October 12, 2023

GreenCell Mobility Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term Fund-based Limits	0.50	0.50	[ICRA]A1; Reaffirmed
Short-term Non-fund Based Limits	99.50	99.50	[ICRA]A1; Reaffirmed
Short-term Interchangeable Fund-based Limits	(10.00)	(10.00)	[ICRA]A1; Reaffirmed
Long-term Interchangeable Non-fund Based Limits	(99.50)	(99.50)	[ICRA]A+ (Stable); Reaffirmed
Long-term and Short-term – Fund Based/Non-fund Based Limits	50.00	100.00	[ICRA]A+ (Stable)/ [ICRA]A1; Reaffirmed/ Assigned
Long-term – Term Loan	50.00	50.00	[ICRA]A+ (Stable); Reaffirmed
Total	**200.00**	**250.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating reaffirmation continues to factor in GreenCell Moblity Private Limited's (GMPL) status as a flagship platform of Green Growth Equity Fund (GGEF) to channelise investments into the electric vehicle (EV) segment in India and the steady progress in operations across its various project entities. GGEF is a Securities and Exchange Board of India (SEBI) registered Category II Alternate Investment Fund (AIF), which was set up to mobilise investment in green infrastructure in India; with the Government of India (through the National Investment and Infrastructure Fund, NIIF, India's first sovereign wealth fund) and the Government of the United Kingdom (through its Foreign, Commonwealth & Development Office, FCDO) as its anchor investors. GMPL was incorporated to target the electric mobility (e-mobility) market opportunity and become a pan India, shared e-mobility player. GMPL had initially bid to own and operate the intercity/ intracity routes and charging infrastructure on a long-term, take-or-pay Gross Cost Contract (GCC) and had acquired certain projects. Subsequently, the company also proceeded to set up a subsidiary, targeting business-to-consumer (B2C) intercity markets by utilising the cost advantage provided by EVs on high occupancy routes.

The Government of India (together with the state governments) has been focusing significantly on promoting EVs as a cleaner and sustainable form of transportation, and 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 strong sponsors provides robust financial flexibility and has ensured timely availability of funds to meet funding requirements. Till date, GGEF has committed $130 million (approximately Rs. 1,080 crore) to GMPL for investments in various projects; of the same, ~Rs. 1,022 crores have already been drawn. The management of the company has indicated that the company has commenced discussions with various investors to raise further growth capital, to fund its growth plans over the medium term; the progress on the fund raise remains monitorable.

GMPL acquired 49% equity stake and 74% economic interest in four Special Purpose Vehicles (SPVs) floated by a consortium led by PMI Electro Mobility Solutions, who had successfully bid for procurement, operations, and maintenance of 175 e-buses each under the GCC contract from the Directorate of Urban Transport, Department of Urban Development, State Government of Uttar Pradesh. All the buses under the projects have been running well for the past 9-12 months; even as timely receipt of funds from the authority remains a monitorable, the healthy operating metrics of these projects are expected to help the entities remain self-sufficient to meet their debt obligations. Additionally, intracity operations in Surat (Gujarat) and intercity operations for Maharashtra State Road Transport Corporation (MSRTC) under the GCC model are also gradually picking up pace; all (50) buses have been delivered in Maharashtra (45 operational) and 75 (out of 150) buses have been delivered (68 being operational) in Surat. Given the advanced stage of operations, the funding requirements for these projects are also expected to remain minimal. More recently, GMPL successfully bid for operating 570 buses in Delhi NCR under a tender floated by Convergence Energy Services Limited (CESL), with funding requirements of ~Rs. 130 crores over the next 12 months. With other investment opportunities in the pipeline and Government focus on the e-bus space, ICRA believes GMPL's investment portfolio will continue to expand over the near to medium term.

In the Business-to-Government (B2G) business, the business model of the various SPVs under the GCC model is characterised by high revenue visibility and minimal traffic risk, given the nature of the concession agreements. Additionally, the counterparty risks are mitigated to an extent by an escrow mechanism, wherein the authority is obligated to deposit the revenues from ticket collections, while maintaining some amount as a payment reserve. Further, the management plans to mitigate operational risks such as those related to adequate bus availability, maintenance, and achievement of specified performance indicators during the tenure of the projects, through back-to-back multi-party arrangements. Despite the same, ICRA notes that a limited track record of e-bus operations in India as well as geopolitical risks remain a sensitivity for the projects, as any adverse developments related to imports could impact the availability of components required for seamless operations. Additionally, newer projects will remain susceptible to execution risks.

In addition to acquiring projects under the GCC model, GMPL also incorporated a wholly owned subsidiary, GreenCell Express Private Limited (GEPL; rated [ICRA]A-(Stable)), to promote environment-friendly, intercity bus operations in India. GEPL plans to deploy e-buses in high-traffic routes 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 had plans to acquire and operate 250 e-buses (~150 buses have been deployed as of August 31, 2023) on high-traffic intercity routes across the country. ICRA notes that the B2C business would take time to ramp up and consequently require loss funding support over the near to medium term, in addition to funding of debt obligations, till operations ramp up. Further, given the large scale of operations and consequent investment requirements, the extent of funding support required by GEPL remains a monitorable; and in this regard timely fund raise of further growth capital remains crucial.

The Stable outlook on the long-term rating reflects ICRA's expectation that even as GMPL will continue to enhance its presence in the e-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.

Key rating drivers and their description

Credit strengths

Strong financial flexibility with parent entity having sovereign funds as anchor investors – GMPL is one of the flagship platforms of GGEF, a SEBI registered Category II AIF. GGEF's anchor investors are the NIIF and FCDO, who have together invested $340 million in the fund. As on date, the fund has been closed with total funding commitments of $741 million, with investments from NIIF, FCDO, British International Investment (formerly CDC Group Plc, the development finance institution of the UK government), FMO (Dutch Development Bank), Green Climate Fund, British Petroleum, and others. The presence of strong sponsors has ensured timely availability of funds to meet any funding requirements and provides comfort regarding the ability of the platform to raise further growth capital.

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 for 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, registration tax, and subsidised electricity tariffs. The tenders to operate e-buses are a part of the FAME II scheme, wherein the Original Equipment Manufacturer (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 most 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 by various B2G 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 translates 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. However, most intracity bus operations in general, are subsidised and can recover only 30-50% of the revenue payable (to SPV) from their ticket collections. As such, the dependence on timely government grants/support to authorities for funding the gap remains critical.

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 (KCS), as per which the OEM and KCS would be supplying buses as per technical specifications, as well as maintaining them (through an AMC contract) throughout the tenure of the contract. The presence of fixed-price sales and after-sales service contracts are 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.

Credit challenges

Newer projects exposed to risk of time overruns given dependence on statutory approvals – Given the involvement of Government agencies for projects under the GCC model, the SPVs remain exposed to possible delays in receipt of statutory approvals for their execution (especially for newer projects such as the one in Delhi NCR). Setting up a depot, securing a license, an electric feeder line (for general use and charging station), 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 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. For the operational projects, while a delay in timely receipts could result in increased working capital requirements of the SPVs, the same is likely to be covered by adequate buffer in working capital facilities at the respective subsidiaries.

Ramp up in operations of B2C business expected to be only gradual; would necessitate loss funding requirements in the interim – In addition to funding new projects, GMPL is expected to support GEPL's loss funding requirements in the near to medium term. GMPL's B2C project under GEPL is planning to scale up significantly, however, only ~150 buses were operational as of September 2023. While the segment is expected to turn profitable as operations scale up, GEPL continues to incur operating losses and would remain dependant on its parent to meet interim loss funding and financing requirements over the near term. Further, ICRA notes that even as GMPL has adequate liquidity to meet near term funding requirements of the loss-making subsidiary, scale up of operations/profitability at GEPL and timely fundraise by the platform will remain crucial.

Exposed to geopolitical 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 for importing 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 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 segment in India have a limited track record of operations. 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 e-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, aided by healthy cash and liquid investments (~Rs. 300 crore as of August 31, 2023) coupled with availability of further funds for drawdown from GGEF (~Rs. 60 crore) for any further funding requirements of GMPL, or any new projects undertaken. As on date, the company has committed funding requirements of ~Rs. 130 crore towards its Delhi B2G project, ~Rs. 60 crore towards phase-II of its B2C business, apart from loss funding requirements for the B2C business.

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, particularly GEPL, 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 rating. The ability of the company to raise growth capital in a timely manner would remain a monitorable. Negative pressure on the rating could also arise if a deterioration in the credit profile of the various investee entities, particularly GEPL, 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, with the entity being backed by GGEF, a SEBI registered Category II AIF 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 the flagship mobility platform of Green Growth Equity Fund and is 100% held by the fund. GGEF, a SEBI registered Category II AIF, is an India focused fund (with a fund size of $741 million) 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 e-mobility, including but not limited to owning, operating, and maintaining EVs and related charging infrastructure. The company has been incorporated to target e-mobility market opportunities and become a pan India, shared e-mobility player. Initially, it had bid to own and operate the intercity/ intracity routes and charging infrastructure on a long-term, take-or-pay GCC and had acquired certain projects (six projects at present). Subsequently, the company also proceeded to set up a subsidiary targeting B2C intercity markets, utilising the cost advantage provided by EVs in high utilisation routes. These buses are run under the 'NeuGo' brand.

GMPL has secured contracts for ~1,500 electric buses across 25 cities in the country under the B2G model and is operating ~975 buses (intercity and intracity) across 11 cities. GMPL's most recent contract win was for 570 electric buses from the transport department, State Government of Delhi. Under the NeuGo brand, the company operates in over 30 cities across the country.

Key financial indicators (audited)

GMPL Standalone	FY2022	FY2023
Operating income	86.4	328.2
PAT	11.9	0.7
OPBDIT/OI	18.7%	4.8%
PAT/OI	13.8%	0.2%
Total outside liabilities/Tangible net worth (times)	0.1	0.2
Total debt/OPBDIT (times)	3.2	7.7
Interest coverage (times)	3.4	1.5

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Sep 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Oct 12, 2023	Aug 02, 2022	Oct 27, 2021	Mar 24, 2021
1	**Fund Based Limits**	Short-term	0.50	-	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**
2	**Non-Fund Based Facilities**	Short-term	99.50	51.0	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**
3	**Interchangeable Limits- Fund Based Limits**	Short-term	(10.00)	-	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**	-
4	**Interchangeable Limits- Non-Fund Based Facilities**	Long-term	(99.50)	-	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	**[ICRA]A+ (Stable)**	-
5	**Fund-based/ Non-Fund Based limits**	Long-term/Short term	100.00	-	**[ICRA]A+ (Stable)/ [ICRA]A1**	**[ICRA]A+ (Stable)/ [ICRA]A1**	-	-

6 **Term Loan**	Long-term	50.00	50.0	**[ICRA] A+ (Stable)**	**[ICRA] A+ (Stable)**	**-**	**-**
7 **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 Facilities	Very Simple
Fund-based Limits *	Simple
Non-Fund Based Facilities*	Very Simple
Term Loan	Simple
Fund-based/ Non-Fund Based limits	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 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	Fund Based Limits	Apr 5, 2022	-	-	0.50	[ICRA]A1
NA	Non-Fund Based Facilities	Apr 5, 2022	-	-	99.50	[ICRA]A1
NA	Fund-based Limits *	Apr 5, 2022	-	-	(10.00)	[ICRA]A1
NA	Non-Fund Based Facilities*	Apr 5, 2022	-	-	(99.50)	[ICRA]A+ (Stable)
NA	Fund-based/ Non-Fund Based limits	Mar 16, 2022	-	-	100.00	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Term Loan	August 1, 2023	-	January 2025	50.00	[ICRA]A+ (Stable)

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

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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