

**Company Overview**

Ola Electric Mobility Limited is a pure EV player in India, with vertically integrated technology and manufacturing capabilities for EV and EV components. It manufactures EV and certain core EV components like battery packs, motors and vehicle frame at its factory called Ola Futurefactory. At its Futurefactory, it manufactures EV scooters using certain in house components and rest procured from third parties. 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. The business focuses on capturing opportunities arising out of electrification of mobility in India, while also seeking to export its EV products in select international markets. Research and development (R&D) and technology is at the core of the company's business model. It undertakes R&D activities in India, the UK and the US, focused on designing and developing new EV products and core EV components. It has delivered seven products and additionally announced 4 new products. It commenced the delivery of its first EV model, the Ola S1 Pro in December 2021, followed by Ola S1 in September 2022, Ola S1 Air in August 2023, Ola S1 X+ in December 2023 and Ola S1 X (2kWh), Ola S1 X (3kWh) and Ola S1 X(4kWh) in May 2024. On August 15, 2023, the company had also announced a line-up of motorcycles comprising four models, Diamondhead, Adventure, Roadster and Cruiser, with plans to commence its deliveries in H1FY26. The company is also in the process of building an EV hub in Krishnagiri and Dharmapuri districts in Tamil Nadu, India, which includes its Ola Futurefactory, upcoming Ola Gigafactory and co-located suppliers in Krishnagiri district. The company operates on its own direct-to customer (D2C) omnichannel distribution network in India, comprising of 870 experience centres and 431 service centres, in addition to its 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. As at March 31, 2024, the Ola Futurefactory had an installed capacity of one million units per year.

Objects of the issue

The company proposes to utilise the net proceeds towards funding the following objects:

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

Investment Rationale**End-to-end integration of key business functions**

The company's business model is based on three pillars: 1) R&D and technology platform which consists of software, electronics, motor & drivetrain, cells & battery and manufacturing technology; 2) Adaptable manufacturing and supply chain platform which consists of vertically integrated manufacturing, resilient supply chain and flexible assembly lines; 3) D2C omni-channel distribution platform which consists of an integrated company-owned sales and service network, a charging network, and an online retail platform. The platform focused product development enables the company to leverage common elements such as modular electric powertrain which includes a modular battery pack with BMS and motors, a power electronics module, as well as electronics and software to develop and design new EV models. This results in reducing product development costs and helps in achieving faster product development. The company's business model across the three key pillars enables it to improve its EV performance, resulting in a better customer experience, business growth and control over costs.

Efficient capital allocation and focus on growth

The efficient capital allocation approach of the company emphasizes investment in R&D and technology to design, manufacture core EV components and establish an adaptable platform architecture to support further development of EVs. The company believes that investment into the development of its in-house manufacturing capabilities will enable the company to have a better control over the cost of the product and improve its margin. Hence, the company has allocated capital towards developing

Issue Details

Offer Period	02nd August 2024 - 06th August 2024
Price Band	Rs. 72 to Rs. 76
Bid Lot	195
Listing	BSE & NSE
Issue Size (no. of shares in mn)	808.6
Issue Size (Rs. in bn)	61.5
Face Value (Rs.)	10

Issue Structure

QIB	75%
NIB	15%
Retail	10%

BRLM	SBI Capital Market Ltd.; Kotak Mahindra Capital Company Ltd.; Bofa Securities India Ltd.; Axis Capital Ltd.; BOB Capital Market Ltd.; ICICI Securities Ltd.; Goldman Sachs Securities Pvt Ltd.; Citigroup Global Markets India Pvt Ltd.
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Registrar	Link Intime India Private Ltd.
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Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	84.35	68.57
Public	15.65	31.43
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

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its existing cell manufacturing capabilities through the BIC (Battery Improvement Centre) in Bengaluru, in addition to the gigafactory that is currently under construction. The company's strategy is to deploy its capital in a sequential manner, i.e. progressing to another process after achieving the desired margin efficiency in the existing process. The company aims to invest in R&D to improve its product offerings, adapt to changing consumer preferences and improve its cost & operational efficiency.

Valuation

Ola Electric Mobility Limited is a pure EV and core EV component manufacturer, with its primary focus on production of E2W. The company has a robust distribution platform alongside an adaptable manufacturing & supply chain platform and strong emphasis on R&D and technology, which cumulatively helps the company to drive down its cost and optimize capital expenditure on development of EVs. The trend towards adoption of electrical mobility can be mainly attributed to the increasing affordability of EVs, reducing battery prices, improved driving range and favourable regulatory environment. Ola Electric is in a favourable position to be the main beneficiary of all these factors as the company is able to manufacture majority of the core components in-house which is required to manufacture E2W, including cells at its new and soon to be operable Gigafactory in Tamil Nadu along with support from the government in terms of subsidies and tax benefits. The company also plans to enter international markets where the EV demand is yet to be fulfilled. The key markets include ASEAN, LATAM, and Africa, which are already a thriving market for the Indian 2W exporters. On the financial front, revenue grew from Rs. 4,562.6 million to Rs. 52,432.7 million between FY22 and FY24, while net loss widened from Rs. 7,841.47 million to Rs. 15,844 million during the same period. On the upper price band, the issue is valued at a Market Capitalization/Sales of 6.4 x based on FY24 sales. On account of positive EV market outlook, favourable regulatory environment, large quantum of fresh issue in the IPO, announcement of new models along with the upcoming cell manufacturing unit (Gigafactory), **we have a positive view for the company from a medium to long term perspective. We, therefore, recommend a SUBSCRIBE rating for the issue.**

Key Risks

- ⇒ The company could experience disruptions in the supply or an increase in prices of components and raw materials used to manufacture electric vehicles, which could result in an increase in the price of electric vehicles and impact its projected manufacturing and delivery timelines.
- ⇒ Any reduction or elimination of government incentives or the ineligibility of any of its electric vehicles for such incentives would increase the retail prices of electric vehicles and could adversely affect customer demand for electric vehicles and affect the company's ability to achieve profitability.
- ⇒ Due to the competitive market in which the company operates, it may face downward pricing pressures that may require further price reduction of its EVs. A reduction in pricing may in turn lead to reduced profitability which would adversely impact its business.

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Income Statement (Rs. in millions)

Particulars	FY22	FY23	FY24
Revenue			
Revenue from operations	3,734.2	26,309.3	50,098.3
Other income	828.4	1,517.7	2,334.4
Total revenue	4,562.6	27,827.0	52,432.7
Expenses			
Cost of materials consumed	5,849.3	25,047.9	43,909.1
Purchase of stock-in-trade	561.8	1,392.6	697.5
Change in inventories of finished goods, stock-in trade and work-in-progress	-1,602.2	-736.4	-811.4
Employee benefits expense	2,824.8	4,267.3	4,388.7
Other expenses	4,104.3	8,862.4	14,590.2
Total operating expenses	11,738.1	38,833.8	62,774.1
EBITDA	-7,175.5	-11,006.8	-10,341.4
Depreciation & amortization	489.8	1,670.6	3,576.4
EBIT	-7,665.3	-12,677.4	-13,917.8
Finance costs	176.2	1,079.2	1,865.7
Exceptional Items	-	964.2	60.5
PBT	-7,841.5	-14,720.8	-15,844.0
Current tax	-	-	-
Previous tax	-	-	-
Total tax	0.0	0.0	0.0
Net Loss	-7,841.5	-14,720.8	-15,844.0
Diluted EPS	-2.2	-3.9	-4.4

Particulars	FY22	FY23	FY24
Cash Flow used in operating activities	-8,849.5	-15,072.7	-633.9
Cash flow used in investing activities	-13,218.3	-3,185.5	-11,362.8
Cash flow from financing activities	30,848.3	6,587.0	15,899.6
Net increase/(decrease) in cash and cash equivalents	8,780.5	-11,671.2	-1,794.0
Cash and cash equivalents at the beginning of the period	3,569.5	12,350.0	678.8
Cash and cash equivalents at the end of the period	12,350.0	678.8	-1,115.2

Source: RHP, BP Equities Research

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Balance Sheet (Rs. in millions)

Particulars	FY22	FY23	FY24
Assets			
Non-current assets			
Property, plant and equipment	7,510.7	8,811.2	15,647.2
Capital work-in-progress	183.5	1,309.1	4,194.0
Right-of-Use assets	1,390.0	1,297.9	3,955.5
Goodwill	61.9	61.9	85.2
Other Intangible Assets	1,282.7	2,017.8	5,222.7
Intangible assets under development	646.5	3,762.6	2,932.2
Financial Assets			
(i) Investments	378.6	378.6	378.6
(ii) Other financial assets	251.6	1,533.1	1,880.1
Deferred Tax Assets (Net)	-	-	-
Other Tax Assets (Net)	89.1	52.9	134.5
Other non-current assets	1,528.6	2,010.3	2,458.0
Total Noncurrent assets	13,323.3	21,235.3	36,888.0
Current Assets			
Inventories	2,842.9	5,839.6	6,939.9
Financial Assets			
(i) Investments	10,645.8	2,381.5	258.6
(ii) Trade Receivables	152.2	842.5	1,584.8
(iii) Cash and Cash Equivalents	12,350.0	2,429.1	1,071.1
(iv) Bank Balances other than (iii) above	8,617.6	12,863.8	15,559.7
(v) Other Financial Assets	626.4	5,463.1	7,558.9
Other current assets	5,400.4	4,676.7	7,493.1
Total Current Assets	40,635.3	34,496.3	40,466.1
Total Assets	53,958.6	55,731.7	77,354.1
Equity and Liabilities			
Equity Share Capital	19,554.5	19,554.5	19,554.5
Instruments entirely equity in nature	18,041.3	18,097.0	29,733.2
Other Equity			
(i) Other components of Equity	-274.2	-274.2	-274.2
(ii) Reserves and Surplus	-688.3	-13,800.3	-28,825.4
(iii) Items of other comprehensive income	-18.7	-12.5	5.3
Total Equity	36,614.5	23,564.4	20,193.4
Non-Current Liabilities			
Financial Liabilities			
(i) Borrowings	5,237.9	7,003.3	13,186.0
(ii) Lease Liabilities	490.4	398.6	2,150.0
Provisions	50.7	50.5	153.5
Other Non-Current Liabilities	-	1,205.8	1,592.3
Total Non-Current Liabilities	5,779.0	8,658.2	17,081.8
Current Liabilities			
Financial Liabilities			
(i) Borrowings	2,266.2	9,454.2	10,706.1
(ii) Lease Liabilities	43.6	101.6	1,061.9
(iii) Trade Payables			
a) Total outstanding dues of micro enterprises and small enterprises	349.2	451.0	1,959.9
b) Total outstanding dues of creditors other than micro enterprises and small enterprises	3,219.2	6,482.4	11,524.8
(iv) Other financial liabilities	1,715.1	3,911.7	8,888.9
Other current Liabilities	3,386.3	2,309.6	4,214.6
Provisions	585.5	798.5	1,722.7
Total Current Liabilities	11,565.2	23,509.0	40,078.9
Total Liabilities	17,344.2	32,167.2	57,160.7
Total Equity and Liabilities	53,958.6	55,731.7	77,354.1

Source: RHP, BP Equities Research

Disclaimer Appendix**Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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