December 10, 2024

PUR Energy Private Limited: Ratings downgraded to [ICRA]BB(Stable)/[ICRA]A4

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
LongTerm-FundBased-Cash Credit	80.00	50.00	[ICRA]BB (Stable); downgraded from [ICRA]BB+ (Stable)
Long Term / Short Term-Unallocated	45.00	75.00	[ICRA]BB (Stable) / [ICRA]A4; downgraded from [ICRA]BB+ (Stable)/ [ICRA]A4+
Issuer Rating	-	-	[ICRA]BB (Stable); downgraded from [ICRA]BB+ (Stable)
Total	**125.00**	**125.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings downgrade considers PUR Energy Private Limited's (PEPL) continued stretched liquidity position, as indicated by negligible buffer in its working capital limits, owing to elevated inventory holding and delay in the long-term fund raising. While the company's inventory levels reduced in the past six months, its liquidity remains stretched, given the reduction in working capital limits. The company had plans to raise sizeable long-term capital to fund its growth and working capital requirements. However, fund raising has been delayed materially due to regulatory processes/challenges. The company is planning to raise bridge funding of Rs. 50 crore over the next few months and sizeable long-term funds over the next one year to fund its expansion plans. Timely tie-up of funding remains to be seen.

The ratings remain supported by the long-term favourable demand prospects for electric two wheelers (e2W) in the country, PEPL's in-house technology for power train and battery management system, which supports its operational profile and its collaboration with IIT-Hyderabad, which provides access to the institute's research facilities and network of industry personnel. ICRA expects the penetration of e2W to increase sharply in the next few years, which would aid in PEPL's growth.

The company's revenue growth is expected to remain muted in FY2025 owing to contraction in realisations. The company's operating margin improved to 12.1% in FY2024 from 1.4% in FY2023 owing to correction in battery prices and capitalisation of R&D expenditure. However, high interest costs impacted its net margin.

The ratings remain constrained by PEPL's exposure to geopolitical developments around the globe, which may impact the procurement/ prices of critical components like battery cells and impact its growth prospects. The ratings also remain constrained by PEPL's modest market share in the high-speed scooter segment and susceptibility of the company's operations to any lithium battery thermal runaway incidents, etc. which were observed in the industry.

The Stable outlook on the long-term rating reflects ICRA's expectation that the healthy growth potential of the e2W industry will continue to support the company's earnings, going forward.

Key rating drivers and their description

Credit strengths

Favourable outlook for EV vehicles provides revenue visibility over the medium term – While India is the largest conventional 2W market (in terms of volumes sold), its e2W industry is still nascent. The e2W industry prospects have been supported by various factors like improving battery technology, attractive total cost of ownership compared to conventional vehicles and improving customer acceptability. Further, with policy support from central and state governments for accelerating investments in the EV ecosystem along with pricing parity with conventional 2Ws, the e2W industry volumes are expected to grow at a robust pace over the medium term, leading to a healthy revenue growth potential for players in the industry.

In-house technology with respect to power train and battery management system – The company has in-house technology for powertrain, motor and harness etc. Although the battery cell is imported, the Battery Management System (BMS) hardware and the algorithm for the power train and BMS are developed in-house, resulting in cost savings.

Credit challenges

Stretched liquidity owing to high working capital requirements and delay in funding tie-ups – The company's liquidity position is stretched with negligible buffer in the working capital limits. Its working capital intensity remained high at 58.1% in FY2024 due to high inventory levels. While the inventory holding moderated over the last six months, liquidity remains constrained owing to closure of a part of its working capital limits. The company had plans to raise sizeable long-term funds from global investors to support its growth plans and working capital requirements. However, the same has been delayed owing to regulatory processes/challenges. It intends to raise bridge funding of Rs.50 crore over the next few months and tie up sizeable long-term capital over the next one year to support its growth plans. Timely tie-up of funds remains to be seen.

Exposed to geo-political developments, impacting supply of critical components like battery cells – PEPL is dependent on imports for procuring battery cells. Hence, its operations are vulnerable to geopolitical developments between India and cell exporting nations. Any change in regulations related to import of components or supply chain disruptions could impact PEPL's growth prospects. ICRA notes that the company has multiple vendors for most of the components, which mitigates the risk to some extent.

Limited track record of e2Ws operations and lower market share in the high-speed two wheelers segment – PEPL launched its first e2W product in February 2020 and, subsequently, ramped up its volumes in FY2022. Hence the company's models have a limited operational track record compared to its peers. Any underperformance, especially with respect to product availability and reliability, and lithium battery thermal runaway incidents, have the potential to impact the company's operations and reputation, and hence would be a key monitorable.

Liquidity position: Stretched

The company's liquidity is stretched with negligible buffer in working capital limits. The company has repayment obligations of Rs. 3-4 crore in FY2025. The management is exploring various avenues to raise long-term funds. Timely and adequate fund raising remain critical for the company's growth plans and improve its liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade the company's ratings if a healthy growth in revenues and earnings results in improved profitability and liquidity position.

Negative factors – Pressure on the company's ratings could arise if materially lower revenues or earnings because of weak product acceptability and/or increase in competition or a further stretch in the working capital cycle impacts its liquidity position or debt metrics.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology](#) [Two-Wheelers](#)
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of PEPL

About the company

PUR Energy is an IIT Hyderabad incubated company, founded by Dr. Nishanth Dongari and headed by CEO Mr. Rohit Vadera. The firm has executed hybrid solar storage projects for many prestigious business groups, universities, hospitals, residential communities, NGOs, and schools. The company's management team brings significant experience from academia and energy industries (both the founders are alma mater of IIT). The company forayed into manufacturing of electric two-wheeler under the brand, PURE EV and lithium batteries under the brand, PURE Lithium.

The company has been funded by Mr. V C Nannapaneni, a reputed leader in the pharma industry. The company has set up a dedicated 2,00,000 sq. ft. manufacturing unit, with the current capacity of 4,000 vehicles.

PUR Energy has a facilities agreement signed with IIT Hyderabad, with the institute being one of the stakeholders in the company. Thus, the company has access to all the labs, test facilities and strong support from the institute for all R&D projects. Apart from manufacturing electric vehicles, which include bicycles, mopeds, scooter and bikes, PURE Lithium is a segment where the company manufactures battery packs, which are predominantly used for captive purpose.

Key financial indicators (audited)

PEPL	FY2023	FY2024*
Operating income	139.1	128.8
PAT	- 9.4	1.2
OPBDIT/OI	1.4%	12.1%
PAT/OI	-6.7%	0.9%
Total outside liabilities/Tangible net worth (times)	3.0	2.8
Total debt/OPBDIT (times)	45.7	6.7
Interest coverage (times)	0.3	1.3

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore*

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current year (FY2025)		Chronology of rating history for the past 3 years				
		FY2025		FY2024	FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	December 10, 2024	February 29, 2024	November 04,2022	October 17,2022	Date	Rating
Fund based working capital Facilities	Long term	50.00	[ICRA]BB (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	-	-	-
Unallocated	Long term/short term	75.00	[ICRA]BB (Stable) / [ICRA]A4	[ICRA]BB+ (Stable) / [ICRA]A4+	[ICRA]BB+ (Stable) / [ICRA]A4+	-	-	-
Issuer Rating	Long term	-	[ICRA]BB (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term-Fund Based-Cash Credit	Simple
Long Term / Short Term-Unallocated	Not Applicable
Issuer Rating	Not Applicable

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	Cash Credit	NA	NA	NA	50.00	[ICRA]BB (Stable)
NA	Unallocated	NA	NA	NA	75.00	[ICRA]BB (Stable) / [ICRA]A4
NA	Issuer Rating	NA	NA	NA	-	[ICRA]BB (Stable)

Source: Company

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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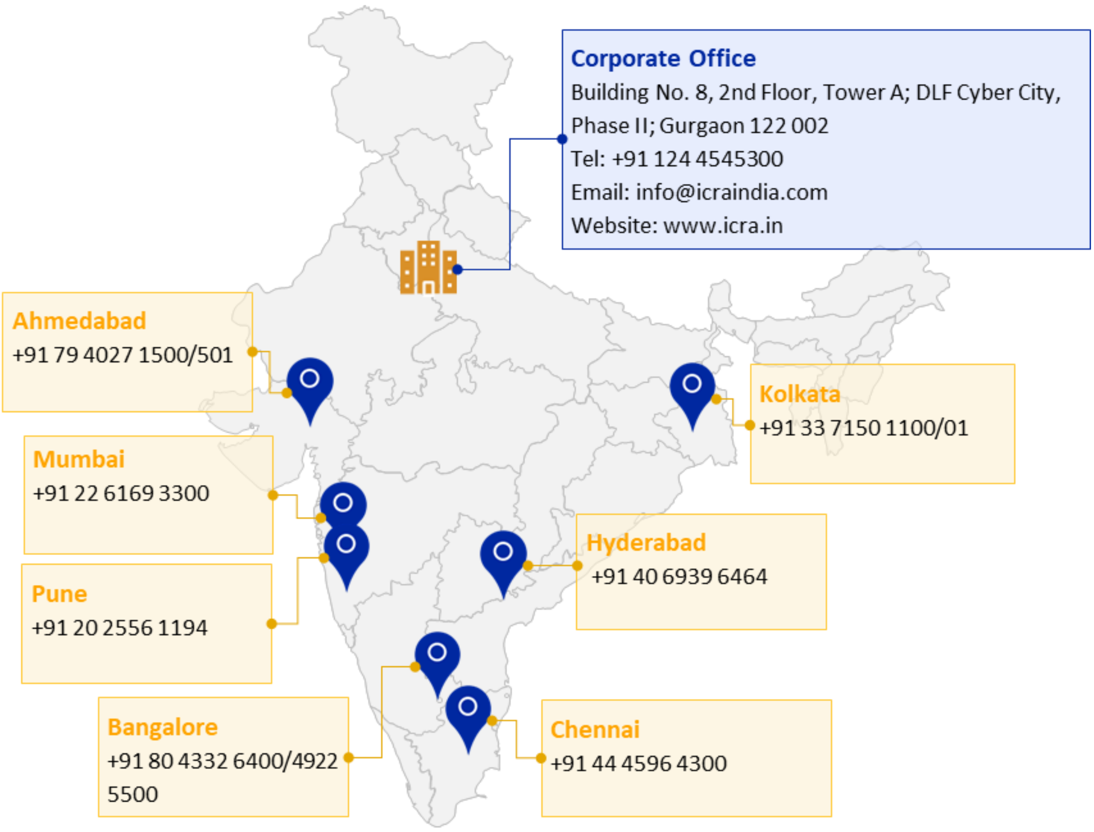

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