October 27, 2021

Greencell Mobility Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-Term Fund-based Limits	10.0^	0.5	[ICRA]A1; Reaffirmed
Short-Term Non-fund Based Limits	50.0	99.5	[ICRA]A1; Reaffirmed
Short-Term Interchangeable Fund-based Limits**	0.0	(10.0)	[ICRA]A1; Reaffirmed
Long-Term Interchangeable Non-fund Based Limits**	0.0	(50.0)	[ICRA]A+ (Stable); Reaffirmed
Unallocated Limits	40.0	-	-
Total	**100.0**	**100.0**	

**Instrument details are provided in Annexure-1; ** sub-limit of overall non-fund-based limits; ^ Rs. 6.0 crore sub-limit of non-fund-based limits (bank guarantee)*

Rationale

The rating reaffirmation continues to factor in Greencell Moblity Private Limited's (GMPLs') status as a platform of Green Growth Equity Fund (GGEF) to channelise investments into the electric vehicle (EV) segment in India. GGEF is a SEBI registered Category II Alternate Investment Fund, which has been set up to mobilise investment into Indian green infrastructure with the Government of India, through National Investment and Infrastructure Fund (NIIF) (India's first sovereign wealth fund) and the Government of United Kingdom's (UK) Department for International Development[1] (DFID) as its anchor investors. GMPL has been incorporated to target the e-Mobility market opportunity and become a pan India shared electric mobility player. GMPL initially bided to own and operate the intercity/ intracity routes and charging infrastructure on a long-term, take-or-pay Gross Cost Contract (GCC) and was able to acquire certain projects. Subsequently, the company has also proceeded to setup a subsidiary targeting B2C intercity markets, utilising the cost advantage provided by EVs in high utilisation routes.

The Government of India is focussing significantly on promoting EVs as a cleaner and sustainable form of transportation, and has introduced various schemes including its flagship programme, Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME), which offers upfront incentives in the form of subsidies (to reduce capital costs), exemptions or reductions on road tax, registration tax, besides subsidised electricity tariffs, etc, to improve viability and spur adoption of EVs. While the Government's focus on this segment is likely to provide GMPL with significant opportunities to scale up its business, the presence of a strong sponsor provides it with robust financial flexibility and is likely to ensure timely availability of funds to meet its funding requirements.

GMPL initially won a tender for procurement, operation, and maintenance of 48 air-conditioned (AC) electric buses for intercity operations in Rajasthan and had subsequently incorporated a Special Purpose Vehicle (SPV), Greencell Marudhara Private Limited (rated [ICRA]A-(Stable)) for the project. Subsequently, GMPL acquired a 49% equity stake and 74% economic interest in two SPVs floated by a consortium led by PMI Electro Mobility Solutions, who have successfully bid for procurement, operations and maintenance of 175 electric buses each under GCC contract from the Directorate of Urban Transport, Department of Urban Development, State Government of Uttar Pradesh. ICRA notes that the commencement of operations

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

of Greencell Marudhara Private Limited have been delayed, pending the requisite approvals/documentation with the authority; however, comfort is drawn from the fact that the SPV has not drawn-down any debt till date. The operations for the two projects in Uttar Pradesh are largely proceeding in line with timelines, with an initial batch of 75 buses supplied at the start of October 2021. With other investment opportunities in the pipeline, and significant quantum of ongoing tenders in the e-bus space, ICRA believes GMPL's investment portfolio will expand over the near to medium term.

In addition to acquiring project under the GCC model, GMPL has also incorporated a wholly owned subsidiary 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. Till date, GGEF has committed Rs. 480 crore to GMPL for investments in various projects; the overall quantum of funds committed to the entity is likely to be enhanced over the short to medium term, considering the expansion opportunities available.

Even as the various projects won and acquired by the entity would currently be in the execution stage (with planned Commercial Operation Date (COD) somewhere over the next few months), the business model of the various SPVs under the GCC model would be characterised by high revenue visibility and minimal traffic risk, given the nature of the concession agreements. Additionally, the counterparty risks in the projects are likely to be mitigated to an extent by an escrow mechanism, wherein the authority would be obligated to deposit the revenues from ticket collections, while also maintaining some amount as a payment reserve. Further, the management plans to mitigate execution and operational risks such as those related to timely delivery of buses, adequate bus availability, maintenance, and achievement of specified performance indicators during the tenure of the projects, through back-to-back multi-party arrangement with the bus manufacturers. Despite the same, ICRA notes that there is a limited track record of e-bus operations in India and geo-political risks remain a sensitivity for the viability for various projects, as any adverse developments related to imports could impact the availability of components required for seamless operations.

The Stable outlook on the long-term rating reflects ICRA's expectation that even as GMPL is likely to enhance its presence in the electric mobility segment, it will maintain a strong credit profile aided by the strong financial flexibility enjoyed on account of its parentage, while keeping its reliance on bank borrowings low. Nevertheless, ICRA would continue to monitor the progress of GMPL's various investee entities and take rating actions appropriately.

Key rating drivers and their description

Credit strengths

Strong financial flexibility with parent entity having sovereign funds as anchor investors – GMPL is the flagship platform of GGEF, a SEBI registered Category II Alternate Investment Fund. GGEF's anchor investors are the Government of India anchored NIIF (India's first sovereign wealth fund set up by the Government) and the Government of United Kingdom's DFID[2], who have together invested $340 million in the fund. On July 7, 2020, EverSource Capital, the fund manager of Green Growth Equity Fund announced an investment of up to $70 million from BP, which has an extensive global experience in low carbon energy value chain across the globe. The presence of a strong sponsor is likely to ensure timely availability of funds to meet any funding requirements.

Government focus and support for promoting e-mobility through capital subsidy augurs well for scale of operations – The Government of India is focussing significantly on promoting EVs as a cleaner and sustainable form of transportation, especially on the 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), exemptions or reductions on road tax,

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

registration tax, and subsidised electricity tariffs, etc. The tenders to operate e buses are a part of the FAME II scheme, wherein the OEM would be eligible for a subsidy, which will be released in three tranches within six months of commencement of operations. This significantly reduces the capital cost associated with the project and, thereby, improves project viability for such projects.

High revenue visibility for majority SPVs as concession agreements provide fixed fee per km basis, and minimal traffic risk for assured distance, subject to bus availability – As per the terms of the Bus Operator Agreements, entered into by various SPVs, the Authority would pay a fixed rate for a minimum assured distance, subject to bus availability. Accordingly, the SPVs setup for operations under the GCC model do not bear the traffic risk on the routes, and only need to ensure availability of buses as per the authority's deployment plan. Given this arrangement, the business model of various SPVs essentially translate into an annuity model with high cash flow visibility over the concession period. The availability of spare buses is likely to aid the SPVs in ensuring the required fleet availability and aid in a stable revenue profile.

Back-to-back arrangements with OEMs for bus procurement, certification and maintenance mitigate risks of project execution and cost overruns to a large extent – The various SPVs have entered/are likely to enter into sales and after-sales agreements with a domestic OEM and key component supplier, as per which the OEM and KCS would be supplying buses as per the technical specifications, as well as maintaining the buses (through an AMC contract) throughout the tenure of the contract. The presence of a fixed price sales and after-sales service contract is likely to mitigate time and cost overrun risks to a large extent. Furthermore, any penalties arising from non-compliance with terms of the Bus Operator Agreement are expected to be recovered from the OEM completely, which further mitigate risks and reduce cash flow variability for the SPVs.

Counterparty risks remain moderate with respect to the authority; risk of receivable build-up mitigated to large extent by having escrow mechanism in place - While most SRTUs are cash strapped, which creates counterparty risks for such projects, the presence of an escrow mechanism, wherein the authority would be depositing three months of revenue payable as an advance into the escrow account (expected to be the norm for most SPVs), reduces risks of receivables significantly. Given that the revenues from ticket collections are also required to be deposited in the escrow account by the authority, the dependence on counterparties for timely payment remains low for projects under the GCC model.

Credit challenges

Projects exposed to risk of time overruns given dependence on statutory approvals – Given the involvement of Government agencies for projects under the GCC model, there could be possible delays in receipt of statutory approvals for the execution of these projects. Setting up a depot, securing a license, an electric feeder line, consent to establish and operate, etc, would be some of the statutory documentation that would take time to approve and implement. Although the draft sales agreements entered into with the OEMs are expected to cover for recovery of any penalties due to delay in bus deliveries from the OEM, thereby protecting the SPVs to an extent, any major delays in project execution would remain a monitorable and may necessitate higher funding commitments for GMPL. Additionally, the timing of subsidy receipt remains a key unknown, especially considering the involvement of multiple agencies. Any inordinate delays in receipt of the subsidy could increase the dependence on external borrowings and leveraging of the projects.

Exposed to geo-political tensions impacting supply of components – The supply and after-sales service of buses would remain dependent on continuation of amicable relations between India and China (expected to remain the key component supplier in most projects), with any change in regulations related to imports of EV-related components likely to impact the project operations and viability. This would continue to remain a monitorable. Nevertheless, even in case of such adverse developments, the management expects the domestic OEMs to be able to supply components from manufacturing facilities in other locations. This provides comfort, coupled with the fact that the SPVs along with OEMs would be maintaining an inventory of necessary spare parts at the depot.

Limited track record of operations of e-bus segment – OEMs in the e-bus segments have a limited track record of operations till date. Hence, ICRA would continue to monitor their ability to supply and maintain these buses as per the specifications of the Bus Operator Agreement across various SPVs. Any under-performance of the e-bus or its battery from the specifications planned/targeted, especially that impacting bus availability and reliability, has the potential to impact the project's viability, and necessitate enhanced funding requirements.

Nevertheless, ICRA takes comfort from the presence of established electric bus manufacturers as a party in the OEMs' agreements, who have a decent track record of operations. Moreover, back-to-back arrangement with the OEMs to pass on any penalties that could arise due to non-availability of buses, coupled with linkage of payment to delivery of buses, also mitigates risks to some extent.

Liquidity position: Adequate

The liquidity is expected to remain adequate, with availability of funds for drawdown from GGEF for any further funding requirement of GMPL, or any new projects undertaken. The presence of strong anchor investors in the ultimate parent entity, GGEF, is expected to aid timely receipt of any additional funding requirements.

Rating sensitivities

Positive factors – The rating will remain linked to the performance of the various investee entities; it could be upgraded if the various investee entity projects achieve an adequate track record of operations and start contributing materially to cash flows for GMPL in the form of dividends.

Negative factors – A material change in committed support from the sponsor (GGEF) or a material change in the sponsor profile could trigger a downward revision in rating. Negative pressure on the rating could also arise if a deterioration in the credit profile of the various investee entities leads to enhanced bank borrowings for GMPL, thereby weakening its credit profile.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Holding Companies
Parent/Group Support	ICRA favourably factors in the superior financial flexibility enjoyed by GMPL by virtue of being backed by GGEF, a SEBI registered Category II Alternate Investment Fund with sovereign funds as anchor investors.
Consolidation/Standalone	The rating is based on the entity's standalone financial statements.

About the company

Greencell Mobility Private Limited is 100% held by Green Growth Equity Fund. GGEF, a SEBI registered Category II Alternate Investment Fund, is an India focused fund with sovereign funds as anchor investors and a mandate to mobilise significant volume of permanent institutional capital into India's green infrastructure. GMPL is engaged in sustainable businesses, such as electric mobility, including but not limited to owning, operating, and maintaining EVs and related charging infrastructure. The company has been incorporated with an objective of targeting e-Mobility market opportunity and becoming a pan India shared electric mobility player. Initially, it bided to own and operate the intercity/ intracity routes and charging infrastructure on a long-term, take-or-pay GCC and was able to acquire certain projects. Subsequently, the company has also proceeded to setup a subsidiary targeting B2C intercity markets, utilising the cost advantage provided by EVs in high utilisation routes.

In September 2019, Rajasthan State Road Transport Corporation (RSRTC), Jaipur, had issued a Request for Proposal (RFP) inviting bids from eligible entities for selection of a bus operator for the procurement, operation, and maintenance of 50, 12-metre-long, fully built AC electric buses for intercity and interstate operations of public transport in and around the state of Rajasthan on Gross Cost Contract Basis under the FAME II scheme. GMPL had won this tender and subsequently incorporated an SPV for the project. The project is based on GCC for a period of 10 years and is eligible for a subsidy of Rs. 55 lakh per bus, from the Government under the FAME II scheme.

Subsequently, GMPL acquired a 49% equity stake (74% economic interest) in two SPVs floated by a consortium led by PMI Electro Mobility Solutions, which have successfully bid for procurement, operations, and maintenance of 175 electric buses each under GCC contract from the Directorate of Urban Transport, Department of Urban Development, State Government of Uttar Pradesh, under the Fame II scheme. More recently, GMPL has incorporated a wholly owned subsidiary 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.

Key financial indicators (audited)

GMPL Standalone	FY2020	FY2021
Operating Income (Rs. crore)	0.0	1.5
PAT (Rs. crore)	-6.1	-13.5
OPBDIT/OI (%)	NA*	NA*
PAT/OI (%)	NA*	NA*
Total Outside Liabilities/Tangible Net Worth (times)	NA*	0.01
Investment from GGEF	50.0#	181.2
Total Debt/OPBDIT (times)	NA*	0.0
Interest Coverage (times)	NA*	NA*

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; *In absence of any major operating income or external borrowings, profitability margins, leverage, and coverage indicators not applicable for the period.*

#Includes investment of Rs. 45.0 crore in the form of Compulsorily convertible debentures

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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 Sep 30, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Oct 27, 2021	Mar 24, 2021	-	-
1	Fund-based Limits	Short-term	0.5	-	[ICRA] A1	[ICRA] A1	-	-
2	Non-fund Based Limits	Short-term	99.5	-	[ICRA] A1	[ICRA] A1	-	-
3	Fund-based Limits*	Short-term	(10.0)	-	[ICRA] A1			
4	Non-fund Based Limits*	Long-term	(50.0)	-	[ICRA] A+ (Stable)			
5	Unallocated Limits	Long-term/Short term	-	-	-	[ICRA] A+ (Stable)/ [ICRA]A1	-	-

** sub-limit of overall non-fund-based limits*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based Limits	Simple
Non-fund Based Limits	Very Simple
Fund-based Limits*	Simple
Non-fund Based Limits*	Very Simple

** sub-limit of overall non-fund-based limits*

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: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Fund-based Limits	-	-	-	0.5	[ICRA]A1
NA	Non-fund Based Limits	-	-	-	99.5	[ICRA]A1
NA	Fund-based Limits*	-	-	-	(10.0)	[ICRA]A1
NA	Non-fund Based Limits*	-	-	-	(50.0)	[ICRA]A+ (Stable)

Source: *Company; * sub-limit of overall non-fund based limits*

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

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545 328
shamsherd@icraindia.com

Srikumar K
+91 44-4596 4318
ksrikumar@icraindia.com

Rohan Kanwar Gupta
+91 124 4545 808
rohan.kanwar@icraindia.com

Ritu Goswami
+91 124 4545826
itu.goswami@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches