

Ola Electric Mobility Limited

Company Overview:

Ola Electric Mobility Limited is a leading electric vehicle (EV) company in India with vertically integrated technology and manufacturing capabilities. The company has introduced seven products in the electric 2W segment and announced four new ones since Aug'21. Models include the Ola S1 Pro, Ola S1, Ola S1 Air, Ola S1 X+ and variants of the Ola S1 X. The company has also announced a lineup of motorcycles, the deliveries of which are expected to begin in 1HFY26. According to the Redseer Report, Ola Electric became the top-selling E2W brand in India in terms of monthly E2W registrations on the VAHAN portal within nine months of the first EV scooter launch in Dec'21. Ola Electric operates its own D2C omnichannel distribution network across India, comprising 870 experience centres and 431 service centres as of Mar'24 in addition to the Ola Electric website.

Key Highlights:

1. Fully integrated manufacturing facility: The company has established a vertically integrated manufacturing facility for EVs and EV components along with a resilient and shared supply chain. The Ola Futurefactory has an annual capacity of 1 million units. This factory manufactures EVs and key EV components such as motors, battery pack and vehicle frames which improves quality control, reduces costs and speeds up the time it takes to bring products to market. By manufacturing core components for multiple EV models on the same assembly line, the company is able to optimize costs. The company has also commenced trial production of cells (1.4 GWh) at its Gigafactory which will be further ramped up to 5 GWh by Feb'25 and to 6.4 GWh by Apr'25. The eventual cell capacity will be 20 GWh.

2. Robust R&D centre: 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.

3. EV hub: The company is creating an EV hub in Krishnagiri and Dharmapuri districts in Tamil Nadu, India that will cover about 2,000 acres of land. The hub will include Ola Futurefactory and upcoming Ola Gigafactory for cell manufacturing along with co-located suppliers. The Tamil Nadu State Government has allocated 700 acres of land for co-located suppliers. The company through its subsidiary, OET has been approved to be eligible for the Champion OEM Incentive Scheme under the Automobile PLI Scheme. Another subsidiary, OCT has been awarded 20 GWh capacity under the Cell PLI Scheme.

Valuation: The company is in a high growth phase with Volumes/Revenue growing at a CAGR of 297%/266% over FY22-24. However, it is yet to report profit at the EBITDA and the PAT level as it is still in the investment phase and undertaking substantial capex. Ola Electric is currently valued at 6.7x FY24 P/S at the upper price band on post issue capital.

Issue Details	
Date of Opening	2 nd August 2024
Date of Closing	6 th August 2024
Price Band (Rs)	72 - 76
Offer for sale (Equity shares)	84,941,997
Fresh Issue (Rs cr)	5,500
Issue Size (Rs cr)	6,146 @ Upper Price Band
No. of shares	80,86,26,208
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	32,046 – 33,522
BRLMs	Kotak Mahindra Capital, Bofa Securities, Axis Capital, SBI Capital Markets, Citi Global Markets, Goldman Sachs Securities, ICICI Securities, BOB Capital Markets
Registrar	Link Intime India Private Limited
Bid Lot	195 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NII (HNI) shares	15%

Objects of Issue	Estimated utilization from net proceeds (Rs cr)
Capital expenditure to be incurred by subsidiary OCT for the project	1,227.6
Repayment or pre-payment, in full or part, of the indebtedness incurred by subsidiary OET	800.0
Investment into research and product development	1,600.0
Expenditure to be incurred for organic growth initiatives	350.0
General corporate purposes*	~*
Total proceeds from fresh issue	5,500.0

* The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	1,66,44,13,368	45.1
Public & Others	2,02,26,58,890	54.9
Total	3,68,70,72,258	100.0

Post Issue @ Upper Price Band	No. of Shares	%
Promoter & Promoter Group	1,62,23,19,161	36.8
Public & Others	2,78,84,37,308	63.2
Total	4,41,07,56,469	100.0

Source: RHP, SSL Research

KPIs

Particulars	FY22	FY23	FY24
Sales Volume (Units)	20,948	1,56,251	3,29,618
E2W Market Share (%)	5.7	21.0	34.8
Avg Selling Price (Rs/Unit)	1,78,262	1,68,378	1,51,989
Revenue from operation (Rs cr)	373	2,631	5,010
EBITDA (Rs cr)	(800)	(1,252)	(1,268)
PAT (Rs cr)	(784)	(1,376)	(1,578)
EBITDA Margin (%)	-	-	-
PAT Margin (%)	-	-	-
ROE (%)	(21.4)	(58.4)	(78.2)
ROCE (%)	(17.4)	(31.7)	(31.6)
PE (x)	-	-	-

Source: RHP, SSL Research

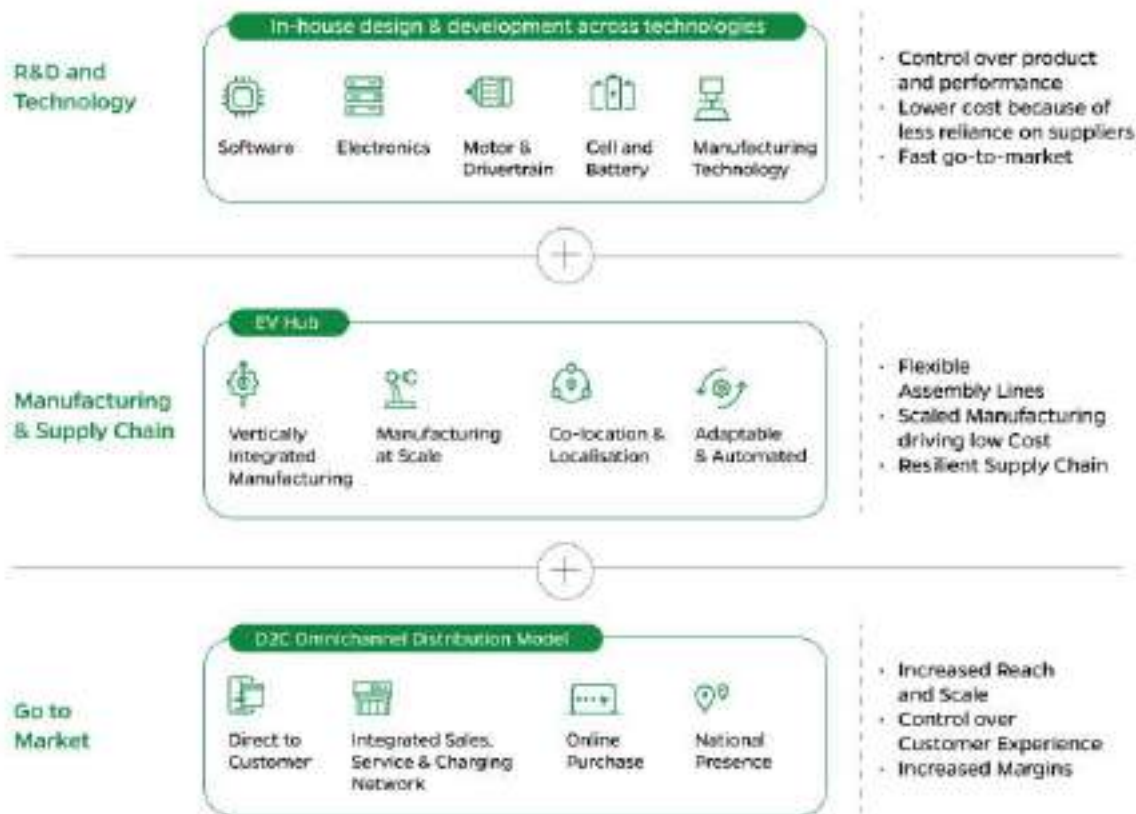
Risk Factors

- **Increase in price/Delay in raw material:** The company could experience disruptions in the supply or an increase in prices of components and raw materials used in the manufacture of the electric vehicles which may result in the delay in operation or affecting the profit margins of the company.
- **Elimination of incentives from the government:** Any reduction or elimination of government incentives, or the ineligibility of electric vehicles for such incentives could increase their retail price and potentially reduce customer demand, impacting the volumes and the margins.
- **Investment in R&D:** The company has heavily invested in and plans to continue investing in research and development (R&D) and technology. There is no assurance that any returns on such investment would be realised in future.
- **Limited experience in manufacturing operations:** The company has a limited operating history in manufacturing EVs. There is no assurance that it will be cost-effective in the operations or profitable in the future whether at the holding company level or at the subsidiary level.

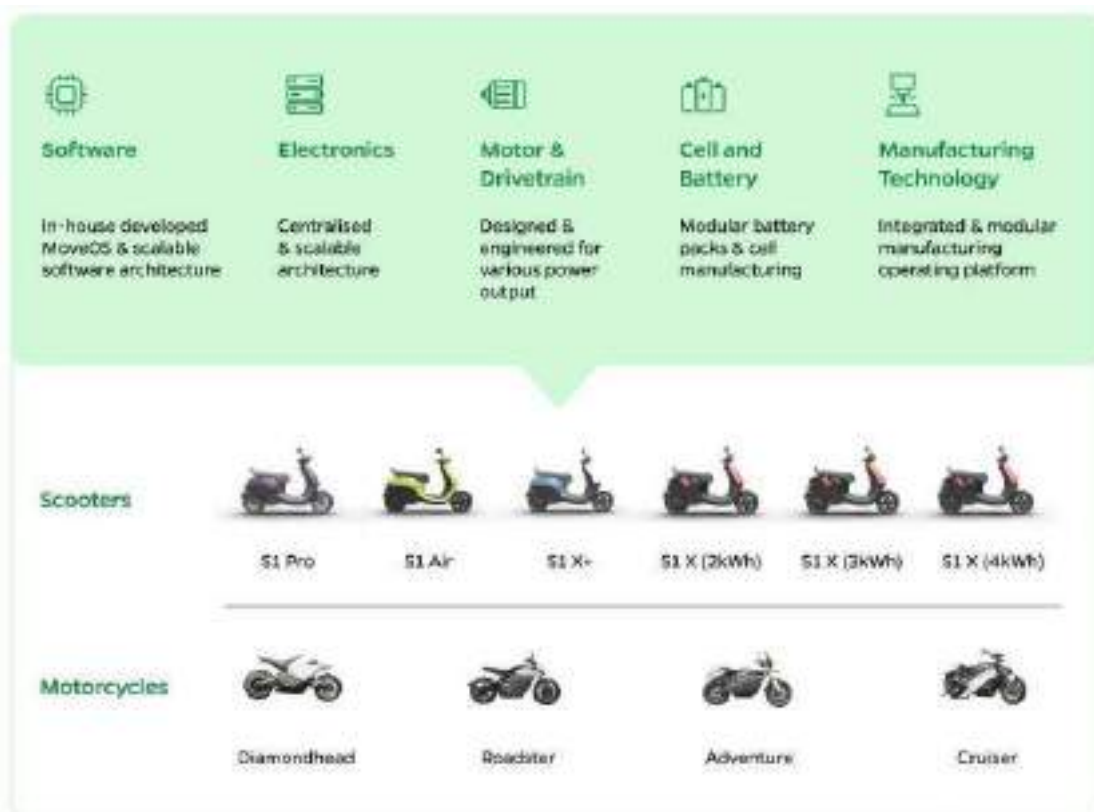
Growth Strategy

- Build India centric EV products with an India first strategy.
- Continue to invest in R&D to advance technological capabilities and optimize costs.
- Building an EV hub with vertically integrated manufacturing and supply chain to improve cost efficiency.
- Develop cell technology and strengthen in-house manufacturing capabilities.
- Expand the product portfolio to drive market penetration.
- Strengthen D2C omnichannel network across sales, service and charging.
- Allocate capital efficiently and focus on growth.
- Leverage the global EV opportunity.

Three Key Pillars



Elements of E2W Platform



Note: The company plans to commence delivery of the motorcycle models in the first half of FY26.

Products



Gen 2 Platform	Ola S1 Pro	Ola S1 (Air)	Ola S1 X+	Ola S1 X (4kWh)	Ola S1 X (3kWh)	Ola S1 X (2kWh)
Vehicle Retail Price	c. INR 147,499	c. INR 119,999	c. INR 109,999	c. INR 109,999	c. INR 89,999	c. INR 79,999
Motor	11kW	6kW	6kW	6kW	6kW	6kW
Range	195 km	151 km	151 km	190 km	151 km	91 km
Top Speed	120 km/h	90 km/h	90 km/h	90 km/h	90 km/h	85 km/h
Battery Capacity	4 kWh	3 kWh	3 kWh	4 kWh	3 kWh	2 kWh
Drive Modes	Eco, Normal, Sports & Hyper	Eco, Normal & Sports	Eco, Normal & Sports	Eco, Normal & Sports	Eco, Normal & Sports	Eco, Normal & Sports

Note: All EV scooters are built on the Generation 2 platform launched in Aug'23. Vehicle retail price is as of Mar'24.

Key Takeaways from Plant Visit

OLA Future Factory

- OLA Future Factory is the largest integrated and automated e2w manufacturing plant in India. The plant was built and commissioned in 8 months and is run entirely by women.
- The current future factory has an annual 2W production capacity of 1 million units with 1 assembly line which can be expanded up to 4 million units.

GIGAFACTORY

- The company has commenced trial production of cells (1.4 GWh) at its Gigafactory which will be further ramped up to 5 GWh by Feb'25 and to 6.4 GWh by Apr'25. The eventual cell capacity will be 20 GWh.
- The company has been awarded 20 GWh capacity under the ACC (Advanced Chemistry Cell) PLI scheme
- Major raw material for manufacturing of battery cell is imported from China, Africa and Korea

Battery Innovation Centre

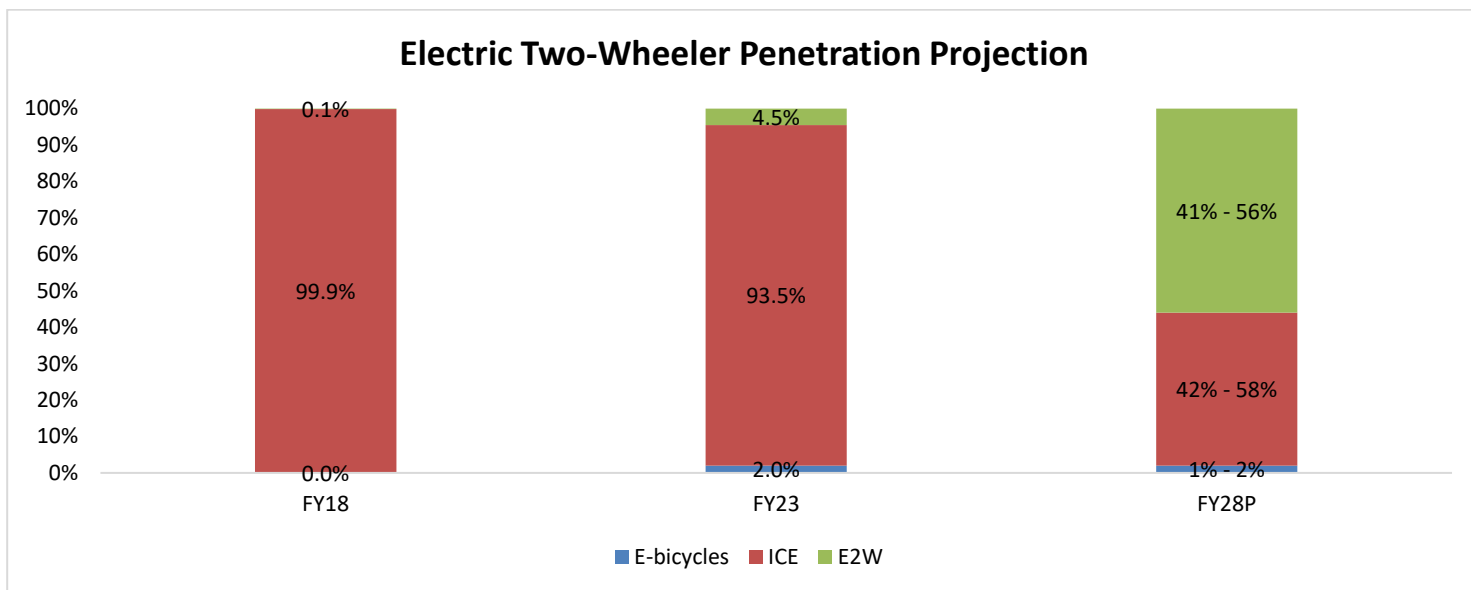
- The company currently uses 2170 battery (21mm diameter and 70mm length).
- The company has now developed 4680 battery (46mm diameter and 80mm length), this battery is efficient with more energy storage which will provide more driving range than the usual 4680 battery.
- The company has developed sodium state battery, which has advantages such as low costs of raw materials, chemical reaction is free of corrosivity, long time charge will not cause battery damage, degradation, or self-discharge and long cycle life.

Production Linked Incentive:

- Ola has received allocation for 2 PLI Schemes:-**
 - Cell PLI Scheme :** Cell PLI will only be eligible after the production of the battery cells begins at the OLA Gigafactory.
 - Automobile PLI Scheme:** The company is also going to get the 13% - 18% PLI of the DSV (Determined Sales Value)

Industry Overview

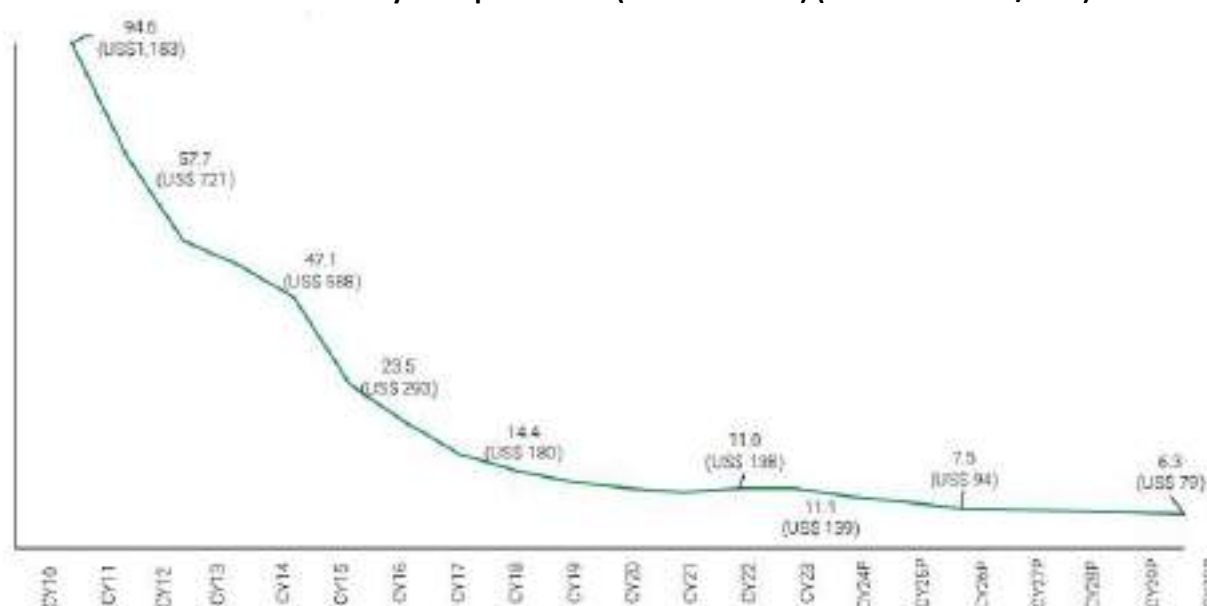
India’s E2W penetration is potentially at an inflection point for growth demand: In mature electric vehicle (EV) markets, 3-5% EV penetration in the leading vehicle segment has led to increased EV adoption driven by greater product awareness and market supply. India is projected to see rapid growth in electric 2-wheeler (E2W) adoption in the next 5 years, with E2W penetration estimated to reach 41-56% of domestic volumes by FY28.



Source: RHP, SSL Research

Reduction in initial vehicle price (led by the drop in battery price): – The battery pack (made up of cells and a BMS) accounts for 35-40% of an E2W’s BOM (Bill of Material) cost. Global E2W battery pack prices have dropped by about 88% from Rs 94.6 thousand/kWh to Rs 11.1 thousand/kWh between CY10 and CY23. This reduction is due to lower cell raw material costs, advancements in cell chemistry (using cheaper and abundant materials like iron phosphate in LFP batteries), increased supply of cell manufacturers, and higher energy density making batteries smaller, lighter, and cheaper. Another 43% reduction in global battery pack prices is forecasted in the next 7-8 years.

Global Li-ion Battery Pack price trend (CY20 to CY30P) (in Rs thousands/Kwh)



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY22	FY23	FY24
Revenue from Operations	373	2,631	5,010
YoY growth (%)	-	604.5%	90.4%
Cost Of Revenues (incl Stock Adj)	481	2,570	4,380
Gross Profit	-107	61	630
Gross margins (%)	-	2.3%	12.6%
Employee Cost	282	427	439
Other Operating Expenses	410	886	1,459
EBITDA	-800	-1,252	-1,268
EBITDA margins (%)	-	-	-
Other Income	83	152	233
Net Interest Exp.	18	108	187
Depreciation	49	167	358
Exceptional Items	0	96	6
PBT	-784	-1,279	-1,572
Tax	0	0	0
Adj PAT	-784	-1,376	-1,578
Adj. PAT margin (%)	-	-	-
Adj. EPS	-2.1	-3.7	-4.3

BALANCE SHEET			
(Rs cr)	FY22	FY23	FY24
Assets			
Net Block	890	1,011	1,960
Capital WIP	18	131	419
Intangible Assets	128	202	522
Intangible Assets under development	65	376	293
Other Non current Assets	231	404	494
Current Assets			
Current Investment	1,065	238	26
Inventories	284	584	694
Trade receivables	15	84	158
Cash and Bank Balances	2,097	1,529	1,663
Other Current Assets	603	1,014	1,505
Total Current Assets	4,064	3,450	4,047
Current Liabilities & Provisions			
Trade payables	357	693	1,348
Other current liabilities	510	622	1,310
Short-term provisions	59	80	172
Total Current Liabilities	926	1,395	2,831
Net Current Assets	3,138	2,054	1,216
Total Assets	4,470	4,178	4,904
Liabilities			
Share Capital	3,760	3,765	4,929
Reserves and Surplus	-98	-1,409	-2,909
Total Shareholders Funds	3,661	2,356	2,019
Total Debt	750	1,646	2,389
Long Term Provisions	5	5	15
Lease Liabilities	53	50	321
Other Long Term Liabilities	0	121	159
Total Liabilities	4,470	4,178	4,904

Cash Flow (Rs cr)	FY22	FY23	FY24
Cash flow from Operating Activities	(885)	(1,507)	(633)
Cash flow from Investing Activities	(1,322)	(319)	(1,136)
Cash flow from Financing Activities	3,085	659	1,590
Free Cash Flow	(1,590)	(2,018)	(2,668)

RATIOS			
	FY22	FY23	FY24
Profitability			
Return on Assets (%)	(14.5%)	(24.7%)	(20.4%)
Return on Capital Employed (%)	(17.4%)	(31.7%)	(31.6%)
Return on Equity (%)	(21.4%)	(58.4%)	(78.2%)
Margin Analysis			
Gross Margin (%)	-	2.3%	12.6%
EBITDA Margin (%)	-	-	-
Net Income Margin (%)	-	-	-
Short-Term Liquidity			
Current Ratio (x)	3.5x	1.5x	1.0x
Quick Ratio (x)	3.3x	1.2x	0.8x
Avg. Days Sales Outstanding	15	12	12
Avg. Days Inventory Outstanding	278	81	51
Avg. Days Payables	349	96	98
Fixed asset turnover (x)	0.4x	2.6x	2.6x
Debt-service coverage (x)	-	-	-
Long-Term Solvency			
Total Debt / Equity (x)	0.2x	0.7x	1.2x
Interest Coverage Ratio (x)	-	-	-
Valuation Ratios			
EV/EBITDA (x)	-	-	-
P/E (x)	-	-	-
P/B (x)	7.7x	11.9x	13.9x
EV/Sales (x)	71.4x	10.7x	5.7x

Source: RHP, SSL Research

Peer Comparison

	Ola Electric Mobility	Hero MotoCorp	Eicher Motors	TVS Motor	Bajaj Auto
CMP (Rs)	76	5,424	4,962	2,485	9,558
Sales (Rs cr)	5,010	37,789	16,536	39,145	46,491
EBITDA (Rs cr)	(1,268)	5,235	4,327	5,500	9,200
Net Profit (Rs cr)	(1,578)	3,742	4,001	1,779	10,420
M.Cap (Rs cr)	33,522	1,08,450	1,35,971	1,18,040	2,66,830
Enterprise Value (Rs cr)	28,748	1,07,857	1,36,114	1,40,968	2,67,728
EBITDA Margin (%)	-	13.9	26.2	14.1	19.8
Net Margin (%)	-	9.9	24.2	4.5	22.4
EV/Sales (x)	5.7	2.9	8.2	3.6	5.8
PE(x)	-	29.0	34.0	66.4	25.6
P/BV (x)	4.5	6.1	7.5	15.0	8.7
Market Capital/Sales (x)	6.7	2.9	8.2	3.0	5.7
EV/EBITDA	-	20.6	31.5	25.6	29.1
RoE (%)	(78.2)	22.0	24.2	26.6	26.5
RoCE (%)	(31.6)	29.1	31.1	14.7	33.5

The data is based on FY24 financial data.

For Ola Electric Mobility Ltd, the Market cap, PE(x), and EV/EBITDA (x) are calculated on post-issue equity share capital based on the upper price band.

CMP as on 29th July, 2024.

Source: RHP, SSL Research

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(CIN): U65999MH2005PLC155485 | Research Analyst Registration No INH000000602

SEBI Registration No.: Stock Broker: INZ000200032 | CDSL: IN-DP-314-2017 | NSDL: IN-DP-NSDL-369-2014 | Research Analyst: INH000000602
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