

IPO NOTE

OLA ELECTRIC

OLA ELECTRIC MOBILITY LIMITED IPO
Date: 02.08.2024



- ◆ Founded in 2017, Ola Electric Mobility Limited is a pure EV player in India building vertically integrated technology and manufacturing capabilities for EVs and EV components.
- ◆ It primarily manufactures electric vehicles and certain core components for electric vehicles such as battery packs, motors, and vehicle frames at the Ola Futurefactory.
- ◆ They are building EV hub in Tamil Nadu, comprising Ola Futurefactory for EV manufacturing, Ola Gigafactory for cell manufacturing, and co-located suppliers.
- ◆ The business model relies on three key scalable platforms:
 - ◇ The R&D and technology platform with in-house design and development of EV technologies and components,
 - ◇ The adaptable production and supply chain platform and
 - ◇ The D2C omnichannel sales platform
- ◆ As of March 31, 2024, the company had 959 employees (including 907 permanent employees and 52 freelancers) focusing on research and development. They are dedicated to product development, vehicle and software development, vehicle design, and cell development.
- ◆ In addition to Ola Electric Website, the company operates their own direct-to-customer ("D2C") omnichannel distribution network comprising 935 experience centres and 414 service centres (of which 410 service centres are located within experience centres) as of March 31, 2024. Their network of experience centres was India's largest company-owned network of experience centres as of March 31, 2024.

Issue Details

| | |
|--|-----------------|
| Price Band (in ₹ per share) | 72-76 |
| Issue size (in ₹ Crore) | 6111.58-6145.56 |
| Fresh Issue (in ₹ Crore) | 5500.00 |
| OFS (in ₹ Crore) | 611.58-645.56 |
| Issue open date | 02.08.24 |
| Issue close date | 06.08.24 |
| Tentative date of Allotment | 07.08.24 |
| Tentative date of Listing | 09.08.24 |
| Total number of shares (lakhs) | 8489.13-8087.00 |
| No. of shares for QIBs (75%) (lakhs) | 6360.50-6059.27 |
| No. of shares for NII (15%) (lakhs) | 1272.10-1211.85 |
| No. of shares for S-HNI (33%)(lakhs) | 424.03-403.95 |
| No. of shares for B-HNI (66%)(lakhs) | 848.07-807.90 |
| No. of shares for retail investors (10%) (lakhs) | 848.07-807.90 |
| No of shares for Employee Reservation (lakhs) | 8.46-7.97 |
| Minimum order quantity | 195 |
| Face value (in ₹) | 10.00 |
| Amount for retail investors (1 lot) | 14040-14820 |
| Maximum number of shares for Retail investors at Lower Band | 2730 (14 lots) |
| Maximum number of shares for Retail investors at Upper Band | 2535 (13 lots) |
| Maximum amount for retail investors at lower band - upper band | 196560-192660 |
| Minimum number of shares for sHNI (2 Lakhs) at upper band | 2730 (14 lots) |
| Maximum number of shares for sHNI (10 Lakhs) at upper band | 13065 (67 lots) |
| Minimum number of shares for bHNI at upper band | 13260 (68 lots) |
| Exchanges to be listed on | BSE, NSE |

Promoters

- BHAVISH AGGARWAL

Objects of the Offer

- ◆ Capital expenditure to be incurred by its Subsidiary, OCT for expansion of the capacity of its cell manufacturing plant from 5GWh to 6.4 GWh, classified as phase 2 under the expansion plan (the "Project") up to Rs 1227.64 Cr.
- ◆ Repayment or pre-payment, in full or part, of the indebtedness incurred by its Subsidiary, OET up to Rs 800 Cr.
- ◆ Investment into research and product development up to Rs 1600 Cr.
- ◆ Expenditure to be incurred for organic growth initiatives up to Rs 350 Cr.
- ◆ General corporate purposes.

Brief Financials

| PARTICULARS (Rs. Cr)* | FY24 | FY23 | FY22 |
|--------------------------|-----------|-----------|----------|
| Share Capital | 1955.45 | 1955.45 | 1955.45 |
| Net Worth | 2019.33 | 2356.44 | 3661.45 |
| Revenue from operation | 5009.83 | 2630.92 | 373.42 |
| EBITDA | (1040.19) | (1197.09) | (717.55) |
| EBITDA Margin (%) | (19.84) | (43.02) | (157.27) |
| Profit/(Loss) After Tax | (1587.60) | (1471.62) | (783.48) |
| E2W Market Share (%) | 34.80 | 21.00 | 5.70 |
| EPS (in Rs.) | (4.35) | (3.91) | (2.23) |
| Net Asset Value (in Rs.) | 5.54 | 6.26 | 10.43 |
| Total Borrowing | 2389.21 | 1645.75 | 750.40 |
| P/E# | NA | NA | NA |
| P/B# | 13.71 | NA | NA |

#Calculated at upper price band * Restated consolidated financials

Profit & Loss Statement

| Particulars (In Crores) | FY2024 | FY2023 | FY2022 |
|--|----------|----------|---------|
| Revenue from operations | 5009.83 | 2630.93 | 373.42 |
| Other income | 233.44 | 151.77 | 82.84 |
| Total income | 5243.27 | 2782.70 | 456.26 |
| YoY Growth (%) | 88.42 | 509.89 | - |
| Cost of materials consumed | 4390.91 | 2504.79 | 584.93 |
| Purchase Of Stock in Trade | 69.75 | 139.26 | 56.18 |
| Changes in inventories of finished goods | -81.14 | -73.64 | -160.22 |
| Employee benefit expenses | 438.87 | 426.73 | 282.48 |
| Other expenses | 1459.02 | 886.24 | 410.43 |
| EBIDTA | -1040.09 | -1197.10 | -717.55 |
| EBIDTA Margin (%) | -19.84 | -43.02 | -157.27 |
| Depreciation and amortisation expense | 357.64 | 167.06 | 48.98 |
| EBIT | -1397.73 | -1364.16 | -766.53 |
| EBIT Margin (%) | -26.66 | -49.02 | -168.00 |
| Finance cost | 186.67 | 107.92 | 17.62 |
| Profit/Loss before tax | -1584.40 | -1472.08 | -784.15 |
| Tax expenses | | | |
| Current tax | - | - | - |
| Deferred tax | - | - | - |
| Total tax expenses | - | - | - |
| Profit/ Loss for the year | -1584.40 | -1472.08 | -784.15 |
| Earnings per share | | | |
| Basic & Diluted (as per FV- Rs.10 per share) | -4.35 | -3.91 | -2.23 |

Cashflow Statement

| Particulars (In Crores) | FY2024 | FY2023 | FY2022 |
|---|----------|----------|----------|
| Cash generated from operating activities | -624.93 | -1510.90 | -884.42 |
| Income tax paid (net of refunds) | -8.16 | 3.62 | -0.53 |
| Net cash generated from operating activities | -63.31 | -150.73 | -88.50 |
| Net cash used in investing activities | -1136.28 | -318.55 | -1321.83 |
| Net cash used in financing activities | 1589.96 | 658.70 | 3084.83 |
| Net increase/ (decrease) in cash and cash equivalents | -179.40 | -1167.11 | 878.04 |
| Cash and cash equivalent as at 1 April | 67.88 | 1235.00 | 356.95 |
| Cash and cash equivalent as at year end | -111.52 | 67.89 | 1234.99 |

Balance Sheet

| Particulars (In Crores) | FY2024 | FY2023 | FY2022 |
|--|----------------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 1564.72 | 881.12 | 751.07 |
| Capital work-in-progress | 419.40 | 130.91 | 18.35 |
| Right-of-use assets | 395.55 | 129.79 | 139.00 |
| Goodwill | 8.52 | 6.19 | 6.19 |
| Other intangible assets | 522.27 | 201.78 | 128.27 |
| Intangible assets under development | 293.22 | 376.26 | 64.65 |
| Financial Assets | 0.00 | 0.00 | 0.00 |
| Investments | 37.86 | 37.86 | 37.86 |
| Other financial assets | 188.01 | 153.31 | 25.11 |
| Deferred tax assets (net) | | | |
| Other tax assets (net) | 13.45 | 5.29 | 8.91 |
| Other non-current assets | 245.80 | 201.03 | 152.86 |
| Total non-current assets | 3688.80 | 2123.54 | 1332.33 |
| Current assets | | | |
| Inventories | 693.99 | 583.96 | 284.29 |
| Financial assets | | | |
| Investments | 25.86 | 238.15 | 1064.58 |
| Trade Receivables | 158.48 | 84.25 | 15.22 |
| Cash & Cash Equivalents | 107.11 | 242.91 | 1235.00 |
| Bank balances other than Cash & Cash Equivalents | 1555.97 | 1286.38 | 861.76 |
| Other financial assets | 755.89 | 546.31 | 62.64 |
| Other Current Asset | 749.31 | 467.67 | 540.04 |
| Total current assets | 4046.61 | 3449.63 | 4063.53 |
| Total assets | 7735.41 | 5573.17 | 5395.86 |
| EQUITY & LIABILITIES | | | |
| Equity | | | |
| Equity Share Capital | 1955.45 | 1955.45 | 1955.45 |
| Instruments entirely equity in nature | 2973.32 | 1809.70 | 1804.13 |
| Other Equity | | | |
| Other components of equity | -27.42 | -27.42 | -27.42 |
| Reserves & Surplus | -2882.54 | -1380.03 | -68.83 |
| Items of other comprehensive income | 0.53 | -1.25 | -1.87 |
| Total Equity | 2019.34 | 2356.44 | 3661.45 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Financial liabilities | | | |
| Borrowings | 1318.60 | 700.33 | 523.79 |
| Lease Liabilities | 215.00 | 39.86 | 49.04 |
| Provisions | 15.35 | 5.05 | 5.07 |
| Other non-current liabilities | 159.23 | 120.58 | 0.00 |
| Total non-current liabilities | 1708.18 | 865.82 | 577.90 |
| Current liabilities | | | |
| Financial liabilities | | | |
| Borrowings | 1070.61 | 945.42 | 226.62 |
| Lease liabilities | 106.19 | 10.16 | 4.36 |
| Trade payables | | | |
| Total outstanding dues of micro and small enterprises | 195.99 | 45.10 | 34.92 |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 1152.48 | 648.24 | 321.92 |
| Other financial liabilities | 888.89 | 391.17 | 171.51 |
| Other current liabilities | 421.46 | 230.96 | 338.63 |
| Provisions | 172.27 | 79.85 | 58.55 |
| Total current liabilities | 4007.89 | 2350.90 | 1156.51 |
| Total liabilities | 5716.07 | 3216.73 | 1734.41 |
| Total equity and liabilities | 7735.41 | 5573.17 | 5395.86 |



India's automotive market consists of ~28Mn vehicles and is central to the economy.

- ◆ India has a large automotive market, comprising annual production of ~28Mn vehicles as of FY 2024 (excluding electric rickshaws - Source: Society of Indian Automobile Manufacturers (SIAM)).
- ◆ It is central to India's manufacturing sector and the overall economy, contributing ~35% to the manufacturing GDP and ~7% to the overall GDP in FY 2023.
- ◆ The Indian government envisions improving the contribution of the automotive industry to reach ~40% of the manufacturing GDP by FY 2026 (Source: Automotive Mission Plan 2016-26).
- ◆ While India's (and global) vehicle production experienced a short-term decline in the FY 2020 – FY 2022 period, (due to the global shortage of semiconductors, pandemic-induced lockdowns, increase in fuel prices and volatile geopolitics driven by the Russia-Ukraine conflict), it has recovered well to ~92% of FY 2019 levels (as of FY 2024).
- ◆ Despite having large two-wheeler (2W) and four-wheeler passenger-vehicles (4W-Passenger Vehicle) markets, India sees limited penetration, indicating a solid backdrop for medium to long-term volume growth.

2W, 3W, 4W-Passenger Vehicle and Commercial Vehicles are the key segments in India's automotive market.

- ◆ Two-wheelers (2W)– India is a global production hub for two-wheelers – a total of ~19.5 Mn 2W were produced in India in FY 2023 contributing 15-20% of the world's total 2W production, making it the second largest 2W producer in the world after China.
- ◆ Of the total production, ~4 Mn units were exported.
- ◆ 16-17 Mn units were sold domestically. Globally, India is the second-largest 2W market in terms of domestic sales volumes.
- ◆ The value of 2W domestic market size in India was ₹1.4-1.6 Tn (US\$17-20 Bn) in FY 2023.

Multiple factors are pushing the personal mobility demand towards 2Ws:

- ◆ Need for affordable personal mobility – 2Ws offer greater reach and convenience than public transport facilities and modes of shared mobility, while being more affordable than other personal mobility options (like 4W-Passenger Vehicles).
- ◆ The current state of road transport infrastructure – 2Ws are suitable to travel across unpaved (especially in smaller towns & rural areas) and traffic-congested roads that require easy maneuvering and narrow lanes that do not allow bigger & bulkier 4Ws.
- ◆ Strong supply – Availability of a wide 2W option range across price points, fuel types and with multiple features etc., marketed specifically towards targeted age groups, genders and income levels.
- ◆ Last-mile mobility – Travel requirements to reach public transport stations and increasing demand for last-mile deliveries (for industries such as food, e-commerce etc.). The latter will also fuel greater demand for electric 2Ws as players in these markets move towards meeting their sustainability commitments.

E2Ws have also reached the smaller cities in India.

- ◆ 2Ws are at the forefront of automotive electrification in India as Indian consumer is sensitive to initial vehicle price. E2W adoption has grown to constitute ~5.4% of 2W registrations in FY 2024, primarily led by scooters. Moreover, EVs are likely to account for almost half of the domestic 2W sales volumes by FY 2028.
- ◆ E2Ws are not only limited to the top cities but have also reached non-metro cities such as Kochi and Surat (with ~19% and ~13% E2W penetration respectively).
- ◆ Short & localized personal mobility needs in the smaller markets, wider distribution networks by E2W OEMs, government initiatives to promote universal household electrification & power infrastructure improvement, and focused financing support for low-income consumers, have driven universal adoption of E2Ws in the country.

Competitive Strengths of the Company

Pure EV player with a leadership position in the fast-growing Indian E2W market

- ◆ E2W penetration in India is expected to expand from approximately 5.40% of domestic 2W registration sales reported on the VAHAN portal in Fiscal 2024 to 41-56% of the domestic 2W sales volume by Fiscal 2028, according to the Redseer Report.
- ◆ Their exclusive and singular focus on EVs enables them to leverage this transition in the growing Indian 2W market. They were the largest E2W seller in India by number of units registered in Fiscal 2024, accounting for approximately 35.00% of the total E2W registrations in India for such period, according to the Redseer Report.
- ◆ They are a pure EV company and their R&D and technology including in-house design, engineering, and manufacturing, are all singularly focused on building EV products.
- ◆ Founder-led company supported by a highly experienced and professional leadership team
- ◆ Their Founder, Chairman and Managing Director, Mr. Bhavish Aggarwal, is an entrepreneur who founded their Company, in addition to ANI Technologies Private Limited, also known as Ola Cabs, in 2010.
- ◆ Ola Cabs is a ride-hailing mobility platform 193 in India. Bhavish has received several accolades such as India 30 under 30 from Forbes India in 2014, Entrepreneur of the Year from the Economic Times in 2017, Top 100 Most Influential People by Time Magazine in 2018 and featured in the TIME100 Climate List in 2023 as one of the most innovative leaders globally.
- ◆ They are also led by a Board of Directors with diverse expertise that will contribute to and participate in the formulation of their business strategy.

In-house R&D and technology capabilities

- ◆ Their in-house capabilities to develop EV technologies are driven by their focus on R&D.
- ◆ They undertake R&D activities in India, the UK and the US, focused on designing and developing new EV products and core EV components, such as battery packs, motors and vehicle frames.
- ◆ Meanwhile, the BIC is focused on developing cell and battery technology and manufacturing processes for their forthcoming cell manufacturing at the Ola Gigafactory, such as material synthesis, cell manufacturing technology and material characterization, prototyping and testing.
- ◆ Their R&D efforts are centred around five key technologies: (a) software, (b) electronics, (c) motor and drivetrain, (d) cells and battery packs and (e) manufacturing technology.

Manufacturing at scale and supply chain resilience

- ◆ 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.
- ◆ As at March 31, 2024, the Ola Futurefactory had an installed capacity of one million units per year.
- ◆ The Ola Futurefactory is an automated manufacturing facility equipped with modular and flexible assembly lines and an in-house paint shop.
- ◆ The in-house design, and manufacturing of their core EV components enhance their control over the optimization of EV performance and quality.
- ◆ These capabilities to manufacture at scale, automation, and flexible lines also enable them to improve cost efficiency across value chains through economies of scale in their supply chain, fast component development and cross-utilization of equipment across products.
- ◆ Furthermore, their direct relationship with suppliers and their focus on local suppliers for most of their EV components gives them enhanced control of their supply chain.

Eligibility for EV-related government incentives leading to cost advantages

- ◆ Company is the only EV manufacturer in India that is a beneficiary of two Government of India PLI schemes: the Automobile PLI Scheme and the Cell PLI Scheme, according to the Redseer Report.
- ◆ Under the Cell and Automotive PLI Schemes, all of the advanced chemistry cells and EV scooters that is manufactured and sold by the Company will qualify for a cash incentive up until the specified cap under the schemes subject to the conditions for disbursement of incentives under the schemes.

Risk Factors

They have incurred losses and negative cash flows from operations since inception

- ◆ They have incurred losses and negative cash flows from operating activities since their inception, including in Fiscals 2024, 2023 and 2022.
- ◆ Their Material Subsidiary, OET, which was incorporated in Fiscal 2021, has continuously incurred losses since its inception, including in Fiscals 2024 and 2023 and the period between January 6, 2021 to March 31, 2022, and their Material Subsidiary, OCT which was incorporated in Fiscal 2023, has continuously incurred losses since its inception, including in Fiscals 2024 and 2023.
- ◆ They may continue to incur operating losses in the near term as they invest in their business and expand their product portfolio, build capacity and scale their operations.

They have a limited operating history and there is no assurance they will be cost effective and profitable

- ◆ They have a limited operating history in manufacturing EVs. Incorporated in 2017, their Company is a pure EV player in India building vertically integrated technology and manufacturing capabilities for EVs and EV components.
- ◆ They delivered their first electric vehicle ("EV") scooter in December 2021. Since then, they have delivered seven products and additionally announced four new products.
- ◆ Their revenue from operations increased to ₹50,098.31 million in Fiscal 2024 from ₹26,309.27 million in Fiscal 2023 and ₹ 3,734.23 million in Fiscal 2022 and their scooter sales volume increased to 329,618 in Fiscal 2024 from 156,251 in Fiscal 2023 and 20,948 in Fiscal 2022.

They could experience disruptions in the supply, or increase in prices of, components and raw materials used in their EVs, which can adversely affect their product pricing and manufacturing and delivery timelines

- ◆ They manufacture certain EV components, while others are sourced from third-party domestic and foreign suppliers.
- ◆ They import cells from two foreign cell manufacturing companies, and plastic parts, electronic child parts and metal parts from other domestic and foreign suppliers.
- ◆ In Fiscals 2024, 2023 and 2022, imported supplies comprised 37.03%, 31.11% and 29.76% of the cost of materials consumed for those respective periods, while domestic supplies comprised 62.97%, 68.89% and 70.24% of the cost of materials consumed for those respective periods.
- ◆ There can be no assurance that their existing suppliers will be able to provide an adequate and steady supply of raw materials and EV components in a timely manner as they scale up their operations.

Peer Comparison

| Name of the company | Revenue from Operations (in Cr) | Face Value (Rs per share) | EPS (in Rs) | NAV (Per share Rs) | RoNW (%) | P/E* | EV/ Revenue from Operations [#] | EV/ EBITDA [#] |
|-------------------------------|---------------------------------|---------------------------|-------------|--------------------|----------|-------|--|-------------------------|
| Ola Electric Mobility Limited | 5009.83 | 10.00 | (4.35) | 5.54 | (78.46) | NA | NA | NA |
| TVS Motors | 39144.74 | 1.00 | 35.50 | 158.10 | 23.68 | 71.44 | 3.52x | 24.58x |
| Eicher Motors | 16535.78 | 1.00 | 146.18 | 659.06 | 22.17 | 33.99 | 7.83x | 22.14x |
| Bajaj Auto | 44870.43 | 10.00 | 272.70 | 1037.41 | 26.61 | 35.50 | 5.92x | 25.39x |
| Hero MotoCorp | 37788.62 | 2.00 | 187.36 | 892.08 | 20.98 | 29.47 | 2.84x | 17.52x |

*P/E & P/B ratio based on closing market price as of July 31st, 2024, at the upper price and of IPO, financial details consolidated audited results as of FY24. #EV/Revenue from Operations & EV/EBITDA mentioned as per prices on 31st March, 2024.



Our Views

- ◆ India's 2W production market of approximately 19 million units in Fiscal 2023 is primed for electrification and is expected to aid in achieving India's promise at the UN COP 26 Summit to cut emissions to net zero by 2070.
- ◆ The penetration rate of 2Ws in India was approximately 15% in Fiscal 2023, evidencing significant growth potential within the Indian 2W market.
- ◆ Ola Electric Limited (OEL) is a prominent player in India's electric vehicle (EV) sector, focusing on vertically integrated technology and manufacturing for EVs and components, including battery cells.
- ◆ The company manufactures EVs and key components such as battery packs, motors, and vehicle frames at the Ola Futurefactory and the new Ola Gigafactory for advanced EV cell manufacturing.
- ◆ OEL aims to leverage the growing electrification of mobility in India and explore international market opportunities.
- ◆ OEL has delivered seven products and, on August 15, 2023, announced a lineup of motorcycles comprising four models, with deliveries set to begin in the first half of Fiscal 2026.
- ◆ Ola Electric has the highest revenue of all Indian incorporated electric 2Ws ("E2Ws") original equipment manufacturers, ("OEMs") from E2W sales in Fiscal 2023. Within 9 months of delivering their 1st EV scooter in December 2021, they became the best-selling E2W brand in India regarding monthly E2W registrations on the VAHAN Portal of the Ministry of Road Transport and Highways ("VAHAN").
- ◆ The company's business model emphasizes in-house product innovation, with research and development at its core. OEL operates a direct-to-customer omni-channel distribution network across India.
- ◆ OEL benefits from two Production-Linked Incentive (PLI) schemes for cell and EV manufacturing.
- ◆ The company has been allocated 20GW for cell development by the Government of India, which it plans to integrate into its future manufacturing capabilities.
- ◆ Currently, OEL has provisions to quadruple its existing operating capacity.
- ◆ The company is well-positioned to address the large market opportunity in EVs led by their vertically integrated approach, focus on technology, R&D, execution ability and eligibility to avail certain government incentives.
- ◆ Globally disruptor OEMs (versus incumbent OEMs) have emerged as winners in EVs driven by a focus on innovation. Similarly, in India, disruptor OEMs have scaled well to cover more than 67% of the E2W domestic sales by volume in the first half of Fiscal 2024.
- ◆ 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.
- ◆ Despite posting losses since inception and being priced at a negative P/E, OEL has seen significant market share growth in the E2W segment, increasing from 21% in FY23 to 34.8% in FY24.
- ◆ Moreover, the company has improved its margins from -43% in FY23 to -19.83% in FY24, indicating a strong effort to stabilize its financials and move towards profitability.
- ◆ On account of the positive EV market outlook, favourable regulatory environment, the announcement of new models, and the upcoming cell manufacturing unit, we have a positive view of the company from a long-term perspective.

We recommend to **SUBSCRIBE** the IPO for long-term gains.

Sources: Company website and red herring prospectus

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Analyst Certification

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