ANAND MANDO EMOBILITY PRIVATE LIMITED

October 09, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	48.00	CARE BBB-; Stable	Reaffirmed
Short Term Bank Facilities	2.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Anand Mando EMobility Private Limited (AMEM) factors in strong JV partners with long presence in auto components segment along with technical collaboration with global supplier of E mobility solutions. The ratings further derive strength from government's focus on the electric vehicle industry with subsidy for electric vehicles under FAME II and revenue visibility on the back of Letter of Intent (LOI) and new customer additions. These rating strengths are however, constrained by nascent stage of operations along with operational losses as a result of lower scale, leveraged capital structure, timely commissioning of centre motor and controller division along with stabilization risk and susceptibility to raw material price fluctuation and foreign exchange volatility risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainable improvement in the scale of operations beyond Rs 250 crore with PBILDT margin of more than 8%.
- Improvement in capital structure there by leading to overall gearing below 1.50x.

Negative factors

- Non-achievement of envisaged ramp up in volumes with continued operating losses.
- Increase in total debt above Rs.70.00 crore which may adversely impact the liquidity position and increase dependence on parent for support.
- Change in management or effective control of Anand Group.

Analytical approach: Standalone after factoring linkages with group companies along with the established relationship with JV technology partner Mando Corporation, Korea. Further, the company benefits from group synergies in the form of common business relationships, Anand's brand identity and operational support. Further, the sanctioned bank limits of the company are backed by unconditional and irrevocable bank guarantee by Asia Investments Private Limited (AIPL) (Anand group's share is through AIPL) for the tenor of the facilities.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects company to have stable operational performance on the back of revenue visibility on account of letter of intent from new customers.

Detailed description of the key rating drivers:

Key strengths

Strong JV partners with technical collaboration with global suppliers: AMEM is a 60:40 Joint venture (JV) of Mando Corporation and Anand Group through Asia Investments Private Limited (AIPL). The JV Partners collaborated for the first time in 1997 with the set-up of HL Mando Anand India Private Limited (erstwhile known as Mando Automotive India Private Limited) to manufacture state-of-the-art brake systems. In order to expand its reach in Electric Vehicle (EV) segment, JV partners decided to leverage existing synergies, respective capabilities, and their vast experience in the auto component industry to establish their second Joint Venture in India - ANAND Mando EMobility Private Limited, for manufacturing and marketing of Electric Vehicle (EV) components and systems for the 2/3 – Wheeler applications. Anand Group has been in existence since 1961 and with established market position over the years in the automotive components industry in India. It is known as one of the largest automobile suspension component suppliers in India, through its group company, Gabriel India limited and has also entered into multiple JVs with reputed multi-national companies engaged in auto component manufacturing which includes Faurecia, Valeo, Henkel, CY Myutech, and DANA as technology partners. The promoter of Anand Group, Mr. Deep C Chand has more than five decades of experience in the automotive industry. The group has longstanding partnerships with every Original Equipment Manufacturer (OEM) present in India in every automotive segment having manufacturing facilities and advanced technologies from global partners. Mando Corporation is a Korean auto parts manufacturer of brake systems, suspension systems, steering systems, and driver assistance systems. Company provides EV solutions from premium ride to dynamic driving by using its by-wire and built-in

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

redundancy technology. The company operates manufacturing and sales offices in India, China, Brazil, South Korea, Poland, Germany, Indonesia, Malaysia, Turkey, Japan, Sweden, Mexico, and the US. Mando is headquartered in South Korea and thus brings in state-of the art- manufacturing units in this segment. The joint venture partners have consistently infused equity to fund the project as well as the losses incurred till date with equity to the tune of ~Rs.37.00 crore infused till June 30, 2023.

Revenue visibility with new customer additions and LOI: The company started its relationship with Okinawa, Okaya and Benling in FY22 on the back of LOI (Letter of intent) ranging for a period of 2-5 years providing revenue visibility in the near term. During 2023, AMEM has received LOI from Ola Electric Technologies (expected revenue of ~Rs.210.00 crore in FY24 (refers to the period from April 01, 2023 to March 31, 2024) and TVS Motor Company (CARE AA+; Stable/CARE A1+) (expected revenue of ~Rs.24.00 crore in FY24). Further, AMEM is likely to be benefited from the group presence for more than five decades in this industry and long association with the major OEMs in all the segments.

Industry Performance and Outlook: In FY23 (refers to the period from April 01, 2022 to March 31, 2023), EV sales reached approximately 0.73 million units, accounting for 3.7% of total two-wheeler sales (compared to 1.3% in the previous year), reflecting a remarkable year-on-year growth of 215% due to a low base. The demand for EVs is driven by a shift in consumer preferences towards options that offer lower fuel costs, reduced maintenance, and lower servicing requirements compared to internal combustion engine (ICE) models. However, the demand for EVs might experience a slowdown due to the reduction in the FAME II subsidy, which will decrease from the current 40% to 15% starting from June 1st, 2023, resulting in increased ownership costs. CareEdge Ratings believes that a timely resolution of FAME II policies with extended subsidies while maintaining an attractive price range, is crucial to support the adoption of electric vehicles, which is still in its early stages. In addition, improvements in the EV ecosystem, including the availability of charging stations and advancements in battery capacity, will further facilitate the transition to electric two-wheelers. It is expected that electric two-wheeler volumes shall surpass 1.5 million units in FY24 with the necessary support and advancements.

Key weaknesses

Nascent Stage of operations: The company started its operations in Jan 2022 with manufactured sales of hub motor to Okinawa Scooters and motorcycles. During FY23, the company reported total operating income of Rs.47.91 crore (PY: Rs.3.48 crore). However, due to low base, company was unable to absorb its fixed overheads and hence reported operational and net loss of Rs.9.91 crore and Rs.17.18 crore in FY23 respectively. With the addition in customer base and presence of back-to-back orders leading to better absorption of fixed overheads, operational performance is expected to improve in the near to medium term.

Current year performance: The company has reported total operating income of ~Rs.50.00 crore during FY24 (year to date till September 29, 2023) on the back of start of supply of hub motor to Ola Electric Technologies (from July 2023, onwards). Going forward, as per the letter of intent received from Ola Electric Technologies, ramp in volumes and consequently revenue is expected in the current financial year.

Susceptibility to raw material price fluctuation and foreign exchange volatility risk: The major raw material of the company is Magnet and sensor which are currently being imported from china. Along with this, rims, copper wires and bearings are also used which is procured domestically. The prices of these are volatile in nature and thus exposes the company to price risk. Though, company has a policy whereby the price gets revised on the movement of commodities with a lag of one quarter. Further, company is planning to hedge its exposure as dependency on imports is significant and thus, any unhedged exposure may impact the profitability margins.

Highly levered capital structure: The overall gearing of the company deteriorated substantially to 13.42x as on March 31, 2023 (PY: 1.50x) primarily on account of decline in tangible net-worth due to net loss reported in FY23 and incremental debt availed by the company to fund the remaining project. Further, due to nascent stage of operations resulting in operational losses have led to negative debt coverage indicators.

Timely commissioning of centre motor and controller division along with stabilisation risk: The company successfully completed its hub motor division in FY22, revenue of which is reflecting in FY23 and in the current financial year. However, being into nascent stage of operations still, AMEL is exposed to stabilisation risk which is partially mitigated by the continuous customer acquisition taking place. Further, the company has completed the installation of the manufacturing line to produce centre motor and controller division, with production and supply of centre motor and controller expected to begin from October, 2023 and December, 2023 onwards respectively. Timely commissioning and consequent ramp in production of the same would remain a key monitorable.

Liquidity: Adequate: The liquidity profile of the company is adequate as reflected by projected gross cash accruals of Rs.15.38 crore in FY24 against scheduled repayment of Rs 6.25 crore. Further, the company is planning to incur capex of Rs 27.05 crore in FY24 pertaining to completion of capex of existing unit in Bhiwadi and installation of hub motor division near Bangalore (2.5 lakh pieces per annum) which will be funded by way of debt-equity mix. The limits are backed by unconditional and irrevocable bank guarantee by AIPL for the tenor of the facilities.

Applicable criteria

[Policy on default recognition](#)
[Factoring Linkages Parent Sub JV Group](#)
[Financial Ratios – Non financial Sector](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Credit Watch](#)
[Short Term Instruments](#)
[Auto Ancillary Companies](#)
[Manufacturing Companies](#)
[Policy on Withdrawal of Ratings](#)

About the company and industry

Anand Mando E-Mobility Private Limited, incorporated in February 2021 for manufacturing and supply of Motor and Controller for the emerging 2/3-Wheeler Electric Vehicle Market. In FY22, company started production of hub motors with annual capacity of 2 lakh piece per annum. The unit is set up in Bhiwadi with the expected cost of Rs 52 crore.

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Brief Financials (₹ crore)	FY22 (A)	FY23 (A)	Q1FY24 (UA)
Total operating income	3.48	47.91	5.91
PBILDT	-6.17	-9.91	-4.14
PAT	-7.78	-17.18	-4.49
Overall gearing (times)	1.50	13.42	NEG*
Interest coverage (times)	-22.69	-3.05	NEG*

A: Audited UA: Unaudited; NEG: Negative, Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	31/03/2025	28.00	CARE BBB-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	20.00	CARE BBB-; Stable
Non-fund-based - ST-Working Capital Limits		-	-	-	2.00	CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	28.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (09-Feb-23)	-	-
2	Non-fund-based - ST-Working Capital Limits	ST	2.00	CARE A3	-	1)CARE A3 (09-Feb-23)	-	-
3	Fund-based - LT-Working Capital Limits	LT	20.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (09-Feb-23)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - ST-Working Capital Limits	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here]

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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