

ESCO Grading Process

Information for ESCO Empanelment

BEE undertakes the process of rating ESCOs in terms of success in implementation of energy efficiency projects based on performance contracting, availability of technical manpower, financial strength, etc. The rating exercise is done through three SEBI accredited agencies of CRISIL, ICRA and CARE.

A grading methodology is developed which involves assessment of Business Risk (Track record and Market position), Organizational setup and Financial capability of the organization and accrediting the ESCOs on a 5-point grading scale. The assessments of the eligible ESCOs on each of the parameters are a holistic one, designed to evaluate the organizational capability for handling the ESCO assignment.

The grading scale is described as below:

GRADING	Definition	Score
GRADE 1	VERY HIGH	85 and above
GRADE 2	HIGH	70 – 84
GRADE 3	GOOD	55 – 69
GRADE 4	AVERAGE	40 – 54
GRADE 5	BELOW AVERAGE	Less than 40

Criteria for assessment:

A 100-point scale has been devised based on the above parameters with a 40% weight-age given to Business Risks, 25% weight-age to Organizational Risks and 35% to Financial Risks.

I. Business Risk - 40%

Sr No.	Parameter
1.	Years in the ESCO business
2.	Number of detailed energy audits in last 5 years
3.	Number of clients for ESCOs projects in last 5 years
4.	Number of sectors covered for ESCOs projects (As per Schedule of the EC Act)
5.	Customer feedback for ESCOs projects
6.	Number of ESCOs projects completed (Those projects will be considered which are already executed and repayment of at least one year is done as per the agreement)
7.	Current Order book position for ESCOs business (as a percent of past year business)

8.	Time and cost overruns
9.	First time any innovative ESCOs projects implemented of its kind in specific industrial or establishment sector
10.	Ratio of number of projects where actual energy savings is more than or equal to guaranteed energy savings to the total number ESCOs projects implemented

II. Organizational Risk - 25%

Sr No.	Parameter
11.	Number of employees in ESCO business
12.	Qualification of employees related to energy related courses
13.	Average years of experience of employees in ESCOs projects
14.	Number of certified energy auditors
15.	% of employees in ESCO business with respect to total number of employees in organization
16.	Management evaluation
17.	Quality of organization structure, reporting system, and internal controls for ESCOs business
18.	Constitution
19.	Maximum number of projects handled at a time
20.	Quality of service, systems and processes, reflected in third party certifications
21.	Technology tie-ups, patents, R&D facilities

III. Financial Risk - 35%

Sr No.	Parameter
22.	Revenues from the ESCO business over the last three years
23.	Annual turnover from ESCO business/ Total turnover

24.	Average PAT margins for ESCOs business in last 3 years
25.	NCA/TD-Net Cash Accruals to Total Debt
26.	Gearing
27.	Receivable management
28.	Revenues growth rate in last 3 years for ESCO business
29.	CIBIL SCORE (Risk Index Score)
30.	Working capital turnover ratio
31.	Banker's feedback
32.	Access to cash flows from other businesses