ENERGY EFFICIENCY SERVICES LIMITED

(A JV of PSUs under the Ministry of Power)
Registered Office: NFL Building, 5th & 6th Floor, Core – III, SCOPE Complex, Lodhi Road, New Delhi – 110003
CIN: -U40200DL2009PLC196789

Ref. No.: EESL/CS/LC-Bonds/332 **Date: 18.11.2022**

To:

AGM - Dept. of Corporate Services
BSE Limited
P. J. Towers,
Dalal Street, Fort,
Mumbai – 400001

Dear Sir,

Subject: **Intimation of revision in Credit Ratings**

Ref: SCRIP CODE – 954969

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, it is hereby informed that CARE Ratings Limited has revised its ratings in respect of NCDs issued by Energy Efficiency Services Limited and its Bank facilities. Revised credit rating letters is enclosed for kind reference.

This is for your information & records.

Thanking You,

For Energy Efficiency Services Limited

Pooja Shukla

Digitally signed by Pooja Shukla
DN: c=IN, st=Uttar Pradesh,
2.5.4.20=5cac66e61fb0925d242023515331191b483f221235df56f31b656
3a3aea7589d, postalCode=201014, street=Flat N0-118 Second Floor
Ashiana Greens,Ahinsa Khand-2 Indirapuram,Shipra Sun City,Shipra Sun
C,Ghaziabad,Ghaziabad,
pseudonym=dea0f7f2e683fe2ecb312ac1234bcdf8,
serialNumber=d27b8275d1df9c1f41479e1716be86bf55c5533be23363f0
d5663fb54531aad9, title=6925, o=Personal, cn=Pooja Shukla
Date: 2022.11.18 17:36:36 +05'30'

Company Secretary & Compliance Officer

No. CARE/DRO/RL/2022-23/2308

Shri Sandeep Kumar Jain
Chief Financial Officer
Energy Efficiency Services Limited
NFL BUILDING, 5th and 6th FLOOR, CORE 03,
SCOPE COMPLEX, LODHI ROAD, NEW DELHI,South Delhi,
New Delhi
Delhi 110003

November 15, 2022

Confidential

Dear Sir,

Credit rating for Non convertible Debenture issue

On the basis of recent developments including operational and financial performance of your Company for FY22, and H1FY23(U/A), and the possible impact of the same on the credit profile of your company our Rating Committee has reviewed the following ratings:

Sr. No.	Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
1.	Non Convertible Debentures	250.00	CARE A; Negative (Single A; Outlook: Negative)	Revised from CARE A+; Stable (Single A Plus; Outlook: Stable)
2.	Non Convertible Debentures	0.00		Withdrawn
	Total Instruments	250.00 (Rs. Two Hundred Fifty Crore Only)		

2. The NCDs are repayable as per **Annexure-1**.

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by November 16,2022 (EOD), we will proceed on the basis that you have no any comments to offer.

4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

[1]Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.

5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
6. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
7. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.
8. CARE Ratings Ltd. ratings are not recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

himanshu pandey

Himanshu Pandey
Analyst
himanshu.pandey@careedge.in

Ajay Kumar Dhaka
Associate Director
ajay.dhaka@careedge.in

Encl.: As above

Annexure-1

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)
Debentures-Non Convertible Debentures	INE688V07033	September 20, 2016	8.07%	September 20, 2023	250.00
Debentures-Non Convertible Debentures	INE688V08015	July 18, 2017	7.80%	July 18, 2022 *	450.00

* The NCDs has been redeemed fully as on July 18, 2022.

Annexure 2

Energy Efficiency Services Limited

November 15, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[2]	Rating Action
Long Term Bank Facilities	850.00	CARE A; Negative (Single A; Outlook: Negative)	Revised from CARE A+; Stable (Single A Plus; Outlook: Stable)
Long Term / Short Term Bank Facilities	90.00	CARE A; Negative / CARE A2+ (Single A; Outlook: Negative/ A Two Plus)	Revised from CARE A+; Stable / CARE A1 (Single A; Outlook: Stable / A One)
Short Term Bank Facilities	766.00	CARE A2+ (A Two Plus)	Revised from CARE A1 (A One)
Total Bank Facilities	**1,706.00 (₹ One Thousand Seven Hundred Six Crore Only)**		
Non-Convertible Debentures	250.00	CARE A; Negative (Single A; Outlook: Negative)	Revised from CARE A+; Stable (Single A Plus; Outlook: Stable)
Non-Convertible Debentures	-^	-	Withdrawn
Total Long-Term Instruments	**250.00 (₹ Two Hundred Fifty Crore Only)**		

Details of instruments/facilities in Annexure-1.
^The rating assigned to the NCDs has been withdrawn upon full redemption of the instrument.

Detailed rationale and key rating drivers

The revision in the ratings assigned to bank facilities and debt instruments of Energy Efficiency Services Limited (EESL) take into account continuous elongation in the operating cycle of the company due to increasing receivables, resulting in higher reliance on the external debt and higher creditors outstanding. The company's total receivables have gone up significantly from ₹3194 crore, as on March 31, 2021, to ₹3482 crore as on March 31, 2022, and it has further increased to ₹3,826 crore, as on September 30, 2022, reflecting continued delays in the realization from the customers especially the Urban Local Bodies (ULBs) and state power distribution utilities (DISCOMs). The rating action also considers moderation in the operational performance of the company marked by declining scale of operations in FY22 (FY refers to the period April 1 to March 31) and net losses reported during FY22 and H1FY23 (UA).

The ratings, however, derive strength from EESL's ownership vested completely with strong and Government of India (GoI)-owned large Public Sector Undertakings (PSUs) demonstrating regular financial support to EESL through equity infusions and EESL's strategically important role as the nodal agency for implementation of various energy saving programmes launched by GoI. The ratings also factor involvement of government and EESL's shareholders in the formulation of EESL's strategy and long-term business plan by way of board representations in the company and resource mobilization support through low-cost funding from multilateral funding agencies which are guaranteed by GoI. The ratings further factor in high entry barriers in the business of large-scale energy efficiency projects due to requirements of substantial capital investment and EESL's presence in diversified segments of energy efficiency businesses wherein it gets government orders without getting into the bidding process. Moreover, the cost-plus model followed by EESL ensures adequate returns and steady annuity-based income stream to the company.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The ratings, however, continue to remain constrained by the susceptibility of operations to counterparty credit risk on account of weak financial profile of its clientele, primarily consisting of ULBs and DISCOMS and EESL's highly leveraged capital structure owing to high debt funded capex and continued high reliance on working capital borrowings.
The ratings take cognizance of EESL's plans to get equity infusion of Rs.350 crore in H2FY23 and initiatives undertaken by the company in the form of ministerial interventions to expedite realization of accumulated debtors and setting up of escrow mechanisms to restrict incremental build-up in receivables.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Sustained growth in business operations with Total Operating Income (TOI) of above ₹2000 crore while improving the profitability margins substantially
- Meaningful improvement in collection period to below 180 days
- Improvement in overall gearing to below 3 times.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Continually stretched receivables or further build-up in receivables
- Any change in the strategically important role of EESL for implementation of various energy savings programmes launched by GoI.
- Any sizeable capex or acquisition undertaken by the company adversely impacting its leveraged capital structure.

Outlook: Negative

The 'Negative' outlook assigned to long term ratings of EESL is due to expectation of continued elongated receivables position leading to high reliance on working capital borrowings thereby leading to weakening of its debt coverage metrics. CARE understands that EESL has been taking various steps to improve collections such as seeking government's intervention to expedite payments from counterparties and creation of payment security mechanism for incremental orders. The outlook may be revised to 'Stable' in case the company achieves meaningful reduction in its receivables position and thereby leading to improvement in its liquidity position.

Detailed description of the key rating drivers

Key rating strengths

Strong parentage and nodal agency status for GoI's energy efficiency initiatives

EESL was set-up in 2009 as a joint venture of National Thermal Power Corporation Limited (Now NTPC Ltd; a Maharatna PSE with GoI holding of 51.10% as on September 30, 2022; rated CARE AAA; Stable/ CARE A1+), Power Finance Corporation Limited (PFC; a Navratna PSE with GoI holding of 55.99% as on September 30, 2022; rated CARE AAA; Stable/ CARE A1+), REC Limited (REC; a Navratna PSE with PFC holding of 52.63% as on September 30, 2022; rated CARE AAA; Stable/ CARE A1+ and CARE AA+; Stable for Perpetual Bonds) and Power Grid Corporation of India Limited (PGCIL; a Navratna PSE with GoI holding of 51.34% as on September 30, 2022; rated CARE AAA; Stable/ CARE A1+). The company is established to facilitate the implementation of various programs and consultancy services dedicated to the conservation of energy by improving the energy efficiency in municipal street lighting, household energy efficiency, demand side management in agricultural sector (pumps) and industrial energy efficiencies for PSUs, government bodies and municipal corporations in India. GoI has launched various schemes from time to time which has helped EESL to expand its business with government clients. The company has been chosen as the nodal agency to implement several energy efficiency projects on a pan-India basis. It has been receiving regular support from the government by way of guarantee for its borrowing from overseas agencies at very competitive rates. The Board of Directors is of EESL is represented by Joint Secretary to Ministry of Power and senior officials from PGCIL and NTPC.

Strategic role in promoting energy efficiency and conservation projects
EESL is strategically important entity for GoI to promote and create market for energy efficiency and conservation projects in India through procurement and supply of energy efficient products and services. EESL carries out activities offered by the Central and State Govt., Bureau of EE or any other agencies related to EE, and climate change. EESL is JV of four PSU companies namely NTPC, PFC, REG and PGCIL administered by Ministry of Power, GoI and is one of the main implementation arms of the National Mission for Enhanced Energy Efficiency (NMEEE). In November 2009, the "National Mission for Enhanced Energy Efficiency" (NMEEE), a policy by GoI, has indicated ₹74,000 crore of investment potential for energy efficiency and conservation (EE&C) out of which ₹30,000 crore of potential exists in energy intensive industries and remaining ₹44,000 crores in the other key demand side economic sectors. GOI has launched various schemes from time to time in this sector which has helped the company to expand its business with government clients. EESL is implementing various programs and consultancy services dedicated to the conservation of energy by improving the energy efficiency of the systems.

Cost plus model and steady annuity income ensuring adequate returns
EESL ensures that it gives the best solution to its clients by following the demand aggregation method and at the same time protecting the shareholders of EESL by ensuring sufficient return on equity. The cost-plus model ensures that EESL covers itself for all the cost that it incurs during the project including material cost, procurement cost, advertisement cost etc. and also cost of debt and equity. All these costs are added in the final annuity quote given to clients. EESL also ensures that the annuity cost to the client is less than or equal to the existing cost (deemed or actual) and hence gives a value proposition to them. As the new annuity businesses mature, it shall be a source of steady revenue stream to EESL going forward and shall be long term in nature depending upon the tenor of the agreements. It is a win-win situation for both as client do not incur the upfront cost and pays the annuity which is less than or equal to its current deemed / actual expenses and after say a few years (5 to 7 years), the savings start to accrue to the clients.

High entry barriers for competition
EESL has explored scalable areas where it can introduce energy efficiency projects with explicit support from the GoI and its initiatives to enhance energy efficiency. This sector has a high entry barrier as it is capital intensive and only companies with significant capital raising prowess can venture into this. The capital cost is incurred upfront, and the returns are realized over a period of time. EESL has an advantage as it is a government owned company and hence it gets businesses with most of the central and state government entities without an open tendering competition. Any competitor from the private sector faces the hurdle of going through a tendering process as per standard procedure of all government agencies.

Diversified business segments
EESL is mandated by the GoI to implement energy efficiency projects. The existing businesses of Ujala, Street Light National Programme and Consultancy businesses has provided the growth and profitability to the company till FY21 whereas the new ventures such as electric vehicles, smart meters, solar power plant businesses, building efficiency and offshore businesses is expected to drive the growth of EESL going forward. EESL follows two types of business models to look at all kind of energy efficiency projects in India i.e. (a) Energy Service Company (ESCO) Model and (b) Project Management Consultant (PMC) Model. Under ESCO model, EESL undertakes the entire upfront investment for the project, instead of relying on consumers or clients. The investment is recovered through periodic instalments which result from deemed energy savings over a mutually agreed-upon project period (generally 5-7 years). Operation and maintenance of new equipment is the liability of EESL during the contract period. This can enforce effective product warranties to ensure minimal downtime due to equipment malfunctions. In PMC model, EESL plays the role of project management consultant for project implementation. The upfront investment for the project in this model is borne by the client. The various programmes for which EESL provides its services include Unnat Jyoti by Affordable LEDs for All (UJALA), Street Light National Programme (SLNP), Municipal Energy Efficiency Programme (MEEP), Building Energy Efficiency Programme (BEEP), Smart Meter National Programme (SMNP), National EMobility Programme (E- Vehicles and charging infrastructure), Agricultural Demand Side Management (AsDSM), Services & Consultancy Business, Solar Energy based vertical (small solar power plants, rooftop solar PV projects, solar study lamp scheme), Atal Jyoti Yojana (solar street lighting system) and Solar Study Lamp Programme, Trigeneration Business. Further, EESL is also engaged in combined heat and power business through its subsidiary, EESL EnergyPro Assets Limited (EEPAL) in the UK Markets.

Key rating weaknesses

Weak counterparties and continued build-up in receivables position

EESL's outstanding receivables remained very high at ₹3826 crore as on September 30, 2022, as compared to ₹3482 crore, as on March 31, 2022 and ₹3,194 crore as on March 31, 2021, out of which 59% of the total receivables are of more than 360 days. The company's average collection period increased to 816 days in FY22 as compared to 738 days in FY21. The company is exposed to weak counterparties, such as DISCOMs and ULBs that have poor financial health and an inferior payment track record to the vendors. Outstanding dues majorly pertain to the Street Light National Programme (SLNP) which have increased over the years and constituted ~70% of the total debtors outstanding, as on September 30, 2022. CARE notes that collections efficiency of the company has improved in the last one/ one and a half year because of various initiatives undertaken by the company, like active intervention from the MoP. Increase in debtors greater than one year which are largely pertaining to UJALA and SLNP have led to significant blockage of working capital. Although the company earns most of its revenue from government-controlled entities (both central and state government) which insulates it from the bad debt risk, the liquidity profile has weakened as these receivables are not realized in a timely manner. Nonetheless, the company is taking steps to expedite the recovery of its receivables. For newer programs like smart meters, EV and solar power projects, EESL has been securing its collections from its clients through letters of credit (LCs) or escrow accounts. Besides, a payment security mechanism has been incorporated in the programs where the revenue is billed on monthly annuity mode such as SLNP and BEEP. The agreements with most of the counterparties under the above-mentioned programs namely, SLNP & BEEP incorporate payment security mechanisms by way of escrow accounts, which is opened on the main collection account of the respective debtors, wherein proceeds from various inflow streams are being deposited.

Declining scale of operations in FY22, with net losses reported during FY22 and H1FY23 (UA)

The scale of operations of the company moderated by 4.6% to ₹ 1546 crore in FY22. This was on account of lower income achieved from the sale of goods. Further, the profitability margins of the company were impacted during the year due to adverse movement of the INR versus USD (company has availed foreign currency loans) and provisioning done for expected credit loss (ECL) of trade receivables and contract assets. This, along with high interest and depreciation expenses resulted in net losses in FY22. The operating income of the company increased by 8.59% to ₹805 crore during H1FY23, compared to the same period last year. However, on account of high interest and depreciation expenses, EESL has reported net losses of ₹174 crore during H1FY23[compared to net loss of ₹23 crore in H1FY22 (UA)].

Leveraged capital structure with deteriorating debt coverage indicators and susceptibility of margins to any adverse fluctuations in the foreign currency rates

The capital structure of the company continued to remain weak marked by overall gearing of 5.87x as on September 30, 2022 (5.60x as on March 31, 2022 and 6.33x, as on March 31, 2021). This was on account of high reliance on external debt, which stood at ₹6,955 crore as on September 30, 2022 (₹7160 crore as on March 31, 2022 and ₹7019 crore as on March 31, 2021). The debt profile of the company comprises of short-term loans of ₹1,430 crore as on March 31, 2022 to finance the day-to-day working capital requirement (these short term loan are repayable generally within a year & majority of these are having a roll over clause). The company also has outstanding NCD issues of ₹250 crore, term loans of ₹1,797 crore and foreign currency loans of ₹3319 crore as on September 30, 2022. Further, the company is also retaining some money from its vendors/ suppliers to ensure warranty commitment and to cover other risk factors of the vendors during the concurrence of the various energy efficiency projects undertaken by company. The company is also exposed to forex risk on account of high foreign currency term loans. However, EESL is expected to receive equity infusion from the promoters in H2FY23 to support its capital structure and liquidity profile. Going forward, regular & timely equity support till the time issues of stretched receivables is resolved shall remain key monitorable. The debt coverage indicators have also weakened with interest coverage ratio (ICR) of 1.87x in FY22 (2.6x in FY21) and TDGCA of 16.71x, as on March 31, 2022 (PY:11.59X).

Liquidity: Adequate

The liquidity profile of the company has moderated mainly on account of elongation in the collection period. However, the company's liquidity profile derives strength from strong promoter support as there has been regular fund infusion by the promoter entities in the past to meet the business requirements of the company. The promoters had infused equity of ₹407 crore in FY22 and are expected to infuse another ₹350 crore during H2FY23, which is expected to provide support to the liquidity profile of the company. The company had negligible free cash and cash equivalents of ₹25 crore, as on September 30, 2022. It has a long-term repayment obligation of ₹890 crore for FY23, out of which it has already completed repayment of ~₹650 crore in H1FY23 (including ₹450 crore NCD repayment). Furthermore, the company has planned capex of around ₹1500 crore for FY23 which is expected to be funded in the debt-equity ratio of 4:1. The company has undrawn long-term lines of ₹4300 crore from various institutions for funding of the upcoming and ongoing projects.

Analytical approach

Standalone. The ratings however factors in the strong parentage of EESL and its strategic role in promoting energy efficient projects and continued operational & financial support from its parent entities

Applicable criteria

Policy on default recognition
Factoring Linkages Government Support
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Service Sector Companies
Policy on Withdrawal of Ratings

About the company

Energy Efficiency Services Limited (EESL) was set-up in 2009 as a joint venture of NTPC, PFC, REC and PGCIL to facilitate the implementation of various programs and consultancy services dedicated to the conservation of energy by improving the energy efficiency in the area of municipal street lighting, household energy efficiency, demand side management in agricultural sector (pumps) and industrial energy efficiencies for PSUs, government bodies and municipal corporations in India.

EESL promotes energy efficiency through procurement and supply of energy efficient products and rendering of services. EESL has also ventured into new areas such as electric vehicles and charging infrastructure, smart meters, trigeneration, decentralised solar power plants, solar agricultural pumps and battery storage. The company is working under the administrative control of Ministry of Power, Govt. of India.

EESL works in close association with various Central/State Government Authorities, DISCOMs, Multinational agencies and industry on energy efficiency projects. EESL has conducted over 500 audits for benchmarking energy performance targets for industries which included the energy audit and base lining of these industries under (Perform, Achieve and Trade) PAT scheme of Bureau of Energy Efficiency (BEE). EESL has prepared Energy Savings Plan for 12 States through State Designated Agencies. Energy Savings Plan involves sector specific load profiling, analysis, energy audit, potential assessment, benefit analysis and phased manner implementation plan. Further, EESL is leading the market related activities of the National Mission for Enhanced Energy Efficiency (NMEEE), one of the 8 national missions under Prime Minister's National Action Plan on Climate Change and has also executed extensive energy assessment for industry waste heat recovery projects, energy audits of MuDSM, AgDSM and Building Energy Efficiency projects.

Financial performance:

Brief Financials of EESL (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	1,622.03	1,546.18	804.67
PBILDT	930.35	813.56	363.28
PAT	33.21	-150.94	-173.71
Overall gearing (times)	6.33	5.60	5.87
Interest coverage (times)	2.60	1.87	1.61

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE688V07033	September 20, 2016	8.07%	September 20, 2023	250.00	CARE A; Negative
Debentures-Non Convertible Debentures	INE688V08015	July 18, 2017	7.80%	July 18, 2022	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	December 2025	850.00	CARE A; Negative
Fund-based - LT/ ST-Term loan		-	-	December 2025	90.00	CARE A; Negative / CARE A2+
Fund-based - ST-Term loan		-	-	December 2025	766.00	CARE A2+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT/ ST-Term loan	LT/ST*	90.00	CARE A; Negative / CARE A2+	-	1)CARE A+; Stable / CARE A1 (12-Jan-22)	1)CARE A+; Stable / CARE A1+ (03-Mar-21) 2)CARE A+; Stable / CARE A1+ (24-Sep-20)	1)CARE AA-; Stable / CARE A1+ (27-Sep-19)
2	Debentures-Non Convertible Debentures	LT	250.00	CARE A; Negative	-	1)CARE A+; Stable (12-Jan-22)	1)CARE A+; Stable (03-Mar-21) 2)CARE A+; Stable (24-Sep-20)	1)CARE AA-; Stable (27-Sep-19)
3	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE A+; Stable (12-Jan-22)	1)CARE A+; Stable (03-Mar-21) 2)CARE A+; Stable (24-Sep-20)	1)CARE AA-; Stable (27-Sep-19)
4	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (12-Jan-22)	1)CARE A+; Stable (03-Mar-21) 2)CARE A+; Stable (24-Sep-20)	1)CARE AA-; Stable (27-Sep-19)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
5	Fund-based - ST-Term loan	ST	766.00	CARE A2+	-	1)CARE A1 (12-Jan-22)	1)CARE A1+ (03-Mar-21) 2)CARE A1+ (24-Sep-20)	1)CARE A1+ (27-Sep-19)
6	Fund-based - LT-Term Loan	LT	850.00	CARE A; Negative	-	1)CARE A+; Stable (12-Jan-22)	1)CARE A+; Stable (03-Mar-21) 2)CARE A+; Stable (24-Sep-20)	1)CARE AA-; Stable (27-Sep-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	
I.	NA
Ii.	NA
B. Non-financial covenants	
I.	NA
Ii.	NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Term loan	Simple
4	Fund-based - ST-Term loan	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media contact
Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact
Name: Ajay Kumar Dhaka
Phone: +91-11-4533 3218
E-mail: ajay.dhaka@careedge.in

Relationship contact
Name: Swati Agrawal
Phone: +91-11-4533 3200
E-mail: swati.agrawal@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in

No. CARE/DRO/RL/2022-23/2307

Shri Sandeep Kumar Jain
Chief Financial Officer
Energy Efficiency Services Limited
NFL BUILDING, 5th and 6th FLOOR, CORE 03,
SCOPE COMPLEX, LODHI ROAD, NEW DELHI,South Delhi,
New Delhi
Delhi 110003

November 15, 2022

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your Company for FY22, and H1FY23(U/A), and the possible impact of the same on the credit profile of your company our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	**850.00**	**CARE A; Negative (Single A; Outlook: Negative)**	**Revised from CARE A+; Stable (Single A Plus; Outlook: Stable)**
Long Term / Short Term Bank Facilities	**90.00**	**CARE A; Negative / CARE A2+ (Single A ; Outlook: Negative / A Two Plus)**	**Revised from CARE A+; Stable / CARE A1 (Single A Plus ; Outlook: Stable / A One)**
Short Term Bank Facilities	**766.00**	**CARE A2+ (A Two Plus)**	**Revised from CARE A1 (A One)**
Total Facilities	**1,706.00 (Rs. One Thousand Seven Hundred Six Crore Only)**		

2. Refer **Annexure 1** for details of rated facilities.

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by November 16,2022 (EOD), we will proceed on the basis that you have no any comments to offer.

[1]Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications.

4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

8. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.

9. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

himanshu pandey

Himanshu Pandey
Analyst
himanshu.pandey@careedge.in

Ajay Kumar Dhaka
Associate Director
ajay.dhaka@careedge.in

Encl.: As above

CareEdge RATINGS

Annexure 1

Details of Rated Facilities

1. Long Term Facilities

1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Debt Repayment Terms	Remarks
1.	Punjab National Bank	450.00	Repayable in 10 equated instalments starting from June 2021 and ending in December 2025	Rupee Term Loan
2.	Bank of Baroda	400.00	Repayable in 10 equated instalments starting from March 2021 and ending in September 2025	Rupee Term Loan
	Total	**850.00**		

Total Long Term Facilities : Rs.850.00 crore

2. Short Term Facilities

2.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)	Remarks
1.	Union Bank of India	300.00	Rupee Term Loan
2.	ICICI Bank Ltd.	231.00	Rupee Term Loan
3.	Bank of Baroda	195.00	Rupee Term Loan
4.	CTBC Bank Co. Ltd.	40.00	Rupee Term Loan
	Total	**766.00**	

Total Short Term Facilities : Rs.766.00 crore

3. Long Term / Short Term Facilities

3.A. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	Proposed	90.00
	Total	**90.00**

Total Long Term / Short Term Facilities : Rs.90.00 crore

Total Facilities (1.A+2.A+3.A) : Rs.1,706.00 crore

Annexure 2

Energy Efficiency Services Limited

November 15, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[2]	Rating Action
Long Term Bank Facilities	850.00	CARE A; Negative (Single A; Outlook: Negative)	Revised from CARE A+; Stable (Single A Plus; Outlook: Stable)
Long Term / Short Term Bank Facilities	90.00	CARE A; Negative / CARE A2+ (Single A; Outlook: Negative/ A Two Plus)	Revised from CARE A+; Stable / CARE A1 (Single A; Outlook: Stable / A One)
Short Term Bank Facilities	766.00	CARE A2+ (A Two Plus)	Revised from CARE A1 (A One)
Total Bank Facilities	**1,706.00 (₹ One Thousand Seven Hundred Six Crore Only)**		
Non-Convertible Debentures	250.00	CARE A; Negative (Single A; Outlook: Negative)	Revised from CARE A+; Stable (Single A Plus; Outlook: Stable)
Non-Convertible Debentures	-^	-	Withdrawn
Total Long-Term Instruments	**250.00 (₹ Two Hundred Fifty Crore Only)**		

Details of instruments/facilities in Annexure-1.

^The rating assigned to the NCDs has been withdrawn upon full redemption of the instrument.

Detailed rationale and key rating drivers

The revision in the ratings assigned to bank facilities and debt instruments of Energy Efficiency Services Limited (EESL) take into account continuous elongation in the operating cycle of the company due to increasing receivables, resulting in higher reliance on the external debt and higher creditors outstanding. The company's total receivables have gone up significantly from ₹3194 crore, as on March 31, 2021, to ₹3482 crore as on March 31, 2022, and it has further increased to ₹3,826 crore, as on September 30, 2022, reflecting continued delays in the realization from the customers especially the Urban Local Bodies (ULBs) and state power distribution utilities (DISCOMs). The rating action also considers moderation in the operational performance of the company marked by declining scale of operations in FY22 (FY refers to the period April 1 to March 31) and net losses reported during FY22 and H1FY23 (UA).

The ratings, however, derive strength from EESL's ownership vested completely with strong and Government of India (GoI)-owned large Public Sector Undertakings (PSUs) demonstrating regular financial support to EESL through equity infusions and EESL's strategically important role as the nodal agency for implementation of various energy saving programmes launched by GoI. The ratings also factor involvement of government and EESL's shareholders in the formulation of EESL's strategy and long-term business plan by way of board representations in the company and resource mobilization support through low-cost funding from multilateral funding agencies which are guaranteed by GoI. The ratings further factor in high entry barriers in the business of large-scale energy efficiency projects due to requirements of substantial capital investment and EESL's presence in diversified segments of energy efficiency businesses wherein it gets government orders without getting into the bidding process. Moreover, the cost-plus model followed by EESL ensures adequate returns and steady annuity-based income stream to the company.

The ratings, however, continue to remain constrained by the susceptibility of operations to counterparty credit risk on account of weak financial profile of its clientele, primarily consisting of ULBs and DISCOMS and EESL's highly leveraged capital structure owing to high debt funded capex and continued high reliance on working capital borrowings.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The ratings take cognizance of EESL's plans to get equity infusion of Rs.350 crore in H2FY23 and initiatives undertaken by the company in the form of ministerial interventions to expedite realization of accumulated debtors and setting up of escrow mechanisms to restrict incremental build-up in receivables.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Sustained growth in business operations with Total Operating Income (TOI) of above ₹2000 crore while improving the profitability margins substantially
- Meaningful improvement in collection period to below 180 days
- Improvement in overall gearing to below 3 times.

Negative factors – Factors that could lead to negative rating action/downgrade:

- Continually stretched receivables or further build-up in receivables
- Any change in the strategically important role of EESL for implementation of various energy savings programmes launched by GoI.
- Any sizeable capex or acquisition undertaken by the company adversely impacting its leveraged capital structure.

Outlook: Negative

The 'Negative' outlook assigned to long term ratings of EESL is due to expectation of continued elongated receivables position leading to high reliance on working capital borrowings thereby leading to weakening of its debt coverage metrics. CARE understands that EESL has been taking various steps to improve collections such as seeking government's intervention to expedite payments from counterparties and creation of payment security mechanism for incremental orders. The outlook may be revised to 'Stable' in case the company achieves meaningful reduction in its receivables position and thereby leading to improvement in its liquidity position.

Detailed description of the key rating drivers

Key rating strengths

Strong parentage and nodal agency status for GoI's energy efficiency initiatives

EESL was set-up in 2009 as a joint venture of National Thermal Power Corporation Limited (Now NTPC Ltd; a Maharatna PSE with GoI holding of 51.10% as on September 30, 2022; rated CARE AAA; Stable/ CARE A1+), Power Finance Corporation Limited (PFC; a Navratna PSE with GoI holding of 55.99% as on September 30, 2022; rated CARE AAA; Stable/ CARE A1+), REC Limited (REC; a Navratna PSE with PFC holding of 52.63% as on September 30, 2022; rated CARE AAA; Stable/ CARE A1+ and CARE AA+; Stable for Perpetual Bonds) and Power Grid Corporation of India Limited (PGCIL; a Navratna PSE with GoI holding of 51.34% as on September 30, 2022; rated CARE AAA; Stable/ CARE A1+). The company is established to facilitate the implementation of various programs and consultancy services dedicated to the conservation of energy by improving the energy efficiency in municipal street lighting, household energy efficiency, demand side management in agricultural sector (pumps) and industrial energy efficiencies for PSUs, government bodies and municipal corporations in India. Gol has launched various schemes from time to time which has helped EESL to expand its business with government clients. The company has been chosen as the nodal agency to implement several energy efficiency projects on a pan-India basis. It has been receiving regular support from the government by way of guarantee for its borrowing from overseas agencies at very competitive rates. The Board of Directors is of EESL is represented by Joint Secretary to Ministry of Power and senior officials from PGCIL and NTPC.

Strategic role in promoting energy efficiency and conservation projects

EESL is strategically important entity for Gol to promote and create market for energy efficiency and conservation projects in India through procurement and supply of energy efficient products and services. EESL carries out activities offered by the Central and State Govt., Bureau of EE or any other agencies related to EE, and climate change. EESL is JV of four PSU companies namely NTPC, PFC, REG and PGCIL administered by Ministry of Power, Gol and is one of the main implementation arms of the National Mission for Enhanced Energy Efficiency (NMEEE). In November 2009, the "National Mission for Enhanced Energy Efficiency" (NMEEE), a policy by Gol, has indicated

₹74,000 crore of investment potential for energy efficiency and conservation (EE&C) out of which ₹30,000 crore of potential exists in energy intensive industries and remaining ₹44,000 crores in the other key demand side economic sectors. GOI has launched various schemes from time to time in this sector which has helped the company to expand its business with government clients. EESL is implementing various programs and consultancy services dedicated to the conservation of energy by improving the energy efficiency of the systems.

Cost plus model and steady annuity income ensuring adequate returns
EESL ensures that it gives the best solution to its clients by following the demand aggregation method and at the same time protecting the shareholders of EESL by ensuring sufficient return on equity. The cost-plus model ensures that EESL covers itself for all the cost that it incurs during the project including material cost, procurement cost, advertisement cost etc. and also cost of debt and equity. All these costs are added in the final annuity quote given to clients. EESL also ensures that the annuity cost to the client is less than or equal to the existing cost (deemed or actual) and hence gives a value proposition to them. As the new annuity businesses mature, it shall be a source of steady revenue stream to EESL going forward and shall be long term in nature depending upon the tenor of the agreements. It is a win-win situation for both as client do not incur the upfront cost and pays the annuity which is less than or equal to its current deemed / actual expenses and after say a few years (5 to 7 years), the savings start to accrue to the clients.

High entry barriers for competition
EESL has explored scalable areas where it can introduce energy efficiency projects with explicit support from the GoI and its initiatives to enhance energy efficiency. This sector has a high entry barrier as it is capital intensive and only companies with significant capital raising prowess can venture into this. The capital cost is incurred upfront, and the returns are realized over a period of time. EESL has an advantage as it is a government owned company and hence it gets businesses with most of the central and state government entities without an open tendering competition. Any competitor from the private sector faces the hurdle of going through a tendering process as per standard procedure of all government agencies.

Diversified business segments
EESL is mandated by the GoI to implement energy efficiency projects. The existing businesses of Ujala, Street Light National Programme and Consultancy businesses has provided the growth and profitability to the company till FY21 whereas the new ventures such as electric vehicles, smart meters, solar power plant businesses, building efficiency and offshore businesses is expected to drive the growth of EESL going forward. EESL follows two types of business models to look at all kind of energy efficiency projects in India i.e. (a) Energy Service Company (ESCO) Model and (b) Project Management Consultant (PMC) Model. Under ESCO model, EESL undertakes the entire upfront investment for the project, instead of relying on consumers or clients. The investment is recovered through periodic instalments which result from deemed energy savings over a mutually agreed-upon project period (generally 5-7 years). Operation and maintenance of new equipment is the liability of EESL during the contract period. This can enforce effective product warranties to ensure minimal downtime due to equipment malfunctions. In PMC model, EESL plays the role of project management consultant for project implementation. The upfront investment for the project in this model is borne by the client. The various programmes for which EESL provides its services include Unnat Jyoti by Affordable LEDs for All (UJALA), Street Light National Programme (SLNP), Municipal Energy Efficiency Programme (MEEP), Building Energy Efficiency Programme (BEEP), Smart Meter National Programme (SMNP), National EMobility Programme (E- Vehicles and charging infrastructure), Agricultural Demand Side Management (AsDSM), Services & Consultancy Business, Solar Energy based vertical (small solar power plants, rooftop solar PV projects, solar study lamp scheme), Atal Jyoti Yojana (solar street lighting system) and Solar Study Lamp Programme, Trigeneration Business. Further, EESL is also engaged in combined heat and power business through its subsidiary, EESL EnergyPro Assets Limited (EEPAL) in the UK Markets.

Key rating weaknesses

Weak counterparties and continued build-up in receivables position
EESL's outstanding receivables remained very high at ₹3826 crore as on September 30, 2022, as compared to ₹3482 crore, as on March 31, 2022 and ₹3,194 crore as on March 31, 2021, out of which 59% of the total receivables are of more than 360 days. The company's average collection period increased to 816 days in FY22 as compared to 738 days in FY21. The company is exposed to weak counterparties, such as DISCOMs and ULBs that have poor financial health and an inferior payment track record to the vendors. Outstanding dues majorly pertain to the Street Light National Programme (SLNP) which have increased over the years and constituted ~70% of the total debtors outstanding, as on September 30, 2022. CARE notes that collections efficiency of the company has

improved in the last one/ one and a half year because of various initiatives undertaken by the company, like active intervention from the MoP. Increase in debtors greater than one year which are largely pertaining to UJALA and SLNP have led to significant blockage of working capital. Although the company earns most of its revenue from government-controlled entities (both central and state government) which insulates it from the bad debt risk, the liquidity profile has weakened as these receivables are not realized in a timely manner. Nonetheless, the company is taking steps to expedite the recovery of its receivables. For newer programs like smart meters, EV and solar power projects, EESL has been securing its collections from its clients through letters of credit (LCs) or escrow accounts. Besides, a payment security mechanism has been incorporated in the programs where the revenue is billed on monthly annuity mode such as SLNP and BEEP. The agreements with most of the counterparties under the above-mentioned programs namely, SLNP & BEEP incorporate payment security mechanisms by way of escrow accounts, which is opened on the main collection account of the respective debtors, wherein proceeds from various inflow streams are being deposited.

Declining scale of operations in FY22, with net losses reported during FY22 and H1FY23 (UA)
The scale of operations of the company moderated by 4.6% to ₹ 1546 crore in FY22. This was on account of lower income achieved from the sale of goods. Further, the profitability margins of the company were impacted during the year due to adverse movement of the INR versus USD (company has availed foreign currency loans) and provisioning done for expected credit loss (ECL) of trade receivables and contract assets. This, along with high interest and depreciation expenses resulted in net losses in FY22. The operating income of the company increased by 8.59% to ₹805 crore during H1FY23, compared to the same period last year. However, on account of high interest and depreciation expenses, EESL has reported net losses of ₹174 crore during H1FY23[compared to net loss of ₹23 crore in H1FY22 (UA)].

Leveraged capital structure with deteriorating debt coverage indicators and susceptibility of margins to any adverse fluctuations in the foreign currency rates
The capital structure of the company continued to remain weak marked by overall gearing of 5.87x as on September 30, 2022 (5.60x as on March 31, 2022 and 6.33x, as on March 31, 2021). This was on account of high reliance on external debt, which stood at ₹6,955 crore as on September 30, 2022 (₹7160 crore as on March 31, 2022 and ₹7019 crore as on March 31, 2021). The debt profile of the company comprises of short-term loans of ₹1,430 crore as on March 31, 2022 to finance the day-to-day working capital requirement (these short term loan are repayable generally within a year & majority of these are having a roll over clause). The company also has outstanding NCD issues of ₹250 crore, term loans of ₹1,797 crore and foreign currency loans of ₹3319 crore as on September 30, 2022. Further, the company is also retaining some money from its vendors/ suppliers to ensure warranty commitment and to cover other risk factors of the vendors during the concurrence of the various energy efficiency projects undertaken by company. The company is also exposed to forex risk on account of high foreign currency term loans. However, EESL is expected to receive equity infusion from the promoters in H2FY23 to support its capital structure and liquidity profile. Going forward, regular & timely equity support till the time issues of stretched receivables is resolved shall remain key monitorable. The debt coverage indicators have also weakened with interest coverage ratio (ICR) of 1.87x in FY22 (2.6x in FY21) and TDGCA of 16.71x, as on March 31, 2022 (PY:11.59X).

Liquidity: Adequate
The liquidity profile of the company has moderated mainly on account of elongation in the collection period. However, the company’s liquidity profile derives strength from strong promoter support as there has been regular fund infusion by the promoter entities in the past to meet the business requirements of the company. The promoters had infused equity of ₹407 crore in FY22 and are expected to infuse another ₹350 crore during H2FY23, which is expected to provide support to the liquidity profile of the company. The company had negligible free cash and cash equivalents of ₹25 crore, as on September 30, 2022. It has a long-term repayment obligation of ₹890 crore for FY23, out of which it has already completed repayment of ~₹650 crore in H1FY23 (including ₹450 crore NCD repayment). Furthermore, the company has planned capex of around ₹1500 crore for FY23 which is expected to be funded in the debt-equity ratio of 4:1. The company has undrawn long-term lines of ₹4300 crore from various institutions for funding of the upcoming and ongoing projects.

Analytical approach
Standalone. The ratings however factors in the strong parentage of EESL and its strategic role in promoting energy efficient projects and continued operational & financial support from its parent entities

Applicable criteria

Policy on default recognition
Factoring Linkages Government Support
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Service Sector Companies
Policy on Withdrawal of Ratings

About the company

Energy Efficiency Services Limited (EESL) was set-up in 2009 as a joint venture of NTPC, PFC, REC and PGCIL to facilitate the implementation of various programs and consultancy services dedicated to the conservation of energy by improving the energy efficiency in the area of municipal street lighting, household energy efficiency, demand side management in agricultural sector (pumps) and industrial energy efficiencies for PSUs, government bodies and municipal corporations in India.

EESL promotes energy efficiency through procurement and supply of energy efficient products and rendering of services. EESL has also ventured into new areas such as electric vehicles and charging infrastructure, smart meters, trigeneration, decentralised solar power plants, solar agricultural pumps and battery storage. The company is working under the administrative control of Ministry of Power, Govt. of India.

EESL works in close association with various Central/State Government Authorities, DISCOMs, Multinational agencies and industry on energy efficiency projects. EESL has conducted over 500 audits for benchmarking energy performance targets for industries which included the energy audit and base lining of these industries under (Perform, Achieve and Trade) PAT scheme of Bureau of Energy Efficiency (BEE). EESL has prepared Energy Savings Plan for 12 States through State Designated Agencies. Energy Savings Plan involves sector specific load profiling, analysis, energy audit, potential assessment, benefit analysis and phased manner implementation plan. Further, EESL is leading the market related activities of the National Mission for Enhanced Energy Efficiency (NMEEE), one of the 8 national missions under Prime Minister's National Action Plan on Climate Change and has also executed extensive energy assessment for industry waste heat recovery projects, energy audits of MuDSM, AgDSM and Building Energy Efficiency projects.

Financial performance:

Brief Financials of EESL (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	1,622.03	1,546.18	804.67
PBILDT	930.35	813.56	363.28
PAT	33.21	-150.94	-173.71
Overall gearing (times)	6.33	5.60	5.87
Interest coverage (times)	2.60	1.87	1.61

A: Audited; UA: Unaudited

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures	INE688V07033	September 20, 2016	8.07%	September 20, 2023	250.00	CARE A; Negative
Debentures-Non Convertible Debentures	INE688V08015	July 18, 2017	7.80%	July 18, 2022	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	December 2025	850.00	CARE A; Negative
Fund-based - LT/ ST-Term loan		-	-	December 2025	90.00	CARE A; Negative / CARE A2+
Fund-based - ST-Term loan		-	-	December 2025	766.00	CARE A2+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT/ ST-Term loan	LT/ST*	90.00	CARE A; Negative / CARE A2+	-	1)CARE A+; Stable / CARE A1 (12-Jan-22)	1)CARE A+; Stable / CARE A1+ (03-Mar-21) 2)CARE A+; Stable / CARE A1+ (24-Sep-20)	1)CARE AA-; Stable / CARE A1+ (27-Sep-19)
2	Debentures-Non Convertible Debentures	LT	250.00	CARE A; Negative	-	1)CARE A+; Stable (12-Jan-22)	1)CARE A+; Stable (03-Mar-21)	1)CARE AA-; Stable (27-Sep-19)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
							2)CARE A+; Stable (24-Sep-20)	
3	Debentures-Non Convertible Debentures	LT	-	-	-	1)CARE A+; Stable (12-Jan-22)	1)CARE A+; Stable (03-Mar-21) 2)CARE A+; Stable (24-Sep-20)	1)CARE AA-; Stable (27-Sep-19)
4	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (12-Jan-22)	1)CARE A+; Stable (03-Mar-21) 2)CARE A+; Stable (24-Sep-20)	1)CARE AA-; Stable (27-Sep-19)
5	Fund-based - ST-Term loan	ST	766.00	CARE A2+	-	1)CARE A1 (12-Jan-22)	1)CARE A1+ (03-Mar-21) 2)CARE A1+ (24-Sep-20)	1)CARE A1+ (27-Sep-19)
6	Fund-based - LT-Term Loan	LT	850.00	CARE A; Negative	-	1)CARE A+; Stable (12-Jan-22)	1)CARE A+; Stable (03-Mar-21) 2)CARE A+; Stable (24-Sep-20)	1)CARE AA-; Stable (27-Sep-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	
I.	NA
Ii.	NA
B. Non-financial covenants	
I.	NA
Ii.	NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Term loan	Simple
4	Fund-based - ST-Term loan	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media contact
Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact
Name: Ajay Kumar Dhaka
Phone: +91-11-4533 3218
E-mail: ajay.dhaka@careedge.in

Relationship contact
Name: Swati Agrawal
Phone: +91-11-4533 3200
E-mail: swati.agrawal@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:
The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

For the detailed Rationale Report and subscription information, please visit www.careedge.in