



Press Release
CONVERGENCE ENERGY SERVICES LIMITED
November 14, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	64.00	ACUITE BBB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	64.00	-	-

Rating Rationale

ACUITE has assigned its long term rating of **"ACUITE BBB+" (read as ACUITE triple B plus)** on the long term bank facilities of Rs.64.00 Crore of Convergence Energy Services Limited (CESL). The Outlook is **'Stable'**.

Rationale for Rating

The assigned rating reflects that CESL is the wholly owned subsidiary of Energy Efficiency Services Limited (EESL), which is a joint-venture of Public Sector Companies such as NTPC (33%), Power Grid corporation of India Ltd (33%), Power Finance Corporation Limited and REC both holding 33%. The government entities extended their respective support for the projects on which CESL is currently working upon. The parentage of the company(EESL) infused Rs.10 Crore in FY22, when company was incorporated. CESL is an implementing agency under flagship programme- Gram Ujala which is a government initiative towards replacement of the incandescent bulbs with energy effective LED bulbs. Also, CESL has entered into agreements with various clients where EV four wheelers are deployed on lease. Further, CESL is also a part of National Electric bus program which aims to deploy 50000 e-buses. However, the projects are currently in initial stage and completion of same within the expected timeliness will remain a key sensitive factor.

About the Company

Delhi Based Convergence Energy Services Limited (CESL) was incorporated in 2020 with an objective to support the Government of India's ambition of net-zero carbon emission by 2070. Convergence Energy Services Limited is amongst the first movers in the e-mobility segment and nominated as a nodal agency for the Government of India's Faster Adoption and Manufacturing of Hybrid and EV (FAME) Scheme led by the Ministry of Heavy Industry. Convergence Energy Services Limited since its inception has taken many initiatives in the area of Renewable Energy like Deployment of Electric Four wheelers to Government Departments (Central/State Ministry and Departments), Aggregation of demand for Electric Two/Three Wheelers, Aggregation of Demand for Electric Buses for State Transport Units (STUs) which is one of its kind initiatives taken by CESL for running a common tender for various states STUs and much appreciated effort. Convergence Energy Services Limited has a flagship programme in the area of Carbon financing - Gram Ujala where CESL has replaced the LED bulbs with the LED bulbs, the project is funded through majorly by the Carbon financing where CESL will sell the Carbon Units generated through the project, the programme is registered under VERRA. The current directors of company are Mr. Shankar Gopal, Mr. Dillip Kumar Patel, Mr. Vishal Kapoor, and Mr. Ravindra Kumar Tyagi.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of CESL to arrive at the rating.

Key Rating Drivers

Strengths

Strong Government Support

Gram Ujala Program

The company has launched project which is a government project and as an implementing agency CESL is generating revenue by obtaining Carbon credits through replacement of the incandescent bulbs with energy effective LED bulbs in villages. The GOI will also earn carbon credits on implementing scheme and these carbon credits will be sold to buyers. In this way LED cost will be recouped and company has been credited with 7.27 Lacs carbon credit units in the beginning of August 2023.

Electric Vehicle lease revenue-

The company has entered into agreements with various clients where EVs are deployed on lease. There are two types of leases- Dry Lease (Without driver) and Wet Lease (With driver). However, the company hasn't purchased any E-vehicle yet. CESL has given vehicles on sub-lease. The company offers service exclusively to Central ministry and Central PSU's.

Electric bus deployment-

The National Electric Bus Program aims to deploy 50000 e-buses. NITI Aayog and CESL have concluded the largest global tender of electric bus procurement through Grand Challenge process and the company is expected to complete the project in next five years.

Grants received

The grant of Rs.4126 Crore will be used to deploy remaining 38000 buses wherein Rs.2885 will be provided by Indian government and Rs.1241 Crore will be invested by the US Government. Hence, it is a returnable grant. Further, this payment security mechanism will help to attract model's bankability and big giants of the industry will also be encouraged by this payment security mechanism to participate in the tender.

Weaknesses

Nascent stage of operations and the project

The company was incorporated in FY21 and currently, the ongoing projects are on the nascent stage as well and the expected timeline for same will remain a key sensitive factor.

Working capital intensive operations

The working capital operations of the company have shown high debtor days which stood at 296 days as on 31st March 2023 against 53 days as on 31st March 2022. The company deals with PSU and OEM's so the payment cycle majorly reflects stretched collection period. Beside this, higher GCA days of the company is mainly emanates from the other current asset of Rs.35.62 crore in FY23 against Rs.29.54 Crore in FY22, which mainly consists of finance lease receivable and balance with statutory authorities. However, the debtor days are on higher side due to the billing done which was not due for collection in the month of March 2023.

Rating Sensitivities

- Improvement in the scale of operations
- Timely completion of the projects

All Covenants

None.

Liquidity Position

Adequate

The liquidity position of the company is adequate. The company will start repaying the loans taken from body corporate from FY24 as currently, company does have cash and bank balance which will provide adequate cushion in form of liquidity. Further, the current ratio of

the company stood at 0.86 times as on 31st march 2023 against 0.55 times as on 31st march 2022.

Outlook: Stable

Acuité believes that CESL will maintain a 'stable' outlook over the medium term due to its experienced management and e-buses orders. The outlook may be revised to 'Positive', in case of higher than-expected revenues and profitability, while maintaining its capital structure and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case CESL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management leads to deterioration of its financial risk profile and liquidity

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	22.07	9.89
PAT	Rs. Cr.	(15.90)	(10.17)
PAT Margin	(%)	(72.06)	(102.84)
Total Debt/Tangible Net Worth	Times	(1.17)	(0.43)
PBDIT/Interest	Times	(0.01)	(4.44)

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History :

Not Available

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	64.00	ACUITE BBB+ Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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