



**Press Release**  
**TUNWALE MOTORS PRIVATE LIMITED**  
**August 07, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE B+   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	15.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITÉ B+**' (read as **ACUITE B plus**) on the Rs. 15.00 Cr. bank facilities of Tunwal E motors Private Limited (TEMPL). The outlook is '**Stable**'.

**Rationale for rating assigned.**

The rating assigned reflects the experience of the promoters in the electric vehicles industry which has the huge potential to grow going ahead. However, these strengths are partially offset by declining operating income on account of lower realizations by the group. Further, it also factors in the moderate working capital cycle of the group with high reliance on short term bank financing with an average utilization of 97% for 6 months ended June 2023. The rating also reflects the moderate financial risk profile of the group with improving gearing ratio and moderate debt protection metrics.

Acuite has also considered the contingent liability of around Rs. 130 crore of the group with respect to dispute on classification of imported goods with custom department as a key rating sensitivity, and any updates with respect to the pending case are key rating monitorable.

**About Company**

TEMPL is a two-wheeler manufacturing and assembling company incorporated in 2018. Company currently has two plants situated at Pune, Maharashtra and Palsana, Rajasthan. TEM is promoted by Mr. Jhumarmal Pannaram Tunwal and Mrs. Sangita Tunwal.

TEMPL assembles electric two wheelers by importing parts from other countries. It imports around 70 percent of parts and remaining parts are purchased from local vendors. Company currently has around 400 dealers network covering most of the north, central and western parts of India, in states such as Maharashtra, Gujarat, Haryana etc. Current capacity of the plant is around 300 vehicles per days. Company has a capex plan of around 5-10 crore in medium term for setting up another assembly line. TEM currently has five of its E-vehicles certified and six vehicles are in the process of getting certification done.

Current directors of the company are Mr. Jhumarmal Pannaram Tunwal, Mr. Amit Pannaram Mali, Mrs. Sangita Tunwal, Mr. Karan Saini and Ms. Deepa Mehta.

**About the Group**

Tunwal group has an established presence in electric vehicle industry. The group started their operation in 2013. The group is managed by Mr. Jhumarmal Pannaram Tunwal. Group is into manufacturing of electric two wheelers, E mobility vehicles and electric charging.

infrastructure. The group has a presence in states such as Maharashtra, Gujarat, Haryana etc.

Tunwal e vehicles is in the business of E mobility for handicapped people and electric charging infrastructure.

## **Analytical Approach**

### **Extent of Consolidation**

- Full Consolidation

### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuité has considered consolidated financials of Tunwal E-motors Private Limited (TEMPL) and Tunwal E Vehicles India Private Limited (TEVIPL) to arrive at the rating. The consolidation is on accounts of same promoters and similar lines of business.

## **Key Rating Drivers**

### **Strengths**

#### **Experienced Management and Positive Industry Outlook**

Tunwal E Motors has an established track record of operation dating back almost 10 years. The group started the business in 2013 at Gandhinagar. The current promoters of the group are Mr. Jhumarmal Pannaram Tunwal and Mrs. Sangita Tunwal.

The E two-wheeler industry in India is still in its nascent stage but it has shown significant growth over the years. Slowly customers are switching to electric vehicles which helps them in fuel cost reduction. Also, the subsidy such as Fame II provided by the government helps in increasing sales as it becomes cost effective for customers. As the rural disposable income increases, the growth will be seen across the industry leading to higher sales.

Current directors of the company are Mr. Jhumarmal Pannaram Tunwal, Mr. Amit Pannaram Mali, Mrs. Sangita Tunwal, Mr. Karan Saini and Ms. Deepa Mehta.

Acuite believes that experience of the promoters and growth potential in industry may continue to help TEMPL to improve its scale of operations.

### **Weaknesses**

#### **Deteriorating Operating Income**

The revenue of the group has declined and stood at Rs. 99.44 crore in FY2023(Prov.) as against Rs. 169.48 crore in FY2022 and Rs. 58.16 crore in FY2021. However, the EBITDA margin has increased to 6.63 percent in FY2023 (Prov) as against 4.1 percent in FY2022 and 5.89 percent in FY2021. Further, the PAT margin stood at 4.16 percent in FY2023 as against 2.37 percent in FY2022 and 4.09 percent in FY2021.

However, the standalone revenue of the company Tunwal E motors has remained stagnant at Rs. 76.52 crore in FY2023 (Prov.) as against 75.46 crore in FY2022 and Rs. 1.28 crore in FY2021. The E two wheeler business is separated from Tunwal E vehicle to Tunwal E motors in FY2021. Acuite believes that ability of the group to increase its scale of operation going forward is a key rating sensitivity.

#### **Moderately intensive Working capital operations**

The working capital management of the group is moderately intensive marked by GCA days of 138 days in FY23 (Prov) and FY22. The group maintains inventory levels of around 133 days in FY23 (Pov) as against 118 days for FY22. Generally, the inventory holding period that the group follows is ~90 days. Subsequently, the debtor's collection period stood at 8 days in FY23 (Prov) as against 14 days for FY22. Furthermore, the creditor days stood at 58 days in FY23 (Prov) as against 94 days in FY22. TEMPL has high reliance on the short-term bank financing with average utilization of cash credit at around 97 percent for last six months ended June 2023. Acuite believes that the working capital cycle of the group to remain moderate considering the nature of the operations.

#### **Moderate Financial Risk profile**

The financial risk profile of the company stood moderate, marked by low net worth, moderate gearing (debt-equity) and moderate debt protection metrics.

The tangible net worth stood at Rs.15.93 crore as on 31 March 2023 (Prov) as against Rs.11.48 crore as on 31 March 2022. The increase in net worth is majorly due to accretion of profits to

the reserves. The total debt of the group stood at Rs.24.15 crore as on 31 March 2023 (Prov) which includes short-term debt of Rs.18.82 crore. The long-term debt associated with Punjab and Sind Bank of Tunwal E Motors Private Limited stands at Rs. 3.25 crore as on 31<sup>st</sup> July 2023. The gearing (debt-equity) stood at 1.52 times as on 31 March 2023 (Prov) as compared to 1.85 times as on 31 March, 2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.32 times as on 31 March, 2023 (Prov) as against 5.82 times as on 31 March, 2022. Further, debt protection metrics stood moderate with Interest Coverage Ratio stood at 3.18 times for FY2023 (Prov) as against 4.59 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 3.18 times in FY2023 (Prov) as against 3.28 times in FY2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.2 times for FY2023 (Prov) as against 0.22 times for FY2022.

However, the crystallization of contingent liability of Rs 130 Cr may impact the financial risk profile of the group adversely in absence of provision created for the same.

Acuite believes that ability to maintain a moderate financial risk profile is a key rating sensitivity.

### **Rating Sensitivities**

- Significant increase in scale of operations while maintaining a profitability margin.
- Any deterioration in the financial risk profile of the company due to crystallization of contingent liability leading to stretch in liquidity.

### **Material Covenants**

None

### **Liquidity Position**

#### **Adequate**

The group's liquidity position is adequate, marked by sufficient net cash accruals against the maturing debt obligations. The group generated sufficient net cash accruals in the range of Rs. 4.81 crore in FY23(Prov.) against its maturity repayment obligations in of Rs. 0.28 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs. 4 to 6 crore against the maturing repayment obligations of Rs.0.76 crore over the medium term. The working capital management of the group is moderate marked by GCA days of 138 days in FY2023 (Prov). The reliance on working capital limits is very high reflected by average utilization of around 97 percent for last six months ended June 2023. The group maintains cash and bank balances of Rs. 0.76 crore as on March 31, 2023 (Prov). The current ratio stood at 1.25 times as on March 31, 2023 (Prov), as against 1.13 times as on 31 March, 2022.

Acuite believes the liquidity position of the group to remain adequate on account of healthy cash accruals as against negligible term loan repayments.

### **Outlook:**

Acuité believes the outlook on TEMPL will continue to remain 'Stable' over the medium term backed by strong industry outlook and experienced management. The outlook may be revised to 'Positive' if the group is able to significantly improve the scale of operations, while also improving its working capital operations efficiently and being less reliance on short term debt. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile of the group by not able to scale up the business.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	99.44	169.48
PAT	Rs. Cr.	4.14	4.02
PAT Margin	(%)	4.16	2.37
Total Debt/Tangible Net Worth	Times	1.52	1.85
PBDIT/Interest	Times	3.18	4.59

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

None

### Any Other Information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

### Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History :

None

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Complexity Level</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE B+   Stable   Assigned
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE B+   Stable   Assigned
Punjab and Sind Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.00	ACUITE B+   Stable   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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