CLN Energy Limited

October 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	55.00	CARE BBB-; Stable / CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of CLN Energy Limited (CEL) reflect the experienced management team, which has supported the company's steady operational growth over last 3 years. Ratings also factor in CEL's comfortable capital structure following the fund raise of ~₹72 crore through Initial Public Offer on the Bombay Stock Exchange (BSE) SME platform, which significantly enhanced the company's net worth base and financial flexibility. Ratings also take into cognizance of company's diversification into Battery Energy Storage Systems (BESS) which acts as a structural growth driver beyond the core mobility segment. Ratings also draw comfort from positive industry outlook for electric vehicles, where CEL's lithium-ion batteries find key applications. These strengths are, however, offset by CEL's moderate scale of operations, which constrains bargaining power and limits operating leverage. Profitability margins have also been volatile, due to input cost pressures and forex related risks. The company remains exposed to risks arising from high dependence on imported lithium cells and allied components, leaving it vulnerable to fluctuations in raw material prices and foreign exchange rates. Furthermore, CEL's operations are inherently working capital intensive, particularly as the company scales up its BESS business.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in the operational performance of the company as reflected by TOI of more than Rs. 350 crores along with PBILDT margin of more than 12% on a sustained basis
- Reduction in the working capital Intensity of the company as reflected by Gross Current Asset Days of less than 180 days

Negative factors

- Deterioration in the financial risk profile of the company as reflected by TOL/TNW of more than 2x.
- Deterioration in the operational performance of the company reflected by TOI of less than Rs. 200 crores and PBILDT margin of less than 10% on a sustained basis

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall benefit from the experience of its management team along with the diversification of its customer base.

Detailed description of key rating drivers:

Key strengths

Extensive experience of promoters and management team

The promoter of CEL, Mr. Rajiv Seth and the management, Mr. Sunil Gandhi (CEO & Whole-time Director) and Mr. Manish Shah (COO & Whole-time Director), have over 25 years of experience each in the energy storage and allied sectors. Their experience, along with the support of a professional management team in finance, operations, and compliance, has aided the company in expanding its operations, entering new business segments. CARE expects company to benefit from experience of its promoters and management team.

Comfortable Financial risk profile

The financial risk profile of the company stood adequate as reflected by an overall gearing remained comfortable at 0.17x as on March 31, 2025, with borrowings largely confined to working capital lines. The Total Outside Liabilities to Tangible Net Worth (TOL/TNW) also stood at 1.12x in FY25. CEL's capital structure improved following the successful completion of its IPO in January 2025, which raised gross proceeds of ~₹72.3 crore. The funds were largely allocated towards working capital requirements,

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

purchase of machinery, and general corporate purposes, broadly in line with the stated utilisation plan. This equity infusion resulted in a substantial increase in the company's net worth to ₹93.96 crore as on March 31, 2025 (PY: ₹11.84 crore), thereby strengthening its balance sheet. Going forward, the financial risk of the company is expected to moderate with incremental working capital borrowings as operations expand.

Diversification into BESS and new growth avenues

CEL has expanded beyond its core Electric Vehicle (EV) battery pack business into Battery Energy Storage Systems (BESS), a segment supported by increasing renewable energy penetration and the need for grid balancing solutions in India. The company offers systems ranging from 100 kW to 5 MWh. Importantly, CEL has secured a ₹108 crore contract from BSNL, scheduled for execution in FY26, which underscores its active participation in government-linked projects. This not only provides a significant revenue stream but also validates CEL's capabilities in executing large-scale BESS deployments, although BESS projects typically involve longer working capital cycles and greater execution risks compared to the core business.

India's electric vehicle ecosystem is at a pivotal juncture, showing strong early momentum backed by policy support, expanding charging infrastructure, and growing consumer awareness. While challenges like high upfront costs, limited charging networks, and reliance on imported components persist, the coordinated efforts of the government and industry players are paving the way for steady progress, which augurs well for CEL's growth prospects, reinforcing its strategic positioning.

Key weaknesses

Moderate scale of operations

CEL's revenue base has expanded at a robust CAGR of ~95% over the past five years, reflecting healthy traction in both EV battery packs and the newer BESS segment. However, despite this high growth, the absolute scale of operations remains moderate, with operating income of ₹219.18 crore in FY25 (PY: ₹132.71 crore). In comparison, larger domestic and global peers in the battery and energy storage segment operate at a significantly higher turnover, which affords them stronger economies of scale, cost competitiveness, and greater ability to invest in Research and Development. CEL's moderate scale limits its bargaining power with suppliers, constrains its ability to negotiate favourable terms with its customers, and reduces its financial flexibility in absorbing industry shocks. Furthermore, the moderate size restricts diversification across geographies and customer segments, heightening vulnerability to fluctuations in demand from a concentrated set of clients. Going forward, the company's ability to scale up revenues meaningfully while maintaining profitability and liquidity will remain a key monitorable for the rating.

Volatile profitability margins

CEL's profitability has exhibited fluctuations over the past five years, influenced by volatility in lithium and allied raw material prices, forex movements, and competitive pricing pressures. The PBILDT margins of the company have hovered in the range of 5 to 14% over the last five financial years, In FY25, PBILDT and PAT margins declined to 11.53% and 5.90% respectively (PY: 14.08% and 7.08%), driven by higher input costs, adverse currency movements, and increased competitive intensity in both the EV battery and BESS markets. In addition, the BESS segment, while offering growth potential, typically involves longer gestation projects and higher execution costs, which can compress margins in the near to medium term. Sustaining stable margins through effective cost management, improved scale, and better contract structuring will remain critical for credit profile improvement.

Exposure to raw material and forex risks

CEL's raw material profile remains significantly import-dependent, particularly for lithium cells, battery modules, and allied components sourced from global suppliers. This dependence exposes the company to international commodity price volatility as well as currency fluctuations. During FY25, CEL reported a net forex loss of ₹0.81 crore. Additionally, the global lithium supply chain is concentrated in a few geographies, where mining and refining capacities are limited relative to growing EV demand. This structural imbalance could keep raw material prices elevated and volatile in the medium term. For CEL, such volatility directly impacts procurement costs, working capital requirements, and overall profitability. Establishing long-term supply arrangements and implementing risk-mitigation measures such as hedging will be critical to managing this exposure.

High working capital intensity

The company's operations are characterised by high working capital requirements, primarily driven by elevated inventory holdings and elongated receivable cycles. In FY25, Gross Current Asset (GCA) days stood at 285 (PY: 246 days). Inventory levels remained high at 94 days, with both raw material and finished goods forming significant portions of stock, reflecting the need to maintain availability of imported components and manage order-based production cycles. Receivable days extended to 82 in FY25 (PY: 68 days). While creditor days improved to 105 (PY: 229), supplier support alone is unlikely to offset the increasing funding needs as the business scales. Going forward, the expansion of BESS projects, which typically involve longer execution timelines, is expected to keep working capital intensity elevated.

Liquidity: Adequate

CEL's liquidity position stood adequate, with expected GCA of approximately 30-32 crores against nil long-term debt obligations. The company's operations remain working capital intensive, as reflected in Gross Current Asset (GCA) days of 285 in FY25 (PY: 246 days) and inventory days of 94. However, reliance on external funding has been moderate, with average utilisation of working capital limits of ₹55.00 crore standing at ~51% during the 12 months ended June 2025. The company reported a current ratio of 1.57x and a quick ratio of 0.95x as on March 31, 2025. The unencumbered cash and bank balance stood modest at ₹1.80 crore as on March 31, 2025. Furthermore, the working capital facilities of the company have been enhanced to ₹115 crore which is expected to provide additional cushion to support the company's growing scale of operations

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Auto Components and Equipments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

CLN Energy Limited, based in Uttar Pradesh, engages in the manufacturing, assembling, and trading of lithium-ion batteries for both mobile and stationary applications. The company operates a 42,000 sq. ft. manufacturing plant in Noida and a 20,000 sq. ft. facility in Pune, with a total production capacity of 93 MWH battery units. CEL is currently managed by Mr. Rajiv Seth, Sunil Gandhi and Mr. Manish Shah.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	132.71	219.18
PBILDT	18.70	25.27
PAT	9.40	12.92
Overall gearing (times)	0.00	0.17
Interest coverage (times)	1,907.87	40.02

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

Detailed explanation of 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Working Capital Limits		-	-	-	55.00	CARE BBB-; Stable / CARE A3

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-Working Capital Limits	LT/ST	55.00	CARE BBB-; Stable / CARE A3	-	-	-	-

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/ ST-Working Capital Limits	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CareEdge 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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