Press Release

Essel Green Mobility Limited

April 15, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs.200.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of **'ACUITE BB-' (read as ACUITE double B minus)** on the Rs.200.00 crore bank facilities of Essel Green Mobility Limited (EGML). The outlook is **'Stable'.**

Incorporated in 2015, EGML is a part of Essel group, the leading industrial group with significant presence in media, entertainment, technology, infrastructure, packaging, financial services and education among others. Mr. Subhash Chandra is the promoter of the Group. (EGML) is wholly owned subsidiary of Essel Infraprojects Limited (EIL), the flagship company of Essel group in the infrastructure segment, formed with the focus on the mobility space. The project will be group's first integrated transport solution.

EGML's business model is mainly divided into two verticals viz. transport solution and energy storage. In the transport solution, EGML will develop a network of electric three wheeler (Autos) and electric buses by which it will own a fleet of these vehicles. In energy storage vertical EGML plans to manufacture lithium-ion battery cells in collaboration with a global company. The company is planning to launch this project in Uttar Pradesh by September 2019.

Analytical Approach

To arrive at rating, Acuité has considered the standalone business and financial risk profile of EGML.

Key Rating Drivers

Strengths

- **Expected growth in the Electric Vehicle (EV) sector**

  The Indian automobile sector is mainly driven by Conventional Internal Combustion Engine Vehicles (ICE). These vehicles are mainly fueled by imported motor fuel. The international crude prices exhibit high volatility depending on the actions of the major crude players like OPEC increasing the fuel cost. Further, these vehicles are major source of pollution as they emit high amount of CO2 gas.

  The EV vehicles can be used as the alternate source of fuel in order to reduce the dependence on oil imports and control the pollution levels. Government of India (GoI) has taken several initiatives to facilitate use of EVs sin the country by launching Faster adoption and Manufacturing of (Hybrid &) Electric Vehicles in India (FAME) in 2015 to support EV marker development and manufacturing ecosystem. In 2018, the Ministry of Power has also launched the new National Electric Mobility Programme to focus on creating charging infrastructure.

  Acuité believes that the government initiatives for promoting the cleaner alternative to fuel and increase the share of EV in aggregate capacity are expected to augur well for the growth of EMGL.

Weaknesses

- **Initial track record of operation with project implementation risk associated with the project**

  EGML was incorporated in 2015 and the commercial operations are expected to begin by September 2019. The Electric Vehicle (EV) sector is a growing rapidly at the back of increasing population, higher oil import costs and increasing pollution levels. However, the sector has also attracted several players in the private sector which has intensified the competition. Also the capital intensity of the sector requires these entities to invest continuously in the fixed assets keeping in mind the future growth of the business. The funding requirements thus for this sector are high.

The total cost of the project is expected to be around Rs.1750.00 crore. The project is funded by Rs.1400 crore of bank loan and rest through promoter funding. The company has raised Rs.41.01 crore equity and Rs.200.00 crore of bank debt till date.

Acuité believes that timely completion of the project and commencement of operations will remain key rating sensitivity factor.

Outlook: Stable

Acuité believes that EGML will maintain a stable outlook over the medium term on account of its strong linkages with, and support from, the Essel Group. The outlook may be revised to 'Positive' in case the company exhibits healthy growth in cash accruals while managing its working capital requirements efficiently. Conversely, the outlook may be revised to 'Negative' in case of any dilution of support from the Essel Group or delays in project implementation or deterioration in the financial risk profile and liquidity position of the company, thereby impacting its debt servicing ability.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	NA	NA	NA
EBITDA	Rs. Cr.	NA	NA	NA
PAT	Rs. Cr.	NA	NA	NA
EBITDA Margin	(%)	NA	NA	NA
PAT Margin	(%)	NA	NA	NA
ROCE	(%)	NA	NA	NA
Total Debt/Tangible Net Worth	Times	NA	NA	NA
PBDIT/Interest	Times	NA	NA	NA
Total Debt/PBDIT	Times	NA	NA	NA
Gross Current Assets (Days)	Days	NA	NA	NA

Note- Commercial operations yet to begin

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition -https://www.acuite.in/view-rating-criteria-17.htm
- Entities in Service Sector - http://acuite.in/view-rating-criteria-8.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE BB-/Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in Avadhoot Mane Senior Analyst - Rating Operations Tel: 022-49294022 avadhoot.mane@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:
Acuité Ratings & Research Limited *(Erstwhile SMERA Ratings Limited)* is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.