

Report of the 01/2024-25 Meeting of the Independent Directors of EKI Energy Services Limited on the draft Scheme of Arrangement between EKI Energy Services Limited and EKI One Community Projects Limited and their respective shareholders at their meeting held on Monday, February 10, 2025 at the Corporate Office of the company situated at 903, B-1, 9th Floor, NRK Business Park Scheme 54 PU4 Indore 452010 MP in at 12:30 PM and concluded at 1:00 P.M.

Member Present:

Mr. Ritesh Gupta : Independent Director -Chairman
Mr. Burhanuddin Ali Hussain Maksiwala : Independent Director- Member
Ms. Astha Pareek : Independent Director - Member

In Attendance:

Ms. Itisha Sahu : Company Secretary and Compliance Officer

A. Background:

1. The draft Scheme of Arrangement in the nature of Demerger to be entered between **EKI Energy Services Limited, holding Company ('Company' or 'Demerged Company' or 'EKI')** and its wholly owned subsidiary company, **EKI One Community Projects Limited ('the Resulting Company' or 'The Transferee Company' or 'EKI One')** and their respective shareholders and creditors (hereinafter referred to as 'Scheme') for the demerger, transfer and vesting of the Generation Segment of the Demerged Company comprising of where the carbon credits are issued from the projects implemented, developed and owned by the Demerged Company ('Generation' or 'Demerged Undertaking') in terms of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 ('Act') and the applicable rules framed thereunder and Securities and Exchange Board of India ('SEBI') (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') including SEBI Master Circular No. SEBUHO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 as amended from time to time ('Master Circular') and reduction by way of the extinguishment/ cancellation of the entire pre-scheme share capital of the Resulting Company as an integral part of the Scheme, without seeking any separate approval of the NCLT, under section 66 and other applicable provisions of the Companies Act, 2013 was presented to the Independent Directors at their meeting held on February 10, 2025, for its consideration and making recommendation to the Board of Directors of the Company.
2. In terms of the Master Circular, a report from the Independent Directors recommending the draft Scheme, is required to be adopted and recommended to the Board. Accordingly, this report is prepared to comply with the aforesaid requirements.
3. While deliberating on the Scheme, the Independent Directors, *inter-alia*, considered and took on record the following documents:
 - i) Draft Scheme, duly initialled by the Managing Director of the Company for the purpose of identification;
 - ii) Share Entitlement Ratio Report ('SER Report') dated January 28, 2025 issued by CA Pankaj Shah (Registration No. IBBI/RV/06/2020/13735), recommending the share entitlement ratio being issuance or allotment of 1 equity share of Rs. 10/- each the Resulting Company for every 1 equity share of Rs. 10/- each of Demerged Company ('Share Entitlement Ratio');



- iii) Fairness Opinion dated January 30, 2025 issued by Swastika Investmart Limited, the SEBI registered merchant banker (Registration No. INM000012102) providing fairness opinion on the share entitlement ratio recommended in the SFR Report;
- iv) 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;
- v) 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.
4. The Scheme, amongst others, contemplates the following arrangements (Capitalised terms used and not defined herein shall have the meaning ascribed to them in the Scheme):
- i) Demerger of Generation Segment of the Demerged Company into Resulting Company and their respective shareholders, in accordance with Sections 230 to 232 of the Act and other applicable laws.
- ii) Pursuant to the sanction of the Scheme by the Tribunal and upon the fulfilment of conditions as prescribed in the Scheme, the Scheme shall become effective from date on which he certified copies of the last of the Sanction Orders are filed with the ROC in accordance with Scheme (i.e., 'Effective Date') or such other date as may be approved by the Tribunal.
- iii) With effect from the Appointed Date, and upon the Scheme becoming effective, the Demerged Undertaking of the Demerged Company shall stand transferred to and be vested in the Resulting Company, as a going concern, without any further deed or act, together with the benefits and interest therein, in the manner provided for in the Scheme, in accordance with Sections 230 to 232 of the Act, and other applicable laws.
- iv) Allotment of Equity Shares of the Resulting Company to the equity shareholders of Demerged Company in accordance with the Share Entitlement Ratio, as set out in the SER Report.
- v) Reduction by way of extinguishment and cancellation of the entire pre-scheme share capital of the Resulting Company.
5. The effectiveness of the Scheme is conditional upon fulfilment of the 'Conditions Precedent' as specified in the Scheme ('said conditions'), which include:
- a) **Stock Exchange Approval:** The Demerged Company shall have received no objection letter from the designated stock exchange in respect of the Scheme (prior to filing the Scheme with the Hon'ble NCLT) and the transactions contemplated therein in accordance with the Listing Regulations and the Master Circular.
- b) **Shareholders' and Creditors' Approval:** The Scheme shall have been approved by the respective majority of the requisite classes of shareholders (through postal ballot/e voting, as applicable) and creditors (where applicable) of the Companies as required under the Act, Master Circular and as may be directed by the NCLT, subject to any dispensation that may be granted by the NCLT.
- c) **Approval of the Hon'ble NCLT:** The Scheme shall have been approved by the Hon'ble NCLT, either on terms as originally approved by the relevant parties to the Scheme, or subject to such modifications as approved by the Hon'ble NCLT.
- d) **Filing of e-form INC 28:** The Demerged Company and the Resulting Company each duly filing e-form INC 28 on the website of the Ministry of Corporate Affairs.
- e) **Listing of equity shares of the Resulting Company:** The Resulting Company shall upon allotment of shares to the shareholders of the Demerged Company pursuant to the Scheme immediately make an application to SEBI in terms of Rule 19(7) of Securities Contracts (Regulation) Rules, 1957 for listing of equity shares of the Resulting Company at all the stock exchanges where the equity shares of Demerged Company are listed.



B. Need for the Scheme and Synergies of business of the companies involved in the Scheme:

- i) **Focus on individual businesses:** With the help of the demerger, the Demerged Company and the Resulting Company could concentrate its resources, management attention, and investments on its individual operations, potentially leading to improved performance and competitiveness.
 - Demerged Company individually may manage the Generation Business more efficiently;
 - Demerger to enable optimal exploitation, monetization and development of its assets.
- ii) **Improve financial performance:** Demerger is likely to improve the financial performance of the companies. Both the companies can optimize its capital structure, streamline costs, and have clearer financial reporting, potentially leading to enhanced financial results.
- iii) **Better capital allocation:** Both the companies can optimize its capital structure and accordingly allocate the capital that suits its business and investment requirements and growth plans.
 - Financial resources will be conveniently raised in accordance with the requirement of the business.
- iv) **Enhanced strategic flexibility:** Management of both companies to pursue independent growth & expansion strategies for both the businesses.
 - Resulting Company will have the flexibility to pursue its individual growth strategies, partnership, mergers, acquisitions, and investments, tailored to its specific business objectives without any constraints, if any, as may be contemplated in future.
- v) **Alignment with industry trends & customized growth:** Both the companies may adapt and align more effectively with the trends and requirements of their respective industries, leading to better competitiveness and sustainability from long-term perspective.
- vi) **Simplification of organizational structure:** Complex organizational structures & legacy issues may impede the decision-making, agility, and efficiency. Demerger aims to simplify the structure, making each entity more manageable and enabling faster decision-making and targeted strategies.
- vii) **Better corporate governance:** Demerger is expected to improve corporate governance within the separated entities, ensuring that the board and management are aligned with the specific interests and goals of their businesses.
- viii) **Unlocking shareholders value:** Ability to achieve valuation based on respective risk-return profile & cash flows thus, creating the overall value for the shareholders.
 - Creating different companies will allow investors to better understand and evaluate each business's potential, thus, potentially resulting in higher valuations for the individual companies;
 - Resulting Company to have better visibility and valuation in the market as a standalone business.

C. Rationale of the Scheme

The proposed restructuring would:

- 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 center.
- 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.

D. Impact of Scheme on shareholders of the Company

- i) Segregation of Generation Business & Residual business of the Demerged Company through demerger will help in unlocking shareholder value which may be undervalued when part of a larger consolidation.
- ii) Pursuant to demerger, the Resulting Company will issue its equity shares to the shareholders of the Demerged Company based on the SER Report and in the same proportion in which the shareholders held equity shares in the Demerged Company. Thus, the overall economic interest of the shareholders of the Demerged Company should remain same in both the companies.
- iii) Given the above, considering there is no proposed change in the shareholding pattern of the Demerged Company, the proposed demerger should be in the best interest of shareholders.
- iv) Post effectiveness of the demerger and subject to receipt of regulatory approval the equity shares of the Resulting Company issued as consideration pursuant to demerger should be listed on the recognized stock exchanges and thus, ensuring the marketability and tradability of equity shares of the Resulting Company.

E. Cost benefit analysis of the Scheme

The Independent Directors are of the view that while the demerger would involve certain cost such as stamp duty, regulatory fees, consultancy fees and other transactional and implementation cost, the expected non-quantifiable benefits as stated under Paragraph B would offset the impact of the aforementioned costs.

F. Scheme not detrimental to the shareholders of the Company

- i) The Committee discussed the salient features, rationale and expected benefits of the Scheme.
- ii) The Committee also noted that pursuant to the Scheme, the shareholders of the Demerged company will have a share in returns arising from business operations and asset base of the demerged entity, provide an opportunity for growth and value creation leading to maximization of value and return for shareholders.



iii) Thus, the Committee is of the view that the Scheme is not detrimental to the interest of the shareholders on account of benefits as enumerated above and that the Scheme will unlock long term value for the shareholders.

G. Recommendation of the Independent Directors

In view of the above and after taking into consideration *inter alia* the draft scheme, SER Report, the Fairness Opinion, certificate issued by the Statutory Auditors and the specific points as mentioned above, the Independent Directors of the Company are of view that the Scheme is not detrimental to the interest of the shareholders, creditors and other stakeholders of the Company and having considered and noted the above, unanimously recommends the Scheme to the Board, in its present form for favourable consideration by the Board, Stock Exchanges, National Company Law Tribunal, SEBI and such other regulatory authorities, as may be applicable.

For and on behalf of the Independent Directors of
EKI Energy Services Limited


Ritesh Gupta
Independent Director

DIN: 00223343

Date: February 10, 2025

Place: Indore

