July 24, 2023

EKI Energy Services Limited: Placed on Ratings watch with negative implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/Short term - Fund-based/Non-fund based	168.00	168.00	[ICRA]BBB+; placed on rating watch with negative implications / [ICRA]A2; placed on rating watch with negative implications
Long-term – Term loan	40.00	-	-
Long-term/Short-term - Unallocated	92.00	132.00	[ICRA]BBB+; placed on rating watch with negative implications / [ICRA]A2; placed on rating watch with negative implications
Total	**300.00**	**300.00**	

**Instrument details are provided in Annexure-1*

Rationale

On July 14, 2023, EKI Energy Services Limited (EKIESL) has disclosed to BSE Limited that its board of directors has approved to remove Walker Chandiok & Co LLP as the statutory auditors of the company on the grounds of unreasonable fee hike, inordinate delays in the conclusion of audit for the fourth quarter and financial year ended March 31, 2023 and lack of involvement of the engagement team. This decision is subject to approval from the Central Government and the shareholders of the company. The company is in the process of filing an application with the Central Government in this regard. Further, it has decided to convene an extraordinary general meeting (EGM) of the shareholders on August 14, 2023 for seeking their approval on this matter, subject to the approval from the Central Government.

The rating of EKIESL has been placed on watch with negative implications as this development is likely to further delay the release of the audited results for FY2023. The timeline of reporting the audited results for FY2023 remains uncertain. Further, in the previous rationale, ICRA had taken note of the auditor qualification in the limited review of 9M FY2023 on revenue recognition. ICRA shall continue to monitor the developments in this regard for their impact on the company's financial profile and flexibility.

Nonetheless, ICRA takes note of the prepayment of the term loan of Rs. 40 crore in full by the company in June 2023, funded through internal accruals. As a result, the company does not have any long-term borrowing as on date. Further, the liquidity position of the company is supported by the largely unutilised fund-based working capital limits.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, the liquidity position, rating sensitivities and key financial indicators: Click here

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Consolidation Rating Approach
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financial statements of EKIESL and its subsidiaries [details in Annexure II]

About the company

EKIESL, incorporated in 2011, is in the business of climate change and sustainability advisory services and carbon credit trading. The company mobilises carbon credits for sale in the global voluntary carbon credit market and has customers across 40+ countries and it advises and assists the customers involved in carbon avoidance/reduction/removal projects, with registration, validation, verification, issuance and sale of carbon credits. The company is listed on the Bombay Stock Exchange (BSE), with a 73.44% shareholding held by the promoters led by Mr. Manish Kumar Dabkara.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding as on Jun 30, 2023 (Rs. crore)	Date & rating	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Jul 24, 2023	Apr 28, 2023	Apr 10, 2023	-	-	
1	Fund-based / Non-fund based	Long-Term / Short Term	168.00	-	[ICRA]BBB+; rating watch with negative implications / [ICRA]A2; rating watch with negative implications	[ICRA]BBB+ (Stable) / [ICRA]A2	[ICRA]BBB+ (Stable) / [ICRA]A2	-	-	
2	Term loan	Long Term	-	-	-	[ICRA]BBB+ (Stable)	-	-	-	
3	Unallocated	Long Term / Short Term	132.00	-	[ICRA]BBB+; rating watch with negative implications / [ICRA]A2; rating watch with negative implications	[ICRA]BBB+ (Stable) / [ICRA]A2	[ICRA]BBB+ (Stable) / [ICRA]A2	-	-	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based/Non-fund based	Simple
Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Fund-based/Non-fund based**	-	-	-	168.00	[ICRA]BBB+; rating watch with negative implications / [ICRA]A2; rating watch with negative implications
NA	**Unallocated**	-	-	-	132.00	[ICRA]BBB+; rating watch with negative implications / [ICRA]A2; rating watch with negative implications

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Amrut Nature Solutions Private Limited	51.00%	Full Consolidation
EnKing International FZCO	100.00%	Full Consolidation
GHG Reduction Technologies Private Limited	49.90%	Equity Method
Glofix Advisory Services Private Limited	51.00%	Full Consolidation

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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