May 23, 2024

Movez EV Bus (One) Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term– Fund-based – Term Loan	81.04^	81.04^	[ICRA]A- (Stable); Reaffirmed
Short-term – Non-fund based – Bank Guarantee	27.50	0.00	-
Long-term/Short-term – Non-fund based – Bank Guarantee	0.00	27.50	[ICRA]A- (Stable)/[ICRA]A2+; Reaffirmed
Total	**108.54**	**108.54**	

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

Rationale

The rating reaffirmation for Movez EV Bus (One) Private Limited (MEBPL) factors in the successful commercialisation of the entire 50 buses for Maharashtra State Road Transport Corporation (MSRTC or the Authority; thus, eliminating project implementation risk) and the satisfactory operational track record for the past 5-6 months. The commercial operation date (COD) for the project was achieved in November 2023. The operational performance of the buses till date has been largely in line with expectations and receivable realisation has also been at manageable levels since the commencement of commercial operations.

The ratings continue to factor MEBPL's strong parentage, with majority economic interest held by GreenCell Mobility Private Limited (GMPL; rated [ICRA]A+(Stable)/[ICRA]A1). GMPL's credit profile is supported by its superior financial flexibility for having strong sponsors and the large capital commitments made by the sponsors—National Investment and Infrastructure Fund Limited (NIIF, India's first sovereign wealth fund) and the Government of the United Kingdom's (UK) Foreign, Commonwealth & Development Office (FCDO) being the anchor investors—through the Green Growth Equity Fund (GGEF). The presence of a strong sponsor and a shortfall undertaking from GMPL to the lender is a credit positive and likely to ensure timely availability of funds to meet any incidental funding requirements for the SPV.

Further, the rating takes comfort from the revenue visibility for MEBPL as the 8-year concession agreement (CA) with the authority essentially translates into an annuity model of revenues wherein the SPV will be paid a fixed rate for a minimum assured distance of ~1,67,500 km/bus/year, subject to the assured bus availability. ICRA also draws comfort from the presence of an established key component supplier and the agreements with the Original Equipment Manufacturer (OEM), viz., a wholly-owned subsidiary of GMPL, GEVPL (formerly Mytrah Mobility Private Limited) and KCS for after sale maintenance. Further, the operational risks are mitigated to a large extent as annual maintenance costs (AMC) and operator costs are largely stable, given the fixed-price contracts with the OEM and operator, as well as back-to-back arrangements for passing on any incremental costs or penalties in case of bus non-availability.

Even as the project remains susceptible to counterparty risks, the risks are mitigated to an extent by the healthy credit profile of the counterparty and the presence of an escrow mechanism, wherein the authority is obligated to deposit the revenues from ticket collections while also maintaining three months of revenue payable as a payment reserve. Additionally, 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 risk. ICRA notes that the project is yet to receive a material amount of subsidy (80%) despite achievement of COD, which has led to higher-than-expected indebtedness in the interim. In this regard, the receipt of subsidy going forward in a timely manner would remain a monitorable.

The Stable outlook on the rating reflects ICRA's opinion that the company's cash flows will remain stable, supported by consistent operational performance and the availability of long-term agreement with the authority. The parent entity, GMPL, is expected to support the project through any interim funding support to meet any cash flow mismatches.

Key rating drivers and their description

Credit strengths

Strong parentage as majority shareholding lies with GMPL, where sovereign funds are anchor investors – As of March 2024, 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 healthy liquidity at GMPL level 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.

Back-to-back arrangements for maintenance and operations mitigate operational risks – 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. Also, MEBPL is also making MMRA (Major Maintenance Reserve Account) on a monthly basis to mitigate any future operational risks. The company has supplied all the 50 buses to MSRTC and received the COD (Commercial Operations Date) letter from the state authority in November 2023.

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 is eligible for a subsidy per bus (~32% of bus cost). The subsidy will be released in tranches and would significantly reduce the capital cost associated with the project, thereby improving project viability. ICRA notes that the project is yet to receive a material amount of subsidy (80%) despite achievement of COD, which has led to higher-than-expected indebtedness in the interim. In this regard, the receipt of subsidy going forward in a timely manner would remain a monitorable.

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.

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

With the project being commercialised and operations stabilising to an extent, its liquidity position is expected to remain adequate supported by expectation of operational surplus (aided by healthy operating profitability) and continued support from the promoter entity. The SPV has debt repayments of ~Rs. 4.7 crore in FY2025, with minimal capex requirements. The liquidity of one of the promoter entities, GCM, is expected to remain strong, with availability of adequate funds for any unforeseen funding requirement of the SPV.

Rating sensitivities

Positive factors – The rating could be upgraded once the project is able to demonstrate an adequate track record of operations and timely payments by the authority. In addition, timely receipt of the FAME subsidy will also remain key.

Negative factors – Negative pressure on rating could arise if there are any major delays in receipt of subsidy or build up in receivables, increasing reliance on external borrowings and, thereby, weakening credit metrics. 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 Passenger Road Transport
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)

MEBPL Consolidated	FY2023	FY2024*
Operating income (Rs. crore)	2.1	24.7
PAT (Rs. crore)	-0.6	-7.8
OPBDIT/OI (Rs. crore)	-3%	50%
PAT/OI	-29%	-32%
Total outside liabilities/Tangible net worth (times)	-155.9	-12.8
Total debt/OPBDIT (times)**	-1,187.1	7.9
Interest coverage (times)	-0.1	1.1

*Source: Company; *Provisional numbers; Amount in Rs. Crore; **Note: a part of the investment from the promoter entity is in the form debt instruments, thereby weakening the overall credit metrics; adjusted for the same, the leverage was ~5.5 times in FY2024*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)				Chronology of Rating History for the past 3 years		
		Type	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 23, 2024	-	February 01, 2023	-
1	**Term Loans**	Long-term	81.04^	68.40	**[ICRA]A-(Stable)**	-	**[ICRA]A-(Stable)**	-
2	**Non-fund based – Bank Guarantee**	Short-term	0.00	-	-	-	**[ICRA]A2+**	-
3	**Non-fund based – Bank Guarantee**	Long-term and Short-term	27.50	5.50	**[ICRA]A-(Stable)/ [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
Long-term/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	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]A- (Stable)/[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.

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.

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