February 01, 2023

Movez EV Bus (One) Private Limited: Ratings assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term– Fund-based – Term Loan	81.04^	[ICRA]A- (Stable); Assigned
Short-term – Non-fund based – Bank Guarantee	27.50	[ICRA]A2+; Assigned
Total	**108.54**	

*^ Includes Rs 27.5 crore of sub-limit for LOC *Instrument details are provided in Annexure-I*

Rationale

The rating assigned to Movez EV Bus (One) Private Limited (MEBPL) takes into consideration its strong parentage, with majority shareholding by GreenCell EV Private Limited (GEVPL), a wholly-owned subsidiary of GreenCell Mobility Private Limited (GMPL; rated [ICRA]A+(Stable)/[ICRA]A1), and limited execution risks since the project is in advanced stages of execution with various agreements already in place. Even though the agreement with the authority essentially translates into an annuity model of revenues for the Special Purpose Vehicle (SPV), it remains exposed to counterparty risks (in this case the counterparty is Maharashtra State Road Transport Corporation, or MSRTC) on account of its dependence on Government authorities for funding revenue shortfalls and subsidy receipts, and the likelihood of time overruns in case of any supply chain disruptions. As a wholly-owned subsidiary of GMPL, GEVPL (formerly Mytrah Mobility Private Limited, or MMPL), the Original Equipment Manufacturer (OEM) for the project support is likely to aid a timely completion of the project. Further, the presence of an established key component supplier (KCS), Nanjing Golden Dragon Bus Company (Skywell, China), provides comfort regarding the track record of the buses supplied.

MEBPL has been set up as an SPV to procure, operate and maintain 50 e-buses on inter-city routes in Maharashtra for eight years under the Gross Cost Contract (GCC) model of the FAME II Scheme. In January 2022, the agreement for operating these buses was executed by a consortium led by MMPL (rechristened as GEVPL post acquisition by GCM in March 2022) and Prasanna Purple Mobility Solutions Private Limited (PMSPL). ICRA draws comfort from the fact that GMPL, through GEVPL, fully controls the strategic decisions as well as the day-to-day operations of the company, as per the terms of the shareholding agreement with PMSPL, giving limited economic interest to the latter. Overall, the presence of a strong sponsor and a shortfall undertaking from the promoters to the lender is a credit positive and likely to ensure timely availability of funds to meet any funding requirements for the project. ICRA also notes that the financial closure for the project has been achieved and 100% equity has been infused by the promoters.

As of December 31, 2022, all imports of completely knocked down units (CKDs) and batteries were complete; and, as such, any adverse global developments (e.g., pandemic related concerns in China) or geo-political developments are unlikely to be a cause of delay in project commercialisation. This also reduces the risk of any significant cost overruns for the project, as buses constitute ~84% of the project cost. ICRA also notes that a significant proportion of the bus cost (~32%) would be funded through capital subsidy from the Department of Heavy Industries (DHI), improving the project viability.

The company's business model is characterised by high revenue visibility and minimal traffic risk, given the nature of the contract, wherein the company will be paid a fixed rate for a minimum assured distance of ~167,500 km, subject to the assured bus availability. Additionally, the company has fixed major operational costs such as annual maintenance costs (AMC) and operator costs through fixed-price contracts with the OEM (also a GMPL entity) and operator. Accordingly, operational risks are mitigated to a large extent. Further, ICRA notes that PMSPL's long track record of bus operations in India and continual relations with the MSRTC is likely to aid smooth operations and counterparty management. However, given that the project is still in the execution phase, it remains subject to timely receipt of the remaining subsidy and statutory approvals and other inherent project execution risks. Commercialisation of the project within the scheduled timelines, coupled with stabilisation of operations post commercialisation, hence, remains monitorable.

The project also remains susceptible to counterparty risks; although the same are mitigated to some extent by the escrow mechanism, wherein the authority would be obligated to deposit the revenues from ticket collections while also maintaining two months of revenue payable as a payment reserve.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company is likely to procure and deploy the buses in a timely manner with minimal delays, given the financial flexibility enjoyed by the entity and the project milestones achieved till date. Nevertheless, ICRA would continue to monitor the project progress and the track record of operations, once commercialised.

Key rating drivers and their description

Credit strengths

Strong parentage as majority shareholding lies with GMPL, where sovereign funds are anchor investors – As of September 2022, 75% of the equity ownership at MEBPL is with GEVPL, a wholly owned subsidiary of GMPL. GMPL is the flagship platform of GGEF, a SEBI registered, Category II Alternate Investment Fund. GGEF's anchor investors are the Government of India (GoI) anchored National Investment and Infrastructure Fund (NIIF) (India's first sovereign wealth fund that was set up by the Government) and the Government of UK's Foreign, Commonwealth & Development Office (FCDO, formerly the Department for International Development), who have together invested $340 million in the fund. Currently, the commitment from various investors in GGEF stands at $741 million, which was the target fund size at the outset. The presence of a strong sponsor and shortfall undertaking from the sponsor to the lender is likely to ensure timely availability of funds to meet any funding requirements; the parent entity has already funded the entire equity component for the project and the financial closure has also been attained.

High revenue visibility, with minimal traffic risk – In line with the GCC model and as per the terms of the concession agreement (CA), MSRTC would pay MEBPL a fixed rate for a minimum assured distance of 167,500 km/bus annually, subject to bus availability. Accordingly, MEBPL will not bear the traffic risk on the routes, and only needs to ensure availability of buses as per the authority's deployment plan. Given this arrangement, it essentially translates into an annuity model of revenues over the concession period, with high revenue visibility. The availability of spare buses (2 spare buses) is likely to aid the SPV in ensuring the required fleet availability and aid in a stable revenue profile.

Risks related to project execution and cost overruns largely mitigated – Like other projects under GMPL, MEBPL has entered into multiple (separate) agreements for the supply of buses as per the technical specifications, maintenance of the buses and operations, throughout the tenure of the contract. The design for the bus prototype is already approved in principle (written approval due) and two buses are already operational on the Pune-Ahmednagar route. The import of all kits has been completed, and as on date ~20 buses (of the total 50 buses under the project) are ready to be deployed (awaiting certifications regarding battery testing), thereby significantly reducing chances of further cost and time overrun. Further, a major number of key statutory approvals are in place, again largely reducing chances of further delays. The first tranche of the subsidy (~Rs. 5.5 crore) was received in January 2023, without much delay.

Government focus and support for promoting e-mobility through capital subsidy augurs well for project viability – The GoI is focussing considerably on promoting electric vehicles (EVs) as a cleaner and sustainable form of transportation, with keen attention to commercial segments. To support faster adoption of EVs in India, the Government has introduced various schemes such as FAME and Smart Cities, offering upfront subsidies (to reduce capital costs). In addition, several state governments have offered exemptions or reductions on road tax, registration tax, and subsidised electricity tariffs, etc (under respective state EV policies). The tender to operate e-buses in Maharashtra is part of the FAME II scheme, wherein the OEM would be eligible for a subsidy per bus (~32% of bus cost). The subsidy will be released in three tranches within six months of commencement of operations and would significantly reduce the capital cost associated with the project, thereby improving project viability.

Credit challenges

Counterparty risks owing to likely receivable build-up – Counterparty risks remains a key risk and monitorable in all GCC projects. However, unlike the intra-city GCC projects of the group, relatively higher fares and occupancy levels on intercity routes reduces the need for budgetary support to an extent, thus reducing counterparty risks for such projects. Moreover, an escrow mechanism (already in place for the project), wherein the authority would be obligated to deposit two months of revenue payable as a payment reserve, reduces MEBPL's risks of elongated receivable cycle.

Project remains exposed execution risk till the start of commercial operations – As with any under-execution project, the company remains exposed to risks of time and cost overruns. Non-compliance with terms of the CA, delay in bus deliveries or delays in acquiring pending statutory approvals could delay project execution and remain monitorable. Although the sales agreement executed with the OEM covers the recovery of any penalties from the OEM, thereby protecting the SPV to an extent, any major delays in project execution or subsidy receipt also remain to be seen.

Limited track record of e-bus operations – The electric vehicle segment, including e-buses, is currently in the nascent stage in India, with operations picking up pace only over the last couple of years. While the KCS has an adequate track record of supplying e-buses globally, the performance of these buses in the Indian environment remains to be seen. Any underperformance in operation vis-à-vis expectations, especially that which impacts the availability, reliability and maintenance of buses, has the potential to impact the project viability, and hence, would be a key monitorable. Furthermore, the battery performance and bus efficiency would also remain critical for the project to generate optimal returns. Additionally, considering that the majority of the e-bus operations in India and globally have been for the intra-city segment, the performance and reliance on inter-city routes also would be monitored.

Exposed to geo-political developments impacting supply of components – With the KCS being based out of China, and the periodic battery replacement to be sourced from the same every few years, the project remains exposed to risks of any adverse geo-political developments between India and China. While chances of any disruption/ban of EV-related imports from China remain low, given the global dependence on China for EV components, this would continue to remain monitorable for the timely maintenance of deployed buses.

Liquidity position: Adequate

As the project is under its execution phase, the liquidity position will be supported by the subsidy receivable from MSRTC, and support from the promoter entity. The first tranche of the FAME-II subsidy—viz., 20% of the total—was received in January 2023. Additionally, 100% of the equity has been infused by the promoters upfront. The liquidity position will be supported by timely infusion of funds by GCM and is expected to remain adequate. The liquidity of the promoter entity, GCM, is aided by availability of adequate funds for any further funding requirement of the company or any new projects undertaken; presence of strong anchor investors in GCM's parent entity, GGEF, is expected to aid timely receipt of any additional funding requirements.

Rating sensitivities

Positive factors – The rating could be upgraded once the project is able to demonstrate an adequate track record of operations and credit metrics.

Negative factors – Negative pressure on the rating could arise if the project progress is delayed considerably, resulting in significant time and cost overruns. In addition, any delays in receipt of subsidy or higher-than-expected build up in receivables on commercialisation of the project, increasing reliance on external borrowings and, thereby, weakening credit metrics would remain a rating sensitivity. Any material changes in the sponsor profile or committed support from the sponsor could also trigger a downward revision in rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Impact of Parent or Group Support on an Issuer's Credit Rating Rating Methodology for Passenger Road Transport Entities
Parent/Group support	The rating assigned factors in the very high likelihood of MEBPL's parent entity, GMPL (rated [ICRA]A+ (Stable)/[ICRA]A1]), extending financial support to it because of the close business linkages between them. ICRA also expects GMPL to be willing to extend financial support to GEPL out of its need to protect its reputation from the consequences of a group entity's distress.
Consolidation/Standalone	The rating is based on the standalone financial profile of the company.

About the company

Movez EV Bus (One) Private limited, an SPV, was established in 2020 to procure, operate and maintain 50, 12-metre-long AC e-buses for inter-city public transport operations in Maharashtra. The SPV was set up by a consortium headed by Greencell EV Private Limited (75% stake; formerly Mytrah Mobility Private Limited) and Prasanna Purple Mobility Private Limited (25% stake), after a successful bid. The SPV would be operating the buses for a period of eight years on the GCC basis and is eligible for per bus subsidy from the GoI under FAME II scheme.

In January 2022, MEBPL entered into a concession agreement with MSRTC for the supply of 50, 12-metre-long, AC buses, their operation and maintenance, as well as the operation and maintenance of the depots at specified sites.

Key financial indicators (audited)

GEPL Standalone	FY2022*
Operating income	-
PAT	-
OPBDIT/OI	-
PAT/OI	-
Total outside liabilities/Tangible net worth (times)	N.M.
Total debt/OPBDIT (times)	-
Interest coverage (times)	-

*Source: Company; NM- Not meaningful. Note: *While the company was incorporated in FY 2020, it did not have start operations until FY2023.*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of September 30, 2022 (Rs. crore)	Date & rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
					February 01, 2023	-	-	-
1	**Term Loans**	Long-term	81.04^	65.00	**[ICRA]A-(Stable)**	-	-	-
2	**Non-fund based – Bank Guarantee**	Short-term	27.50	5.50	**[ICRA]A2+**	-	-	-

^ Includes Rs 27.5 crore of sub-limit for LOC

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loan	Simple
Short Term – Non-fund based – 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 No	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	**Term Loan**	FY2022	NA	FY2030	81.04^	[ICRA]A- (Stable)
NA	**Non-fund based – Bank Guarantee**	FY2022	NA	NA	27.50	[ICRA]A2+

Source: Company; ^ Includes Rs 27.5 crore of sub-limit for LOC

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:

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.

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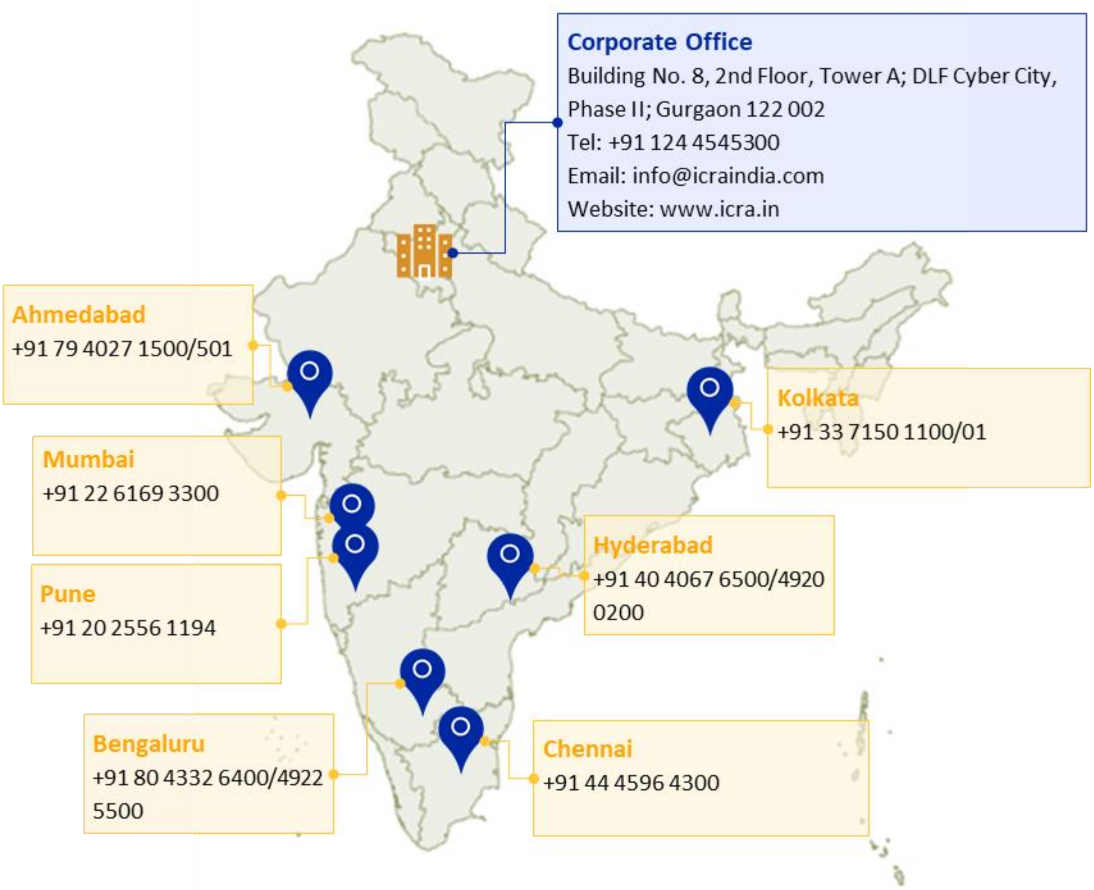

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