September 28, 2021

GreenCell Express Private Limited: [ICRA]A-(Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term Loan	354.00	[ICRA]A- (Stable); Assigned
Long-term – Non-fund Based – Interchangeable Limits^	(354.00)	[ICRA]A- (Stable); Assigned
Total	**354.00**	

**Instrument details are provided in Annexure-1* *^Sub-limit of term loan facility*

Rationale

The rating assigned to GreenCell Express Private Limited (GEPL) takes into consideration its strong parentage, as a wholly-owned subsidiary of GreenCell Mobility Private Limited (GCM, rated [ICRA]A+(Stable)/A1). Over the past year, GCM has emerged as one of the key players in the electric bus (e-bus) segment in India, with presence across multiple B2G (Business to Government) projects and is now foraying into the B2C (Business to Consumer) segment through GEPL. Accordingly, the company plans to deploy 250[1] intercity e-buses (in Phase I) on high-traffic premium routes across India over the near term.

Despite the various execution and operational risks that the project is subject to, ICRA believes the presence of a strong sponsor is likely to ensure timely availability of funds to meet any funding requirements of the project till the operations stabilise post commercialisation. The rating assigned also factors in that the financial closure for the project is likely to be achieved soon, with 100% equity already available at GCM level for timely fund infusion, and debt in advanced stages of sanctioning. ICRA expects that the sponsor is likely to support the project through a shortfall undertaking covering various aspects over the tenure of the debt, and a corporate guarantee for the initial stabilisation phase; accordingly, the final sanction terms and the committed support from the sponsor would remain key monitorables.

Given the fact that the project is currently under execution phase, the project remains exposed to risks of time and cost overruns, as is the case with any under-execution project. Any significant delay in delivery of buses or setup of necessary infrastructure, such as chargers, depot, booking platforms, etc, from the originally-envisaged timelines, or any unforeseen increase in costs has the potential to impact the project viability and, hence, would remain a key monitorable. To mitigate these, the company has involved well-established players for procurement of buses, depot management, charging infrastructure, IT backend infrastructure and ticketing platform and has appointed experienced bus operators as franchisees for operating the fleet, which is likely to mitigate execution and operational risks to an extent. Furthermore, GCM is likely to fund any unforeseen cost overruns in the project, supporting the project viability.

ICRA also notes that despite the limited track record of e-bus operations in India, the sales and after-sales agreement entered into with an established global player as the Key Component Supplier (KCS), for critical components mitigates risks to an extent related to timely deployment of buses, though the performance of the buses in Indian conditions and for intercity operations would continue to be monitored. Additionally, geo-political developments remain a sensitivity, as any adverse developments related to imports from China can impact the availability of components required for seamless operations.

Unlike the B2G projects that most e-bus SPVs in the country have participated in, which operate on an annuity model for revenues, the revenues in this project remain exposed to traffic risks. Accordingly, GEPL's ability to gain market share on the selected routes, competing with established players, remains critical to the viability of the project. While the initial routes identified for the project are all high-traffic routes with favourable pricing, and running costs are expected to be significantly lower vis-à-vis conventional diesel buses, the ability of the company to consistently achieve the targeted occupancies at

[1] *12-metre-long, fully built air-conditioned*

favourable pricing would remain a monitorable, especially in view of the pandemic situation, which has significantly increased the risk aversion towards public transportation.

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 satisfactory progress of the project so far. GCM is expected to support the project through any funding support till the operations stabilise. Nevertheless, ICRA would continue to monitor the project progress, and the track record of operations, once commercialised, and take rating actions appropriately.

Key rating drivers and their description

Credit strengths

Strong parentage as wholly-owned subsidiary of GCM, where sovereign funds are anchor investors - GCM is the flagship platform of GGEF, a SEBI registered Category II Alternate Investment Fund. GGEF's anchor investors are the Government of India anchored National Investment and Infrastructure Fund (NIIF) (India's first sovereign wealth fund set up by the Government of India) and the Government of UK's Department for International Development (DFID)[2], who have together committed $340 million in the fund. Subsequently, British Petroleum also committed for an additional $70 million in the fund.

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 and aid a timely commercialisation of the project. The financial closure for the project is likely to be achieved soon with 100% equity to be brought upfront (already drawn down at GCM level) and debt in advanced stages of being tied up.

Arrangements with experienced players in various domains to help reduce project execution/operational risk to an extent – The entity has entered into a fixed price sales and after-sales agreement with the KCS, as per which it would be supplying key components of the e-bus. Furthermore, agreements have also been entered with other service providers including experienced existing bus operators (franchisees) in the identified inter-city routes, and others for depot management, setting up and maintaining the chargers and charging infrastructure, and IT backend infrastructure and ticketing platform. Given that the tie-ups are with well-established players in their respective domains, accordingly, execution and operational risks are mitigated to an extent.

Project viability supported by favourable operating cost economics of e-buses, intercity nature of operations on high-traffic routes and Government focus on promoting e-mobility – Given the significantly lower running costs that e-buses entail vis-à-vis conventional diesel or CNG buses, the total cost of their ownership is expected to be lower vis-à-vis diesel buses, despite higher acquisition costs and nil subsidy. Coupled with the favourable prospects of intercity bus operations (generally command higher per km fares vis-à-vis intracity routes), especially on the high-traffic routes chosen by GEPL, the breakeven occupancies for these buses are likely to be favourable. Moreover, although this project is not eligible for the capital subsidy from the Government, its focus on supporting e-mobility through various means is likely to support development of the overall e-mobility ecosystem in the country, which augurs well for timely ramp-up of the project.

Credit challenges

Project exposed to execution risks and competition from existing established players; pandemic and related risk-aversion to public transport likely to impact ramp-up and stabilisation timelines – As with any under execution project, the SPV remains exposed to risks of time and cost overruns, in case of any delays in supply of buses/creation of charging infrastructure etc; although the latter is mitigated to some extent given the fixed price contracts in place for most of the buses. Post commencement of operations, given that the revenues for the project remain dependent on the traffic on the selected routes, its ability to gain market share on these routes and compete with established players remains a key uncertainty. While the

[2] *Merged now with Foreign, Commonwealth and Development Office (FCDO)*

initial routes identified for the project are all high-traffic routes with favourable pricing, the ability of the company to consistently achieve the targeted occupancies at favourable pricing would remain a monitorable, especially in view of the pandemic situation, which has significantly increased the risk aversion towards public transportation.

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 potential to impact the project viability and, hence, would be a key monitorable. Furthermore, the battery performance and bus efficiency would remain critical for the project to generate optimal returns. Additionally, considering that most e-bus operations in India, and around the globe, have been for the intra-city segment, the performance and reliance of these buses on intercity 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 remains low, given the global dependence on China for EV components, this would continue to remain a monitorable. Nevertheless, even in case of such adverse development, the company expects the OEM to be able to supply components from manufacturing facilities in other locations.

Liquidity position: Adequate

As the project is under execution phase, 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 (budgeted equity already drawn down from investors) for meeting the funding requirement of the company or any new projects; 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, delayed ramp-up in operations characterised by lower-than-expected passenger collections or weaker-than-expected bus performance, resulting in weaker-than-projected credit metrics would remain a rating sensitivity. Any material change in the sponsor profile or committed support from sponsor (GGEF) 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
Parent/Group Support	The rating assigned factors in the very high likelihood of its parent entity, GCM (rated [ICRA]A+ (Stable)/[ICRA]A1]), extending financial support to it because of the close business linkages between them. ICRA also expects GCM 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

GEPL is a wholly-owned subsidiary of GCM, set up in 2021 to promote environment-friendly, intercity bus operations in India. It plans to deploy e-buses to benefit from the inherently lower running costs, as well as to provide a better ride quality and passenger experience. In the first phase of operations, the company aims to acquire and operate 250 e-buses on 25 high-traffic intercity routes across the country, with hubs at prime locations such as Delhi, Bangalore, Chennai, Hyderabad, Mumbai, Pune etc.

Over the medium to long-term, it plans to scale up to 750 e-buses, making it the first of large ventures in the space. The company has entered into contracts/agreements with various players for meeting its requirements related to bus procurement, charging infrastructure, depot setup, booking platform, sales and marketing activities, etc, and plans for commercialisation of the entire first lot of 250 e-buses by September 2022.

Key financial indicators (audited): Not applicable[3]

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

[3] *As the company was only incorporated in June 2021 and is yet to commence operations, the audited financials are yet to be prepared for the company.*

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Sep 28, 2021	-	-	-
1	Term Loans	Long-term	354.00	Nil^	**[ICRA]A-(Stable)**	-	-	-
2	Long Term – Non-fund based Interchangeable*	Long-term	(354.00)	--	**[ICRA]A-(Stable)**	-	-	-

**Sub-limit of term loans*   *^Yet to be drawn by the company*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loan	Simple
Long Term – Non-fund based Interchangeable*	Simple

*Sub-limit of term loan   Note: The complexity indicator mentioned in the table is based on ICRA's assumptions and is subject to change when the terms are eventually finalized

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 analyzing 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: www.icra.in

Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term Loan	FY2022	-	FY2029	354.00	[ICRA]A-(Stable)
NA	Long-term Non-fund based Interchangeable Limits*	FY2022	NA	NA	(354.00)	[ICRA]A-(Stable)

Source: *Company* **Sub-limit of term loan*

Annexure-2: 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.

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

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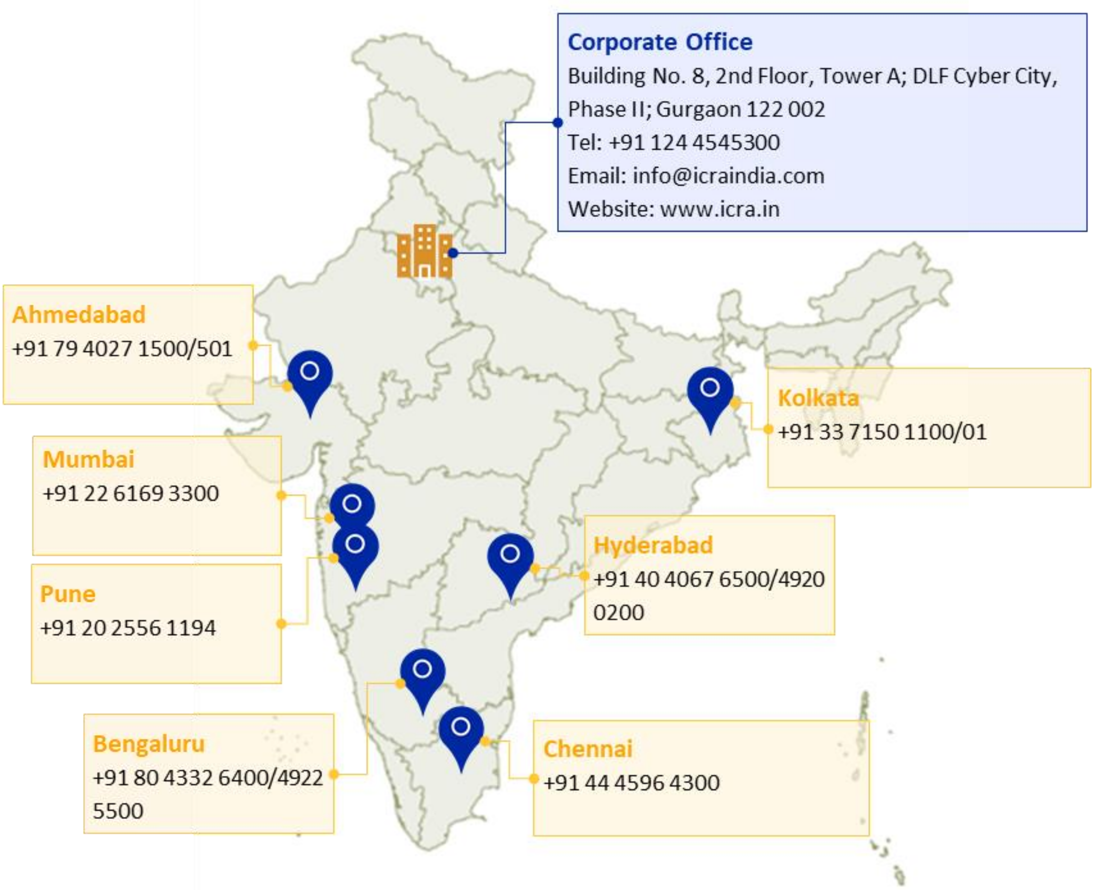

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