Jitendra New EV Tech Private Limited

January 23, 2024

Ratings

Facilities	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	50.00 (includes proposed facility of Rs 15.00 crore)	IVR BB-/ Negative (IVR double B minus with Negative outlook)	Revised from IVR BB/ Stable (IVR double B with Stable outlook)	Downgraded and rating outlook revised from IVR BB/ Stable (IVR double B with Stable outlook)	Simple
Total	**50.00 (Rs. Fifty crore only)**				

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has downgraded the rating on the bank facilities of Jitendra New EV Tech Private Limited (JNETPL) considering sharp decline in topline and profit in H1FY24 (provisional), despite an improvement in FY23. However, the ratings also continue to derive comfort from its experienced and resourceful promoters in the automobile industry, substantial growth prospects of the e2W industry and comfortable capital structure and debt protection metrics. These rating strengths continues to remain partially offset on account of thin profitability margins, constraints posed to e2W in comparison to conventional petrol 2W market in India, exposure to intense competition in the electric two-wheeler (e2W) segment in India.

The revision in the long-term rating outlook from Stable to Negative is due to Infomerics' expectation that the topline and profits are expected to decline significantly in the current fiscal vis-à-vis previous fiscal, and its impact on the financial risk profile of the company will be a key monitorable going forward.

Key Rating Sensitivities:

Upward factors

- Sustained increase in scale of operation with improvement in cash accruals on a sustained basis.
- Improvemen-t in profitability sustained basis.
- Improvement in capital structure with reduction in overall gearing on a sustained basis.

Downward factors

- Decrease in operating income and/or profitability impacting the debt coverage indicators on a sustained basis.
- Withdrawal of subordinated unsecured loan (treated as quasi-equity) amounting to either partially or fully, and/or moderation in the capital structure.
- Deterioration in the overall gearing ratio.
- Deterioration in operating cycle impacting the liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of promoters in the automobile industry**

Mr. Jitendra Shah is the co-founder of JNEV. He has more than 41 years of experience in automobile industry. He is a third-generation entrepreneur of the Shah group having its headquarters in Nashik. He leads the research and development of the company. Mr. Samkit Shah is the other co-founder of the company having an experience of 8 years in automobile industry. He is a second-generation entrepreneur and qualified CA. He looks after the day to day operations of the company. The other director, Mr. Pratik Shah, has an experience of more than a decade in the automobile industry and has been working in EV space for more than 7 years. He looks after the marketing function of the company. The promoters and directors are assisted by a team of well-qualified and experienced professionals.

- **Substantial growth prospects for the e2W industry**

The electric two-wheelers (E2W) segment has witnessed significant growth over the years and currently it comprises around 62% of total EV sales in FY23. E2W sales in FY23 grew by 188% in comparison to FY22. Between April-March, 2023, the electric two-wheelers (e2W) industry registered sales of 7,26,841 units against 2,52,547 units sold in 2022. However, the market is still nascent although it exhibits tremendous growth opportunities. Central government policies and state-level incentives offer necessary fiscal support for E2W adoption. Additionally, rising fuel prices are making E2Ws more cost-effective for daily commuters. Furthermore, growing environmental consciousness among Indian consumers is spurring a shift towards sustainable mobility solutions, thus driving EV sales. Changes in FAME policy, technological advancements in battery range, performance, safety concerns and adequate charging infrastructures are some of the key concerns for the overall industry, that need to be addressed for wider adoption of electronic 2 Wheelers.

- **Comfortable capital structure and debt protection metrics**

The adjusted net worth of the company in FY23 comprises subordinated unsecured loans aggregating to Rs.33.47 crore from the promoters which is considered as quasi equity. Considering the same the adjusted tangible net worth of the company stood at Rs. 39.84 crore as on March 31, 2023, compared with Rs.30.53 crore as on March 31, 2022. Total debt was Rs. 29.78 crore as on March 31, 2023, from Rs. 9.53 crore as on March 31, 2022, due to increase in working capital borrowing and unsecured loan from directors. The overall gearing ratio moderated to 0.75x as on March 31, 2023, from 0.31x as on March 31, 2022, driven by increase in total debt. Further, total indebtedness of the group as depicted by TOL/TNW also moderated to 1.35x as on March 31, 2023, from 1.02x as on March 31, 2022.

Key Rating Weaknesses

- **Sharp decline in topline and profit in H1FY24 (provisional), despite an improvement in FY23**

During FY23, JNEPL witnessed growth in scale of operations by ~47% and stood at Rs 95.05 crore (PY: Rs 64.36 crore). However, in FY24, ARAI and ICAT have modified the norms for certification, due to which production of many non-compliant models were not allowed. Besides this, non-payment of FAME subsidies has also constrained the performance of the company. The given disruptions, resulted in JNEPL to earn a revenue of only Rs 16.33 crore during 9MFY24(Provisional). Furthermore, in 6MFY24(Provisional), the company earned a revenue of Rs 9.34 crore in comparison to Rs 57.80 crore in H1FY23 (Degrowth of ~84%) and EBITDA declined by ~84% and stood at Rs 0.22 crore in comparison to Rs 1.32 crore in H1FY23. PAT as on 6MFY24 stood at Rs 0.01 crore. Margin wise, EBITDA and PAT margins stood at 2.21% and 0.11% respectively during 6MFY24(Provisional). Infomerics expects that a sharp reversal in PAT and GCA will be a key rating factor going forward.

- **Thin profitability margins**

The company's margins remained thin over the last three years ending in FY23. The company's profitability has been improving year-on-year for the last few years. The EBITDA margins stood at 5.50% in FY23 and improved from 2.41% in FY22, driven by better absorption of fixed costs on account of the increasing scale of operations. Furthermore, PAT margins also stood thin at 2.21% in FY23 however improved from levels of 1.49% in FY22. However, in 6MFY24, due to declining sales, EBITDA and PAT margins constrained to 2.21% and 0.11% respectively. However, many cost cutting measures like in house manufacture of some of the automotive parts on job work basis, which was earlier imported from China will enable JNEPL to not only reduce import dependency but also improve margins, once the business stabilizes at normal levels.

- **Constraints posed to e2W in comparison to conventional petrol 2W market in India**

Being a nascent technology in India and having less than 1% market penetration in the 2W market (in terms of quantity) as compared to conventional petrol 2Ws, which account for 80% of India's 2W market in FY23, there are many constraints that the e2W market faces, such as import of battery cells from overseas, which is one of the most critical parts required for the manufacturing of batteries; inadequate charging infrastructure with respect to public charging systems; limited battery life and high replacement costs; and, most importantly, the recent fire incidents of e2Ws, which have shaken customers' confidence of switching to e2Ws over its conventional petrol 2W counterparts. Thus, in order to overcome these barriers over time, with the support of government policies, the e2Ws manufacturers are required to make consistent investments for upgradation and modifications in EV technology, expansion of its current capacity, a local EV ecosystem development for batteries manufacturing, launching of more products with stylish designs and unique features, and making the public aware of e2W advantages through aggressive advertising and publicity to reduce stiff competition from conventional petrol 2Ws and capture more market share in the domestic 2W market in the coming future.

- **Exposure to intense competition in the electric two-wheeler (e2W) segment in India**

The Indian electric 2-wheeler market is highly competitive, with the presence of many established players, including Hero Electric Vehicles Private Limited, Ola Electric Mobility Private Limited, Ampere Vehicles Private Limited, Ather Energy Private Limited, etc. Furthermore, future growth prospects of the industry will propel new entrants to enter into this market over the next two-to-three years, which will further intensify the competition among the players. New product development with affordable cost, adhering to safety standards and adequate distribution network will be the crucial factors going forward for the players operating in the industry for sustaining its market share.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Criteria for assigning Rating outlook

Liquidity – Adequate

The company's liquidity position remained adequate marked by current ratio of 2.23x as on March 31, 2023. The GCA has also improved from Rs.1.11 crore in FY22 to Rs.2.27 crore in FY23. Going forward, there are no repayments due in FY24 as there no term loans outstanding as on date. The average utilization of its working capital facilities was ~21.45% in the 12 months ended December 2023, giving it sufficient liquidity buffer.

About the company

JNEV was incorporated in the year 2016. The company is currently engaged in manufacturing of 2 wheelers electric vehicles (2W EVs) at its manufacturing plant located at Nashik, Maharashtra. The company has 2 units to manufacture EVs with a combined annual capacity of 24,000 units. The company ranks amongst the top ten EV two wheeler manufacturers in the country. The firm is being managed by Mr. Jitendra Shah, Mr. Samkit Shah and Mr. Pratik Shah collectively, and is assisted by many qualified and experienced professionals.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	64.36	95.05
EBITDA	1.55	5.22
PAT	0.96	2.10
Total Debt	9.53	29.78
Tangible Net worth (including quasi equity)	30.48	39.84
EBITDA Margin (%)	2.41	5.50
PAT Margin (%)	1.49	2.21
Overall Gearing Ratio (x)	0.31	0.75

**As per Infomerics' Standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (February 08, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Proposed Term Loan	Long Term	15.00	IVR BB- /Negative	IVR BB/ Stable	-	-
2.	Cash Credit	Long Term	35.00	IVR BB- /Negative	IVR BB/ Stable	-	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Sandeep Khaitan

Tel: (033) 46022266

Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics -commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an ‘as is where is’ basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Term Loan	-	-	-	15.00	IVR BB-/ Negative
Cash Credit	-	-	-	35.00	IVR BB-/ Negative

Annexure 2: List of companies considered for consolidated analysis: Not applicable

Annexure 3: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-Jitendra-NewEV-jan24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com