March 06, 2025

JSW Greentech Limited: [ICRA]A- (stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	1,487.5	[ICRA]A- (stable); Assigned
Total	**1,487.5**	

**Instrument details are provided in Annexure I*

Rationale

The rating assigned to JSW Greentech Limited (JSWGTL) favourably factors in its superior financial flexibility for being a part of the JSW Group as well as its experienced management. JSWGTL is setting up a greenfield facility for manufacturing electric buses (e-buses) and electric trucks (e-trucks) as well as manufacturing the related components. The project is favourably located in Aurangabad Industrial City (AURIC) in Maharashtra, with the plant's proximity to the auto manufacturers' eco system. With site accessibility and available utilities, the basic infrastructure is already in place for the project. Further, regulatory risks associated with the project remain low as there are no major pending approvals. ICRA also positively notes the project eligibility for substantial state government subsidies/ incentives, which will improve the overall economics of the project. The company has entered into a technology transfer agreement with an Overseas Original Equipment Manufacturer (OEM) for the manufacturing of e-buses.

JSWGTL is setting up a manufacturing plant with a capacity of 10,000 e-buses and 5,000 e-trucks per annum which shall be funded by debt of Rs. 1,487.5 crore and balance by equity infusion from the JSW group. ICRA notes that the financial closure for the project has been achieved, and the sanctioned term debt has a long tenor with the door-to-door tenor of more than 10 years, with a moratorium of one year after the scheduled commercial operations date (SCOD). JSWGTL has also entered into the early-stage memorandum of understanding (MOUs) with some of its group companies and third party operators, which mitigates the offtake risk to an extent. The Government of India's (GoI) focus on promoting e-mobility also augurs well for project viability and mitigates the demand risk to some extent.

The rating, however, remains constrained by the nascent stage of the project, which exposes it to the execution risks and risks related to time and cost overruns associated with greenfield projects. However, JSW group's proven execution track record in completing complex projects mitigates the risk to some extent. ICRA notes the high leverage of the project given its debt-funded nature, which may put pressure on the credit metrics till the revenues ramp up. The company's ability to profitably ramp-up the operations in a timely manner will be critical. Further, the business may take time to ramp up and may consequently require loss-funding support over the near-to-medium term and funding the debt obligations until the operations ramp up. The timely support from the JSW Group towards meeting any shortfalls in funding requirements will be a key monitorable.

The Stable outlook on the rating reflects ICRA's opinion that the company would benefit from its experienced management and strong execution track record of the Group, which should help complete the project in a timely manner without any major cost overruns.

Key rating drivers and their description

Credit strengths

Superior financial flexibility for being part of the JSW Group; experienced management - The company enjoys superior financial flexibility for being a part of the JSW Group, a leading conglomerate with presence across various sectors such as steel, energy, infrastructure, cement, paints, ecommerce, sports and venture capital, with a market capitalisation of listed entities of the Group at more than Rs. 3.6 lakh crore. Moreover, the company also benefits from the extensive experience of the management team, having a proven track record of executing complex projects.

Favourable location, access to technology and subsidy eligibility increase project attractiveness - The upcoming plant will be part of AURIC located in Bidkin, Aurangabad (Maharashtra). AURIC is one of India's first greenfield industrial smart cities focussing on sectors like automobiles, auto components and electric vehicle components. This will provide proximity for JSWGTL to auto manufacturers' eco system. The basic infrastructure in terms of site accessibility and utilities is already in place for the project. JSWGTL has also received the consent to establish (CTE) and the construction has also started on the site. ICRA also notes the project eligibility for substantial state government subsidies/incentives which will help in lowering the company's capital and operational costs. Moreover, the company has already entered into a perpetual technology transfer agreement with an overseas OEM for the manufacturing of electric buses and chassis kits, enabling localised production of right-hand drive (RHD) vehicles.

Financial closure in place - JSWGTL is setting up a manufacturing plant with a capacity of 10,000 e-buses and 5,000 e-trucks per annum which shall be funded by debt of Rs. 1,487.5 crore and balance by equity infusion from the JSW group. ICRA notes that the financial closure for the project has been achieved, and the term loan has been sanctioned at favourable terms. The sanctioned term debt has a long tenor with door-to-door tenor of more than 10 years, with a moratorium of one year after the scheduled commercial operations date (SCOD).

Government's focus on promoting e-mobility augurs well for project viability; early-stage MOUs signed also provides some revenue visibility - The GoI has been focusing significantly on promoting EVs as a cleaner and sustainable form of transportation, especially for commercial segments. Programmes like PM e-drive, National Electric Bus Programme (NEBP), PM e-Bus Sewa are driving the adoption of electric commercial vehicles in public transportation and facilitating the development of charging infrastructure. Thus, the GoI's focus towards promoting e-mobility augurs well for the project viability and mitigates demand risk to some extent. Additionally, JSWGTL has also entered into early-stage MOUs with some of its Group companies, and third party operators, mitigating the offtake risk to an extent.

Credit challenges

Exposed to project execution risks and risks of time and cost overruns being in the nascent stage - The project, being in the nascent stage, remains exposed to time and cost overruns associated with greenfield projects. Till January 06, 2025, the company had incurred only 3% of the project cost, which was funded through equity. The SCOD for the project is July 2027. However, ICRA takes comfort from the Group's successful track-record of executing large-scale capital-intensive and technically complex projects, mitigating the execution risk to an extent. Moreover, ICRA notes that the company has also crystallized contracts/ agreements for all critical aspects of the project including land, technology, construction, equipments etc. These contracts are on fixed time, fixed cost basis hence reducing implementation risk to large extent.

ICRA further notes the project's high leverage of the project given its debt-funded nature, may exert pressure on the credit metrics until the revenues ramp up. The company's ability to profitably ramp-up the operations in a timely manner will be critical. Furthermore, timely support from the JSW Group towards meeting any shortfalls in funding requirements will be a key monitorable.

Maiden venture of the Group in the e-mobility space - The Group does not have any proven track record in the e-mobility segment. Any under-performance of the e-bus or its battery from the specifications planned/targeted, has the potential to impact the project's viability, and necessitate enhanced funding requirements. However, JSWGTL's technology transfer agreement with overseas OEM for e-buses manufacturing provides comfort.

Exposed to geopolitical tensions impacting component supply The supply and after-sales service of buses will remain dependent on the continuation of amicable relations between India and China (expected to remain the key supplier for components like cells), as changes in regulations related to imports of EV- related components and/ or any supply disruptions, as witnessed in the past, are likely to impact the project's operations and viability. This will remain monitorable. ICRA notes that JSWGTL, in the long run, has plans of localising majority of the components. It has plans of a manufacturing unit for inhouse integration of cell to pack.

Liquidity position: Adequate

The liquidity position of the company remains adequate for the construction period given that financial closure has already been achieved. Further, given the superior financial flexibility of the JSW Group, equity infusion is expected to be in timely. The company has a sanctioned term loan of Rs. 1,487.5 crore with door-to-door tenure of more than 10 years with moratorium of one year post SCOD. The liquidity profile will be driven by the timely commissioning of the project and the company's ability to successfully ramp up operations.

Rating sensitivities

Positive factors – Successful and timely implementation of the entire project within the envisaged costs and time will be positive rating triggers.

Negative factors – Pressure on the rating could arise if the company experiences significant time and cost overrun which leads to high dependence on external borrowings or slow ramp-up in operations leading to inadequate debt coverage metrics. Further, a weakening in linkages with the JSW group would be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Commercial Vehicles
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

JSW Greentech Limited (JSWGTL) was incorporated in December 2024 as a wholly-owned subsidiary of JSW Green Mobility Limited (JSWGML) and a step-down subsidiary of Echelon Multiventures Private Limited (EMPL), which in turn is wholly-owned by Sajjan Jindal Family Trust. JSWGTL is undertaking a project for setting up a green-field manufacturing plant at Aurangabad (Maharashtra) for electric commercial vehicles with an annual capacity of 10,000 electric buses and 5,000 electric trucks.

Key financial indicators (audited): Not applicable being a project phase entity

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years							
				FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	March 06, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan-	Long-term	1,487.5	[ICRA] A- (stable)	-	-	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Term loan	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**	Jan-2025	9%	July-2038	1,487.5	[ICRA] A- (stable)

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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