Hero Electric Vehicles Private Limited

March 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	40.00	CARE D; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long-term / Short-term bank facilities	250.00	CARE D / CARE D; 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 Limited (CARE Ratings) has been seeking information from Hero Electric Vehicles Private Limited (HEVPL) to monitor the ratings vide e-mail communications dated March 18, 2024, March 15, 2024, March 12, 2024, and March 11, 2024, among others, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In line with the extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings has reviewed the ratings based on the best available information, which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. Ratings on HEVPL's bank facilities will now be denoted as CARE D; ISSUER NOT COOPERATING* due to non-availability of requisite information.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

At the time of last rating review done on August 16, 2023, the following were the rating strengths and weaknesses:

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely servicing of debt obligations for minimum continuous 3 months.
- Significant equity infusion or favourable resolution of subsidy claims substantially improving the financial risk profile.
- Substantial generation of gross cash accruals (GCA) sufficing any operations and/or financial obligations.

Analytical approach: Standalone

Outlook: NA

Detailed description of the key rating drivers:

Key weaknesses

Delay in debt servicing

HEVPL has delayed in servicing its debt obligations. CARE Ratings has taken cognisance of the same and accordingly has taken the rating action. This also follows the poor liquidity situation prevailing in the company due to continued operating losses and elongated receivable position.

Dependence on external borrowings due to sizeable pending FAME subsidy claims

Post debarment from FAME scheme (Faster Adoption and Manufacturing of Electric Vehicles), MHI issued notices to HEVPL for the recovery of amounts wrongly claimed amounting to ₹133 crore as well as barred HEVPL from receiving any future payments from the scheme resulting in a build-up of subsidy claims from the Government of around ₹516 crore as on April 30, 2023, increased from ₹62 crore as on March 31, 2022, thus impacting the company's already stretched liquidity. In FY23, the promoters infused equity amounting to ₹50 crore as on April 30, 2023. According to the signed term sheet with its existing investors Oaks & GII were to infuse around ₹160 crore by June 2023, of which ₹44.5 crore has been received as on July 31, 2023. There was lower-than-expected infusion of equity which has further stretched HEVPL's already stretched liquidity.

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

Continued operating Losses

Despite a gross margin of 18%-20%, HEVPL is yet to report operating profit due to the high component costs (50% of raw material cost). According to the latest financial results available, the company's PBILDT losses expanded from ₹27.37 crore in FY22 to ₹81.85 crore in 9MFY23 (Un-audited).

Key strength

Established market position in the e2W industry in India

HEVPL's early-mover advantage, pan-India distribution network, promoter family expertise, and market reputation make it one of India's oldest e2W businesses with a network of 500 dealers and 250 sub-dealers, ie, 750 touch points, across 25 Indian states. With the current investment, the company's Ludhiana, Punjab, manufacturing facility's 75,000-unit capacity would rise to 200,000 units. HEVPL sold 53,556 units in FY21, 101,204 in FY22, and 90,000 through January 2023; its market share as of March 2023 stood at around 13%.

Liquidity: Poor

With the continued operating losses and its elongated receivable position (FAME subsidy claims), the company's liquidity is poor. This has followed into delaying repayment of its debt obligations as well. HEVPL's free cash and cash equivalents stood at around ₹3.9 crore as on July 31, 2023 (total cash and cash equivalents was ₹21.1 crore) while repayments due in FY24 are around ₹56 crore for term debt.

In FY23, the promoters have infused around ₹50 crore as on April 30, 2023. As per the signed term sheet with its existing investors Oaks & GII were to infuse around ₹160 crore by June 2023, of which only ₹44.5 crore has been received as on July 31, 2023. Sustainable timely servicing of its debt obligations would be a key monitorable.

Environment, social, and governance (ESG) risks: NA

Applicable criteria

Policy on Default Recognition
Liquidity Analysis of Non-Financial Sector entities
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

HEVPL is a part of the Hero Eco group (comprising HEVPL, Hero Exports [rated 'CARE A-; Negative/CARE A2+']), and Hero Ecotech Ltd (rated 'CARE A-; Negative/CARE A2+'), held by Vijay Munjal, Naveen Munjal, and Gaurav Munjal. The company began developing EVs more than a decade ago and rolled out its first electric scooter in India in 2007. Its target market is the low and city-speed segments. It has over 300 employees in India and a manufacturing unit in Ludhiana, with an installed capacity of 70,000 units per annum.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	305.91	841.42	842.61
PBILDT	-12.70	-27.37	-81.85
PAT	-21.34	-29.96	-73.89
Overall gearing (times)	0.81	0.80	NA
Interest coverage (times)	-1.33	-1.63	-ve

A: Audited; UA: Unaudited; Note: 'these are latest financial results available'

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for last three years: Please refer to 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	40.00	CARE D; ISSUER NOT COOPERATING*
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	50.00	CARE D / CARE D; ISSUER NOT COOPERATING*
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	150.00	CARE D / CARE D; ISSUER NOT COOPERATING*
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	50.00	CARE D / CARE D; ISSUER NOT COOPERATING*

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

Annexure-2: Rating history for 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	50.00	CARE D / CARE D; ISSUER NOT COOPERATING *	1)CARE D / CARE D (16-Aug-23) 2)CARE BB; Negative / CARE A4 (11-May-23) 3)CARE BB+ / CARE A4+ (RWN) (07-Apr-23)	1)CARE BB+ / CARE A4+ (RWN) (27-Dec-22) 2)CARE BB+ / CARE A4+ (CW with Negative Implications) (15-Nov-22) 3)CARE BBB / CARE A3+ (CW with Negative Implications) (12-Oct-22) 4)CARE BBB; Stable / CARE A3+ (30-Aug-22)	-	-
2	Fund-based - LT-Term loan	LT	40.00	CARE D; ISSUER NOT COOPERATING *	1)CARE D (16-Aug-23) 2)CARE BB; Negative (11-May-23) 3)CARE BB+ (RWN) (07-Apr-23)	1)CARE BB+ (RWN) (27-Dec-22) 2)CARE BB+ (CW with Negative Implications) (15-Nov-22) 3)CARE BBB (CW with Negative Implications) (12-Oct-22)	-	-

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
						4)CARE BBB; Stable (30-Aug-22)		
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	50.00	CARE D / CARE D; ISSUER NOT COOPERATING *	1)CARE D / CARE D (16-Aug-23) 2)CARE BB; Negative / CARE A4 (11-May-23) 3)CARE BB+ / CARE A4+ (RWN) (07-Apr-23)	1)CARE BB+ / CARE A4+ (RWN) (27-Dec-22) 2)CARE BB+ / CARE A4+ (CW with Negative Implications) (15-Nov-22) 3)CARE BBB / CARE A3+ (CW with Negative Implications) (12-Oct-22) 4)CARE BBB; Stable / CARE A3+ (30-Aug-22)	-	-
4	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	150.00	CARE D / CARE D; ISSUER NOT COOPERATING *	1)CARE D / CARE D (16-Aug-23) 2)CARE BB; Negative / CARE A4 (11-May-23) 3)CARE BB+ / CARE A4+ (RWN) (07-Apr-23)	1)CARE BB+ / CARE A4+ (RWN) (27-Dec-22) 2)CARE BB+ / CARE A4+ (CW with Negative Implications) (15-Nov-22) 3)CARE BBB / CARE A3+ (CW with Negative	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings: Type	Current Ratings: Amount Outstanding (₹ crore)	Current Ratings: Rating	Rating History: Date(s) and Rating(s) assigned in 2023-2024	Rating History: Date(s) and Rating(s) assigned in 2022-2023	Rating History: Date(s) and Rating(s) assigned in 2021-2022	Rating History: Date(s) and Rating(s) assigned in 2020-2021
						Implications) (12-Oct-22) 4)CARE BBB; Stable / CARE A3+ (30-Aug-22)		
5	Commercial paper-Commercial paper (Standalone)	ST	-	-	1)Withdrawn (07-Apr-23)	1)CARE A4+ (RWN) (27-Dec-22) 2)CARE A4+ (CW with Negative Implications) (15-Nov-22) 3)CARE A3+ (CW with Negative Implications) (12-Oct-22) 4)CARE A3+ (30-Aug-22)	-	-

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple
2	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.

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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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