

May 16, 2024

Lithium Urban Technologies Private Limited: Ratings downgraded to [ICRA]BBB (Stable) / [ICRA]A3+

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Term loan	292.50	270.0	[ICRA]BBB (Stable); downgraded from [ICRA] BBB+ (Stable)
Long term – Cash credit	5.00	-	-
Short term – Fund based facilities	2.50	-	-
Long term/ short term/ fund based non fund-based facilities	-	30.0	[ICRA]BBB (Stable)/[ICRA] A3+; downgraded from [ICRA] BBB+ (Stable) / [ICRA] A2
Total	300.00	300.00	

*Instrument details are provided in Annexure-I

Rationale

ICRA has revised the long-term rating of Lithium Urban Technologies Private Limited (Lithium or the company) to [ICRA] BBB from [ICRA] BBB+, and the short-term rating from [ICRA] A2 to [ICRA] A3+.

The revision in ratings of Lithium is primarily on the back of a slower-than-anticipated ramp-up of operations, which has resulted in lower revenues while fixed costs remain elevated. This led to a net cash loss of ~Rs. 25 crore (adjusted for leases) in FY2024 (against an estimated breakeven in net cash levels during the same period). The entity will continue to rely on the parent entity Green Growth Equity Fund (GGEF) to deploy funds for additional growth. ICRA notes the ~77% ownership of GGEF and factors in financial support to be forthcoming as and when required.

The ratings continue to take into account the superior financial flexibility enjoyed by the company by way of support extended by GGEF, its majority shareholder (with approximately 77% 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 the 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.

Following GGEF's entry as an investor into the company in FY2022, it infused primary funds of ~ Rs. 230 crore and has further committed additional funds of Rs. 50 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, turning profitable as well as establishing itself as a self-sustaining entity over the medium term.

The ratings also factor 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 notes that it has been trying to reduce its dependence on the IT/ITeS sector by adding new customers from other sectors, such as consulting, BFSI, manufacturing and others. Additionally, it is seeking to diversify and grow its revenues further by venturing into partnership with Uber for the ride-hailing business and setting up public charging infrastructure. This would enable the company to emerge as a holistic EV operator over the medium term.

The ratings, however, remain constrained by the moderate scale of operations despite being in operation for more than seven years. The company's revenues and profitability were significantly impacted amid the Covid-19 pandemic, with extensive work-from-home practices employed across the company. It managed to scale up its operations following the pandemic but remained cautious on the growth path to iron out operational difficulties within the electric vehicle fleet operations.

Accordingly, Lithium reported an increase in monthly revenue run rate with monthly revenues of Rs. 15.8 crore in March 2024 against Rs. 2.2 crore reported in March 2022, and Rs. 5.7 crore reported in March 2023. Nonetheless, ICRA notes that while the company is taking steps to increase revenue generation, it would need to further ramp up its fleet and operations to be net profitable on a sustained basis.

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

Key rating drivers and their description

Credit strengths

Track record of successful fundraises; 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. At present, GGEF holds approximately 77% 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 DFID², with a cumulative investment of \$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 robust demand from corporates and Lithium's planned capacity expansion. The continued re-opening of offices following the pandemic is supporting the company's growth prospects to an extent, which 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 partnership with ride-hailing companies, 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 agreement with the ride-hailing platform, Uber, from Q2 FY2024 onwards. Furthermore, it has monetisable assets in the form of the expansive charging infrastructure it had set up (which is currently used for captive requirements). These offer additional revenue growth and diversification avenues for the company.

Reputed client base and established relationships with customers – At present, the company 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. Concurrently, counterparty-related risks remain low, given the strong credit profile of these clients.

Credit challenges

Negative cash accruals and path to self-sustainable operations to remain key monitorable – At present, the company is generating net cash losses as the operations are yet to ramp up to optimal levels. In FY2024, the company's ramp-up of operations was lower than earlier estimates due to some operational issues with certain EV vehicles, and client contracts. The company has worked on ironing out the issues but this led to a slower deployment of vehicles than anticipated. In addition, the company preponed its plans for setting up charging infrastructure, which led to an elevated fixed cost in FY2024. This resulted in a net cash loss of ~Rs. 25 crore (adjusted for leases) in FY2024 against an earlier estimate of being net cash breakeven. ICRA estimates the entity will continue to require funding support for growth from the parent entity in FY2025. The ability to ramp up the operations to a self-sustainable level will remain a key monitorable.

Moderate scale of operations– At present, Lithium’s scale of operations remains relatively modest with revenues of Rs. 145.6 crore reported in FY2024 (provisional). As offices are opening up following the pandemic, and new businesses are secured from existing as well as new customers, the revenues have been on an increasing trend over the recent past. From a monthly revenue run rate of Rs. 2 crore in March 2022, it has increased to ~Rs. 15 crore in March 2024.

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.

Liquidity position: Adequate

Lithium’s liquidity is expected to remain adequate with cash and bank balances of Rs. 54.3 crore as on March 31, 2024, and the presence of strong anchor investors, GGEF, which is expected to support the entity in meeting funding requirements despite expectations of cash losses over the near term.

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 Lithium's inability to materially reduce the cash losses, or a deterioration in its credit profile.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
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 or LUTPL was incorporated in October 2014 with its registered office in Bangalore, Karnataka. The company commenced its commercial operations in June 2015. At present, it has a fleet of 2,400+ EVs with a captive charging infrastructure of more than 1,325 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 among others. At present, the company has operations in more than 15 cities across India and is servicing customers with a presence across 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 a 76.93% stake on a fully diluted basis as on March 31, 2024.

Key financial indicators (audited)

Lithium – Standalone	FY2023	FY2024*
Operating income	74.0	145.6
PAT	-50.4	-55.1
OPBDIT/OI	-13.0%	14.0%
PAT/OI	-68.2%	-37.9%
Total outside liabilities/Tangible net worth (times)	1.2	1.8
Total debt/OPBDIT (times)	-21.3	10.1
Interest coverage (times)	-1.0	0.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; *Provisional

Status of non-cooperation with previous CRA:

CRA	Status	Date of Release
BRICKWORK	BWR B +/Stable; Continues to be in ISSUER NOT COOPERATING* category/Reaffirmed and withdrawn	Aug 23, 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 as of March 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				May 16, 2024	Apr 26, 2023	Feb 07, 2023	-
1 Term Loan	Long-term	270.0	130.0	[ICRA]BBB (Stable)	[ICRA]BBB+ (Stable)	-	-
2 Cash Credit	Long-term	-	-	-	[ICRA]BBB+ (Stable)	-	-
3 Fund based facilities	Short-term	-	-	-	[ICRA] A2	-	-
4 Fund based non fund-based facilities	Long-term/short-term	30.0	-	[ICRA]BBB (Stable)/ [ICRA] A3+	-	-	-
5 Unallocated	Long-term/short-term	-	-	-	-	[ICRA]BBB+ (Stable)/ [ICRA] A2	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loan	Simple
Fund based non fund-based 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 I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	FY2023	NA	FY2028	270.0	[ICRA]BBB (Stable)
NA	Fund based non fund-based facilities	NA	NA	NA	30.0	[ICRA]BBB (Stable)/ [ICRA] A3+

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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About ICRA Limited:

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