Hop Electric Mobility Private Limited

March 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	9.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	51.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Hop Electric Mobility Private Limited (HEMPL) vide various e-mail communications including emails dated August 01, 2023, December 19, 2023, February 28, 2024 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, HEMPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on HEMPL's bank facilities will now be denoted as CARE BB+; Stable/ CARE A4+; ISSUER NOT COOPERATING. Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings continue to remain constrained on account of HEMPL's modest scale of operations with modest profitability, small networth base, and its presence in highly competitive electric two-wheelers (e2W) industry. The ratings also factor in the supply chain challenges related to dependence on imports of critical components for electric two wheelers. These ratings, however, favourably draws comfort from resourceful and experienced promoters with fund infusion to support the operations, establishment of wide dealers' network (exclusive dealership) in its short track record, new product launches and favourable government policies and high growth potential of Electric Vehicle (EV) industry.

Analytical approach: Standalone

Detailed description of the key rating drivers:

At the time of last rating on January 05, 2023, the following were the rating strengths and weaknesses (updated for the information i.e. FY23 audited financials)

Key weaknesses

Growing albeit modest scale of operations with modest profitability: The company has commenced operations from July, 2021 onwards and Total operating Income (TOI) of the company has been growing y-o-y and stood moderate at Rs.68.76 crore (P.Y: Rs.32.07 crore). Further, in terms of profitability, margins depend upon the type of electric two-wheeler (e2W) scooters segment (high-speed and low-speed). The models belonging to high-speed segment generally fetches better margins as compared to low-speed. During FY23, majorly revenue (~90%) of the company was derived from its low speed electric vehicles segment, while remaining was contributed by newly launched high-speed electric bike 'Hop OXO'. Further, during F23, company has reported loss of Rs.4.79 crore at operating level as against profits envisaged during last review, which was mainly on account of higher freight and advertisement expenses reported during the year. However, the entire loss was funded through infusion of equity by promoter group entity and funds raised from third party by issuing compulsory convertible preference shares (CCPS).

Dependence on imports for supply of critical components: Company procures its key component requirement like batteries through imports while domestic purchases are limited to other components like steel frames, tyres, harnesses, plastics, lights etc. Imports formed around 50%-55% of its total cost of material consumed in last two years ended FY23. Hence, given the company's moderate import dependence for battery cells (in line with the Indian EV industry), the supply of e2Ws by HEMPL would remain vulnerable to geo-political developments between India and the cell exporting nations. Any change in regulations related to imports of components or supply chain disruptions could likely impact HEMPL's operations.

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

Project risk associated with its capex plans: The company was planning on undertaking capex to set up its own assembly line at estimated cost of Rs.10 crore during FY23, which was proposed to be funded through term loan of Rs.7 crore. However, as discussed with the management, this capex is postponed as of now also company has not availed any debt during FY23.

Presence in highly competitive electric two-wheelers (e2W) industry: The Indian electric two-wheeler market is highly competitive, with the presence of many established players, including Okinawa Autotech, Ola Electric Mobility Private Limited, Hero Electric Vehicles Private Limited, Ampere Vehicles Private Limited, Ather Energy Private Limited, etc. Due to building confidence and change in preferences of customers towards e2Ws will tempt the new entrants to enter into this market over the next two-to-three years which will further intensify the competition among the players. Furthermore, in order to cope up with the competition, grow its market share and maintain its position in the e2W market, the players regularly launch new models/variants. Thus, it will be crucial for the company to timely develop new products, launch new models with unique features at affordable cost and make continuous investment in the in-house research and development (R&D) and new technology, enhancement of its existing capacities along with expansion of its distribution network keeping in view the demand from the prospective customers for sustaining the leadership position in the Indian electrical two-wheeler market.

Key strengths

Resourceful and experienced promoters with infusion of funds as per requirement: The company is spearheaded by Mr. Ketan Mehta, Mr. Rajendra Agarwal, Mr. Ashish Jain, Mr. Rahil Gupta & Mr. Nikhil Gupta who are well experienced in the field of renewable energy. Mr. Ketan Mehta was also accredited with the title of 'Forbes 30 under 30 -Asia- In Energy Sector'. Promoters of HEMPL are also promoters of Rays Power Infra Private Limited (RPIPL; rated CARE A-; Stable/ A2+), which is an established player in 'Turnkey Solar EPC Services' having commissioned solar park and projects rounding to 1000 MW. Promoters are resourceful as reflected by infusion of funds though RPIL as well as via external financial investors. During FY23, HEMPL has raised funds of Rs.20 crore, out of which RPIL has invested Rs.10 crore in equity shares of HEMPL, along with Rs.10 crore raised from M/s. Genus Power Infrastructure Limited (GPIL) in form of compulsorily convertible preference shares. Also, management has articulated that promoters would infuse need based support in the company.

Establishment of wide dealers' network in its short track record: During its short track record, company has established wide dealers' network, consisting of more than 150 exclusive dealership spread across 14 states of India, which is expected to expand further to increase penetration in the market.

New product launches in electric two-wheeler (e2W) segment: The company has a product portfolio of electric two-wheeler (e2W) scooters/bikes which includes eight different models catering to the high-speed and low-speed category, out of which two (Hop OXO , Hop OXO X motorcycle, launched in September, 2022) belong to the high-speed category (top speed of 90km/hour, full charge range of 150Kms/per charge) and other six products (Hop LYF basic, LYF, LYF Extended; Hop LEO basic, LEO, LEO Extended, launched in June, 2021) belong to the low-speed category (top speed of 50km/hour, full charge range of 125Kms/per charge) and will continue to expand the portfolio with new model launches going forward. Also, as per publicly available information, HEMPL is planning to launch mass market electric bike to improve its penetration in tier II and tier III cities and smaller towns.

Good growth prospects for the e2W industry and government support though various schemes: At present, the e2W industry in India is at a nascent stage, comprising less than 1% of the total vehicle sales in India in FY21; however, the industry has high growth potential going forward. The industry has witnessed a significant growth of 460% in FY22. Between April and March 2022, the e2W industry registered sales of 231,378 units, against 41,046 units sold in 2021. To promote e2W purchases in the country, there has been backing by the central and state governments in the form of the introduction of various incentives and schemes viz. Faster Adoption and Manufacturing of Hybrid & Electric Vehicles scheme (FAME-II) and Production-Linked Incentive (PLI) scheme to promoter investment in this segment. However, there are many constraints e2Ws market faces such as import of battery cells, riding range, inadequate charging infrastructure with respect to public charging systems, limited battery life and high replacement costs, policy barriers with respect to GST wherein if batteries are sold separately it gets charged 18% GST and recent fire incidents of e2Ws

Liquidity: Not Applicable

Applicable criteria

Definition of Default
Policy in respect of non-cooperation by issuers
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	2/3 Wheelers

Jaipur (Rajasthan) based Hop Electric Mobility Private Limited (HEMPL; CIN: U74999RJ2020PTC068051) was established in 2020 as a wholly owned subsidiary of Shining Technologies Ventures Private Limited (STVPL) owned and managed by Mr. Ketan Mehta, Mr. Rajendra Agarwal, Mr. Ashish Jain, Mr. Rahil Gupta & Mr. Nikhil Gupta. Mr. Ketan Mehta is also the promoters of Rays Power Infra Private Limited (RPIL; rated CARE A-; Stable/ A2+). HEMPL is engaged into manufacturing of two-wheeler electric vehicles and has both high speed variant (Hop OXO electric motorcycle) and low-speed scooter variants (HOP LEO, HOP LYF). During FY23, HEMPL raised funds of Rs.20 crore, out of which RPIL invested Rs.10 crore in equity shares of HEMPL and it holds 5% equity ownership in HEMPL as on date. Further, HEMPL has also raised investments from publicly listed company M/s. Genus Power Infrastructure Limited by issuing compulsory convertible preference shares amounting to Rs.9.99 crore, GPIL was incorporated in 1994 and is a leading meter manufacturing company.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	0.32	32.07	68.76
PBILDT	-0.16	0.64	-4.79
PAT	-0.16	0.44	-5.68
Overall gearing (times)	NM	1.08	0.17
Interest coverage (times)	NM	4.69	NM

A: Audited, NM: Not Meaningful; 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-Cash Credit		-	-	-	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	December 2027 (Proposed)	7.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	51.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	51.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (05-Jan-23)	-	-
2	Fund-based - LT-Cash Credit	LT	2.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (05-Jan-23)	-	-
3	Fund-based - LT-Term Loan	LT	7.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (05-Jan-23)	-	-

*Issuer did not cooperate; based on best available information.
LT: Long term; LT/ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	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.

Contact us

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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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