

**Report of the 05/2024-25 Meeting of the Audit Committee of EKI Energy Services Limited for recommending the draft Scheme of Arrangement in the nature of De-merger of Generation Segment undertaking of EKI Energy Services Limited (Demerged Company) into EKI One Community Projects Limited (Resulting Company) and their respective Shareholders and Creditors at its meeting held on Monday, February 10, 2025 at the Corporate Office of the company situated at 903, B-1, 9<sup>th</sup> Floor, NRK Business Park Scheme 54 PU4 Indore 452010 MP in at 3:00 PM and concluded at 3.45 P.M.**

**Member Present:**

Mr. Ritesh Gupta : Independent Director on the Chair  
Mr. Burhanuddin Ali Hussain : Independent Director- Member  
Maksiwala  
Ms. Astha Pareek : Independent Director- Member  
Mr. Manish Kumar Dabkara : Managing Director- Member

**Invitee:**

Mr. Mohit Kumar Agarwal : Whole Time Director & Chief Financial Officer  
Mr. Raghav Mundra : Special Invitee

**In Attendance:**

Ms. Itisha Sahu : Company Secretary and Compliance Officer

**1. Background:**

- 1.1. The proposal to consider and recommend draft Scheme of Arrangement in the nature of De-merger of Generation Segment of **EKI Energy Services Limited ('Demerged Company' / 'EKI')** into **EKI One Community Projects Limited ('the Resulting Company' or 'The Transferee Company' or 'EKI One')**. Having status of 100% Wholly Owned Subsidiary Company of EKI and their respective shareholders under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 read with applicable rules made there under (hereinafter referred as '**the Scheme**') was placed before Audit Committee and considered by members of the Audit Committee at its meeting held on February 10, 2025. The Committee considered that;
- 1.2. The Equity Shares of EKI Energy Services Limited are listed on BSE Limited ('BSE'). The Company will be filing the Scheme along with the necessary documents/information with the BSE for seeking their No Objection or No Observation Letter pursuant to Regulation 37 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and applicable statutory provisions.

1.3. The Report of the Audit Committee is made to comply with the requirements of Listing Regulations and master circular in relation to scheme of arrangement issued by SEBI having No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 covering all circulars issued by SEBI in relation to scheme of arrangement including any amendments or modifications thereof, and any other circular issued pursuant to Regulations 11 and 37 of Listing Regulations ('SEBI Master Circular') considering following:

- A. Valuation report dated January 28, 2025 issued by CA Pankaj Shah an Independent Registered Valuer (Reg. No. IBBI/RV/06/2020/13735) ('Registered Valuer') appointed for recommending the fair share exchange ratio for the purpose of this Scheme.
- B. Fairness Opinion Report dated January 30, 2025 issued by Swastika Investmart Limited, SEBI Registered Merchant Banker (having INM000012102), providing fairness opinion ('Fairness Opinion') on the share entitlement ratio recommended in the Valuation Report issued by Registered Valuer;
- C. Certificate dated February 1, 2025 obtained from the Statutory Auditors of the Company i.e., Dassani and Associates LLP, Chartered Accountants, (Firm Registration No.009096C/C400365), regarding compliance of the accounting treatment contained in the draft Scheme with the accounting standards specified under Section 133 of the Act; and;
- D. Undertaking given by the Company confirming that approval of majority of public shareholders as prescribed under Paragraph (A)(10)(b) of Part I of the Master Circular is not applicable to the Scheme along with certificate of the Statutory Auditors of the Company, certifying the said undertaking.

## 2. Proposed Scheme:

2.1. The Scheme, *inter-alia*, provides the following:

- a. De-merger of Generation Segment of EKI Energy Services Limited into EKI One Community Projects Limited; (100% Wholly Owned Subsidiary Company) and
- b. Various other matters consequential or otherwise integrally connected herewith.

2.2. Appointed Date of the Scheme is **1<sup>st</sup> January, 2025**.

2.3. The Effective Date for the Scheme means the last date on which the certified copies of the orders of National Company Law Tribunal sanctioning this Scheme, is filed by Transferor and Transferee Companies with the jurisdictional Registrar of Companies ("ROC").



2.4. The Scheme would be subject to the sanction or approval of the National Company Law Tribunal, SEBI, Stock Exchanges, Shareholders, Creditors and other Appropriate Authorities (as defined in the Scheme).

**3. Need for the De-Merger, Rationale of the Scheme and Synergies of business of the entities involved:**

- Owning to the different segment pertaining to Generation Segment, where the carbon credits are issued from the projects implemented, developed and owned by the Company Division/ Undertaking (as defined below), the management believes that demerger of the Demerged Undertaking (as defined below) will enable it to give desired attention and help to achieve greater focus on the Trading & Other Business Segment, where the carbon credits are purchased from various vendors and are sold to customers among other ancillary activities with the specified users which will result in better and more efficient management of the business activities of EKI.
- The Generation Segment, where the carbon credits are issued from the projects implemented, developed and owned by the Company is one of the most important activities which needs to be strengthen for having the good content in hand all the time to avoid thirds party dependency. Growing up an independent Generation Segment, where the carbon credits are issued from the projects implemented, developed and owned by the Company in longer term can result into a separate profit centre.
- Further, the Scheme would bring synergy of operations and lead to greater internal control on business processes and facilitate ease in decision making. It is therefore proposed to merge the Demerged Undertaking relating to Generation Segment, where the carbon credits are issued from the projects implemented, developed and owned by the Company (as a Generation Division) with EKI One as an undertaking.
- The demerger of the Generation Division/undertaking business in EKI One will unlock the potential value of Generation Division business and help in sole focus in the production house activities and to attract investors, strategic partners, and stakeholders, etc.
- EKI will continue with the core activities of Trading & Other Business Segment, where the carbon credits are purchased from various vendors and are sold to customers among other ancillary activities.
- The financial position of each of the Demerged Company and the Resulting Company shall reflect a positive net-worth upon the Demerger becoming effective.
- Enable each business to pursue growth opportunities and offer investment opportunities to potential investors; and
- The other benefits of the proposed demerger include:
  - i. Optimum and efficient utilization and rationalization of capital, resources, assets and facilities;
  - ii. Enhancement of competitive strengths including financial resources;
  - iii. Obtaining synergy benefits;
  - iv. Better management and focus on growing the businesses;
  - v. Reduction of overheads, administrative, managerial and other expenditure;
  - vi. Simplify shareholding structure and reduce shareholding tiers;
  - vii. Achieving economic goals.



#### 4. Impact of the Scheme on the shareholders of the Company:

- 4.1. Upon the Scheme becoming effective, in consideration of the transfer and vesting of the Demerged Undertaking into Resulting Company, the Resulting Company shall issue the Resulting Company's New Equity Shares to the shareholders of the Demerged Company in the manner set out in the Scheme;
- 4.2. Simultaneous with the issuance of the Resulting Company's New Equity Shares in accordance with the Scheme, the existing issued and paid-up equity share capital of the Resulting Company, as held by EKI Energy Services Limited being the Wholly-Owned Subsidiary, shall without any further application, act, instrument or deed, stand automatically extinguished, cancelled and reduced, which shall be regarded as reduction of share capital of the Resulting Company, pursuant to Sections 230 to 232 of the Act as an integral part of the Scheme and the Parties shall not be required to follow the process as required under Section 66 of the Act or any other provisions of Applicable Law separately. The aforesaid reduction of capital does not involve any diminution of liability in respect of any unpaid share capital or payment to any shareholder of any paid-up share capital or payment in any other form.
- 4.3. The Scheme is expected to have several benefits for the Company as indicated in the rationale of the Scheme and is expected to be beneficial to the shareholders of the Demerged Company as the proposed transfer of the Demerged Undertaking of the Demerged Company to the Resulting Company will unlock the direct value of the Demerged Company's shareholders into the Resulting Company and allow a focused strategy and specialization for sustained growth for enhanced value.
- 4.4. Accordingly, the Scheme will have no adverse effect on the shareholders, its creditors or any other stakeholder of the Company due to the demerger. The said share exchange ratio is arrived at after taking into consideration the Valuation Report issued by **CA Pankaj Shah, Registered Valuer (Security or Financial Assets)** (Reg. No. IBBI/RV/06/2020/13735) dated 28<sup>th</sup> January, 2025, and Fairness Opinion issued by the Merchant Banker, **M/s Swastika Investmart Limited, SEBI Registered Category -1 Merchant Banker** (Reg. No. INM000012102) dated 30<sup>th</sup> January, 2025 which have been placed before the Committee and duly considered by the Audit Committee and the Committee has come to the conclusion that the said share exchange ratio is fair and reasonable.

The equity shares so issued and allotted as provided above shall be subject to the provisions of the Memorandum and Articles of Association of the Resulting Company and shall **rank pari passu** in all respects with the then existing equity shares of the Resulting Company after the Effective Date.

#### 5. Cost benefit analysis of the Scheme:

Although the Scheme would lead to incurring of some costs by the Demerged Company and Resulting Company towards implementation, the benefits of the said Scheme over a longer



period would, in the view of the Committee, outweigh such costs given the long-term benefits for the Demerged Undertaking business to be transferred to Resulting Company.

**6. Recommendation of Audit Committee:**

6.1. Pursuant to the above, the Audit Committee has perused the following documents:

- a) Draft Scheme of Arrangement for De-merger of Generation Segment of EKI Energy Services Limited (Holding Company) into EKI One Community Projects Limited (Wholly Owned Subsidiary Company) and their respective shareholders;
- b) Valuation Report dated January 28, 2025 issued by CA Pankaj Shah, Registered Valuer.
- c) Fairness Opinion recommended to the Board that the Share Exchange Ratio is fair to the shareholders (including the minority shareholders) of EKI Energy Services Limited, dated January 30, 2025 issued by Swastika Investmart Limited, SEBI Registered Merchant Banker.
- d) Certificate dated February 1, 2025 obtained from the Statutory Auditors of the Company i.e., Dassani and Associates LLP, Chartered Accountants, (Firm Registration No. 009096C/C400365), regarding compliance of the accounting treatment contained in the draft Scheme with the accounting standards specified under Section 133 of the Act;
- e) Undertaking given by the Company confirming that approval of majority of public shareholders as prescribed under Paragraph (A)(10)(b) of Part I of the Master Circular is not applicable to the Scheme along with certificate of the Statutory Auditors of the Company, certifying the said undertaking.

6.2. The Audit Committee having considered and noted the above, recommends the draft Scheme to the Board, in its present form for favourable consideration by the Board, Stock Exchanges, National Company Law Tribunal, SEBI and other regulatory authorities, as may be applicable.

6.3. In the opinion of the members of the Audit Committee present at the Meeting, draft Scheme is in the best interest of all the stakeholders of EKI Energy Services Limited including shareholders, customers, creditors, lenders and employees and the share exchange ratio as mentioned in the Valuation Report is fair and reasonable.

**By Order of the Audit Committee of  
For, EKI Energy Services Limited**

  
**Ritesh Gupta**  
Chairman of the Audit Committee

DIN: 00223343

Place: Indore

Date: February 10, 2025

