

## AMO Mobility Solutions Private Limited

June 22, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	30.00	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Short Term Bank Facilities	5.00	CARE A4 (A Four)	Assigned
<b>Total Bank Facilities</b>	<b>35.00</b> <b>(₹ Thirty-Five Crore Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Amo Mobility Solutions Private Limited (AMSPL) are constrained by company's limited track record of operations coupled with low net-worth base, small scale of operations, and susceptibility of margins to volatility in raw material prices. However, these rating weaknesses are partially offset established distribution network, moderate financial risk profile marked by negligible term debt and healthy debt coverage indicators, and positive outlook of electric two-wheeler industry coupled with government support in the form of subsidy under FAME (Faster adoption and manufacturing of hybrid and EV) II scheme.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Sustained improvement in the total operating income of the company above Rs.200 crore with PBILDT margin above 8% on a sustained basis.
- Tangible net-worth above Rs.25.00 crore.

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in scale of operations with the PBILDT margin below 3% on a sustained basis.
- Any new capex and funding mix for the same and increased reliance on working capital borrowings resulting in deterioration in overall gearing ratio to above 1.70x in the medium term

### Detailed description of the key rating drivers

#### Key rating weaknesses

**Limited track record of operations:** Amo Mobility Solutions Private Limited (AMSPL) was incorporated in the year 2018, by Mr. Sushant Kumar (Founder) with the main objective to provide pollution free and renewable power mobility solutions in the entire country and abroad. He is an engineer by qualification from N.I.T. (National Institute of Technology), Jamshedpur, and has a prior work experience of around 10 years with Tata Motors Limited. Having worked as an expat for Tata Motors Limited in China, the promoter's supply chain and procurement network base in China has aided AMSPL.

**Small scale of operations:** The scale of operations of the company is small as reflected by total operating income of Rs.11.62 crore in FY21 (refers to the period from April 01 to March 31) (PY: Rs.5.35 crore). However, for the period FY22, the total operating income of the company grew significantly to Rs.51.16 crore (PY: Rs.11.62 crore) on account of low base effect and growth in the electric two-wheeler industry. The PBILDT margin of the company declined to 5.79% in FY21 (PY: 8.96%) due to higher freight cost resulting in increase in imported cost of plastic components (constitutes ~20%-30% of the total raw material cost). Consequently, the PAT margin of the company declined to 3.70% in FY21 (PY: 7.73%). However, the PBILDT margin of the company improved substantially to 14.99% in FY22 (PY: 5.79%) on account of increase in scale of operations leading to decrease in employee costs and rental expenses as a percentage of total operating income. As a result of improvement in the PBILDT margin, the PAT margin of the company improved to 10.24% in FY22 (PY: 3.70%).

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Volatility of profitability margins to raw material prices:** India does not produce lithium ion cell currently which is a core element of battery pack which in turn is a core part of the electric vehicle itself (cell accounts for 75% of the cost of a battery pack, which accounts for ~40%-50% cost of an electric vehicle). Globally, lithium ion cell production capacity stands at 350 GWH today and is expected to cross 500 GWH by the end of next year. While companies like LG Chem, Panasonic etc. are expanding aggressively, demand for electric vehicles may yet far exceed fresh capacity build-up leading to volatility in the price of lithium ion cells.

### Key rating strengths

**Established distribution network:** AMSPL's products (electric scooters) are sold pan India through an established distribution network of around 150 dealers at present. Each dealer is required to pay a security deposit of around Rs.1 Lakh-Rs. 3 Lakh to AMSPL before entering into contract with the company.

**Moderate financial risk profile:** The financial risk profile of the company remains moderate marked by overall gearing of 1.03x as on March 31, 2022 (PY: 0.82x). The debt profile of the company as on March 31, 2022 comprises of unsecured loans from promoter to the tune of Rs.0.57 crore (~8% of total debt), security deposit from dealers to the tune of Rs.3.02 crore (~44% of total debt), working capital borrowings to the tune of Rs.1.30 crore (sanctioned limit of Rs.1.75 crore) (~19% of total debt), and unsecured term loans from banks to the tune of Rs.1.95 crore (~29% of total debt). However, the debt coverage indicators of the company stood healthy as reflected by total debt/GCA of 1.28x as on March 31, 2022 (PY: 2.22x).

**Industry outlook:** During CY21 (refers to the period from January 01 to December 31), the electric two-wheeler industry registered sales of 2.30 lakh units vis-à-vis 1 lakh units sold during CY20 (refers to the period from January 01 to December 31), registering growth of 132 percent. Moving forward, the Indian electric two-wheeler market is forecasted to grow with implementation of various schemes by government of India. The government is also encouraging usage of electric two wheelers across the country in order to reduce the dependence on oil imports. With continuous support from government through policy implementation, subsidies and increasing investment by various established players, the industry is expected to grow over the long run.

**Liquidity: Adequate:** The liquidity profile of the company is adequate as reflected by projected gross cash accruals to the tune of Rs.10.58 crore in FY23 against scheduled repayment of Rs.1.95 crore in FY23. Further, the average utilization of working capital borrowings stood ~52% for the trailing 10 months ended April, 2022. The company had free cash and bank balance of Rs.3.62 crore as on March 31, 2022. AMSPL is planning to incur capex of around Rs.0.76 crore in FY23 pertaining to setting up of an assembly plant which is expected to increase the capacity to 1,46,000 units per annum from 50,000 units presently and the same shall be funded through internal accruals.

**Analytical approach:** Standalone

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

### About the company

Amo Mobility Solutions Private Limited (AMSPL) was incorporated in the year 2018, by Mr. Sushant Kumar (Founder) with the main objective to provide pollution free and renewable power mobility solutions in the entire country and abroad. Mr. Sushant Kumar, an engineer by qualification from N.I.T. (National Institute of Technology), Jamshedpur, has a work experience of around 10 years with Tata Motors Limited.

Currently, the company has an assembly plant (with a total capacity to assemble 50,000 units per annum) in Noida, Uttar Pradesh and is manufacturing 2 models of pollution free electric scooters/bikes/bicycles with rechargeable zero emission batteries.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (P)
Total operating income	11.61	51.16
PBILDT	0.67	7.67

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (P)
Total operating income	11.61	51.16
PAT	0.43	5.24
Overall gearing (times)	0.82	1.03
Interest coverage (times)	0.00	25.57

A: Audited, P: Provisional

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

**Any other information:** Not applicable

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

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

**Complexity level of various instruments rated for this company:** Annexure-4

#### 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BB; Stable
Non-fund-based - ST-BG/LC		-	-	-	5.00	CARE A4

#### 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	30.00	CARE BB; Stable				
2	Non-fund-based - ST-BG/LC	ST	5.00	CARE A4				

\*Long term/Short term.

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

#### Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

#### Annexure-5: Bank lender details for this company

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

**Note on 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](mailto:care@careedge.in) for any clarifications.

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### About us:

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