CLN Energy Limited

August 05, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term / Short-term bank facilities	RBI	128.00 (Enhanced from 55.00)	CARE BBB; Stable / CARE A3+	Upgraded from CARE BBB-; Stable / CARE A3
Short-term bank facilities	RBI	12.00	CARE A3+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Upgrade in ratings assigned to bank facilities of CLN Energy Limited (CEL) factors in the improvement in the company's operational performance in FY26 (FY refers to April 01 to March 31), driven by healthy growth in scale of operations and sustaining profitability margins, largely attributed to the volumetric growth, execution of higher-margin orders, and better absorption of fixed overheads, on the back of higher operating scale. Ratings also factor in CEL's diversification into battery energy storage systems (BESS), which acts as a structural growth driver beyond the core mobility segment. Ratings continue to derive strength from the company's comfortable capital structure and experienced promoters and management team, which has supported the company's steady operational growth in the last five years. Ratings also derive comfort from the positive industry outlook for electric vehicles (EVs), where CEL's lithium-ion batteries find key applications, and the growing demand for BESS.

These rating strengths are partially offset by the company's exposure to risks arising from its significant dependence on imported lithium cells and allied components, leaving it vulnerable to fluctuations in raw material prices and foreign exchange rates. CEL's operations are inherently working capital intensive, particularly as the company scales up its operations and presence in a competitive industry dominated by large players.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in operational performance of the company as reflected by total operating income (TOI) of over ₹500.00 crore and profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of over 12.00% on a sustained basis.
- Reduction in working capital intensity of the company as reflected by gross current asset (GCA) days of less than 160 days.

Negative factors

- Deterioration in financial risk profile of the company as reflected by total outside liabilities to tangible net worth (TOL/TNW) of over 2x.
- Deterioration in operational performance of the company as reflected by TOI of less than ₹300 crore and PBILDT margin of less than 10% on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook indicates CARE Ratings Limited's (CareEdge Ratings') expectation that the entity shall benefit from the experience of its management team and the diversification of its customer base.

Detailed description of key rating drivers

Key strengths

Improvement in operational performance in FY26

CEL reported healthy growth in its operational performance in FY26, with TOI increasing by ~59%, driven by healthy traction in EV battery packs and the BESS segment. Despite significant scale-up in operations, the company maintained stable profitability, with PBILDT and profit after tax (PAT) margins of 11.70% and 5.89%, respectively, in FY26 (PY: 11.53% and 5.90%). The sustained profitability was supported by higher-margin order execution, prudent procurement practices, and better absorption of

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

fixed overheads, on the back of higher operating scale. The company's operational growth is expected to remain supported by increasing adoption of BESS and gradual expansion of the domestic EV ecosystem, supported by rising renewable energy integration, favourable government initiatives, and growing demand for energy storage solutions.

Going forward, the company's ability to scale up revenues meaningfully and maintaining current profitability while managing competition from large players will remain a key monitorable.

Comfortable financial risk profile

CEL's financial risk profile remains comfortable, supported by healthy internal accruals and no major debt-funded capex. The company's capital structure stood comfortable marked by overall gearing below unity at 0.81x as on March 31, 2026, with borrowings largely confined to working capital facilities and the Emergency Credit Line Guarantee Scheme (ECLGS). TOL/TNW stood at 1.22x as on March 31, 2026, compared to 1.12x as on March 31, 2025, due to higher utilisation of working capital facilities to support growth in scale of operations. Debt protection metrics remained comfortable, with PBILDT interest coverage at 5.23x as on March 31, 2026.

Going forward, despite the increase in working capital utilisation, the company is expected to maintain a comfortable financial risk profile, supported by steady cash accruals, moderate leverage, and continued accretion to net worth.

Extensive experience of promoters and management team

CEL's promoter, Rajiv Seth, and the management, Sunil Gandhi, Chief Executive Officer (CEO) and Whole-time Director, have over 25 years of experience each in energy storage and allied sectors. Their experience and the support of a professional management team across finance, operations, and compliance, has aided the company in expanding its operations and entering new business segments. CareEdge Ratings expects CEL to continue to benefit from the experience of its promoters and management team.

Diversification into BESS and new growth avenues

CEL has diversified into the BESS segment, which is expected to witness healthy growth, supported by increasing renewable energy integration, and government-supported Pradhan Mantri Kisan Urja Suraksha evam Utthaan Mahabhiyaan (PM-KUSUM) scheme. The company offers BESS solutions with capacities ranging from 100 kW to 5 MWh, catering to commercial and industrial applications. The domestic EV ecosystem continues to witness steady development, supported by favourable policy initiatives, gradual expansion of charging infrastructure, and increasing consumer acceptance. While the industry continues to face challenges, such as relatively high acquisition costs, uneven charging infrastructure, and dependence on imported components, the medium-to-long term demand outlook remains favourable. Given CEL's presence in lithium-ion battery packs and BESS solutions, the evolving EV and energy storage ecosystem is expected to provide growth opportunities and support the company's business prospects in the medium term.

Key weaknesses

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 and currency fluctuations. 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. However, the company's current supply chain for raw material import (mainly lithium-ion) remains largely insulated from disruptions related to the ongoing West Asia conflict, with majority imports being from China, Singapore and the United States (the US). For CEL, such volatility directly impacts procurement costs, working capital requirements, and overall profitability. The incremental logistics cost owing to West Asia crisis is being passed on to its customers. Establishing long-term supply arrangements and implementing risk-mitigation measures, such as hedging, will be critical to manage this exposure.

Working capital intensive operations

The company's operations are characterised by high working capital requirements, primarily driven by elevated inventory holdings and elongated receivable cycles. In FY26, GCA days stood at 238 (PY: 285 days). The company booked ~40% of its sales in Q4FY26 (refers to January 01, 2026, to March 31, 2026), resulting in elevated GCA days levels as on March 31, 2026. Receivables have improved from ₹96.98 crore as on March 31, 2026, to ₹76.55 crore as on June 30, 2026. Inventory levels remained high at 78 days, with 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. The company has reduced creditor days from 105 days in FY25 to 49 days in FY26, to obtain better pricing for raw materials. Receivable days extended to 90 days in FY26 (PY: 82 days), owing to higher sales in Q4FY26. The company receives a credit period of ~45-60 days from its suppliers, as reflected in average creditor days of 49 days in FY26 (PY: 105 days).

The company's ability to efficiently manage receivables and support incremental working capital needs without materially impacting leverage will remain a key credit monitorable.

Presence in a competitive industry dominated by large players

The battery and energy storage industry is characterised by presence of large domestic and global players with significantly higher operating scale, enabling them to benefit from economies of scale, better cost competitiveness, and greater financial ability to invest in research and development (R&D). Compared to such players, CEL's relatively modest scale of operations limits its bargaining power with suppliers and customers and constrains its financial flexibility to absorb industry cyclicality. The company's limited scale restricts diversification across geographies and customer segments, resulting in relatively higher dependence on a concentrated customer base and exposing it to demand volatility. CareEdge Ratings expects CEL's ability to scale up its operations while maintaining healthy profitability, adequate liquidity, and a comfortable capital structure will remain key monitorable.

Liquidity: Adequate

CEL's liquidity position stood adequate as marked by gross cash accruals of ₹25.66 crore in FY26, which is expected to improve in FY27, against nil debt repayment. Repayment for the ECLGS loan will start from FY28. The company's operations remain working capital intensive, as reflected in GCA days of 238 days in FY26 (PY: 285 days) and inventory days of 78. However, reliance on external funding has been moderate, with average utilisation of fund-based working capital limits at ~80% and non-fund-based limits at ~9% for 12 months ended June 2026. The company reported a current ratio of 1.43x and a quick ratio of 0.96x as on March 31, 2026. The cash and bank balance stood modest at ₹1.17 crore as on March 31, 2026. The company's working capital facilities have been enhanced to ₹128 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
Auto Components & Equipments
Short Term Instruments

About the company and industry

Industry classification

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

Based in Uttar Pradesh, CEL engages in manufacturing, assembling, and trading lithium-ion batteries for mobile and stationary applications. The company operates a 42,000 sq. ft. manufacturing plant in Noida with a total production capacity of 196 MWH battery units. CEL is currently managed by Rajiv Seth and Sunil Gandhi.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)
Total operating income	219.18	349.11
PBILDT*	25.27	40.84
Profit after tax (PAT)	12.92	20.55
Overall gearing (x)	0.17	0.81
Interest coverage (x)	40.02	5.23

A: Audited; Note: These are latest available financial results.
*PBILDT: Profit before interest, lease rentals, depreciation, and tax

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-		-	-	128.00	CARE BBB; Stable / CARE A3+
Non-fund-based - ST-Bank Guarantee	RBI	Simple	-		-	-	12.00	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 2026-2027	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
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST	128.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB-; Stable / CARE A3 (06-Oct-25)	-	-
2	Non-fund-based - ST-Bank Guarantee	ST	12.00	CARE A3+				

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

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

Annexure-4: Lender details

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

Annexure-5: List of entities consolidated: Not applicable

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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: +91-120-4452000 E-mail: puneet.kansal@careedge.in Rajan Sukhija Associate Director **CARE Ratings Limited** Phone: +91-120-4452000 E-mail: Rajan.Sukhija@careedge.in Devang Purnavairagi Lead Analyst **CARE Ratings Limited** E-mail: Devang.Purnavairagi@careedge.in

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