# Pinnacle Mobility Solutions Private Limited (Revised)

April 09, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 200.00 | CARE BBB; Stable | Reaffirmed |
| Long Term / Short Term Bank Facilities | 150.00 | CARE BBB; Stable / CARE A3+ | Reaffirmed |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

Ratings assigned to bank facilities of Pinnacle Mobility Solutions Private Limited (PMSPL) continue to derive strength from the strong technical and financial support derived from the Netherland-based VDL Group, a renowned and established group with global operations in various domains, including electric bus (E-Bus) manufacturing, and the Japan-based Mitsui & Co. Ltd (Mitsui), a conglomerate having worldwide operations across various segments. Additionally, ratings also derive comfort from the experienced promoters in the automobile ancillary business with foray into the electric vehicle (EV) manufacturing.

Ratings continue to factor the operational synergy derived by PMSPL being part of the Pinnacle Group, with its flagship entity, Pinnacle Industries Limited (PIL; CARE BBB; Stable/CARE A3+) having an established position in the commercial vehicle (CV) seating, speciality vehicle conversion and an automotive interior segment.

Ratings further derive comfort from PMSPL’s healthy net-worth base and comparatively low debt level resulting in moderate capital structure, healthy orderbook providing adequate revenue visibility, adequate liquidity to support the initial phase of operation, demonstrated production capacity in FY25 and growing demand for the EVs.

However, above rating strengths are constrained by the company’s nascent stage of operations, implementation risk associated with the on-going project and competitive nature of automobile industry. PMSPL's ratings are also constrained by profitability being vulnerable to fluctuating raw material prices and the tender-driven nature of the business.

## Rating sensitivities: Factors likely to lead to rating actions

**Positive factors:**

- Total operating income (TOI) above ₹1,200 crore with the profit before interest, lease, depreciation and tax (PBILDT) margin above 5% on a sustained basis.
- Improving total debt to PBILDT below 4x on a sustained basis.
- Improving interest coverage ratio of above 3x on a sustained basis.

**Negative factors:**

- Delaying receipt of the envisaged funds and/or completion of the project resulting in the lower-than-envisaged revenue and profitability.
- Increasing overall gearing above unity.

**Analytical approach:** Standalone while factoring support to its subsidiaries and associates.

**Outlook:** Stable

The Stable outlook reflects CARE Ratings Limited’s (CARE Ratings’) expectation that a strong technological partnership and the group's operational synergy will support PMSPL’s business risk profile over the medium term. The financial risk profile is anticipated to remain moderate, with a healthy net-worth base and relatively low debt levels, maintaining leverage at moderate levels.

## Detailed description of the key rating drivers

### Key strengths

**Strong technical and financial support from VDL group and Mitsui**

VDL International B.V., part of the Netherland-based VDL group, invested ₹222.74 crore in PMSPL in FY24. The VDL group, a leading European developer of E-Buses and electric vehicles, provides technology and tooling support (through VDL Bus and Coach) to PMSPL.

Mitsui, a global conglomerate, invested ₹600 crore in PMSPL through preference shares, with ₹200 crore invested in FY24 and the remaining ₹400 crore during the 9MFY25.

Thus, CARE Ratings notes that the collaboration with the VDL Group and Mitsui would provide a competitive edge and enable PMSPL to scale up its manufacturing operations and offer technologically advanced solutions in a cost-effective manner.

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

**Experienced promoters in the automobile ancillary business with operational synergy from group**

PMSPL's promoters are engaged in the automobile component industry through its flagship entity, PIL, which is engaged in providing seating system, automotive interiors, EV components, railway seating, and speciality vehicles including modernisation and customisation of the CVs. It supplies all the non-electrical non-mechanical components to PMSPL for its E-bus and E- SCV thus resulting in better lead time and faster turnaround with adherence to stringent quality.

Kider India Pvt Ltd (KIPL, an associate of PIL), is the manufacturer and exporter of retail fixtures and industrial solutions and structural part (stainless steel) for EVs, which it also supplies to PMSPL.

VDL Pinnacle Engineering India Ltd (VDL Pinnacle) is a joint venture (JV) of the VDL Group and PIL. VDL Pinnacle is a turnkey production systems supplier to the automotive industry. It also provides the services in the process engineering, tool design, robot simulation, layouts, and facilities engineering. PMSPL derives benefit from the expertise of VDL Pinnacle in smart and lean factory solutions and plant automations.

Overall, PMSPL benefits from the operational synergy from being part of the Pinnacle group which contributes ~10-12% of its EV requirements.

**Diversified product portfolio offered in EV market**

PMSPL was established in 2019. It is also one of the top 10 applicants selected under the automobile production linked incentive (PLI) scheme. Currently, PMSPL has the diversified product profile of 11 products under three segments of e-Buses, e-SCVs (4W+3W) and e-Trucks developed in-house.

For e-Buses segment, PMSPL has successfully developed and received homologation approvals from The Automotive Research Association of India (ARAI) for compliance to the central motor vehicle rules (CMVR) for 9M bus, 12M bus, 7M minibus. 9M bus and 12M bus of company is already commercialised while company has recently launched 7M bus in the market. Other products under bus and truck category are under development phase and will be launched shortly. For SCV category, approvals for 1.5T has already received and the commercialised while others (4W, 3W 3seater, 3W 6-seater, 3W truck) are under development phase.

CARE Ratings notes that all the products offered by PMSPL have been designed and developed by in-house dedicated team, which enables the quick redressal of technical problems and customisation as per customer requirements.

**Comfortable capital structure albeit moderation is envisaged going forward**

PMSPL has healthy tangible net-worth base of ₹786.57 crore as on December 31, 2024, which includes ₹600 crore in the form of non-cumulative compulsorily convertible preference shares (NCCCPS) received from Mitsui. The company received significant equity investment initially for capex and availed a ₹200 crore term loan, resulting in a comfortable capital structure with an overall gearing of 0.07x as of March 31, 2024, and 0.08x as of December 31, 2024.

Going forward, PMSPL plans to undertake additional capex of ~₹600 crore in FY26, funded through a debt-to-equity mix of 1:1. Additionally, it intends to secure additional ~₹600 crore of working capital debt (fund-based as well as non-fund based) for operational needs. Consequently, its capital structure is expected to moderate in the near to medium term.

**Healthy order book providing moderate revenue visibility**

As on February 28, 2025, PMSPL has an order book for ~2,755 E-buses reflecting adequate revenue visibility. Orderbook is envisaged to be executed in next 18-24 months. For E-SCV, PMPSL has order book of around 575 nos. which will be executed over next 6-12 months.

While the orders for the E-Buses are under the business to government (B-to-G) as well as outright sales, E-SCVs are purely an outright sale to private customers. Many orders from the Convergence Energy Services Ltd (CESL) (B-to-G) are eligible for the central government subsidies which will directly paid to the bus operator, whereas the latter will pay PMSPL as per the payment terms for its bus supplies which is a mix of advance payment and credit.

**Growing demand of the EVs**

The National Electric Bus Program aims to deploy 50,000 e-buses throughout the country. It will assist state transport undertakings (STUs) in incorporating E-Buses into their operations and collaborate with both states and distribution companies to establish charging infrastructure at their depots. Many states have already announced their respective State EV policy. Penetration in the E-Bus segment is thus expected to improve over 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.

## Key weaknesses

### Nascent stage of operations

PMSPL, incorporated in 2019, is in the early stages of its operations. It began manufacturing E-buses in FY23 from a temporary set-up and reported TOI of ₹53.09 crore in FY24 and ₹54.05 crore in 9MFY25. While the company faced some challenges in the initial phase, including high-cost structures, it is poised for a significant growth.
TOI as well as profitability is envisaged to remain lower than earlier envisaged level in FY25, owing to change in capex plan as well as delay in receiving some orders. Despite this, PMSPL is likely to achieve a TOI of ₹200 crore in FY25 and over ₹1,300 crore in FY26, supported by a healthy confirmed order book.
The company has secured national distribution partners and plans to further strengthen these partnerships to boost sales of E-SCVs and E-Trucks going forward.

### Implementation risk associated with the on-going capex project

PMSPL is undertaking a project for setting up manufacturing facilities for E-bus and E-SCV at Chakan (Pune) for a total project cost of ₹589 crore. It had incurred ~₹574 crore as on February 28, 2025, majority of which was funded through equity contribution while disbursement of term loan was limited to ~₹80 crore.
Considering good growth prospects of EVs in India along with favourable policy environment, PMSPL has expanded its product portfolio and has a healthy orderbook. The company has leased new land at Koregaon Bhima (Pune) and Pithampur (Indore) to construct new production facilities. PMSPL is undertaking an additional capex of ₹600 crore in FY26, which shall be funded through a debt-to-equity ratio of 1:1.
Though capex is in progress, PMSPL has already commenced operation wherein it manufactures E-SCV at Chakan plant and E-Bus at Koregaon Bhima (Pune) plant. Both the plants are envisaged to be fully commence operation from August 2025 (against earlier envisaged timeline of December 2024) while Pithampur plant is envisaged to commence operation in Q3FY26.
Considering the project type and experienced management and the appointment of the domain-specific experienced professionals, the implementation risk is low.
However, completion of project in the envisaged time and cost parameter would remain a key rating monitorable, considering the order execution timeline. Additionally, with many industry peers expanding their capacities along with potential new entrant, there is a saleability risk if demand moderates, which could impact return indicators.

### Presence in the competitive automobile industry

PMSPL operates in a competitive electric bus industry dominated by few large players having long-established presence in conventional automobile business. Intense competition in the industry limits the pricing abilities of the industry players. Currently, the industry players are mainly catering to state transport undertakings (STUs) and the competition in this segment is increasing with tender-driven nature of the business and low counter-party credit risk.
However, the company benefits due to its competitive advantage from its technical collaboration with the renowned players. Also, some players operational in the industry are exposed to adverse geo-political issues considering their dependence on Chinese players for continued technology support.

### Profitability susceptible to the volatile raw material prices with the tender-driven nature of the business

The key raw materials required for auto original equipment manufacturers (OEMs) and electric mobility are steel, iron, aluminium, copper, rubber, glass, lithium, cobalt, nickel, and platinum. Batteries are one of the major cost components of the EVs (forming ~40-45% of the cost of vehicle depending on the type and application). These raw material prices are highly volatile depending on the international demand-supply dynamics and can thus impact the players' profitability, considering a need to maintain a sufficient inventory for un-interrupted operations.

**Liquidity**: Adequate

PMSPL has adequate liquidity considering the receipt of equity (additional ₹400 crore from Mitsui during 9MFY25) funding towards the project execution which will also be used for the capex as well as opex purpose. It has free cash and bank balance of ₹85.22 crore as on December 31, 2024, providing adequate cushion.

Average fund-based working capital utilisation remained very low (at ~1%) for past twelve months ended December 2024. Company is planning availing additional working capital facilities to support the envisaged growth in scale of operation.

Many orders from CESL (business to government orders) are eligible for the central government subsidies which is directly paid to the bus operator, whereas the bus operator will pay PMSPL per the payment terms, which is a combination of part of the advance payment against the order and credit terms ranging from 70 to 90 days from the supply. Outright sales to the customers (business to consumer) also have a similar payment mechanism. The company will also be required to maintain high inventory as the delivery of vehicles is to be done over a certain period (typically 3 months to 1 year) to minimise the exposure to the raw material price volatility considering the fixed price of the contracts. The company would also need to provide the bank guarantee for the bidding of the project mainly with the central government orders.

## Applicable criteria

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

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Consumer Discretionary | Automobile and Auto Components | Automobiles | Passenger Cars & Utility Vehicles |

PMSPL (CIN: U34100PN2019PTC196186) was established in 2019 as Ion Mobility Pvt Ltd. It has created a prototype of E-Bus namely "EKA". It is also one of the top 10 applicants selected under the automobile PLI scheme. Currently, PMSPL is undertaking the capex for the manufacturing of electric buses, SCVs trucks at three plant locations of Koregaon Bheema (Pune), Chakan (Pune) and Pithampur (Madhya Pradesh).

PIL holds 52.12% equity stake followed by Sudhir Mehta holding 34.82% as on March 31, 2024.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | 9MFY25 (UA) |
|---|---:|---:|---:|
| Total operating income | 2.90 | 53.09 | 54.05 |
| PBILDT | -9.17 | -30.13 | -52.79 |
| PAT | -9.87 | -32.32 | -58.52 |
| Overall gearing (times) | 0.18 | 0.07 | 0.08 |
| Interest coverage (times) | NM | NM | NM |

A: Audited UA: Unaudited; NM: Not meaningful; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of 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 | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | - | - | - | - | 150.00 | CARE BBB; Stable / CARE A3+ |
| Term Loan-Long Term | - | - | - | March 2032 | 200.00 | CARE BBB; Stable |

**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 | Term Loan-Long Term | LT | 200.00 | CARE BBB; Stable | - | 1)CARE BBB; Stable (27-Mar-24) | - | - |
| 2 | LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | LT/ST | 150.00 | CARE BBB; Stable / CARE A3+ | - | 1)CARE BBB; Stable / CARE A3+ (27-Mar-24) | - | - |

LT: Long 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 | LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG | Simple |
| 2 | Term Loan-Long Term | Simple |

**Annexure-5: Lender details**

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| To view the 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.

**Contact us**

| Media Contact | Analytical Contacts |
| --- | --- |
| Mradul Mishra<br>Director<br>**CARE Ratings Limited**<br>Phone: +91-22-6754 3596<br>E-mail: mradul.mishra@careedge.in<br><br>**Relationship Contact**<br><br>Saikat Roy<br>Senior Director<br>**CARE Ratings Limited**<br>Phone: 912267543404<br>E-mail: saikat.roy@careedge.in | Kalpesh Ramanbhai Patel<br>Director<br>**CARE Ratings Limited**<br>Phone: 079-40265611<br>E-mail: kalpesh.patel@careedge.in<br><br>Jignesh Trivedi<br>Assistant Director<br>**CARE Ratings Limited**<br>Phone: 079-40265631<br>E-mail: jignesh.trivedi@careedge.in<br><br>Bhaumik Shah<br>Analyst<br>**CARE Ratings Limited**<br>E-mail: Bhaumik.shah@careedge.in |

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