

May 15, 2024

Neev Energy LLP: Ratings reaffirmed, rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund based – Cash Credit	8.00	13.00	[ICRA]BB+ (Stable); reaffirmed and assigned for enhance amount
Short-term – Non-fund Based	42.00	42.00	[ICRA]A4+; reaffirmed
Total	50.00	55.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation of Neev Energy LLP (NEL) reflects ICRA's expectation that the company will continue to benefit from the track record of execution in manufacturing, installation, operations and maintenance (O&M) of smart LED lighting projects. NEL has healthy orders in hand worth more than Rs. 160 crore, mainly from urban local bodies (ULBs), smart city projects and private players, lending good revenue visibility. The ratings also factor in the healthy demand outlook in this sector, going forward. This apart, the ratings factor in the growth in NEL's net worth, supported by the equity infusion in Q4 FY2023, which has kept the company's dependence on debt low and liquidity adequate.

However, the ratings are constrained by NEL's high working capital intensity due to long receivable days, which also include substantial receivables of more than six months. The company's execution progress as well as revenue booking can be impacted by client-side delays, which was witnessed in FY2023 when revenue booking was weaker than expectations, impacting the earnings. As the company is in the technology space, it is exposed to the obsolescence risk, and needs to keep upgrading its capabilities.

The Stable outlook on the [ICRA]BB+ rating reflects ICRA's opinion that NEL will benefit from the healthy demand potential in this space and continue to get orders from ULBs and smart city projects, as well as from others, given its improving execution track record.

Key rating drivers and their description

Credit strengths

Strong demand of industrial and outdoor smart lighting– NEL benefits from the strong demand for smart lighting products, especially in the industrial and outdoor lighting space. The demand has been increasing during the last three to four years, mainly from ULBs and smart city projects. The demand outlook is favourable as ULBs are looking to replace traditional lights with smart LED lights, which are significantly more efficient than traditional lights. NEL's ability to complete the projects ahead of the scheduled time, given the right of first refusal for further enhancement in orders, if any, remains crucial.

Track record of successful project completion and healthy order book position – NEL has a strong order book of more than Rs. 160 crore, as of January 2024, which is more than 3.0 times of its revenues in FY2023. The company would execute these orders during the next two years. These orders also include O&M revenue, which range from five to seven years and constitute 15-20% of the project value. The company has reported ~Rs. 34 crore revenue in 11M FY2024.

Strengths derived from investors and regular fund infusion; increase in net worth in FY2024 – The presence of Eden Ventures as a key investor augurs well for NEL's business. The investors have infused ~Rs. 60 crore of equity in FY2024 to support the

working capital requirement as well as the liquidity position. There has been a healthy increase in the company's net worth in FY2024 on account of capital infusion, and the company's dependence on debt has also reduced.

Credit challenges

A sharp decline in profit margin in FY2023; revival seen in FY2024 – Ther profit margin fell sharply to 7% in FY2023 from 17.5% in FY2022 primarily on account of a change in the accounting policy from the percentage completion method to the milestone-based method, wherein only expenses were booked for some projects as their milestones were yet to be reached. The margin profile is expected to revive in the current fiscal amid steady order execution. On a provisional basis, the company has reported an OPM of 13.5% in 8M FY2024.

Long working capital cycle owing to high receivable period – NEL has an elevated receivable level, given the long payment cycle and delays faced on account of the long approval processes for work certification and receivable realisations. The company has substantial receivables of more than six months as of March 2023 and January 2024. While the company also receives credit from its suppliers, its working capital intensity remains very high at more than 50%. However, funding support from investors and good client profile have mitigated the risk to some extent.

Need to upgrade capabilities to avoid technological obsolescence – NEL manufactures smart LED lights, which are prone to frequent changes in technology. The company needs to invest in technology upgradation and capital expenditure, if any. ICRA notes that NEL's current technological and execution capabilities enable it to garner healthy margins.

Liquidity position: Adequate

NEL's liquidity profile is **adequate** owing to free cash and bank balances of Rs. 6-7 crore on an average and Rs. 5-6 crore buffer in cash credit limit. There are no major long-term debt repayment liabilities. While there is a substantial blockage of funds as receivables, timely funding support from investors largely lends comfort. The company has given bank guarantees for ongoing orders as well as those that are about to be executed. In addition, there is sufficient bank guarantee available for future orders, along with free cash for margin money.

Rating sensitivities

Positive factors – ICRA could upgrade NEL's ratings if there is a significant improvement in its revenues and net worth, while maintaining healthy profit margins. In addition, improvement in the working capital position will be a positive rating trigger.

Negative factors – Pressure on NEL's ratings could arise if there is a substantial decline in revenues and operating margins, resulting in lower cash flows on a sustained basis. A deterioration in the working capital cycle, impacting the company's liquidity position, or TOL/TNW higher than 3.0 times, on a sustained basis, could trigger ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial of NEL.

About the company

NEL was incorporated in 2010 and commenced operations from 2012. The entity is involved in smart and sustainable solutions for industries and cities using lighting, internet of things (IoT) hardware and smart management platforms. Its registered office is in Delhi. NEL has positioned itself as a smart industrial and street lighting solutions provider and became a comprehensive (supply and O&M) solution provider to private and Government players. Mr. Jitendra Guha, its Partner and CEO, looks after its

day-to-day operations. NEL is ISO 9001:2015 certified by the British Standards Institute. The company has been receiving consistent investment from its key investor, Eden Ventures.

Key financial indicators (audited)

NEL's standalone	FY2022	FY2023
Operating income	43.3	54.1
PAT	2.5	1.2
OPBDIT/OI	17.5%	7.7%
PAT/OI	5.8%	2.3%
Total outside liabilities/Tangible net worth (times)	2.9x	0.4x
Total debt/OPBDIT (times)	2.5x	2.5x
Interest coverage (times)	3.8x	1.8x

Source: Company, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. Crore

Status of non-cooperation with previous CRA: CRISIL has continued the ratings (CRISIL B+/Stable/A4 ISSUER NOT COOPERATING) in the Issuer Not Cooperating category due to non-receipt of information, as per its rating rationale published on April 27, 2023.

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years				
		Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & Rating in FY2022	
				May 15, 2024	Mar 28, 2024	Dec 30, 2022	Sep 24, 2021	Sep 14, 2021
1 Cash Credit	Long Term	13.00	-	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)
2 LC/BG*	Short Term	42.00	-	[ICRA]A4+	[ICRA]A4+			
3 Bank Guarantee	Short Term	-	-		-	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+
4 Letter of Credit	Short Term	-	-		-	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+
5 Unallocated	Long Term/ Short Term	-	-		-	[ICRA]BB+ (Stable)/ [ICRA]A4+	[ICRA]BB (Stable)/ [ICRA]A4+	[ICRA]BB (Stable)/ [ICRA]A4+

Source: Company, *letter of credit/bank guarantee

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term – Fund based – Cash Credit	Simple
Short-term – Non-fund Based - Letter of Credit/Bank Guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	13.00	[ICRA]BB+ (Stable)
NA	Letter of Credit/ Bank Guarantee	NA	NA	NA	42.00	[ICRA]A4+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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Branches



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