February 27, 2025

GreenCell Surat Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based term loan	57.60	53.20	[ICRA]A(Stable); reaffirmed
Long-term non-fund based facilities – Bank guarantee/LOC	63.40	63.40	[ICRA]A(Stable); reaffirmed
Long-term fund-based limits (cash credit)	5.00	5.00	[ICRA]A(Stable); reaffirmed
Long-term non-fund based facilities (performance bank guarantee)	4.20	5.70	[ICRA]A(Stable); reaffirmed
Total	**130.20**	**127.30**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation for GreenCell Surat Private Limited (GSPL) continues to factor in its strong parentage, with majority shareholding with GreenCell Mobility Private Limited (GMPL, rated [ICRA]A+(Stable)/[ICRA]A1). GSPL achieved the COD for its first lot of 75 buses in August 2023 and second lot of 75 buses in July 2024. Even as the ramp-up in operational metrics has been slower than estimated on account of a delayed commercial operation date (COD) and lower schedule availability, the metrics have improved over the past few months. Receipts from the counterparty (Surat Municipal Corporation, SMC) have largely been on time, which limits the counterparty risks on account of the expected dependence on Government authorities for funding revenue shortfalls, if any. ICRA continues to draw comfort from the presence of an established original equipment manufacturer (OEM), viz., PMI Electro Mobility Solutions Private Limited (PEMPSL) and a strong key component supplier (KCS), Beiqi Foton Motors, China (Foton), along with the multi-partite agreements in place with the OEM and KCS for project execution and performance.

GSPL has been set up as a special purpose vehicle (SPV) to procure, operate and maintain 150 e-buses on intracity routes in Surat, Gujarat for 10 years under the gross cost contract (GCC) model of the Faster Adoption and Manufacturing of Hybrid & Electric Vehicles in India II (FAME India II) Scheme. The bid for operating these buses was won by a consortium led by GMPL in December 2021. ICRA draws comfort from the fact that GMPL is involved in strategic decisions as well as the day-to-day operations of the company, in terms of the shareholding agreement with PEMPSL. Overall, the presence of a strong sponsor and a shortfall undertaking from the promoters to the lender are positives and likely to ensure timely availability of funds to meet any funding requirements for the SPV. The parent entity has infused additional funds in the SPV till date, to compensate for the delays in receiving the subsidy. Accordingly, the debt burden on the SPV has not increased, thereby protecting the debt coverage metrics.

Despite PEMPSL's limited track record of e-bus operations in India, comfort is drawn from the fact that it has delivered more than ~2,000 e-buses in India so far and has a technical tie-up with an established player, Foton, for sourcing technology and critical components. Foton is also a party to the sales and after-sales agreement signed by GSPL with the OEM, which helps mitigate risks. However, geopolitical developments remain a sensitivity for the project viability, as any adverse developments related to imports from China can impact the availability of components required for seamless operations.

ICRA notes that a significant proportion of the bus cost (~55%) was to be funded through capital subsidy from the Department of Heavy Industries (DHI), which improved the project viability. After initially receiving 20% of the subsidy for the project, the receipt of the balance subsidy has been materially delayed, partly on account of joint enquiry ordered by the Ministry of Heavy

Industries (MHI) with regards to phased manufacturing plant (PMP) compliance by PMI. ICRA notes that PMI has recently received a communication from the MHI confirming that the complaints received by the MHI has not been sustained and PMI is complying with PMP norms. Accordingly, the receipt of the subsidy outstanding for the SPV is expected to be received over the next few quarters and aid reduction in loans outstanding to the parent entity. ICRA will continue to monitor further developments and timeliness of subsidy receipt.

The SPV's business model is characterised by high revenue visibility and minimal traffic risk, given the nature of the contract, wherein the company will be paid a fixed rate for a minimum assured distance, subject to the assured bus availability. Additionally, the SPV has major fixed operational costs such as annual maintenance and operator costs through fixed-price contracts with the OEM and operator. Further, the SPV has entered back-to-back arrangements for passing on any incremental costs or penalties in case of bus non-availability or delays in bus delivery. Accordingly, operational risks are largely mitigated.

The project remains susceptible to counterparty risks, given the nature of intracity operations, wherein the ticket collections are usually much lower than the revenue payable to the operator. However, the strong financial profile of the counterparty Surat Municipal Corporation (SMC) and its track record offer comfort regarding the authority's ability to honor its obligations.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company's cash flows are expected to remain stable, supported by consistent operational performance and long-term agreement with the authority. GMPL, one of the parent entities, is expected to support the project, if any interim funding is required.

Key rating drivers and their description

Credit strengths

Strong parentage with GMPL, where sovereign funds are anchor investors – GMPL (a 74% equity stake in GSPL) is the flagship platform of GGEF, a SEBI registered Category II Alternate Investment Fund (AIF). GGEF's anchor investors are the Government of India anchored NIIF and the FCDO (formerly the Department for International Development), Government of the UK. The commitment from various investors in GGEF stands at $741 million, which was the target fund size at the outset. The other key SPV partner, PEMPSL, is the OEM for the project, responsible for procuring, operating, and maintaining the buses during the life of the contract. The OEM has so far supplied more than 2,000 electric buses in India and has a technical tie-up with Foton for manufacturing e-buses in India. Additionally, the promoters of PEMPSL have an experience of more than 30 years as a major bus coach manufacturer in India. The presence of a strong sponsor and a shortfall undertaking from both the promoter entities to the lender are likely to ensure timely availability of funds to meet any funding requirement.

High revenue visibility as CA provides fixed fee on per km basis for an assured distance subject to bus availability; even as receipts from ticket collections for intracity operations are likely to remain inadequate – GSPL has entered into an agreement with the SMC under which the SPV gets a fixed rate for a minimum assured distance of 65,800 km/bus annually, subject to bus availability. Accordingly, the SPV 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 translates into an annuity model of revenues over the concession period, with high revenue visibility. The availability of spare buses is likely to aid the SPV in ensuring the required fleet availability and maintaining a stable revenue profile. However, the clause related to unutilised kilometres to be paid at 50% of the applicable rate brings in some volatility in revenues. Also, intracity bus operations, in general, are subsidised and can recover only 30-50% of the revenue payable (to the SPV) from their ticket collections. As such, the dependence on timely Government grants/support to authorities for funding the gap remains critical. However, comfort is drawn from the scheme of the Government of Gujarat providing 75% of the gap between fare collection and revenue payable to GSPL, with the remaining 25% being funded by SMC.

Back-to-back arrangements with OEM for bus procurement, maintenance and operations mitigate risks related to project execution and cost overruns – The SPV entered into a sales and after-sales agreement with PMEPSL (OEM) (which in turn has a back-to-back agreement with the Chinese KCS, Foton), according to which the OEM and KCS would be supplying buses as per the technical specifications, maintaining the buses (through an annual maintenance contract) and also operating them throughout the tenure of the contract. The prototype for the buses to be supplied has already been approved. The presence of a fixed-price sales and after-sales service contract mitigates any time and cost overrun risks. Further, any penalties arising due to non-compliance with the terms of the bus operator agreement would be recovered from the OEM completely, which further mitigates risks and reduces cash flow variability.

Availability of capex subsidy strengthens capitalisation and coverage metrics – The tender to operate e-buses in Surat is part of the FAME II scheme, wherein the OEM would be eligible for a subsidy per bus (~55% of bus cost). The subsidy is to be released in three tranches within six months of commencement of operations and is expected to significantly reduce the capital cost associated with the project. The availability of the capex subsidy supports the capital structure and coverage metrics to an extent reducing the reliance on external debt. The Government of India is focusing considerably on promoting electric vehicles (EVs) as a cleaner and sustainable form of transportation, primarily 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). 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).

Credit challenges

Counterparty risks owing to likely receivable build-up; mitigated to an extent by strong credit profile of counterparty – While the counterparty risk for such projects is elevated because of low ticketing collection (compared to amount payable under the contract), the presence of an escrow mechanism, wherein the authority is expected to deposit three months of revenue payable upfront as a payment reserve, coupled with the strong credit profile of the counterparty, reduces risks of elongated receivables to an extent. ICRA notes that while there had been some initial delay in setting up of the escrow arrangement, payments to the account have since been regular (Rs. 40.1 crore received as on December 31, 2024, out of the total billed of Rs. 47.2 crore). Further, comfort is drawn from the presence of undrawn working capital facilities which could be utilised in case of any material delays. The requirement to route all transactions — including ticket collections — through the escrow account by the authority reduces the risk of revenue leakages from the project.

Limited track record of operations of OEM in e-bus segment – The OEM, PEMPSL, has so far supplied about 2,000 e-buses over the past 4-5 years in India. Given its limited track record of e-bus operations, the OEM's ability to supply and maintain these buses as per the specifications of the bus operator agreement remains critical. Any underperformance vis-à-vis the agreed specifications, especially which impacts the availability and reliability of the buses, has the potential to affect the project viability and, hence, would be a key monitorable. ICRA notes that the project has been able to largely meet the specifications as per the concessionaire agreement since the operations began, even as there is some underperformance in the fiscal till date on account of the maintenance undertaken for several buses. ICRA continues to take comfort from the presence of a strong technical partner, Foton, a leading global e-bus manufacturer with an established track record of operations. Moreover, back-to-back arrangements with the OEM to pass on any penalties that could arise from the unavailability of buses, mitigate the risks to some extent.

Liquidity position: Adequate

The liquidity of GSPL is **adequate,** supported by expectation of an operational surplus (from FY2026) and undrawn working capital lines. The SPV also had unencumbered cash and bank balances of ~Rs. 11.5 crore as on December 31, 2024. The SPV has debt servicing obligations of ~Rs. 4.5 crore in FY2025 and ~Rs. 5.0 crore for FY2026. The liquidity of the majority shareholder, GMPL, is expected to remain strong, with availability of adequate funds for any incidental funding requirement of the SPV or any new projects undertaken. Moreover, the backing of a strong promoter provides the SPV with ample financial flexibility to raise/refinance debt from financial institutions.

Rating sensitivities

Positive factors – The rating could be upgraded once the project is able to demonstrate an adequate track record of operations and credit metrics.

Negative factors – Pressure on the rating could arise, if there are any major delays in receipt of the balance subsidy or build-up in receivables, increasing reliance on external borrowings and, thereby, weakening the credit metrics. Specific credit metrics that could lead to a downgrade include DSCR on external debt (post provision for MMRA) below 1.2 times, on a sustained basis. Any material changes in the sponsor profile or committed support from the sponsor could also trigger a downward revision in the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	The rating assigned factors in the very high likelihood of its 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 GSPL, out of its need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	Standalone

About the company

Greencell Surat Private Limited is an SPV set up to procure, operate and maintain 150, fully-built AC e-buses, which are nine-metre-long, for intra-city operations of public transport in the city of Surat. The SPV was set up by a consortium headed by Greencell Mobility Private Limited (74% stake) and PMI Electro Mobility Solutions Private Limited, which was the successful bidder for this project. The SPV would be operating the buses for 10 years on a GCC basis under the FAME II scheme and is eligible for subsidy per bus from the Government of India (GoI).

Key financial indicators

GSPL	FY2023	FY2024	9M FY2025*
Operating income	4.3	17.8	25.5
PAT	4.2	(3.3)	(12.1)
OPBDIT/OI	-0.2%	32.4%	29.4%
PAT/OI	96.5%	-18.8%	-47.6%
Total outside liabilities/Tangible net worth (times)	6.7	12.8	(96.5)
Total debt/OPBDIT (times)	NR*	20.9	14.2
Interest coverage (times)	NR*	0.9	0.6

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amounts in Rs. crore; NR = Not relevant**
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 (FY2025)		Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based - Term loan	Long term	53.2	**Feb-27-25**	**[[ICRA]A (Stable)**	Nov-29-23	[[ICRA]A (Stable)	Aug-02-22	[ICRA]A1+	-	-
Non-fund based facilities– Bank guarantee/LOC	Long term	63.4	**Feb-27-25**	**[[ICRA]A (Stable)**	Nov-29-23	[[ICRA]A (Stable)	Aug-02-22	[ICRA]A1+	-	-
Non-fund based facilities– Bank guarantee/LOC	Long term	-	**-**	**-**	-	-	Aug-02-22	[ICRA]A1+	-	-
Fund based limits – Cash credit	Long term	5.0	**Feb-27-25**	**[[ICRA]A (Stable)**	Nov-29-23	[[ICRA]A (Stable)	-	-	-	-
Non-fund based facilities – Performance bank guarantee	Long term	5.7	**Feb-27-25**	**[[ICRA]A (Stable)**	Nov-29-23	[[ICRA]A (Stable)	-	-	-	-
Unallocated limits	Long term	-	**-**	**-**	-	-	Aug-02-22	[ICRA]AA- (Positive)	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund based - Term loan	Simple
Non-fund based facilities – Bank guarantee/LOC	Very Simple
Fund based limits – Cash credit	Simple
Non-fund-based facilities – Performance 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**	FY2024	NA	FY2029	53.2	[ICRA]A (Stable)
NA	**Non Fund-Based Facilities– Bank Guarantee/LOC**	NA	NA	NA	63.4	[ICRA]A (Stable)
NA	**Fund based limits – Cash Credit**	NA	NA	NA	5.0	[ICRA]A (Stable)
NA	**Non Fund-Based Facilities– Performance Bank Guarantee**	NA	NA	NA	5.7	[ICRA]A (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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