Energy Efficiency Services Limited

April 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	1,108.00 (Reduced from 1,348.00)	CARE A-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	1,272.00 (Enhanced from 1,232.00)	CARE A-; Stable / CARE A2	Reaffirmed
Short Term Bank Facilities	2,120.00 (Enhanced from 1,920.00)	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Energy Efficiency Services Limited (EESL) continues to derive strength from its 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 as demonstrated over the years with the latest one of ₹766 crore infusion in FY24, however there is no infusion happened in FY25 with no clarity on timelines of further infusions. Ratings also derive strength from EESL's strategically important role as the nodal agency for implementing various energy saving programmes launched by GoI and involvement of MoP (Ministry of Power) & GoI in formulating EESL's long-term business plan through board representations and resource mobilisation support with low-cost funding from multilateral funding agencies, which are guaranteed by GoI. Moreover, the cost-plus model followed by EESL ensures adequate returns and steady annuity-based income stream to the company. Ratings further factor in EESL's presence in diversified energy efficiency business segments, where it gets government orders without entering the bidding process, however going forward with focus of the company towards trading of energy efficient appliances with low upfront investments, the continuation of the same is the key rating monitorable

However, ratings continue to remain constrained by cash flows of the company susceptible towards counterparty credit risk, considering the weak financial profile of its clientele, primarily consisting of Urban local bodies (ULBs) and DISCOMS, leading to continuous stretch in the receivables positions and high reliance on the external borrowings. Additionally substantial debt funded investments have resulted in highly leveraged capital structure. Ratings are also constrained by weak operating performance in FY25, with lower-than-anticipated revenue and profitability, resulting in continued net losses.

Receivable position remains elevated with consolidated gross receivables, though substantial improvement seen in last quarter of the year as receivables improved from ~₹4,600 crore as on December 31, 2024 to ~₹3,900 crore as on March 31, 2025. EESL has implemented several measures to collect outstanding receivables and prevent further accumulation. These steps include establishing centralized payment security systems for new projects and intervention from the Ministry of Power (MoP) to accelerate payments from various counterparties. While these initiatives, coupled with improved collection efficiency over the past year, have shown progress, sustained reduction in outstanding receivables over the next 2–3 years—supported by GoI intervention—remains a key rating monitorable.

Ratings takes cognisance of its strategy to not undertake new business which requires high upfront investments, its ongoing efforts to reduce receivables with MoP support and expectations to some improvement in its capital structure and liquidity position. Going forward, any significant delay by the management to recover the receivables and deterioration in the cash generation ability shall be considered negative from credit perspective.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Meaningfully improving in collection efficiency with collection as a percentage of billing should be more than 130% over next few years
- Improving in overall gearing to below 3x.

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

Negative factors

- Continually stretched receivables or further building up receivables, resulting in weak liquidity profile.
- Change in the strategically important role of EESL for implementing energy savings programmes launched by GoI.
- Sizeable capex or acquisition, adversely impacting the company's leveraged capital structure

Analytical approach: Consolidated.

The ratings also draw comfort from the ownership structure of EESL by government-owned PSUs under the Ministry of Power, GoI and the strategic role performed by EESL for meeting GoI's policy objectives in energy efficiency. This is also reflected from guarantee issued by GoI for loans availed by EESL from multilateral agencies. The list of companies consolidated with EESL is placed at **Annexure-6**.

Outlook: Stable

The 'Stable' outlook factors in the infusion of equity by two parent companies (NTPC and PGCIL) in FY24 and the expectations of continued timely funding support from its parent entities on need basis, including to support its debt repayments. The Stable Outlook also factors in the anticipated continued support from MoP to recover the receivables beyond their billings.

Detailed description of key rating drivers:

Key strengths

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

EESL, established in 2009 as a joint venture, is owned by NTPC Ltd. (39.25%), Power Grid Corporation of India Ltd. (39.25%), Power Finance Corporation Ltd. (11.38%), and REC Ltd. (10.12%) as of December 31, 2024. All four are Maharatna PSEs with 'CARE AAA; Stable/CARE A1+' ratings. The promoting companies are regularly infusing equity to support the company's operations. As of December 31, 2024, the total equity infusion was ₹2,156.82 crore, including ₹766.00 crore infusion in FY24, with equal contributions from NTPC and PGCIL. However, no additional equity infusion has occurred in FY25. Furthermore, the company currently has no concrete plans to raise equity in FY26 to support its liquidity position.

The company is working under the administrative control of MoP, GoI and is engaged in the businesses of Ujala, SLNP and Consultancy business and also entered in the new ventures such as electric vehicles, smart meters, solar power plant businesses, building efficiency and offshore businesses, which is expected to drive the future growth of EESL going forward. Company has also entered in the trading of energy efficiency appliances like LED Bulbs, Fans, Air conditioner. EESL works in close association with various Central/State Government Authorities, DISCOMs, Multinational agencies and industry on energy efficiency projects as mandated by MoP, to implement energy efficiency projects pan-India as the nodal agency. It has been receiving regular support from the government through guarantee for its borrowing from overseas agencies at competitive rates. As on December 31, 2024, nearly 50% of the total debt of EESL stands guaranteed by GoI. The Board of Directors is of EESL is represented by Joint Secretary to Ministry of Power and senior officials from PGCIL and NTPC.

Expertise in energy efficiency area and diversified business segments

India's energy efficiency market is valued at $18 billion, with the ESCO sector/ annuity based model at nearly $900 million. EESL, generated about $190 million (₹1,774 crore) in FY24, capturing over 20% of this market. Through demand aggregation, EESL has also deployed large scale programs like UJALA, National Energy Efficient Fan Programme and Street light national programme (SLNP) in energy efficiency sector. EESL has launched initiatives such as the National Energy Efficient Fan, fostering a shift to efficient products. In the last few years, EESL has developed in house expertise in execution of energy efficiency and demand side management projects and has gained the knowledge of the key innovation in energy efficient technologies. EESL's efforts have led to cumulative savings of 58 billion kWh and a reduction of over 46 million tonnes of greenhouse gas emissions.

The programmes for which EESL provides 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 (EVehicles and charging infrastructure), Agricultural Demand Side Management (AsDSM), Services & Consultancy Business, Sola 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, and Trigeneration Business. EESL is also engaged in combined heat and power business through its subsidiary, EESL Energy Pro Assets Limited (EEPAL) in the UK markets.

Strategic role in promoting energy efficiency and conservation projects

EESL is a 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 Governments, Bureau of EE or other agencies related to EE, and climate change. EESL is one of the main implementation arms of the National Mission for Enhanced Energy Efficiency (NMEEE).. It has also executed extensive energy assessment for industry waste heat recovery projects, energy audits of MuDSM (Municipal Demand Side Management), AgDSM (Agricultural Demand Side Management) and Building Energy Efficiency projects. Further, EESL has prepared Energy Savings Plan for 12 States through State Designated Agencies. GoI launched schemes periodically in this sector, which helped the company to expand its business with government clients. EESL is implementing programmes and consultancy services dedicated to the conservation of energy by improving 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 protecting its shareholders by ensuring sufficient return on equity. The cost-plus model ensures that EESL covers itself for costs that it incurs in the project, including material cost, procurement cost, advertisement cost among others, and cost of debt and equity. and EESL typically targets 15% RoI on equity investments and pass through the debt costs. EESL also ensures that annuity cost to the client is less than or equal to existing cost (deemed or actual), and hence, offers a value proposition. As new annuity businesses mature, it shall be a long-term source of steady revenue stream to EESL, going forward, depending on the tenor of agreements. It is a win-win situation, as the clients do not incur the upfront cost and pay annuity, which is less than or equal to its current deemed / actual expenses, after a few years (5-7 years), the savings start to accrue for clients.

Key weaknesses

Weak counterparties and continued build-up in receivables position
EESL's outstanding gross receivables remained very high at ₹4,315 crore as on March 31, 2024 (compared to ₹4,037 crore, as on March 31, 2023) of which 63% of the total receivables are of more than 360 days. Gross Receivables further increased to ~₹4,600 crore as on December 31, 2024, however has came down to ~₹3,900 crore as on Mar 31, 2025, owing to the continuous effort of the company coupled with MoP intervention. The company is exposed to weak counterparties, such as DISCOMs and ULBs that have poor financial health and an inferior payment track record to vendors. This has resulted in increased reliance on the external working capital borrowings. EESL debtor profile comprises of over ~93% of Govt. and ~7% Non-Govt category, which insulates it from the bad debt risk, however liquidity profile has weakened as these receivables are not realised in a timely manner. Outstanding dues majorly pertain to the Street Light National Programme (SLNP), which increased over the years and constituted around 75% of the total debtors outstanding.
Collection as a percentage of billing of the company has gone down to 85% in FY24 and 77% in 9MFY25 as compared to 89% in FY23. However, for FY25, company had collected in excess of their billing and to reach Collection as a percentage of billing equivalent of 123% with of collection of ₹2009 crore for the entire FY25 against billing of ₹1637 crore, with major recoveries happened in Mar-25.
CARE Ratings Limited (CARE Ratings) notes that company's collection efficiency improved with active intervention from the MoP. MoP had also expressed concerns on EESL dues and has devised a methodology by linking clearance of State-level EESL dues against ULB & DISCOM with release of funds to State/UTs against additional borrowing space available under 0.5% of GDSP linked to performance by State/UTs in their power sector for the year FY24. Recently, Govt. of Andhra Pradesh has shown commitment to release a payment against SLNP dues by end of Jun-25. Further, EESL is expected to recover substantial amount from Rajasthan near future.

Continued net losses
CARE Ratings acknowledges the company's change in accounting policy, aligning with Appendix D of IND AS 115, 'Service Concession Arrangements,' where costs related to equipment, dismantling, installation, and incidental expenses are no longer capitalised under PPE. Instead, these costs are booked as 'Receivables from Service Concession Arrangement/Service Concession Arrangement Assets,' with corresponding revenue recognised. However, billing to customers remained unchanged.
The company's scale of operations declined by 12% y-o-y in FY24, with major decline from upfront income by 45% y-o-y. Trading constitutes ~20%total revenue in FY24 and declined by 19% y-o-y. In FY24, other annuity income of ₹475 crore comprises ₹406 crore revenue contribution from EEPAL UK business (industrial engine and component). Considering lower upfront income and comparatively high billings from contract revenue, SCA assets (depicts the unbilled revenue for which expense has already been occurred) also declined from ₹3493 crore as on March 31, 2023, to ₹2926 crore as on March 31, 2024.
Currently, EESL derives ~65-70% revenue from street light business segment but with increasing focus on other business segments its total operating income and profitability are expected to improve. The company's PBILDT was ~₹92 crore in FY24 (against loss of ₹84 crore in FY23), while net losses reduced to ₹472 crore (from ₹606 crore in FY23).
Going forward, the company will avoid businesses which requires higher upfront investments from the ULB's, government departments and will focus on trading energy efficiency appliances such as LED bulbs, fans, and air conditioners, to improve its cash flow. Trading business generates ~25% gross margins and ~5% net return. Under trading segment, the company has orders for ₹80 crore for Q4FY25 from different government's departments including ₹49 crore of order from Government of Odisha for Super Efficient Air Conditioners and BLDC Fans (contract manufacturing for trading equipment).
The company had orders under street light amounting ~₹3700 crore to be executed in next five years with 10% target PAT on per light per month basis. The investments of the same will be directly managed by linking the vendors payments with collection timelines, minimizing upfront investment requirements.

Leveraged capital structure with weak debt coverage indicators
The company's capital structure was weak as its overall gearing deteriorated and stood at 8.16x as on March 31, 2024, though improved from 12.04x as on March 31, 2023, due to equity infusion, despite remains high owing continuous net losses resulted in the erosion of the networth. Considering stretched receivables, the company's total debt outstanding as on March 31, 2024, was ₹7,435 crore, stood largely at a similar level of March 31, 2023, as it has taken addtional debt to fund its capex and incremental working capital requirement. Nearly 50% of total debt stands guaranteed by GoI. The company also received equity of ₹766 crore in FY24 and repaid its outstanding NCDs in Q2FY24. The company's debt coverage indicators remained weak with interest coverage ratio (ICR) of 0.15x in FY24. Going forward, with company's focus on less capital intensive operations, the company's ability to successfully roll out new projects particularly in the trading segment, would be the key rating monitorable.

Capital intensive business model despite planned diversifying to asset light business model
EESL has explored scalable areas, where it can introduce energy efficiency projects with explicit support from GoI and its initiatives to enhance energy efficiency. The company's operations is capital intensive with capital cost is incurred upfront, and returns are realised over time, which result from deemed energy savings over a mutually agreed project period (generally 5-7 years). Operation and maintenance of new equipment is the liability of EESL in the contract period. However, EESL is now including some revenue streams under asset light model and focuses on trading energy-efficiency appliances such as LED bulbs, fans, and air conditioners, among others.

Liquidity: Adequate
The company's liquidity profile has moderated mainly considering the stretched receivables and cash outflows towards principal and interest repayment obligations, which succeeds its operational cash flows, considering the heavy upfront investment requirement. However, its liquidity profile derives strength from strong promoter support, as there has been regular fund infusion by promoter entities to meet business requirements.
Further, the liquidity is driven by free cash and cash equivalents balance of approx. of ₹704 crore as on March 31, 2024 (₹527 crore as on March 31, 2023), and availability of short-term loans from domestic lenders. Further as on March 31, 2025, free cash apart from funds of ₹188 crore kept for specific scheme was ₹69 cr. As on March 31, 2025, Company had availability of ₹788 crore under working capital loans and ~₹800 crore ($91.38 million) under foreign currency loans. Average short-term fund based utilization for past 4 quarters ending Q2FY25 was ~91%. Going forward, the repayments will be done by the steady cash flows generated from the past projects (without any major cash out flows) and realization of past debtors. Company has collected ~Rs 2000 crore in FY25 on standalone level from the realisation of the past debtors. Currently, company focuses on collection in excess of their billing with MoP intervention and further won't undertake any heavy investment with upfront cash requirements, which later stuck as a debtor. Overall, despite the low cash accruals, liquidity is supported by the expected infusion of funds from promoters and undrawn short-term loans and government support. Thus, timely inflow of equity infusion or govt. support and sustained improvement in collection efficiency would be the key monitorable.

Applicable criteria

Consolidation
Definition of Default
Factoring Linkages Government Support
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Service Sector Companies
Short Term Instruments

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Other consumer services	Other consumer services

EESL was set-up in 2009 as a JV between NTPC, PFC, REC and PGCIL to implement programmes and consultancy services dedicated to conservation of energy by improving 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. The company is working under the administrative control of Ministry of Power, Govt. of India. EESL works in close association with 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 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. EESL also leads market activities of the National Mission for Enhanced Energy Efficiency (NMEEE), one of the eight 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 Municipal demand side management (MuDSM), Agriculture demand side management (AgDSM) and Building Energy Efficiency projects.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)

	Consolidated	Consolidated
Total operating income	2026	1774
PBILDT	-84	92
PAT	-606	-472
Overall gearing (times)	12.04	8.16
Interest coverage (times)	-0.14	0.15

A: Audited; Note: 'these are latest available financial results'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2031	1108.00	CARE A-; Stable
Fund-based - LT/ ST-Term loan		-	-	December 2025	1272.00	CARE A-; Stable / CARE A2
Fund-based - ST-Term loan		-	-	November 2025	2050.00	CARE A2
Non-fund-based - ST-BG/LC		-	-	-	70.00	CARE A2

Annexure-2: Rating history for 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 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT/ ST-Term loan	LT/ST	1272.00	CARE A-; Stable / CARE A2	-	1)CARE A-; Stable / CARE A2 (13-May-24)	1)CARE A; Negative / CARE A2+ (16-Nov-23)	1)CARE A; Negative / CARE A2+ (28-Mar-23) 2)CARE A; Negative / CARE A2+ (17-Nov-22)
2	Debentures-Non Convertible Debentures	LT	-	-	-	-	1)Withdrawn (16-Nov-23)	1)CARE A; Negative (28-Mar-23) 2)CARE A; Negative (17-Nov-22)
3	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (17-Nov-22)
4	Fund-based - ST-Term loan	ST	2050.00	CARE A2	-	1)CARE A2 (13-May-24)	1)CARE A2+ (16-Nov-23)	1)CARE A2+ (28-Mar-23) 2)CARE A2+ (17-Nov-22)
5	Fund-based - LT-Term Loan	LT	1108.00	CARE A-; Stable	-	1)CARE A-; Stable (13-May-24)	1)CARE A; Negative (16-Nov-23)	1)CARE A; Negative (28-Mar-23) 2)CARE A; Negative (17-Nov-22)
6	Non-fund-based - ST-BG/LC	ST	70.00	CARE A2	-	1)CARE A2 (13-May-24)	1)CARE A2+ (16-Nov-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Term loan	Simple
3	Fund-based - ST-Term loan	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated as on March 31, 2024

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	EESL EnergyPro Assets.Limited	Full	Subsidiary
2	EESL Energy Solutions LLC	Full	Subsidiary
3	Convergence Energy Services Limited	Full	Subsidiary
4	Edina Limited	Full	Subsidiary
5	Edina UK Limited	Full	Subsidiary
6	Ammoura Holdings Limited	Full	Subsidiary
7	Stanbeck Limited	Full	Subsidiary
8	Edina Power Limited	Full	Subsidiary
9	Edina Australia Pty Limited	Full	Subsidiary
10	EPSL Trigeneration Private Limited	Full	Subsidiary
11	Anesco Energy Services (South) Limited	Full	Subsidiary
12	Creighton Energy Limited	Full	Subsidiary
13	EPAL. Holding Limiled	Full	Subsidiary
14	Edina Acquitions Limited	Full	Subsidiary
15	Edina Power Services Limited	Full	Subsidiary
16	Intellismart Infrastructure Private Limited	Proportionate	Joint Venture

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

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About us:
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