April 24, 2026

Esmart Energy Solutions Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based - Term loan	39.63	23.95	[ICRA]BBB (Stable); reaffirmed
Long term - Fund based - Working capital facilities	7.00	7.00	[ICRA]BBB (Stable); reaffirmed
Short term - Non-fund based - Working capital facilities	60.00	60.00	[ICRA]A3+; reaffirmed
Total	**106.63**	**90.95**	

**Instrument details are provided in Annexure II*

Rationale

The reaffirmation of the ratings for Esmart Energy Solutions Limited (EESL) factors in its healthy long-term revenue visibility. As of March 31, 2026, the company had a cumulative revenue visibility of over Rs. 1,246 crore from the projects under operation/execution, with the revenues expected to be realised through monthly inflows over a residual project tenor of around eight years. This visibility, along with the expected addition of new projects to the order book, supports the company's ability to sustain its operating scale.

In FY2025, EESL reported a year-on-year (YoY) revenue growth of 24%, which is expected to further grow by 30-33% in FY2026, supported by healthy additions to the project portfolio. The operating profit margins (OPM) remained healthy at around 40% in FY2025, given the company's business model wherein the capital costs are incurred upfront by EESL and the revenues are recovered through monthly payments based on deemed energy savings, post the commissioning of a project. This deemed savings approach, coupled with a comfortable capital structure, has led to healthy debt protection metrics, reflected in an interest coverage ratio (ICR) of 8.2 times and net cash accruals vis-à-vis total debt (NCA/TD) of 87% and total debt vis-à-vis operating profit (TD/OPBITDA; leverage) of 0.9 times in FY2025.

The ratings are, however, constrained by EESL's moderate, albeit improving scale of operations and its high working capital intensity owing to the elongated receivable cycle and elevated inventory requirements. The company's clients are mainly municipal corporations, where the payments are delayed owing to lengthy internal approval processes and slow recoveries, depending on the liquidity position of the respective municipal bodies.

Further, the ratings are constrained by EESL's capital-intensive nature of business, with planned capital expenditure of over Rs. 230 crore over the next 2-3 years for future projects. Going forward, EESL's ability to execute these projects on time without any cost overrun and achieve financial closure at favourable terms with limited leveraging will remain critical from a credit perspective. EESL is also moderately exposed to foreign exchange (forex) fluctuation risks as certain raw materials needed to manufacture LED lights are imported, while the revenues are largely generated from the domestic market. However, the extent of the imports remains minimal relative to the company's overall scale of operations.

ICRA also notes the ongoing litigation with Uniglobal Ventures LLP and Paisalo Digital Limited (Paisalo; erstwhile SE Investment), wherein EESL had given a corporate guarantee of Rs. 3 crore to Paisalo for the loan taken by Uniglobal Ventures LLP and the corporate guarantee was invoked by Paisalo in 2019. The matter is under litigation and remains an unresolved commercial dispute. ICRA will continue to monitor the developments in this regard and assess its impact, if any, on the credit profile of EESL, particularly in the event of any unfavourable ruling against the company or if any material liability falls on it, or in case of any unfavourable ruling against the company.

The Stable outlook reflects ICRA's expectations that EESL's credit profile will remain healthy, supported by a steady increase in revenues and robust profitability levels. This will translate to satisfactory debt coverage indicators, commensurate with the rating category, despite the company's sizeable capital investment plans.

Key rating drivers and their description

Credit strengths

Established experience of promoters with demonstrated track record of operations – EESL has executed more than 20 projects for different municipal corporations across India, reflecting the promoters' established operating experience in the ESCO segment. It benefits from the technical expertise of Mr. Suresh Shah, the erstwhile managing director, who has over four decades of experience in the electrical industry. The current management team is led by Ms. Shraddha Sanjay Ghadiali, the daughter of Mr. Suresh Shah and executive director of the company, ensuring continuity in leadership and operational oversight.

Healthy revenue visibility – EESL's scale of operations increased to Rs. 140.2 crore in FY2025 at a CAGR of 23%, aided by the heathy addition of new projects. As on March 31, 2026, the company had a cumulative revenue visibility of over Rs. 1,246 crore from projects under operation/execution. The revenues from these projects will be realised through monthly payments over the residual project tenure of around eight years. In addition, EESL has submitted bids for various upcoming projects, which would further improve its order book and diversify its geographical presence, once the same materialises.

Healthy operating margins, comfortable capital structure and healthy debt coverage indicators – The company's operating margins have remained healthy in the range of 35-45% over the last three financial years ended FY2025 and are expected to stay healthy, going forward. EESL's capital structure also remained comfortable, with a gearing of 0.3 times as on March 31, 2025, supported by a healthy accretion to reserves and a moderate level of external debt. The debt coverage indicators have also been strong, reflected in an interest coverage of 8.2 times and debt service coverage ratio (DSCR) of more than 2.0 times. Further, the net cash accruals vis-à-vis the total debt improved to ~87%. Going forward, the capital structure and debt protection metrics are expected to remain healthy, supported by sustained accretion to reserves and moderate level of external debt.

Credit challenges

Moderate, albeit increasing scale of operations – Despite the healthy revenue growth over the last five years, EESL's scale of operations remains moderate. Going forward, the revenues are expected to increase at a faster pace, supported by the expected addition of new orders from additional states. However, the growth will remain contingent on actual order inflow and the timely execution of projects.

High working capital intensity owing to elongated receivable cycle and inventory requirements – The company's working capital intensity of operations remains high, with the net working capital to operating income at 43.1% as on March 31, 2025, owing to an elongated receivable cycle and elevated inventory requirements. Given EESL's exposure to municipal corporations, the payment period typically ranges from 75-100 days from the date of billing. As on March 31, 2026, EESL had pending receivables of around Rs. 55.6 crore owing to the slow recovery from municipal corporations, along with outstanding dues of more than one year due to project-specific issues for a few projects.
The inventory holding period also remains high at 60-80 days, which relates to materials procured for operational and under-execution projects. EESL imports raw materials such as LED diodes from Singapore and other electrical components from South Korea and Singapore, wherein the procurement is undertaken in small quantities with largely upfront payments. Local purchases mainly involve job-work and electrical components that carry a credit period of 30-60 days.

Capital-intensive nature of business with large capital investments planned over the medium term – EESL's business remains capital intensive as it has to incur significant capex upfront, for majority of the projects. Further, the company has planned capital investments of over Rs. 230 crore during FY2027-FY2029 for its upcoming projects in bidding pipeline, implying elevated funding requirements over the near to medium term.

The company expects to fund the entire capex by a mix of debt and internal accruals. Hence, the generation of strong internal accruals for FY2027 and FY2028 will remain crucial to meet its capex targets. It also remains exposed to project execution risk for its upcoming projects. Going forward, EESL's ability to timely execute the projects without any cost overrun and achieve financial closure at favourable terms with limited leveraging will remain critical. Nonetheless, some comfort can be drawn from the guarantees provided by the Small Industries Development Bank of India (SIDBI) covering up to 75% of the term loans under a partial risk-sharing facility for energy efficiency.

Liquidity position: Adequate

The company's liquidity position is adequate, supported by healthy cash flow from operations, free cash and liquid investments of Rs. 7.3 crore as on March 31, 2026 and a cushion of around Rs. 2 crore in working capital limits as of March 2026. In FY2027, the company is expected to incur a capex of Rs. 102 crore and has scheduled debt obligations of Rs. 14-15 crore, which can be comfortably met through the projected cash flow from operations and proposed debt funding. Further, comfort can be drawn from the promoters' demonstrated track record of extending financial support in the past through unsecured loans.

Rating sensitivities

Positive factors – ICRA could upgrade EESL's ratings, if it is able to substantially scale-up the operations, while maintaining profitability levels, along with significant improvement in liquidity profile, through better receivables management.

Negative factors – Pressure on EESL's ratings could arise, in case of weakness in collections, adversely impacting its liquidity, or if any delay in execution of upcoming projects affect its earnings. Any large debt-funded capex impacting the coverage metrics materially will also be a negative factor for the rating. Specific credit metrics, which could trigger a negative rating, include a debt service coverage ratio (DSCR) of less than 1.6 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of EESL. As on March 31, 2025, the company had five subsidiaries, which are all enlisted in Annexure III

About the company

EESL was incorporated as Shah Investments Financials, Developments & Consultants Private Limited (SIFDCPL), a private limited company under the Companies Act 1956, on November 29, 1979. SIFDCPL was initially engaged in investment-related activities, hire purchase, leasing and development of industrial units, among others.

SIFDCPL was renamed Esmart Energy Solutions Limited in 2013 and entered the energy savings company (ESCO) segment with its own energy-efficient LED light manufacturing facility at Nashik, Maharashtra. At present, EESL focuses only on ESCO activities, including security and surveillance and providing IT-based LED lighting solutions to municipal corporations under a shared energy savings model.

EESL follows an energy savings-based model, wherein the company finances the upfront capital cost for majority of the projects. It recovers the investment, along with the operating cost, through monthly payments from the customers under multi-year contracts based on a deemed savings approach. The contracts typically have a tenure of 7-10 years, wherein the deemed energy savings are pre-agreed with the customers, and EESL also undertakes the maintenance of lights at no additional cost (in most cases). The company usually ensures energy savings of up to 85% through the replacement of conventional streetlights with LEDs. It also achieves energy savings of nearly 50% by replacing LED lights with its own brand of LED products.

Key financial indicators (audited)

Consolidated	FY2024	FY2025
Operating income	113.1	140.2
PAT	15.0	18.3
OPBDIT/OI	35.1%	40.6%
PAT/OI	13.3%	13.1%
Total outside liabilities/Tangible net worth (times)	0.6	0.5
Total debt/OPBDIT (times)	1.7	0.9
Interest coverage (times)	16.4	8.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	FY2027	FY2026		FY2025		FY2024	
			Apr 24, 2026	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	23.95	[ICRA]BBB (Stable)	-	-	Jan 16, 2025	[ICRA]BBB (Stable)	Oct 30, 2023	[ICRA]BBB- (Stable)
Cash credit	Long term	7.00	[ICRA]BBB (Stable)	-	-	Jan 16, 2025	[ICRA]BBB (Stable)	Oct 30, 2023	[ICRA]BBB- (Stable)
Bank guarantees	Short term	60.00	[ICRA]A3+	-	-	Jan 16, 2025	[ICRA]A3+	Oct 30, 2023	[ICRA]A3

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ($)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

($)	Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.
(%)	These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutal Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@)	The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.
(#)	Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund based - Term loan	Simple
Long term - Fund based - Working capital facilities	Simple
Short term - Non-fund based - Working capital facilities	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 II: 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	7.00	[ICRA]BBB (Stable)
NA	Term loan-I	FY2023	NA	FY2027	1.85	[ICRA]BBB (Stable)
NA	Term loan-II	FY2023	NA	FY2028	5.14	[ICRA]BBB (Stable)
NA	Term loan-III	FY2023	NA	FY2028	4.36	[ICRA]BBB (Stable)
NA	Term loan-IV	FY2023	NA	FY2028	3.31	[ICRA]BBB (Stable)
NA	Term loan-V	FY2023	NA	FY2028	2.89	[ICRA]BBB (Stable)
NA	Term loan-VI	FY2023	NA	FY2028	3.92	[ICRA]BBB (Stable)
NA	Term loan-VII	FY2023	NA	FY2028	2.48	[ICRA]BBB (Stable)
NA	Bank guarantee	NA	NA	NA	60.00	[ICRA]A3+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure III: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Super Wealth Financials Private Limited	97.48%	Full consolidation
US Instrument Private Limited	51.27%	Full consolidation
Redima Energy Solutions Projects Pvt. Ltd.	100.00%	Full consolidation
DIMA Electro LLP	98.00%	Full consolidation
DIMA Cable LLP	98.00%	Full consolidation

Source: Company

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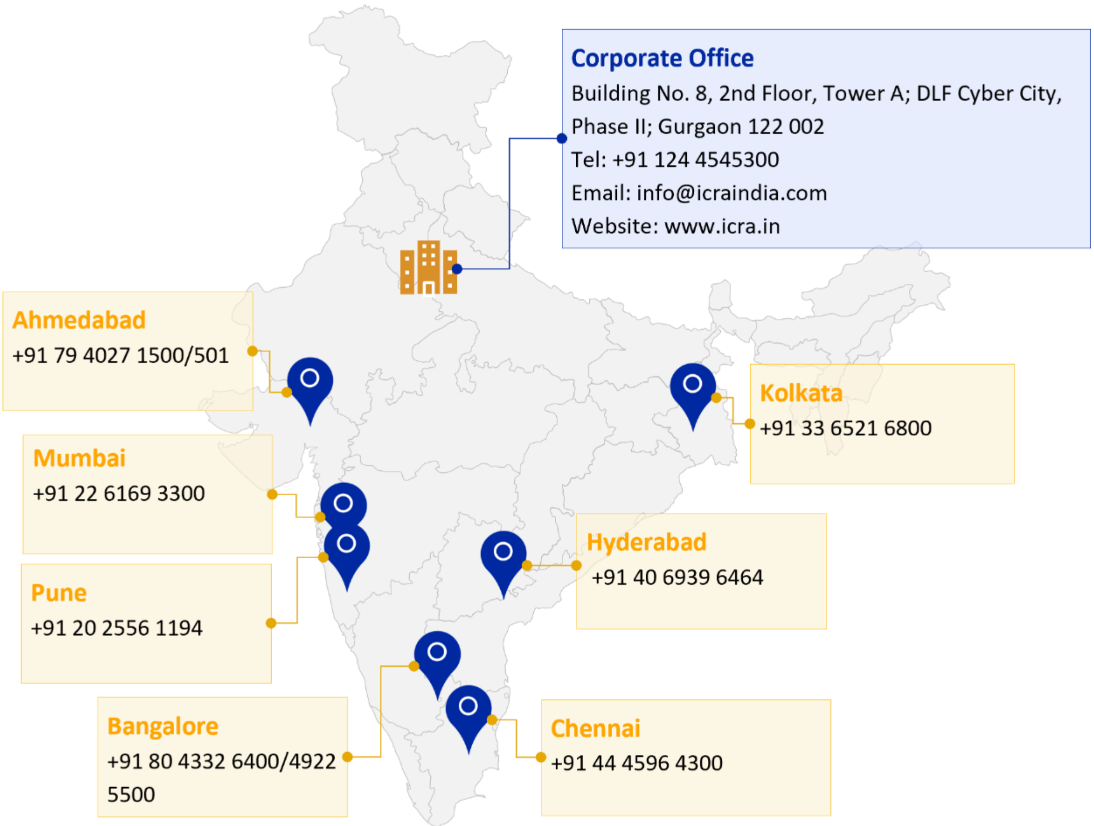

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