

February 07, 2023

## Lithium Urban Technologies Private Limited: [ICRA]BBB+ (Stable)/[ICRA]A2 assigned

### Summary of rating action

Instrument	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ short-term unallocated	300.00	[ICRA]BBB+ (Stable)/[ICRA] A2; assigned
<b>Total</b>	<b>300.00</b>	

### Rationale

The rating assigned to Lithium Urban Technologies Private Limited (Lithium or the company) factors in its superior financial flexibility with Green Growth Equity Fund (GGEF) being its majority shareholder (with approximately 75% stake on a fully diluted basis). GGEF is a SEBI registered Category II Alternate Investment Fund (AIF), which has been set up to mobilise investment into Indian green infrastructure with the Government of India, through the National Investment and Infrastructure Fund (NIIF) (India's first sovereign wealth fund) and the Government of the United Kingdom's (UK) Department for International Development (DFID) as its anchor investors. Post GGEF's entry as an investor into the company in FY2022, it has already infused primary funds of close to Rs. 190 crore and has committed an additional Rs. 40 crore in the current fiscal. Furthermore, GGEF's focus on green initiatives, including e-mobility, and its experience across various platforms and entities for the same, is expected to support Lithium in scaling up its operations and turning profitable and self-sustaining over the medium term.

The rating also factors in the experience of Lithium's promoters in the transportation business and the established relationships with its clients, which augurs well for the company's business prospects. ICRA also believes that with the shift in preference towards electric vehicles (EVs) by many companies and the Government's initiative to promote EVs, Lithium has significant opportunities to scale up its business. Accordingly, the company has been securing contracts from its existing as well as new customers for providing additional vehicles, primarily on a dedicated model, for which it is expanding its fleet rapidly. ICRA also notes that it has been trying to reduce its dependence on the IT/ITeS sector, from more than 90% previously, to ~75% now, by adding new customers from other sectors such as consulting, BFSI, manufacturing etc. Additionally, it is seeking to diversify and grow its revenues further by entering into the freight transportation business, as well as setting up of public charging infrastructure, which would enable it to emerge as a holistic EV operator over the medium term.

The rating, however, remains constrained by the moderate scale of operations, and the fact that the company's operations are yet to turn profitable, despite being in operations for seven years. The company's revenues and profitability had been impacted significantly during the pandemic period, with extensive work from home practices employed across the company. However, with the offices having largely resumed over the current fiscal, and many fleet operators ceasing operations during the pandemic period, the demand-supply dynamics have turned largely favourable. Accordingly, Lithium reported a consistent increase in monthly revenue run rate in the currently fiscal, closing December 2022 with monthly revenues of Rs. 6.9 crore, as against Rs. 2.2 crore reported in March 2022, and Rs. 3.5 crore reported prior to the pandemic. Nonetheless, ICRA notes that while the company is taking steps to increase the revenue generation from each vehicle and improve the asset sweating, it would need to further ramp up its fleet and operations to turn profitable on a sustained basis. In this regard, the company plans to add more than 3,000 vehicles over the near to medium term, to its existing fleet of 1,273 vehicles, which is largely backed by business indicated by various customers. Nevertheless, Lithium's ability to utilise these vehicles efficiently, so as to ensure a steady cash flow generation, would remain a key monitorable. ICRA expects that GGEF would support the entity in meeting any funding gaps in case of exigencies, till it is able to ramp up operations to self-sustainable levels.

The Stable outlook on the rating reflects ICRA's expectation that the company will capitalise on the established relationships with its customers and its proven experience to ramp up operations and turn profitable over the medium term.

## Key rating drivers and their description

### Credit strengths

**Track record of successful fund raises; strong financial flexibility by virtue of its investor, GGEF** – Over the years, Lithium has been able to raise funds from multiple investors to fund its operations and growth. The latest funding was raised in FY2022, wherein GGEF was inducted as a key investor, providing exit to earlier investors. Currently, GGEF holds approximately 75% stake in the company on a fully diluted basis. GGEF's anchor investors are the Government of India anchored NIIF and the UK government's DFID<sup>2</sup>, who have together invested \$340 million in the fund. As on date, the fund has been closed with total funding commitments of \$741 million, with investments from NIIF, DFID, CDC (British International Investment, the UK's development finance institution), FMO (Green Climate Fund/ Dutch Development Bank), GCF, BP and others. With GGEF's focus and experience on sustainability and e-mobility projects, Lithium is expected to benefit from this alliance. GGEF as an investor, is also actively involved in the company's operations and decision-making. Furthermore, the presence of a strong sponsor is likely to ensure financial flexibility and timely availability of funds to meet any funding requirements.

**Healthy growth prospects, supported by shift in preference towards e-mobility and Lithium's capacity expansion plans** – The company's revenues are expected to grow at a healthy pace over the medium term, aided by healthy demand from corporates and Lithium's planned capacity expansion. While continued re-opening of offices post the pandemic is supporting growth prospects to an extent, it is further bolstered by its ability to cater to the shift in preferences towards cleaner vehicles as corporates focus on meeting their ESG requirements.

**Growth and diversification prospects from entry into freight transportation services, and monetisation of existing charging infrastructure** – While the corporate employee transportation (CET) segment would continue to be the key revenue driver over the medium term, growth would be further fueled by its entry into B2B freight transportation services using electric three-wheelers (e-3Ws) from Q3 FY2023 onwards. Furthermore, it has monetisable assets in the form of the expansive charging infrastructure it has set up (which are used for captive requirements currently). These offer additional revenue growth and diversification avenues for the company.

**Reputed client base and established relationships with customers** – The company currently caters to a widespread and reputed client base including companies such as Google, Accenture, Wipro, Infosys, JP Morgan, and Credit Suisse, among others. The established client relationships provide ample growth prospects for the company with opportunities to expand its wallet share with them; at the same time, counterparty related risks remain low, given the strong credit profile of these clients.

### Credit challenges

**Moderate scale of operations, impacted by pandemic over recent years** – Currently, Lithium's scale of operations remains relatively modest, with revenues of Rs. 26.4 crore reported in FY2022, albeit impacted to a large extent by the pandemic-induced lockdowns and associated lower CET demand. However, with opening up of offices post the pandemic, and new business secured from existing as well as new customers, the revenues have been on an increasing trend over the recent past. Accordingly, from a monthly revenue run rate of Rs. 2.2 crore in March 2022, it has increased to Rs. 6.9 crore in December 2022, supporting the company in reporting revenues of ~Rs. 45.0 crore in 9m FY2023.

**Operations yet to turn profitable** – The company is currently generating operating losses as the operations are yet to ramp up to optimal levels. Currently, the company is in an expansion phase, as it is building capability and investing in technology that is required for a much larger scale of operations. Accordingly, operations are expected to turn profitable as it deploys more vehicles and utilization of existing vehicles increased further. While the company has taken steps to reduce the cash burn sequentially and turn profitable, its ability to ramp up the operations to a self-sustainable level will remain a key monitorable.

**Concentration on IT/ITes sector for revenues** – Prior to the Covid-19 pandemic, the customer base was almost entirely concentrated in the IT/ITes sector, catering to IT companies, KPOs and BPOs, which accounted for 90-95% of its revenues. However, the company has since tried to increase its exposure to other sectors such as manufacturing, FMCG, and BFSI.

Accordingly, the dependence on the IT/ITeS sector has reduced to ~75% currently, and is expected to reduce further over the medium term as business from other entities continues to scale up.

**Aggressive capex plans likely to moderate return metrics over medium term** – Lithium currently has a fleet of 1,273 vehicles (as on December 31, 2022) and an order book for over 3,000 vehicles, which it plans to deploy over the near to medium term. Given the sizeable capex planned, the company’s ability to utilise these vehicles effectively without constraining its capital structure and return metrics would remain a key monitorable. Furthermore, with most of these vehicles planned to be funded from external borrowings, the company’s roadmap to turn profitable and generate ample cash profits would remain critical to meet the debt servicing obligations in a timely manner. However, the presence of a strong anchor investor, GGEF, is expected to aid timely receipt of any additional funding in case of any exigencies.

### Liquidity position: Adequate

Lithium’s liquidity is expected to remain adequate, with liquid funds available in the form of cash and bank balances of Rs. 193 crore as on October 31, 2022, which is expected to support it in meeting funding requirements despite expectations of cash losses over the near term. Furthermore, the presence of strong anchor investors, GGEF, is expected to aid timely receipt of funds in case of any additional funding requirements.

### Rating sensitivities

**Positive factors** – ICRA could upgrade Lithium’s rating if there is substantial increase in revenues and earnings with demonstrated track record of profitable and self-sustaining operations, leading to strengthening of overall financial profile on a sustained basis.

**Negative factors** – A material change in committed support from the PE investor (GGEF) or a material change in the sponsor profile could trigger a downward revision in rating. Negative pressure on the rating could also arise in case of inability to materially reduce the operational losses, or a deterioration in the credit profile.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	ICRA favourably factors in the superior financial flexibility enjoyed by the company, being backed by GGEF, a SEBI registered Category II AIF with sovereign funds as anchor investors.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of the company.

### About the company

Lithium Urban Technologies Pvt. Ltd. was incorporated in October 2014 with its registered office in Bangalore. The company commenced its commercial operations from June 2015 and has since grown to a fleet of over 1,200 EVs with a captive charging infrastructure of more than 750 points. The company provides B2B services to meet end-to-end transportation requirements of corporates through a fleet of EVs, and owns and operates a SaaS platform to manage transport requirements of retail and corporate customers, Government entities, etc. Currently, the company has operations across 17 cities in India and services customers from various industries such as IT/ITeS, manufacturing, FMCG, consulting, BFSI and pharmaceuticals. The company is backed by Green Growth Equity Fund as the majority shareholder with 75.1% stake on a fully diluted basis.

### Key financial indicators (Audited)

Lithium – Standalone	FY2021	FY2022
Operating income	28.8	26.4
PAT	-29.5	-12.6
OPBDIT/OI	-117.0%	-55.0%
PAT/OI	-102.2%	-47.9%
Total outside liabilities/Tangible net worth (times)	0.5	0.2
Total debt/OPBDIT (times)	-0.3	-1.4
Interest coverage (times)	-43.4	-15.3

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

### Status of non-cooperation with previous CRA:

Brickwork Ratings downgraded the rating and continued the rating in the 'Issuer Not Cooperating' category for the Bank Loan Facilities of Rs. 3.81 crore of Lithium Urban Technologies Pvt. Ltd. based on best available information, as the issuer did not cooperate.

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of March 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
1 Unallocated	Long-term/short-term	300.00	-	Feb 07, 2023 [ICRA]BBB+ (Stable)/ [ICRA] A2	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Unallocated	Not applicable

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, is available on ICRA's website: [Click Here](#)

**Annexure-1: Instrument details**

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Unallocated	NA	NA	NA	300.00	[ICRA]BBB+ (Stable)/ [ICRA] A2

*Source: Company*

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

**Annexure-2: List of entities considered for consolidated analysis – Not applicable**

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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.

For more information, visit [www.icra.in](http://www.icra.in)

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