAT and good EBITDA we have paid Rs. 80 Crores of advanced tax to the income tax department as well as our GST receivable to the tune of Rs. 90 Crores is blocked in that period and we are in this month, in January itself we have received Rs. 16 Crores out of that GST receivable and Rs. 35 Crores is receivable by 31<sup>st</sup> of January, they have already approved. It is a cycle with the cycle where we have to infuse the money and block the money for 60 to 75 days at least. On debtor turnover ratio Sir, we have a debtor turnover ratio of 16 days as of now, which was in FY2021 it was approximately 22 to 25 days at that moment. We are working to decrease the debtor turnover ratio. Inventory turnover ratio is 33 days right now Sir because we have augmented inventory to the tune of 30 to 35 days of business requirement considering the rates are increasing, demand is very huge in international market or you can say carbon credit market considering that we have consciously taken decisions at management level to continue with the inventory of 30 to 35 days. Apart from that demand is on higher side to grab the projects as much as possible within India and outside India.

We have started giving some advances to the suppliers or you can say the project owners.that has also increased and right now the advances to the creditors or you can say suppliers is in the range of Rs. 80 Crores so all these put together, you are seeing that or you are looking at that we have used, our CC line that is our cash credit line which is a short term borrowing on 31<sup>st</sup> last week of December so that is the overall cash flow which I have explained in shorter note.

**Samir Palod:** So am I right in understanding that you in any case always you were paying in advance until the credit came down behalf of your clients to the agency for the registration to the consultants and auditors to come and do their audits that you were in anyway funding your clients, but now you are paying your clients as you mentioned Rs. 80 Crores amount in advance for the carbon credit is that correct.

**Mohit Agarwal:** Yes Sir for that carbon credit we have paid to different clients to the tune of Rs. 80 Crores which we will realize by March to June during the tenure of that.

**Samir Palod:** Why do you need to pay anything to the project owners. Is it a competitive strategy that you need to get the carbon credit mandate from them and hence you make the advance payment.

- Mohit Agarwal:** It is a contractual agreement with such kind of client here where we do agree as a business commercial where we are offering 5 to 20% depending on the negotiation with that client and depending on the size of the carbon credit, project size and time taking for the registration validation etc. Considering all the factors of the business we provide the competitive pricing as well as competitive terms and condition so that client remains with us.
- Samir Palod:** So I have a concern then. If I just take your Rs. 1,324 Crores revenue for nine months and divide it by approximately 70 million or 7 Crores credits sold that gives me approximately Rs.190 per credit which is about \$2.5. I am just doing broad math.
- Mohit Agarwal:** Average prices of credit is not a good way because each and every credit.
- Samir Palod:** I understand that some kind of credits will have much higher prices and some kind will have lower prices, so when we average numbers but I am saying suppose you go and contract with a customer for \$2.5 credit which is what you have earned on an average basis and you give them an advance. By the time their registration happens and the credits are sold, you only paid the customer an advance so you are taking effectively a call on carbon prices or carbon credit prices for whatever reason if they collapse then you could end up paying the customer much more initially is that correct. I mean it may not happen.
- Manish Dabkara:** We have taken all the risk measurement decision, we have all the risk measurement matrix within the organization and wherever we give we get into such kind of contracts we do always major the global risk potential in the carbon markets and we do have suitable terms and conditions mentioned in the contracts to secure the interest of the organization. Although as already told it is a low probability, low risk but yes we have taken the internal measures to do equal assessment of all the opportunities that we are signing.
- Samir Palod:** I understand but you are exposed to the risk that you have already paid your client in advance and the prices crash, it may not happen but that risk exists.
- Manish Dabkara:** Yes risk is there but is highly low risk. The domain is at the lower end in the risk matrix.
- Samir Palod:** Fair enough. If you have done 70 million credits, what sort of guidance and what sort of inventory you already have for the coming quarter and then for FY2023 as well.
- Manish Dabkara:** So next quarter that is what Mohit had informed during the last conversation. We do have pipeline of around 150 million as of now although we used to read the contracts on a month on month to basis so more inventory we will do on the coming months. We do have very strong position in reference to the execution of contracts and delivering of the credits.
- Samir Palod:** But 150 million how much of that is coming from this quarter, this March ended quarter.

**Manish Dabkara:** Approximately we will add 30 million additional volume in reference to the supply of credits.

**Moderator:** Thank you. The next question is from the line of Vetri Raju from Equity Analysts. Please go ahead.

**Vetri Raju:** Congratulations for great set of quarterly results. My question is on your joint venture with Shell. It looks very nice to see that Shell will provide all the capital, but EKI will have the majority ownership. Can you just give details of what will be the revenue like what is the agreement with Shell on how we will earn revenue? Will Shell be able to buy back all the credits or you will go out in the market and sell the credits. Can you give little more details on that?

**Manish Dabkara:** So through that joint venture that we have done with Shell Netherland. Actually the JV main core job would be to identify the projects from the nature based solution projects like deforestation related projects, grass land, wet land or other natural eco system projects where we would be able to sequester our carbon credit and then get the project registered under the suitable carbon credit mechanism where we will be able to get the issuance of the carbon credit. Shell is having exclusive rights on the projects that the JV will do to identify to get the first investment rights. If they do have some other priorities then we can opt in the new investors to invest into that nature based solution projects. The investment would be to put the projects on ground. As of now we are working on the projects for example solar power project, wind power project where the investment already had been given by the project owners but now we are to identify the size where the projects can be developed. We will do source fund majority from Shell, also EKI would be having option to co invest otherwise based on our strategic decisions we may not opt for the same. Majority of the investment Shell would be able to do and then the JV will work under EPC model, engineering procurement construction model. Whomsoever will be the investor would be getting the exclusive rights to get the credits otherwise the investor may ask us to sell the credits and get back the revenue whatever they are investing through the JV, so that is the business model we do have. EKI would bring all the expertise that we have gained during last 13 years to execute those projects on ground, so the JV would be getting the fund management fee, carbon credit advisory fee and also would be having some percentage rights to buy the credits from the investment Shell will be doing so that is the business model that JV would be doing.

**Vetri Raju:** Great. Thanks for the clarification. Just another follow on question of that. So effectively it means that Shell or whoever is the investor will invest in the project and also pay money to buy the carbon credit. Sorry I am asking we have all these doubts because it is a pioneering concept in the world. I think people will have all these questions. So my question is why should an investor invest money in a project and again collect the credit and again pay money to the company. Is my understanding right?

**Manish Dabkara:** So it depends on the agreement that we will do on project to project basis. For example if Shell is going to invest. It depends on each contract but the primary concept that we had coined in this particular JV that we have done with Shell, so Shell would be investing majority of the fund for the project development and they do have exclusive rights to get the credits, so whatever the investment they are doing they need not pay again, but they need to fund all the activities that we are going to do on ground and giving all advisory services so everything they need to fund through the project estimation that we will do at the start of the project.

**Vetri Raju:** So in which case revenue for the JV. Assuming that they have the first right to take all the credits without paying any money. The revenue for the JV will be just advisory services and the project development services right.

**Manish Dabkara:** So there would be three different sources we would be having in fact more than one revenue sources. One is the projects which are already installed on ground, so we would be giving advices services and whatever other services that EKI is giving as of now majorly for the technology based projects, similar model we will do in the JV, but specifically on the nature based solution project, so that is the one revenue source that JV would be having. Another one is to manage the fund to put the projects on ground either we can hire our own manpower, either we can outsource it through the NGOs for example, so that would be the second revenue. Third would be giving advices of this related to the carbon credits and since we do have exclusive rights to execute all these activities we would be also having the option rights to buy the credits at the lending price, some percentage as per the signed agreement with them so these are the some different revenue sources that we will be having.

**Vetri Raju:** Excellent. In the presentation we have this 1,000 plus carbon credit projects in the portfolio that is terrific, but what exactly does it mean. Does it mean this 1,000 project they have an exclusive agreement with our company that they will only sell it to our company. Why do we say that we have 1,000 plus projects in our portfolio, what does it mean.

**Manish Dabkara:** So as of now at any point of time we do execute more than in between 700 to 1,000 projects, so various projects are used to be there at various stages like validation, registration stage, verification issuance stage, and either selling of the credit stage. Around 1,000 projects we do have having different commercial terms and conditions. For some we do have exclusive rights, so different, different projects we do a different, different commercial terms and condition.

**Vetri Raju:** So if I may ask one more question. This associate company formation in the name of GHG Reduction Private Limited. I read in a news article that EKI Energy will retain 49% and 51% stake will be given to other investors. Like my question is if we are the pioneers why the parent company will take up minority stake, the Shell joint venture we have 51% majority stake with a fortune five company. We are now floating our own company. Why we are settling for a minority stake of 49%.

**Manish Dabkara:** So initially based on the funds requirement we have opted for the same but down the line more investment would be required to do the manufacturing activities and slowly this particular percentage would increase and in the future it may become subsidiary of EKI so that is the plan we do have in the future.

**Moderator:** Thank you Mr. Raju may we request that you return to the question queue for followup questions. The next question is from the line of Surabhi Saraogi from SMIFS Capital Markets. Please go ahead.

**Surabhi Saraogi:** Sir my first question is that considering your current quarter performance in terms of revenue and profit can you throw some light on the sustainability of the numbers and what revenue and profits you are expecting for full FY2022 and also some guidance for FY2023.

**Manish Dabkara:** So referring to the volume that we have supplied to the global carbon market during this financial year. During last nine months, we had supplied around 70 million credits. During next quarter we are targeting for nearly 30 million credits and during next financial year it would be in between 100 to 150 million as of now, but slowly and slowly since every month we do get into a good number of contracts so this particular volume will also increase. This gives the sustainability in reference to the numbers in the balance sheet and P&L. Apart from that the two activities that we have added related to backward integration to our industry by formation of joint venture company with the Shell so we will be having our own projects on ground for very long term. Since nature based solution projects used to get registered for 30 years to 90 years in different mechanism. So it is going to give us long term sustainability apart from that manufacturing of cook stoves and integrating the same into our projects that we are looking to put in large number of projects that we are looking to put in few quarters so these are the two additional activities apart from the primary activity that we are doing for last 30 years. All these three activities are going to help us to gain sustainability.

**Surabhi Saraogi:** Okay and Sir my next and final question is what are the current carbon prices both in the voluntary and compliance market and also what is the future trend.

**Manish Dabkara:** As of now any credit which are originated from developing nations like India, China or Brazil, we do have very less access to the compliance market which are the like European Union Emission Trading Scheme or South Korea Emission Trading Scheme or South Africa Carbon Mechanism. In the compliance mechanisms India originated credits are very less consumed, almost negligible you can say. So the only market we do have is relative voluntary markets, although compliance market will do coming in the next one to two years. During last COP26, article 6 of the Paris agreement had already been negotiated and all the nations are working aggressively to put the regional emission trading schemes or the national emission trading schemes, regional one and international one so these are the three activities various nations are doing.

- Moderator:** Thank you. The next question is from Vivek Kaul from Bridge Capital. Please go ahead.
- Vivek Kaul:** Hello Mr. Manish and Mr. Mohit. First of all really appreciate that despite EKI being an SME company you are actually publishing quarterly result though you will have to just publish your half yearly result and you are also holding an investor call, so I really appreciate that. The second thing what I wanted to say was that you just mentioned that GHG Technology is not your subsidiary yet right, so when do you have plans to make it a subsidiary when will that kick in.
- Manish Dabkara:** It may happen during next one to two quarters.
- Vivek Kaul:** Okay and also Sir you have mentioned that GHG is going to be mainly about efficient cook stoves so if my understanding is right, there is a difference in carbon credit prices for different categories right. Say may be trees and green plantation have a higher carbon credit price versus your efficient cook stoves which have much lesser am I right.
- Manish Dabkara:** Actually in the carbon credits which are originated from India are ranging in between \$0.5 to \$15 depending upon the vintage of the credits, depending on the technology, the sustainable development goals the project they are supporting. There are various factors through which the carbon credit prices used to get determined in the international carbon market.
- Vivek Kaul:** Okay and just a ballpark figure how much would be for this efficient cook stove carbon credits any approximate as per today's date.
- Manish Dabkara:** Depending on the volume and the market because on day to day basis it used to change. It is ranging in between \$4 to \$6.
- Vivek Kaul:** Okay alright. Just my last question. Sir initially you would be well aware that there were these big four consulting firms KPMG, Deloitte and others who were also on carbon credit few years back and then they moved out and now there are reports they are resuming their operations in certain countries. They might resume in India as well. Given that they are globally reputed brands if they come into India and restart operations which is a big possibility given that it is a very lucrative market and carbon credit price is rising what kind of a competition will they pose to EKI and do you have plans in place in case that happens.
- Manish Dabkara:** So the three activities that already had been discussed during last conversation related to sustainability. Sustainability is in reference to the growth and the competition both. We do have various long term contracts with the client and also on month on month basis we do find different sectors and different technologies for which we can work so all these activities although it will do face the competition not only from all this big fours, but we do have potentials from other national or international companies because it is a global market now. Earlier also it was global market but now it is more lucrative, so the competition is bound to

come apart from these, we are very much strong enough Indian market position to face that particular potential competition through different sustainable activities that we are looking in reference to having more and more projects that we do execute, getting more and more expansion to the nation where we can add to small nations for example Nepal, Bangladesh or maybe Kenya for example. Small nations that means in reference to the number of projects that they do have. Apart from that these two activities related to Shell JV and manufacturing of cook stoves backward integration to our supply chain so all these activities are going to help us to encounter all this potential risk.

**Vivek Kaul:** Okay thank you Mr. Manish and Mr. Mohit.

**Moderator:** Thank you. The next question is from Vipul Lamba from Lamba Investments. Please go ahead.

**Vipul Lamba:** Thanks for taking my question. My question is how much is the overall revenue which we do is from Indian clients and how much is from international and can carbon credit generated in one nation be sold in other nation. Like we generated in India can it be sold internationally.

**Surabhi Saraogi:** Carbon credits is a kind of environmental commodity and it is tradable internationally. Why this market had been formed because the nations which are not able to reduce their emissions or the companies which are not able to reduce the emissions they are allowed to buy the carbon credits which are originated from the developing nations like us. It is going to give us the second line of finance to the project owners in the form of climate finance. Yes definitely such kind of environmental commodities are very much internationally tradable.

**Vipul Lamba:** How much is our revenue from Indian clients and from international. Is it majorly international.

**Manish Dabkara:** So as of now around 80% of our projects are from India and 20% projects that we will execute are out of India and slowly since we are looking forward to have more and more nations to start our operations, so definitely the ratio from the international projects will be bound to increase.

**Vipul Lamba:** What I am trying to say like as you said carbon credits generated in India can be sold outside also, so from the sales side, from the client perspective is that the same ratio that you are saying.

**Mohit Agarwal:** Just to clarify Sir. Our revenue is generated from international or overseas, 90 to 95% revenues are generated from overseas client only because in India there is no obligation to buy the carbon credit right now. So all the clients are from overseas only.

- Manish Dabkara:** And since during last question we have told that there is no any compliance within India and other developed nations so it is only a voluntary market which is there.
- Vipul Lamba:** So the prices which we quote right, we talk about the India price for carbon is it linked with the price trend of international carbon credits because there is a significant difference, so is it linked with that. Like if it is going up the international price will that have an increasing trend in India also.
- Manish Dabkara:** Yes definitely since our market is globally connected, wherever we are working in the voluntary carbon markets, the other rates. For example if you see in the European Union Emission Trading Schemes the rates are nearly \$100 for example, but since we are not able to supply because of the protocol that European Union Emission Trading Scheme has formed so those two markets are not linked. In the voluntary carbon markets globally India credit or the credit generated from China for example will be having almost similar position.
- Vipul Lamba:** So you are saying if internationally credit prices increases it will have an correlation in the India credit price also right.
- Manish Dabkara:** Definitely specifically for the voluntary markets.
- Vipul Lamba:** Any significant risk which you see which could have the impact on the carbon credit price or regulatory risk or any change if that happens it can have a significant impact on the carbon credit price?
- Manish Dabkara:** Yes so before COP26 (conference of meeting number 26) that had been organized during November 2021 at Glasgow, UK so before that there was a high confusion in reference to the compliance market and voluntary market, how they will be able to survive since we do have a requirement of corresponding adjustment it means double counting should not happen within the two nations, but all those potential risks are now being eliminated after having complete negotiation in between the nation, so there is no any potential risk that we do. In related to the demand or supply we do not anticipate any risk before next COP27 which is going to be held at Egypt so it would happen during next November or December, but there is hardly any risk during COP26 everything had been negotiated under article 6 of the Paris agreement.
- Vipul Lamba:** One last thing. Can it be possible that a regulation can come back to credit generated in the same nation as to be sold there cannot be sold internationally. Because I was reading somewhere that is again one of the debate topic like credit generated in China or India being sold in US. Do you see other regulation or I am completely wrong in that, so sorry it may be a silly question?

**Manish Dabkara:** So as of now there is no any emission trading scheme or there is no any regulation across the world which obligates any project honor to sell the credits nationally and not internationally, and there is no any barrier as of now.

**Moderator:** Thank you. The next question is from the line of Bhavesh Birla from EverSource Capital. Please go ahead.

**Bhavesh Birla:** First of all congratulations Mr. Manish and Mr. Mohit and thanks for taking the time out of this. My question is regarding the GHG Reduction Technology. So first of all wanted to understand in terms of the business activity which the new entity will undertake so the presentation mentions only cook stoves so are you open to looking for other projects for the generation of carbon credits like in terms of the renewable or other kind of projects for this particular entity and secondly just wanted to understand the strategic rationale behind the backward integration and creation of this SPV because I understand that you anyways have a healthy pipeline of around 70 million credits which you have sold during nine months and you have 150 million credits already for the next 9 to 12 months so what is the strategic rationale to going backward integration you know how to generate more credits.

**Manish Dabkara:** So we are now looking for the investors, the long term buyers to invest into such kind of activities. In NBAs we do have business model like whosoever will invest will get the credit but here we are taking the investments, the advances from the potential buyers and we will supplying the carbon credits to them the next say two years of five years so that is the business model we do have. Initially we have started with improved cook stoves ICS and then slowly we would be going for more community based projects, not big renewable energy projects, but community based projects like biogas projects or safe drinking water projects or other technologies which are going to help the local communities apart from improving their employment position or their health position or indoor air quality, but also we would be able to generate carbon credit so this is the activity that we are going to have. Earlier Shell JV and GHG reduction we were majorly focused on giving advisory services, comprehensive advisory services but now we are looking in to give the whole advisory services related to the project implementation on ground then also giving the carbon credit advisory services then supply the credits under different business models that we have coined.

**Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

**Saket Kapoor:** Yes thank you Sir ji for this opportunity. Firstly congratulations to you Sir for at least hosting the call. First is we find the investor base for the company is also very low hardly I think few thousand share holders are not currently participating in the growth journey. Sir firstly we would like to understand what is the thought process of the management in going forward in terms of having wider shareholder base or what is the fund requirements to grow the business. What is the current asset size and what are we looking into forward and also Sir for the first

nine months from the cash flow what has been our total tax payment, how much have we made, the cash tax payment if you could throw some light on the same.

**Manish Dabkara:** So Yes Mohit we will start with the tax payment, fund requirement and the low base of the share holders. These are the three questions I think I had been asked, so we will start first with the tax payment.

**Mohit Agarwal:** We have already paid the tax to the tune of Rs. 80 Crores till 31<sup>st</sup> of December as an advance tax and as per the profitability and balance sheet our tax liability is Rs. 92 Crores, so we are going to pay remaining Rs. 12 to 13 Crores to the department very soon. That is the tax part, that first question you have asked from us. Now coming to the investment part, what are the fund requirements in near future for the company. I think our MD will take care of that. Manish Ji can you guide us on that.

**Manish Dabkara:** There are huge business opportunities which are there for us to grow to increase the number of projects that we are executing then also creating more and more projects under the Shell JV or GHG Reduction Technology Private Limited. So as of now we have not fully accumulated the exact fund that we would be looking for, although whatever the cash flow that we do have we are able to manage it very successfully but if we do get good opportunity to expand to further raise fund then obviously we would be looking for the same. That seems the probable answer for the question.

**Mohit Agarwal:** Thank you Manish ji. I am coming to the third point that you have asked for liquidity in secondary market. Being a listed company at BSE SME platform there are some restrictions to move on main board as per the BSE norms, we have to spend two years on the SME platform and then only we can move to the main board so we are waiting for that period. As soon as possible we will move to the main board whenever exchange will allow as per the internal norm.

**Saket Kapoor:** So Manish ji as per your answer, currently we do not have any cash requirement, any fund raising requirement and as and when the business mature the opportunities are there in the horizon, we can contemplate the same. That is what the best understanding here.

**Manish Dabkara:** Yes.

**Saket Kapoor:** If could elaborate what are the key risk associated currently to the business and Sir when we look at your clientele these are the ones who are carbon emitting, whether it is your power companies, steel companies all that metals and cement companies. These are the ones those who are themselves reducing their carbon emission and also are giving guidance of being net neutrality on the carbon parts, so how do their gelling up with this agenda of net carbon positive going forward works well with our company as they being our client Sir and what portion of the total business from the national clients if you could give the sector wise, how

much in cement, how much in steel, how much in metals, and in chemicals how much that would give us an understanding.

**Manish Dabkara:** As of now Sir we do not have any ready data available related to the sectoral projects or the project owners who are from the different sectors, but looking at the net zero targets that India government had declared we do have next 50 years, so by 2070 India would be having ambition to become net zero and various organization in India, they have taken different targets either by 2050 or 2060 or 2070. They do have a long horizon to get into these activities then consume all the activities. For example there are various independent power producers which are only focused on the renewal projects. They do not have any obligation in reference to consuming all those off sites internally but yes there are few manufacturing organization which are there and they may do consume this credit in next two to three decades. As of now at the shorter term we do not have any such kind of risk associated and apart from the other risk that we have already discussed which are related to the lower prices or banning the credits at any particular nation or different competitors which may come in so all those risks we had estimated at the lower level and the potential risk whatever would be there at the mid or high level, if they do come we would be very much prepared since we do look at all the policies at the national level and international level. As of now we have not identified any mid level or high level risk associated with the business.

**Moderator:** Thank you. The next question is from the line of Minal Das from Das Funds. Please go ahead.

**Minal Das:** Hello Sir congrats for a good set of numbers. I had just one query. In the previous quarter we had said that the derivable acquisition of Pune based the company, so is there any progress in that or it has been canceled?

**Manish Dabkara:** Earlier we were looking to get into such kind of acquisition but that specific acquisition we have cancelled it internally, we are not executing anymore but we are creating our own internal expertise to provide the similar services that already had been covered during my statements that we are looking to develop sustainability reporting services which will do cover everything manufacturing or services, organization maybe looking for related to the estimation of the carbon foot prints or other similar services which are required immediately. Sustainability report preparation or the other reporting standards which are there in the form of GRI or CDP or BRSR so we would supporting our potential or present clients for the same, so we are not going to execute that particular acquisition for now.

**Moderator:** Thank you. The next question is from the line of Neerav Dalal from MIB Securities India. Please go ahead.

**Neerav Dalal:** Thank you for the opportunity. I had a couple of questions. You spoke about some numbers in terms of credits. You said that Q3 you had about 70 million, next quarter you have about 30 million. Is this the right number that I noted down.

**Manish Dabkara:** Okay so these are the approximate figures. Exact figures we would be having readily available for the time but these are the approximate figures.

**Neerav Dalal:** Right, so if one were to look at that and just see what the revenues where. The price of credit comes to less than \$1.5 so is that the right way to look at it so if I were to just look at the revenues and the carbon credits.

**Manish Dabkara:** No exactly that would not be the correct estimation. We are not only working in India. We do have our operations in 18 plus nations. So various projects originate from various nations. They do have various prices starting from \$0.5 up to \$50 so that would not be the correct estimate. If you just divide the top line with the number of credits that we have mobilized.

**Neerav Dalal:** Right and just one question, so in the first half of FY2022 when you reported your balance sheet you had inventories of about Rs. 81 Crores, so what would be the value of this. I believe this would be carbon credit, so what would have been the approximate value of this carbon credits and what would be the inventory as of 31<sup>st</sup> of December.

**Manish Dabkara:** So it depends on the day when we want to liquidate those particular inventories. We do have various group of credits starting from solar power project or wind power project or may be waste management project or maybe agricultural based project, so different projects they do have different technology origination, country of origin and depending on the date when we want to sell, we would be able to estimate the whole inventory, we need to estimate that at that particular point of time. So that is the activity we would be requiring to get the exact number.

**Neerav Dalal:** Okay thank you.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Mohit Agarwal:** Thank you everyone for our participation this evening. For any other further queries or clarification please contact Churchgate Partners, our investor relations advisor or you can connect on my mail id that is mentioned in investor presentation that is uploaded on website. Thank you DAM Capital.

**Moderator:** Thank you. Ladies and gentlemen on behalf of DAM Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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*Note: This transcript has been edited to improve readability*



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