

IPO Note: Ola Electric Mobility Ltd.

Industry: Automobiles

Date: August 01, 2024

Issue Snapshot		Issue Break up	
Company Name	Ola Electric Mobility Ltd.	QIB ex Anchor	30% 24,23,70,757
Issue Opens	August 02, 2024 to August 06, 2024	Anchor Investor	45% 36,35,56,135
Price Band	Rs. 72 to Rs. 76	HNI<Rs. 10 Lakhs	5% 4,03,95,126
Bid Lot	195 Equity Shares and in multiples thereof.	HNI>Rs. 10 Lakhs	10% 8,07,90,252
The Offer	Public issue of 80,86,26,208 Equity shares of Face value Rs. 10 each, (Comprising of fresh issue of 72,36,84,211 Equity Shares* (Rs. 5500 cr.) and Offer for Sale of 8,49,41,997 Equity Shares (Rs. 645.6 cr.*) by Selling Shareholder).	RII	10% 8,07,90,252
		Total Public	100% 80,79,02,523
Issue Size	Rs. 6111.6 – 6145.6 Crore	Employee Reservation	7,23,684
IPO Process	100% Book Building	Total	80,86,26,208
Face Value	Rs. 10.00	Equity Share Pre Issue (Nos. Cr.)	368.7
Exchanges	NSE & BSE	Fresh Share (Nos. Cr.)	72.4
BRLM	Kotak Mahindra Capital Co Ltd, Citigroup Global Markets India Pvt. Ltd., BofA Securities India Ltd., Goldman Sachs (I) Securities Pvt. Ltd., Axis Capital Ltd., ICICI Securities Ltd., SBI Capital Markets Ltd., BOB Capital Markets Ltd.	OFS Share (Nos. Cr.)	8.5
		Equity Share Post Issue (Nos. Cr.)	441.1
Registrar	Link Intime India Pvt. Ltd.	Market Cap (Rs. Cr.)	33,521.7
		Equity Dilution	16.4%
		Stake Sale by OFS	1.9%

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (up to 37,915,211 equity shares by Bhavish Aggarwal, up to 4,178,996 equity shares by Indus Trust, up to 295,470 equity shares by Ab Initio Capital, L.P., up to 3,782,883 equity shares by Alpha Wave Ventures II LP, up to 630,336 equity shares by Alpine Opportunity Fund VI, L.P., up to 601,828 equity shares by Ashna Advisors Llp, up to 6,360,891 equity shares by Internet Fund III Pte Ltd, up to 1,354,978 equity shares by Macritchie Investments Pte. Ltd., up to 89,000 equity shares by Matrix Partners India III AIF Trust, up to 3,727,534 equity shares by Matrix Partners India Investments III, LLC, up to 358,228 equity shares by Nuvama Crossover Opportunities Fund – Series III, up to 278,619 equity shares by Nuvama Crossover Opportunities Fund – Series III A, up to 278,644 equity shares by Nuvama Crossover Opportunities Fund – Series III B, up to 256,530 equity shares by Sarin Family India LLC, up to 23,857,268 equity shares by SVF II Ostrich (De) LLC and up to 975,581 equity shares by Tekne Private Ventures XV Ltd.)

Fresh Issue

- Capital expenditure to be incurred by the Subsidiary, OCT for expansion of the capacity of cell manufacturing plant from 5 GWh to 6.4 GWh, classified as phase 2 under the expansion plan (the Project) (Rs. 1227.6 cr.);
- Repayment or pre-payment, in full or part, of the indebtedness incurred by the Subsidiary, OET (Rs. 800 cr.);
- Investment into research and product development (Rs. 1600 cr.);
- Expenditure to be incurred for organic growth initiatives (Rs. 350 cr.); and
- General corporate purposes.

Company Highlights

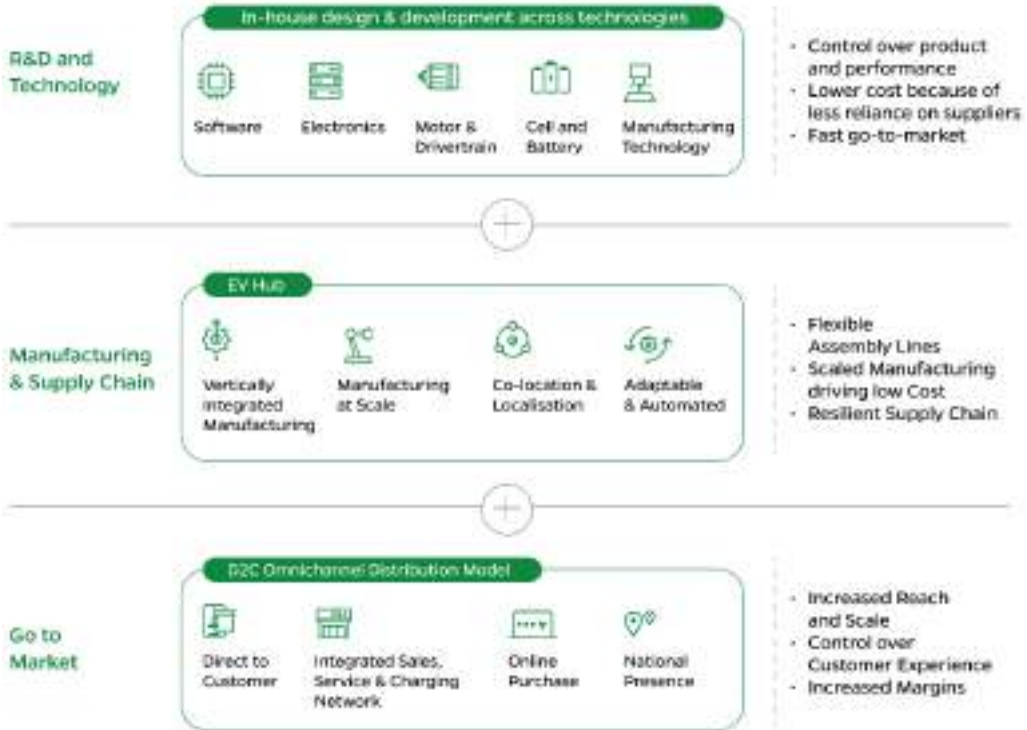
- Ola Electric Mobility Ltd. (OEML) is a pure EV player in India and are building vertically integrated technology and manufacturing capabilities for EVs and EV components, including cells. It manufactures EVs and certain core EV components like battery packs, motors and vehicle frames at the Ola Futurefactory. Company's business focuses on capturing the opportunity arising out of electrification of mobility in India and also seek opportunities to export its EVs in select international markets in the future.
- OEML has delivered seven products and additionally announced four new products since its first product announcement in August 2021. The company commenced delivery of its first EV model, the Ola S1 Pro, in December 2021. This was followed by the delivery of the Ola S1 in September 2022, the Ola S1 Air in August 2023, the Ola S1 X+ in December 2023 and the Ola S1 X (2 kWh), the Ola S1 X (3 kWh) and the Ola S1 X (4 kWh) in May 2024. On August 15, 2023, it also announced a line-up of motorcycles comprising four models, Diamondhead, Adventure, Roadster and Cruiser. The company plans to commence delivery of the motorcycles in H1FY26.

- The company had the highest revenue of all Indian incorporated electric 2Ws (E2Ws) original equipment manufacturers (OEMs) from E2W sales in FY23, according to the RedSeer Report. Within nine months of delivering its first EV scooter in December 2021, the company became the best-selling E2W brand in India in terms of monthly E2W registrations on the VAHAN Portal of Ministry of Road Transport and Highways (VAHAN) according to the RedSeer Report.
- Research and development (R&D) and technology is at the core of its business model with a focus on in-house product innovation. It undertakes R&D activities in India, the United Kingdom (UK) and the United States (US) focused on designing and developing new EV products and core EV components, such as battery packs, motors and vehicle frames. It is in the process of building its EV hub in Krishnagiri and Dharmapuri districts in Tamil Nadu, India, which includes its Ola Futurefactory, and upcoming Ola Gigafactory and co-located suppliers in Krishnagiri district. At Ola Futurefactory, it manufactures EV scooters using certain EV components manufactured in-house and other components procured from third parties, such as cells. The Ola Futurefactory is the largest integrated and automated E2W manufacturing plant in India (in terms of production capacity) by an E2W-only OEM, as at March 31, 2024, according to the RedSeer Report. In addition, it operates a BIC in Bengaluru, India that is focused on developing cell and battery technology and manufacturing processes for forthcoming cell manufacturing at the Ola Gigafactory.
- The company operates own direct-to-customer (D2C) Omni channel distribution network across India, comprising 870 experience centres and 431 service centres (of which 429 service centres are located within experience centres) as at March 31, 2024 in addition to its Ola Electric website. Its network of experience centres was India's largest company-owned network of experience centres as at March 31, 2024 according to the RedSeer Report.

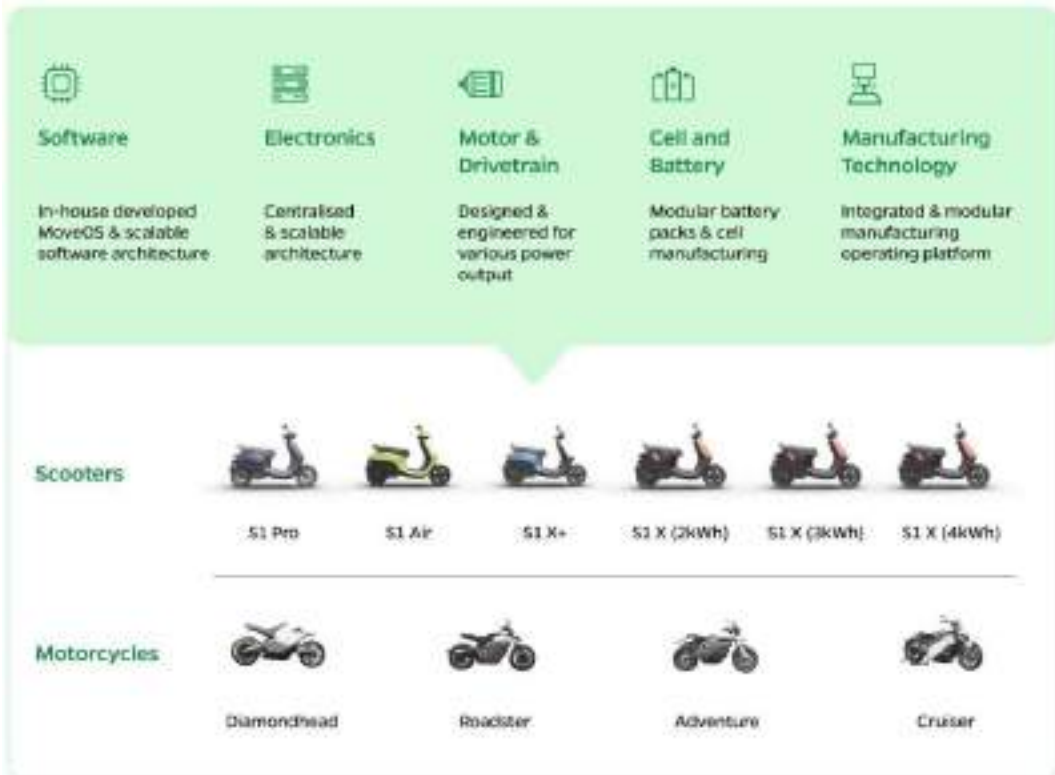
View

- E2W penetration in India is expected to expand from approximately 5.40% of domestic 2W registrations sales reported on the VAHAN portal in FY24 to 41-56% of the domestic 2W sales volume by FY28, according to the Redseer Report. Its exclusive and singular focus on EV enables the company to leverage on this transition in the growing Indian 2W market. The company is the largest E2W seller in India by number of units registered in FY24, accounting for approximately 35.00% of the total E2W registrations in India for such period, according to the Redseer Report. The company is a pure EV company and its R&D and technology including in-house design, engineering, manufacturing, are all singularly focused on building EV products.
- The Company has been approved for India's PLI schemes – one relating to the manufacturing of advanced automotive technology products (the Automobile PLI Scheme), and another relating to advanced cell chemistry batteries (the Cell PLI Scheme). The company is the only EV manufacturer in India that is a beneficiary of two PLI schemes, according to the Redseer Report. Under the Cell and Automotive PLI Schemes, all of the advanced chemistry cells and EVs that it manufacture and sell will qualify the company for cash incentive up until the specified cap under the schemes.
- Pursuant to the MoU with the State Government of Tamil Nadu, Ola Electric plans to build their EV hub, which currently includes their Ola Futurefactory and is expected to also include their future in-house cell manufacturing facility, the Ola Gigafactory. The EV hub is also pivotal to their aim to build a resilient supply chain as it will serve as a co-location site for suppliers in the future.
- The company's business model is technology-focused. The company has engineers specializing in electrical, electronics, chemical, mining, automotive and mechanical engineering in R&D centers and BIC (Battery Innovation Centre). As of Mar'24, the company has 959 employees dedicated to R&D. The R&D platform includes interconnected software (MoveOS), electronics, motor and drivetrain, cells and battery packs and manufacturing technology. The company internally develops EV technologies giving it significant control over product performance.
- Cells form a significant percentage of overall EV cost and the company currently source cells from third party suppliers. The company's medium to long-term plans place emphasis on backward integration for greater control over supply chain and costs. The company commenced construction of its Ola Gigafactory for cell manufacturing in June 2023. The company expects to use the cells produced by the Ola Gigafactory for the existing and future EV products.
- Company's sustainable platform-based approach, whereby the company in-house designed EV components can be adapted for use in different EV models, allows the company to develop products in a timely and cost-efficient manner, achieve a fast time to market and improve margins. The company plan to further launch affordable mass market Ola S1 models, including E2Ws targeted at the personal, business to business and last-mile delivery segment.
- In terms of the valuations, on the higher price band, OEML demands Market cap/Sales multiple of 6.7x.

Three key pillars of business model



Elements of E2W Platform



Revenue from Operations

	FY22	FY23	FY24
Revenue from contracts with customers	368.0	2600.5	4798.0
Sale of finished products	317.7	2303.4	4603.6
Sale of traded goods	30.5	177.6	105.9
Sale of services	19.8	119.5	88.4
Other operating revenue	5.4	30.5	211.9
Vendor handling charges	3.4	26.4	88.5
Other revenue	1.0	0.8	1.2
Sale of Scrap	1.1	3.2	13.2
Subscription income	-	-	11.8
Government incentive	-	-	97.2
Total revenue from operations	373.4	2630.9	5009.8

R&D Spend

	FY22	FY23	FY24
Research Cost	15.69	86.08	78.94
Intangible Assets under development	160.15	421.63	306.17
Total R & D Spend	175.84	507.71	385.11
% to Total Income	38.54%	18.25%	7.34%

Intellectual Property

	Registered		Application Pending	
	In India	In Abroad	In India	In Abroad
Patents	84	11	218	55
Designs	74	26	10	107
Trademarks	131	81	81	138

Production Capacity – Product-wise

	FY22		FY23		FY24	
	Installed capacity (mn)	Capacity utilization	Installed capacity (mn)	Capacity utilization	Installed capacity (mn)	Capacity utilization
Ola S1	1,87,500	17%	4,50,000	36%	6,79,000	49%
Ola S1 Pro						
Ola S1 Air	NA	NA	NA	NA		
Ola S1 X+						
Total	1,87,500	17%	4,50,000	36%	6,79,000	49%

Financial Statement

(In Rs. Cr)	FY22	FY23	FY24
Share Capital	1955.5	1955.5	1955.5
Net Worth	3661.5	2356.4	2019.3
Long Term Borrowings	523.8	700.3	1318.6
Other Long Term Liabilities	54.1	165.5	389.6
Short-term borrowings	226.6	945.4	1070.6
Other Current Liabilities	929.9	1405.5	2937.3
Fixed Assets	1107.5	1726.1	3203.7
Non Current Assets	1267.7	397.5	485.1
Current Assets	4063.5	3449.6	4046.6
Total Assets	5395.9	5573.2	7735.4
Revenue from Operations	373.4	2630.9	5009.8
Revenue Growth (%)		604.5	90.4
EBITDA	(800.4)	(1252.4)	(1267.6)
EBITDA Margin (%)	(214.3)	(47.6)	(25.3)
Net Profit	(784.2)	(1472.1)	(1584.4)
Net Profit Margin (%)	(210.0)	(56.0)	(31.6)
Earnings Per Share (Rs.)	(2.2)	(3.9)	(4.4)
Return on Networth (%)	(21.4)	(62.5)	(78.5)
Net Asset Value per Share (Rs.)	10.4	6.3	5.5

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY22	FY23	FY24
Cash flow from Operations Activities	(885.0)	(1507.3)	(633.1)
Cash flow from Investing Activities	(1321.8)	(318.6)	(1136.3)
Cash flow from Financing Activities	3084.8	658.7	1590.0
Net increase/(decrease) in cash and cash equivalents	878.0	(1167.1)	(179.4)
Cash and cash equivalents at the beginning of the year	357.0	1235.0	67.9
Cash and cash equivalents at the end of the year	1235.0	67.9	(111.5)

Source: RHP


Comparison with Listed Industry Peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	D/E (x)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBIDTA (x)	MCap/Sales (x)	Market Cap (Rs. Cr.)
Ola Electric Mobility Ltd.	5009.8	-25.3	0.2	-15.0	-21.1	NA	4.5	-27.8	6.7	33521.7
Bajaj Auto Ltd.	44870.4	22.5	0.1	33.5	26.5	33.4	8.7	25.3	5.9	267140.1
Eicher Motors Ltd.	14442.2	27.8	0.0	27.5	21.2	33.9	7.5	25.1	8.4	135611.9
TVS Motor Company Ltd.	39144.7	14.4	3.7	15.6	28.9	70.3	17.5	25.0	3.0	118579.4
Hero MotoCorp Ltd.	37788.6	15.7	0.0	29.5	21.8	29.1	6.2	18.0	2.9	108900.5

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