OLA ELECTRIC MOBILITY LIMITED

August 01, 2024

OLA ELECTRIC

SMC Ranking

★ ½ ☆ ☆ ☆ (1.5/5)

Issue Highlights

Industry	Electric Vehicle
Offer for sale (Shares)	84,941,997
Fresh Issue (Shares)	723,684,210
Net Offer to the Public	**808,626,207**
Issue Size (Rs. Cr.)	5822-6146
Price Band (Rs.)	72-76
Employee Discount	Rs. 7 per share
Offer Date	2-Aug-24
Close Date	6-Aug-24
Face Value	Rs.10 per share
Lot Size	195 Shares

Issue Composition

	In shares
Total Issue for Sale	808,626,207
QIB	606,469,655
NIB	121,293,931
Retail	80,862,621

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	41.93%	34.56%
QIB	43.82%	49.08%
NIB	7.13%	8.61%
Retail	7.13%	7.75%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

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 its cell manufacturing plant from 5GWh 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.

Book Running Lead Manager

- Kotak Mahindra Capital Company Limited
- BofA Securities India Limited
- Axis Capital Limited
- SBI Capital Markets Limited
- Citigroup global Markets India Private Limited
- Goldman sachs (India) securities Private Limited
- ICICI Securities Limited
- BOB Capital Markets Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Founded in 2017, Ola Electric Mobility Limited specializes in manufacturing electric vehicles and key components such as battery packs, motors, and vehicle frames at the Ola Future factory. Since August 2021, the company has launched seven new products and announced four more. The first EV model, the Ola S1 Pro, was delivered in December 2021, followed by the Ola S1, Ola S1 Air, Ola S1 X, and Ola S1 X+ in subsequent years. On August 15, 2023, the company unveiled new EV models and a range of motorcycles, including the Diamondhead, Adventure, Roadster, and Cruiser. As of October 31, 2023, Ola Electric operates an Omni channel distribution network across India, comprising 870 experience centers and 431 service centers (including 429 service centers within experience centers), alongside the Ola Electric website. In FY 2023, approximately 75% of the company's two-wheeler exports from India were destined for Africa, LATAM, and Southeast Asia, while domestic supply of electric two-wheelers remained limited. Ola Electric's business model is built on three key scalable platforms:

- The R&D and technology platform, focusing on the in-house design and development of EV technologies and components.
- The adaptable production and supply chain platform.
- The direct-to-consumer (D2C) Omni channel sales platform.

As of March 31, 2024, the company employed 959 people (including 907 permanent employees and 52 freelancers), who are dedicated to research and development, product development, vehicle and software development, vehicle design, and cell development.

Strength

Leadership in the Indian E2W Market: The Company holds a leadership position in India's rapidly growing electric two-wheeler (E2W) market. E2W penetration in India is projected to increase significantly, from approximately 5.40% of domestic two-wheeler registrations in Fiscal 2024 to between 41% and 56% by Fiscal 2028. With its exclusive focus on electric vehicles (EVs), the company is well-positioned to capitalize on this market transition. In Fiscal 2024, it was the largest E2W seller in India, accounting for about 35% of total E2W registrations, according to the Redseer Report. The company's dedicated R&D and technology efforts, encompassing in-house design, engineering, and manufacturing, are singularly focused on developing EV products. As a Greenfield EV company, it avoids the need to allocate resources to internal combustion engine (ICE) technologies.

In-house R&D and Technological Capabilities: The Company's robust R&D capabilities are driven by a strong focus on innovation and technology development across India, the UK, and the US. This includes designing and developing new EV products and core components such as battery packs, motors, and vehicle frames. The Battery Innovation Centre (BIC) concentrates on developing cell and battery technology for the upcoming Ola Gigafactory, including material synthesis and cell manufacturing technology. The company's R&D efforts focus on five key areas: software, electronics, motor and drivetrain, cells and battery packs, and manufacturing technology. The R&D expenditures in Fiscals 2024, 2023, and 2022 were Rs. 385.11 crore, Rs. 507.71 Crore, and Rs. 175.84 Crore respectively, constituting 7.34%, 18.25%, and 38.54% of its total income for these periods. As of March 31, 2024, the company had 959 employees, including 64 PhD holders, engaged in R&D activities. Leveraging its R&D, the company has developed core EV components such as its in-house operating system, MoveOS, and the 4680-form factor cell, which received BIS certification on May 13, 2024. The company began manufacturing these cells at its Ola Gigafactory on March 22, 2024.

Manufacturing Scale and Supply Chain Resilience: The Ola Futurefactory, as of March 31, 2024, is India's largest integrated and automated E2W manufacturing plant, with an installed capacity of one million units per year. This facility features modular and flexible assembly lines and an in-house paint shop. The in-house design and manufacturing of core EV components enhance control over EV performance and quality. These capabilities, along with economies of scale, improve cost efficiency across the supply chain. Additionally, the company's direct relationships with suppliers and emphasis on local sourcing for most EV components strengthen its supply chain control.

Scalable Platform-Based Design and Development: The Company's platform-focused product development approach enables it to leverage common elements across different models, reducing development costs and time to market. This approach has allowed the company to deliver four products and announce seven new ones since August 2021. By March 31, 2024, 86.60% of components used in the Ola S1 Pro, Ola S1 Air, and Ola S1 X+ models were common. The modular and adaptable platform architecture helps reduce costs and achieve fast product development cycles, optimizing products for performance and design based on collected data.

Direct-to-Customer Omnichannel Distribution Model: The Company's digitally driven direct-to-customer (D2C) distribution model offers cost advantages by enabling direct customer engagement and feedback collection. It maintains low vehicle inventories at experience centers, with most inventories stored in distribution centers, which centrally manage inventory and distribution. This system enhances demand forecasting and supply order accuracy.

Government Incentives and Cost Advantages: The company benefits from two Government of India PLI schemes: the Automobile PLI Scheme and the Cell PLI Scheme, providing significant cost advantages. Under these schemes, the company qualifies for cash incentives based on meeting specific conditions, such as achieving domestic value addition thresholds. Additionally, the company's EV models are eligible for subsidies under the Government of India's EMPS 2024 and FAME Phase II, which help lower product ownership costs and potentially increase demand. The company also qualifies for a lower corporate income tax rate of 15% available to new manufacturing domestic companies under Indian income tax law.

Execution capabilities The Company takes pride in its strong execution capabilities, a key skill set evident across various facets of its business. Notably, it built the Ola Futurefactory in just eight months, from the start of construction to the manufacturing of its first EV scooter. As of March 31, 2024, the factory boasted an installed capacity of one million units per year. Since launching its first experience center in September 2022, the company has expanded its network to 870 centers by March 31, 2024. The table below provides an overview of its employee count as at March 31, 2024, 2023 and 2022 as it scaled its business:

	As at March 31,		
	2024	**2023**	**2022**
On-roll Employees	4,011	3,074	2,650
Off-roll Employees	3,358	140	294
Total	**7,369**	**3,214**	**2,944**

With 959 employees engaged in R&D activities (907 on-roll and 52 off-roll) as of March 31, 2024, the company's focus on in-house development of EV technologies and internal manufacturing of core components has been instrumental in lowering costs. Since its first product announcement in August 2021, the company has delivered seven products and announced four new ones. In June 2023, the company commenced construction of its Ola Gigafactory, which will enable in-house cell manufacturing and serve as an additional supply source for its products. This adaptable platform-based product development approach further supports cost reduction and enhances its execution capabilities.

Strategy

Building "India"-Centric EV Products with an "India First" Strategy: With approximately 19 million two-wheelers produced in India in Fiscal 2023, the market is ripe for electrification, aiding India's commitment to achieve net-zero emissions by 2070, as stated at the UN COP 26 Summit. The penetration rate of electric two-wheelers in India was around 15% in Fiscal 2023, indicating significant growth potential according to the Redseer Report. Leveraging this opportunity, Ola

Electric views India as its core market, consistent with its "India first" strategy. Over the next few years, the company plans to develop and launch next-generation EVs to cater to various price points and automotive use cases, using both the existing Ola S1 platform and new platforms tailored to different market segments.

Continuing Investment in R&D to Advance Technological Capabilities and Optimize Costs: Ola Electric, a technology-driven company, continually invests in R&D to enhance its product offerings, adapt to changing consumer preferences, and improve cost and operational efficiency. Its Generation 2 platform, exemplified by the Ola S1 Pro, demonstrates a lower BOM of approximately 22.55%, higher unit economics, and enhanced performance compared to the first-generation model. This platform has been instrumental in developing the latest EV scooter models, such as the Ola S1 Air, Ola S1 X+, and various Ola S1 X models. These scooters benefit from an improved cost structure and lower manufacturing costs. The company is also enhancing its software, MoveOS, and developing cell and battery technology for future production at the Ola Gigafactory. Ola Electric plans to invest further in its R&D capabilities across research centers in India, the UK, and the US.

Building an EV Hub with Vertically Integrated Manufacturing and Supply Chain to Improve Cost Efficiency: In collaboration with the State Government of Tamil Nadu, Ola Electric is building an EV hub, including the Ola Futurefactory and the in-house cell manufacturing facility, the Ola Gigafactory. Construction of the Ola Gigafactory began in June 2023, with Phase 1(a) starting commercial operations on March 22, 2024, and completion on May 31, 2024. The company plans to invest further in flexible assembly lines at the Ola Futurefactory, which can adapt to the production of different EV models. This EV hub aims to build a resilient supply chain by co-locating suppliers, increasing vertical integration, fostering innovation, and managing costs. Ola Electric also plans to form alliances for raw material and EV component supply to optimize operational costs through streamlined manufacturing processes and in-house design initiatives.

Developing Cell Technology and Strengthening In-House Manufacturing Capabilities: Currently sourcing cells from third-party suppliers, Ola Electric aims to achieve greater control over its supply chain and costs through backward integration. Construction of the Ola Gigafactory for cell manufacturing has commenced in June 2023, with Phase 1(a) completed by May 31, 2024. The company has developed cell technology around the 4680-form factor, receiving BIS certification on May 13, 2024. Manufacturing of these cells began on March 22, 2024, with plans to use them in existing and future EV products. Developing in-house cell manufacturing capabilities will enable greater control over the quality, supply, and cost of batteries and EVs.

Expanding the Product Portfolio to Drive Market Penetration: Ola Electric plans to strategically launch products across premium and mass-market categories for each new vehicle category, targeting a broad consumer base. By adapting its technology platform across products, the company aims to build scale in its EV business through a platform-based approach. This method allows timely and cost-efficient product development, faster market entry, and improved margins. The company plans to launch affordable mass-market Ola S1 models, including electric two-wheelers for personal, business-to-business, and last-mile delivery segments. Delivery of motorcycles announced on August 15, 2023, is expected by the first half of Fiscal 2026. Further expansion of the product portfolio will include mass-market motorcycles to capture a broader consumer base over time.

Strengthening the D2C Omnichannel Network Across Sales, Service, and Charging: Ola Electric aims to enhance the customer experience by expanding its network of experience centers and service centers in rural and urban areas, deepening its penetration within India. The company plans to expand its network of charging stations, focusing on strategic locations such as fuel stations, high-density office complexes, malls, and educational institutes, to provide added convenience for customers charging their EV scooters.

Efficient Capital Allocation and Growth Focus: Ola Electric's capital allocation strategy emphasizes investment in R&D and technology for designing, engineering, and manufacturing core EV components. It also involves developing adaptable platform architectures to support further EV development and manufacturing. Significant capital has been allocated toward developing cell manufacturing capabilities through the BIC and the Ola Gigafactory. These investments aim to gain greater control over battery and EV costs, improving margins. The company's sequential capital deployment strategy includes substantial investments in property, plant, equipment, and intangible

assets over the past three fiscal years.

Leveraging the Global EV Opportunity: While maintaining an "India first" strategy, Ola Electric recognizes the unmet demand for EVs in international markets, especially in key automotive regions such as ASEAN, Latin America, and Africa. These markets accounted for approximately 75% of India's two-wheeler exports in Fiscal 2023, according to the Redseer Report. The company plans to assess export opportunities under its "export next" strategy, leveraging its brand positioning, technology focus, innovation, and commitment to sustainability to expand its sales footprint in international automotive markets.

Risk factor

- The company has a brief operating history in manufacturing electric vehicles (EVs).
- The company has made substantial investments in research and development (R&D) and technology and plans to continue doing so.
- The company designs and develops some core electric vehicle components internally and sources other components from both foreign and domestic suppliers.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Eicher Motors	16234.02	4001.01	146.02	33.89	7.51	658.57	1	4949.15	135611.91
Hero Motocorp	37788.62	3744.83	188.72	28.86	6.15	885.25	2	5446.90	108900.48
TVS Motor Co.	39144.74	1686.37	34.27	72.83	17.48	142.78	1	2495.95	118582.58
Bajaj Auto	45284.54	8005.89	286.76	33.37	9.22	1037.41	10	9568.75	267140.13
Ola Electric Mobility Limited	5009.83	-1584.40	-ve	-ve	4.74	16.02	10	76.00	35671.60

***Peer companies financials are TTM based**
***** Ola Electric Mobility Limited is based on FY24**

Valuation

The company is loss making , at the higher band of Rs. 76, we are considering the P/B ratio, pre issue, book value of Rs. 5.09 of P/Bvx 14.94x. Post issue, book value of Rs. 16.02 of P/Bvx 4.74x.

at the lower band of Rs. 72 , we are considering the P/B ratio, pre issue, book value of Rs. 5.09 of P/Bvx 14.15x. Post issue, book value of Rs. 16.02 of P/Bvx 4.49x.

Industry Outlook

E2Ws are at the forefront of the electrification of mobility in India due to their favourable total cost of ownership and the Indian government's production-linked incentives and subsidies to promote domestic manufacturing and adoption of EVs. E2W penetration in India is expected to expand from approximately 5.4% of domestic 2W registrations in Fiscal 2024 to 41-56% of domestic 2W sales volume by Fiscal 2028, while the Indian E2W industry is expected to grow at a CAGR of 11% to reach a size of US$35 billion (₹2.8 trillion) to US$45 billion (₹3.6 trillion) in Fiscal 2028. Further, markets like Africa, LATAM and SE Asia provide a significant export opportunity for Indian E2W OEMs.

Outlook

Ola Electric is the leading player in the Indian electric two-wheeler market, holding a significant share of E2W registrations in India. The company benefits from various government schemes such as the PLI (Production Linked Incentive) Scheme for advanced chemistry cells and EV scooters. Ola's D2C model allows for cost benefits and direct customer engagement, aiding in efficient inventory management and tailored production schedules. On the flip side, any reduction or removal of government incentives could increase purchase costs and potentially dampen demand. Investors may opt the issue for the long term due to the company's leading market position and growth potential in the expanding EV market.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	02-August-24
BID/ISSUE CLOSES ON	06-August-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	07-August-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	08-August-24
Credit of Equity Shares to Demat Accounts of Allottees	08-August-24
Commencement of trading of the Equity Shares on the Stock Exchanges	09-August-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	5009.83	2630.93	373.42
Total expenditure	6277.41	3883.38	1173.81
Operating Profit	**-1267.58**	**-1252.45**	**-800.39**
OPM%	-25.30	-47.60	-214.34
Other Income	233.44	151.77	82.84
Total Net Income	**-1034.14**	**-1100.68**	**-717.55**
Interest	186.57	107.92	17.62
PBDT	**-1220.71**	**-1208.60**	**-735.17**
Depreciation	357.64	167.06	48.98
Loss before Exceptional items and tax	**-1578.35**	**-1375.66**	**-784.15**
Exceptional items	6.05	96.42	0.00
Loss before tax	**-1584.40**	**-1472.08**	**-784.15**
Tax	0.00	0.00	0.00
Loss	**-1584.40**	**-1472.08**	**-784.15**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-24	As on 31-Mar-23	As on 31-Mar-22
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			
Investments	37.86	37.86	37.86
Other Financial Assets	188.01	153.31	25.16
Deferred tax assets (net)	0.00	0.00	0.00
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 asset			
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 and 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 assets	749.31	467.67	540.04
Total current assets	**4046.61**	**3449.63**	**4063.53**
Total Assets	**7735.41**	**5573.17**	**5395.86**
Non-current 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- Financial liabilities	**1708.18**	**865.82**	**577.90**
Current liabilities			
Financial Liabilities			
Borrowings	1070.61	945.42	226.62
Lease Liability	106.19	10.16	4.36
Trades Payable - MSME	195.99	45.10	34.92
Trades Payable - MESE	1152.48	648.24	321.92
Other financial liabilities	888.89	391.17	171.51
Other current liabilities	421.46	230.96	338.63
Current Provisions	172.27	79.85	58.55
Total Financial liabilities	**4007.89**	**2350.90**	**1156.51**
Total	**5716.07**	**3216.73**	**1734.41**
Net worth represented by:			
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 and Surplus	-2882.54	-1380.03	-68.83
Items of other comprehensive income	0.53	-1.25	-1.87
Net Worth	**2019.34**	**2356.44**	**3661.45**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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