



Press Release

TUNWAL E-MOTORS LIMITED (ERSTWHILE TUNWAL E-MOTORS PRIVATE LIMITED)

November 04, 2024

Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	15.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to ‘**ACUITE BB**’ (read as **ACUITE double B**) from ‘**ACUITE B+**’ (read as **ACUITE B plus**) on the Rs. 15.00 Cr. bank facilities of Tunwal E-Motors Limited (Erstwhile Tunwal E-Motors Private Limited)(TEML). The outlook is ‘**Stable**’.

Rationale for rating upgraded.

The rating upgrade considers the improved business and financial risk profile of TEML. The company generated an operating income of Rs. 104.63 Cr. in FY2024 as against Rs. 76.52 Cr. in FY2023. Its operating profitability stood at 17.52 % in FY2024 as against 8.68 % in FY2023 driven by lower input material cost. Further, the company got listed on the bourse in July, 2024 and raised a fresh issue of Rs. 81.72 Cr. and the promoter’s OFS stood at Rs. 33.93 Cr. This public issue boosted the financial risk profile of the company. The overall gearing which stood at Rs 1.03 Cr. in FY2024 is estimated to remain in the range of 0.12 to 0.15 times over the medium term. Going forward, further improvement in the scale of operations and profitability margins while maintaining the capital structure will remain a key rating monitorable.

About the Company

TEML is an electric two-wheeler manufacturing and assembling company incorporated in 2018. The company operates through its registered office in Pune, Maharashtra and the manufacturing facility is strategically located in Palsana, Rajasthan. The current capacity of the plant is 41,000 vehicles per annum. It imports around 90 percent of parts and remaining parts are purchased from local vendors. TEML currently has fifteen E-vehicles certified and five vehicles are in the process of getting certification done. In July 2024, TEML has acquired ASG Mart India Pvt Ltd to start its manufacturing unit at the land parcel of the acquired company. TEML is promoted by Mr. Jhumarmal Pannaram Tunwal and Mrs. Sangita Tunwal and is listed on National Stock Exchange.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Tunwal E-Motors Limited while arriving at the rating.

Acuite earlier considered consolidation approach of TEML with its group entity Tunwal E Vehicles Private Limited. However, since there are no financial and operations interlinkages between the entities hereafter, the rating approach has been changed to standalone for TEML.

Key Rating Drivers

Strengths

Experienced Management and Positive Industry Outlook

TEML has an established track record of operation dating back almost 6 years in the low-speed E2W market. The company started the business in 2018 and currently has over 250 dealers across India. The current promoters of the company 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 & Fame III, Electric Mobility Promotion Scheme (EMPS) provided by the government helps in increasing sales. As the rural disposable

income increases, the growth will be seen across the industry leading to higher sales. As a result, TEML registered healthy revenue growth of Rs. 104.63 crore in FY2024 as against Rs. 76.52 crore in FY2023 and Rs. 75.46 crore in FY2022. The EBITDA margin has increased to 17.52 percent in FY2024 as against 8.68 percent in FY2023 and 5.91 percent in FY2022, owing to the reduced raw material cost. The present directors of the company are Mr. Jhumarmal Pannaram Tunwal, Mr. Amitkumar Pannaram Mali, Mr. Karan Kumar Saini, Mr. Kush Gupta, Ms. Arshita Singh and Mr. Nagraj Naveenchandra Mujumdar.

Acuite believes that experience of the promoters and growth potential in industry may continue to help TEML to improve its scale of 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.20 crore as on 31 March 2024 as against Rs.7.77 crore as on 31 March 2023, owing to the accretion of profits to the reserves. The total debt of the company stood at Rs.20.52 crore as on 31st March 2024 which includes short-term debt of Rs.13.67 crore. The long-term debt of Tunwal E-Motors Limited stands at Rs. 2.76 crore as on 31st March 2024. The gearing (debt-equity) stood at 1.03 times as on 31 March 2024 as compared to 2.43 times as on 31 March, 2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.77 times as on 31 March, 2024 as against 6.26 times as on 31 March, 2023. Further, debt protection metrics stood healthy with Interest Coverage Ratio stood at 9.02 times for FY2024 as against 6.89 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 5.24 times in FY2024 as against 5.36 times in FY2023. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.62 times for FY2024 as against 0.22 times for FY2023.

With the public issue of TEML shares in July, 2024, the overall financial risk profile is boosted further. The overall gearing is estimated to remain 0.15 times while the interest coverage and Debt to EBITDA is estimated to remain in the range of 12.53 to 16.96 times and 0.50 to 0.63 times respectively in the near to medium term.

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

Weaknesses

Intensive Working capital operations

The working capital management of the company is intensive marked by GCA days of 215 days in FY24 as against 205 days in FY23. The company maintains inventory levels of around 219 days in FY24 as against 137 days for FY23. Generally, the inventory holding period that the company follows is ~90 days. Subsequently, the debtor's collection period stood at 10 days in FY24 as against 28 days for FY23, owing to the credit period offered to the dealers of 7-15 days. Furthermore, the creditor days stood at 76 days in FY24 as against 92 days in FY23. TEML has high reliance on the short-term bank financing with average utilization of cash credit at around 77 percent for last six months ended September 2024. Further, post the public issue, the working capital cycle is expected to slightly elongate further considering TEML's plans to incentive dealers by granting them extended credit period, faster payments to its suppliers to avail additional discounts etc.

Acuite believes that the working capital cycle of the company to remain moderate considering the nature of the operations.

Highly dependent for the raw materials on China

The company procures almost 90% of its raw material from China. This exposes the company to geo-political and forex risks.

Acuite believes that any regulatory action can significantly impact the business operations of the company.

Rating Sensitivities

- Significant increase in scale of operations while maintaining a profitability margin.
- Efficiency in the management of the working capital cycle.

Liquidity Position

Adequate

The company's liquidity position is adequate, marked by healthy net cash accruals against the maturing debt obligations. The company generated sufficient net cash accruals in the range of Rs.12.73 Crore from FY24 against its maturity repayment obligations of Rs. 0.74 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs. 12.00 crores to Rs. 16.00 crores against the maturing repayment obligations of Rs. 0.74 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 215 days in FY2024. As a result, the utilizations of working capital limits are marked high as reflected by utilizations of fund-based limit of around 77 percent in last six months ended September 2024. The company maintains cash and bank balances of Rs. 0.06 crore as on March 31, 2024. The current ratio stands at 1.51 times as on March 31, 2024, as against 1.20 times as on 31 March, 2023.

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

Outlook: Stable

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	104.63	76.52
PAT	Rs. Cr.	11.81	3.46
PAT Margin	(%)	11.29	4.53
Total Debt/Tangible Net Worth	Times	1.03	2.43
PBDIT/Interest	Times	9.02	6.89

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

Not Applicable

Any other information

None

Applicable Criteria

- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- 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>

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Aug 2023	Cash Credit	Long Term	6.00	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE B+ Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab and Sind Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE BB Stable Upgraded (from ACUITE B+)
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.38	Simple	ACUITE BB Stable Upgraded (from ACUITE B+)
Punjab and Sind Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2031	2.62	Simple	ACUITE BB Stable Upgraded (from ACUITE B+)

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Akshit Agrawal Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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