OHM Global Mobility Private Limited

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	1,440.00	CARE AA-; Stable	Assigned
Long-term / Short-term bank facilities	369.00	CARE AA-; Stable / CARE A1+	Assigned
Short-term bank facilities	25.00	CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Ohm Global Mobility Private Limited (OHM) factors in strong parentage of Ashok Leyland Limited (ALL; rated 'CARE AA+; Stable/CARE A1+'), which has strongly articulated strategic and economic importance of OHM and is committed to provide the management and financial inputs to ensure that OHM shall have sufficient funds at all times to meet all its debt repayment obligations in a timely manner. In this regard, ALL has also extended its Board resolution backed letter of comfort to some of OHM's lenders. Ratings also derive comfort from ALL's extensive experience in the commercial vehicle (CV) manufacturing industry, expected improvement in the company's market share in the electric bus segment, offering medium-to-long term revenue visibility.

However, rating strengths are tempered by nascent stage of operations of OHM, exposure to execution risk, exposure to weak credit profile of state transport utilities (STUs), leading to working capital intensive operations, risks related to operations and Maintenance (O&M) of buses to keep buses available to STUs and competitive industry scenario.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up operations, with revenue above ₹1,000 crore with PBILDT margin of over 35% on a sustained basis.
- Improvement in credit profile of ALL.

Negative factors

- Delay in collection from STUs, leading to stress on its liquidity.
- Deterioration in credit profile of ALL and/or delay in financial support from parent impacting its liquidity.

Analytical approach: For arriving at the rating, CARE Ratings Limited (CARE Ratings) has considered standalone financials of OHM. CARE Ratings has also factored in strong operational, financial and managerial linkages from its strong parent ALL, which holds 100% equity stake in OHM.

Outlook: Stable

Stable outlook reflects an expected improvement in the business risk profile, driven by higher orders considering healthy demand for EV business from STUs. Continued support from parent will aid OHM in sustaining healthy financial risk profile.

Detailed description of key rating drivers:

Key strengths

Strong parentage and experienced management team

Being ALL's wholly owned subsidiary, OHM benefits from operational, financial, and managerial support. ALL lends managerial expertise to OHM by having its own board members present on OHM's board. OHM's board of directors consists of representatives from ALL. The Chairman, Shom Ashok Hinduja, is from the Hinduja Group. Gopal Mahadevan, director of OHM, is also Director – Strategic Finance and M&A of ALL. Mahesh Babu Subramanian is also on the board of OHM, who is the Chief Executive Officer (CEO) of Switch Mobility Automotive Limited (SMAL) and has over 33 years of experience in the mobility sector. The board of directors are backed by an experienced top management team.

Extensive experience of ALL in the commercial vehicle (CV) manufacturing industry

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

As the flagship company of the Hinduja group, ALL is one of the largest manufacturers of medium and heavy commercial vehicles (M&HCV) in India and has significant presence in the light commercial vehicles (LCV) segment. With a long track record of operations of over 75 years, it has built a strong brand image over the years with a diversified product profile consisting of buses, trucks, light vehicles, defence vehicles, engines, gensets, and so forth, with vehicle weight ranging from 2.5T to 55T, catering to the LCV-GC, M&HCV-GC, LCV-PC and M&HCV-PC segments.

High strategic and economic importance of OHM to ALL
OHM has large size plans for deployment of EV buses which has a huge potential leading to high strategic and economic importance of OHM for ALL. On the back of same, ALL has strongly articulated to ensure that OHM shall have sufficient funds at all times to meet all its debt repayment obligations in a timely manner on every due date. ALL has also extended its board resolution backed letter of comfort for some of bank facilities of OHM.

Market share in electric bus segment is expected to improve in medium term
To capitalise emerging trends in the electric vehicle (EV) industry in recent years, including the support Government of India (GOI) through Government policies including PM E-Drive, PLI Scheme, Payment security mechanism, ALL strategically formed OHM to provide electric mobility as a service (e-MaaS) while SMAL shall be OEM arm of ALL to do the development and manufacturing of e-buses and e-LCVs. Through investing in Optare PLC, Switch Mobility Limited, UK and SMAL, ALL focused on developing a strong range of electric buses and electric LCVs. Electric LCV was launched in September 2023. To enable SMAL to manufacture EVs, ALL transferred the EV business to SMAL on a slump sale basis, effective October 01, 2021. Post transfer of EV business from ALL, SMAL was actively participating in tenders for intercity/intracity buses, smart city schemes and is focusing on securing orders from private players as OHM was getting formalised. SMAL's operations included providing Electric Mobility as a Services (e-MaaS) under gross cost contract (GCC) model until FY23. In FY24, the company changed its business model, where SMAL will handle original equipment manufacturer (OEM) business, with outright sale of vehicles, while OHM will handle e-MaaS operations.
E-bus penetration in India has been improving in the last few years. In FY24, electric bus sales volume grew by ~85% YoY. The group had been waiting for the market to mature in terms of per km rates to ensure feasibility, prioritising profitability over market share. According to the management, the market is now mature, and with segregation of business and responsibilities between SMAL and OHM, the group's market share is expected to improve in the medium term as OHM would be solely focusing on e-MaaS operations.

Healthy order book for supply and operating electric buses
The company has a healthy order book for supplying 820 electric buses as on November 30, 2024, of which, 320 e-buses are from Bengaluru Metropolitan Transport Corporation (BMTC) and 500 e-buses are from Metropolitan Transport Corporation (Chennai) Limited (MTC). According to the management, additional order for 125 more e-buses is anticipated from MTC. These buses are to be supplied in the next six months or per the customer requirements. Under GCC model, the company is responsible for supply, operation, and maintenance of electric buses for tenure of the contract, which is ~10-12 years. Significant portion of the company's capex plans in the medium term is backed by its order book position. As on November 30, 2024, the company has supplied and operating 132 electric buses for JSW Steel Limited (rated CARE AA; Stable/ CARE A1+).

High revenue visibility given the fixed per kilometre fee for an assured distance, subject to bus availability
According to the agreement with STUs, OHM receives a fixed rate per kilometre for a minimum annual assured distance, contingent upon bus availability. For BMTC contract, annual assured distance is 78,750 kms. Consequently, OHM does not bear the traffic or demand risk on routes and only needs to ensure availability of buses. Revenue is primarily linked to bus availability per the deployment schedule, rather than bus occupancy, eliminating demand risk. However, the clause regarding unutilised and excess kilometres, which are paid at a certain percentage of the applicable rate, introduces some variability. For BMTC contract, rate for unutilised kms is 75% and for excess kms it is 50%. Intra-city bus operations, in general, are subsidised and STUs can recover only part of revenues from ticket collections. As a result, dependence on timely Government grants/support to STUs for funding the gap remains critical. Per the terms of the agreement, fees are usually revised annually based on variation in electricity tariff for charging infrastructure, CPIIW and WPI following a pre-determined formula defined in the concession agreement.

Liquidity: Strong
OHM's liquidity is marked strong due to its financial flexibility, being ALL's wholly owned subsidiary. ALL has been supporting the company through timely equity infusions to execute orders. CARE Ratings believes that such support shall continue going ahead as well. While the company's fund-based working capital limits of ₹25 crore are entirely unutilised, the maximum utilisation of company's non-fund-based working capital limits is ~27% for month ended November 2024. The company also had cash and cash equivalents of ₹153.33 crore as on September 30, 2024, of ₹300 crore upfront equity infused by ALL in FY24, while its principal debt repayment obligations is scheduled to commence from Q1FY26.

Key weaknesses

Asset heavy business model leading to leveraged capital structure
Companies operating e-buses under the GCC model are highly leveraged, incurring significant debt to purchase e-buses from the OEM. Despite high leverage, their annuity-based income model ensures a steady revenue stream over the 10 to 12-year contract period. OHM funds contracts with a primary financing structure of 80% debt and 20% equity. OHM's capital structure and debt coverage metrics are comfortable in FY24 considering upfront equity infusion of ₹300 crore from ALL and the absence of debt

due to the lack of operations. However, due to the business model, the company's financial risk profile is expected to moderate going forward. OHM has plans to deploy ~4,400 e-buses by end FY28, where its debt level is expected at ~₹6,000 crore against equity of ~₹1500 crore from ALL leading to a leveraged capital structure. However, ALL has a strong track record of supporting group companies with timely equity infusions and unsecured loans. CARE Ratings expects this support to continue, enabling OHM to execute orders on time.

Exposure to execution risk
Execution of the company's orderbook is exposed to timeliness stipulated by its clients, primarily STU and banks, with which it ties up for funding operations of electric buses. According to the orderbook as on November 30, 2024, the company is to deliver 820 e-buses in the next six months or per customer requirements. The company's ability to timely deliver electric buses would be a key rating monitorable.

Exposure to weak credit profile of STUs
Due to low ticketing revenue and the generally challenging financial situation of STUs, the company faces counterparty risk. However, this risk is partially mitigated by an escrow mechanism that requires STUs to maintain a revolving fund equivalent to at least few months' worth of revenue payable upfront depending on the terms of the agreement with STUs (at least one month in case of BMTC contract), reducing risk of delayed receivables and counterparty issues. SMAL has the history of consistently receiving timely fee payments from STUs, with an average receivable period of ~30 days. If payments are delayed beyond 60 days, the company is entitled to receive interest. These terms may vary depending on the agreement with different STUs. Payments for invoices are expected to be received in a timely manner, provided there are no performance-related deductions due to the operator's failure to adhere to the deployment plan set by STUs.

Competitive and fragmented industry
The company operates in a fragmented electric bus industry dominated by few players. Intense competition in the industry limits pricing abilities of industry players. Currently, industry players are mainly catering to STUs and competition in this segment is increasing. However, the company benefits due to competitive advantage it derives by being part of the Hinduja group, having extensive experience in the automotive industry, whereas other players are exposed to adverse geo-political risks due to their dependence on Chinese players for continued technology support. Penetration in the E-Bus segment is expected to improve in the medium term as private players and several states start deploying electric buses in public transport owing to favourable government policies and cost advantage against traditional diesel buses.

Limited track record of operations in e-bus segment
As on September 30, 2024, SMAL, has supplied ~651 e-buses. OHM's ability to maintain these e-buses in accordance with the agreements with STUs remains critical given the limited track record of e-bus operations. The group has been operating e-buses for in four years. OHM will manage the O&M activities and procure the spare parts and accessories from SMAL. The company's profitability is susceptible to operational underperformance against agreed specifications, especially which impacts bus availability and reliability. CARE Ratings notes that the group has been able to largely meet the concessionaire agreement till date.

Applicable criteria

Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Service Sector Companies
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Road transport

Incorporated in March 2021, OHM is a wholly-owned subsidiary of ALL, set up with an objective of providing e-MaaS services. Businesses of SMAL and OHM complement each other. As a step-down subsidiary of ALL, SMAL manufactures E-Buses and E-LCVs at its Ennore (Tamil Nadu) manufacturing facility with a total installed manufacturing capacity of 2,500 E-Buses per annum and 3,000 E-LCVs per annum. OHM, on the other hand, procures E-Buses from SMAL to provide e-MaaS services.

Brief Financials of OHM (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (Prov.)
Total operating income	-	0.17	22.75
PBILDT	-0.79	-3.99	1.59
PAT	-0.79	4.14	1.54
Overall gearing (times)	NM	NM	0.22
Interest coverage (times)	NM	NM	95.11

A: Audited Prov.: Provisional NM: Not meaningful; Note: these are latest available financial results

Brief Financials of Auto business of ALL (₹ crore) *	FY23	FY24
Total operating income	38,201.88	41,208.91
PBILDT	2,716.99	4,551.53
PAT	868.82	2,060.34
Gross cash accruals	1,688.94	2,872.36
Overall gearing (times)	1.37	1.14
Net debt/ PBILDT (times)	0.68	0.39
Interest coverage (times)	7.52	10.96

*ALL (Consolidated) minus HLFL (Consolidated)

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	31-03-2035	1440.00	CARE AA-; Stable
Fund-based - ST-Term loan	-	-	-	31-12-2025	25.00	CARE A1+
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	-	369.00	CARE AA-; Stable / CARE A1+

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 2024-2025	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
1	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	369.00	CARE AA-; Stable / CARE A1+				
2	Fund-based - ST-Term loan	ST	25.00	CARE A1+				
3	Fund-based - LT-Term Loan	LT	1440.00	CARE AA-; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-Term loan	Simple
3	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

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