



Press Release
Convergence Energy Services Limited
September 26, 2024
Rating Reaffirmed

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

Rating Rationale

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

Rationale for Rating

The reaffirmation in the rating factors in the experienced management and support extended by the parentage of the company i.e. Energy Efficiency Services Limited. Further, improvement in the scale of operations has also considered supported by the better margins and additional orders received so far. However, the financial risk profile of the company remains deteriorated along with intensive working capital operations and expected to be improved in near to medium term and 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 IED 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

Extended support by the parentage of the company

The parent (Energy Efficiency Services Limited) of the Convergence Energy Services Limited has extended its support by infusing the capital in the business during the initial stage of operations. The current director of company is Mr. Shankar Gopal, Mr. Dillip Kumar Patel, Mr. Vishal Kapoor, and Mr. Ravindra Kumar Tyagi and the experience of the management will help the company to flourish in near to medium term.

Improvement in the scale of operations

The company has clocked a revenue of Rs. 44.33 Crore in FY24 against Rs. 22.07 Crore in FY23. The increase in the revenue of the company is reflected by the execution of the order book received so far. Further, the company has bagged an unexecuted order book worth Rs. 37.04 Crore including international orders as well, which are expected to be completed by current financial year. The turnover of the company is supported by better margins reflected by EBITDA Margins and PAT margins stood at 59% and 16.16% respectively in FY24 against (6.55%) and (72.06%) respectively in FY23. Going forward, the company is expected an increase in the top-line of the company in near to medium term on an account of the execution of order book.

Weaknesses

Nascent stage of operations and the project

The Working capital intensive operations are high reflected by debtor days which stood at 120 days in FY24 against 296 days in FY23. 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. 37.55 crore in FY24 against Rs. 35.62 crore in FY23, which mainly consists of finance lease receivable and balance with statutory authorities. Going forward, Acuite believes that the working capital profile of the company is expected to improve in near to medium term.

Below average Financial Risk Profile

The financial risk profile of the company is poor as the net worth of the company is marked by Net-worth of Rs. (21.34) Crore as on 31st March 2024 against Rs. (40.96) Crore as on 31st March 2023. Further, the gearing ratio of the company stood at (3.41) times as on 31st March 2024 against (1.17) times as on 31st March 2023.

Acuite believes that financial risk profile of the company is expected to improve in the absence of any long term debt in near to medium term.

Rating Sensitivities

- Improvement in the scale of operations and sustained improvement in profits
- Timely completion of the order book
- Improvement in capital structure

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 1.19 times as on 31st march 2024.

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 improving its capital structure and 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 leading to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	44.33	22.07
PAT	Rs. Cr.	7.16	(15.90)
PAT Margin	(%)	16.16	(72.06)
Total Debt/Tangible Net Worth	Times	(3.41)	(1.17)
PBDIT/Interest	Times	3.15	(0.01)

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

Not Applicable

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, Acuité 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Nov 2023	Term Loan	Long Term	64.00	ACUITE BBB+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	49.40	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2028	Simple	12.60	ACUITE BBB+ Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BBB+ Stable Reaffirmed

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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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