

Recommendation	Subscribe	BACKGROUND		
Price Band	Rs 72-76	<p>Ola electric is a major player in India's EV market, focusing on building vertically integrated technology and manufacturing capabilities for EVs and EV components, including cells. Ola Electric commands nearly a 35% market share in India's (E2W) market in FY24, Ola manufactures EVs and certain core EV components like battery packs, motors and vehicle frames. Ola has delivered seven products and additionally announced four new products.</p> <p><b>Objects and Details of the Issue:</b></p> <p>The public issue consists of Offer For Sale aggregating upto Rs 646 Cr. and fresh issue up to Rs 5500 Cr. Company proposes to utilize the Net Proceeds towards:- (i) Capex to be incurred by Subsidiary OCT for cell manufacturing plant:- 1228 Cr. (ii) Repayment of the indebtedness incurred by Subsidiary OET:- 800 Cr. (iii) Investment into research and product development:- 1600 Cr. (iv) Expenditure to be incurred for organic growth initiatives:- 350 Cr. And General corporate purposes.</p> <p><b>Investment Rationale:</b></p> <ul style="list-style-type: none"> <li>• Pure EV player with a leadership position in the fast-growing Indian E2W market.</li> <li>• Significant market opportunity.</li> <li>• Scalable platform-based design and expansion of product portfolio.</li> <li>• Develop own cell technology and strengthen in-house manufacturing capabilities.</li> <li>• Beneficiary of PLI Schemes.</li> </ul> <p><b>Valuation and Recommendation:-</b></p> <p>Ola electric is the leader of rapidly growing (E2W) market with a 35% share, but intense competition may limit profitability in the near term, potentially keeping the company loss-making. Meanwhile, Hero's recent investment in Ather Energy values the company at 3.2x FY24 sales, significantly lower than Ola's valuation of 6.9x. While Ola's market leadership, faster growth and investment in cell development productions we do believe Ola deserves premium valuations over Ather, Its current valuation appears high, so we recommend subscribing to the issue for long-term.</p>		
Bidding Date	2 <sup>nd</sup> Aug - 6 <sup>th</sup> Aug, 2024			
Book Running Lead Manager	Kotak Mahindra cap, BofA Securities, Axis Cap, SBI Cap, Citigroup, Goldman sachs, ICICI Securities, BOB cap.			
Registrar	Link Intime India			
Sector	Automobile (EV)			
<b>Minimum Retail Application- Detail At Cut off Price</b>				
Number of Shares	195			
Minimum Application Money	Rs. 14820			
Payment Mode	ASBA			
<b>Financials (Rs Cr)</b>	<b>FY23</b>			
Total Income	2,631	5,010		
EBITDA	-1252	-1268		
Loss for the year	-1472	-1584		
<b>Valuations (FY24)</b>	<b>Upper Band</b>			
Market Cap (Rs Cr)	33,522			
Adj EPS	-3.59			
PE	-21.2			
EV/ EBITDA	-27.3			
Enterprise Value (Rs Cr)	34569			
<b>Post Issue Shareholding Pattern</b>				
Promoters	36.8%			
Public/Other	63.2%			
<b>Offer structure for different categories</b>				
QIB	75%			
Non-Institutional	15%			
Retail	10%			
Post Issue Equity (cr)	4410.8			
Issue Size (Rs in cr)	6146			
Face Value (Rs)	10			
<p>Jehan Bhadha Research Analyst (+91 22 6273 8174) jehankersi.bhadha@nirmalbang.com</p> <p>Devendra Pawar Research Associate (+91 22 6273 8149) devendra.pawar@nirmalbang.com</p>				
<b>Financials</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	
Net Revenues	373	2,631	5,010	
Growth (%)		604.5%	90.4%	
EBITDA	-800	-1,252	-1,268	
EBITDA Margin (%)		-47.6%	-25.3%	
Loss for the year	-784	-1,472	-1,584	
EPS	-1.78	-3.34	-3.59	
ROCE	-17.2%	-33.7%	-29.6%	
EV/Sales	92.6	13.1	6.9	
EV/EBITDA	-43.2	-27.6	-27.3	
P/E	-42.7	-22.8	-21.2	

Source: Company data, NBRR

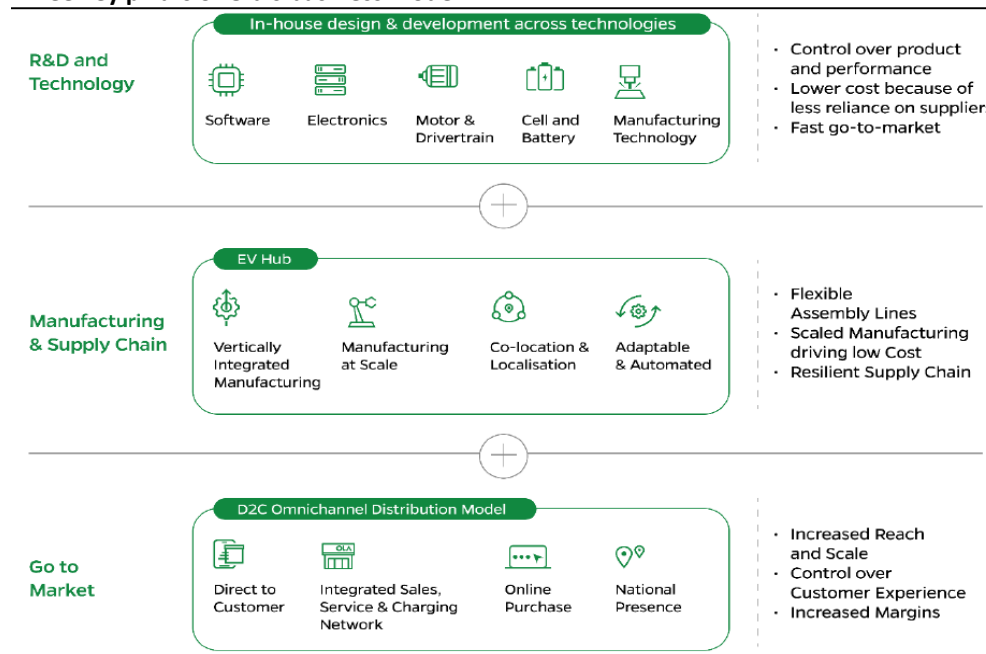
**Company Background**

Ola is a pure EV player in India and is building vertically integrated technology and manufacturing capabilities for EVs and EV components, including cells. Ola manufactures EVs and certain core EV components like battery packs, motors and vehicle frames at the Ola Futurefactory. Ola has delivered seven products and additionally announced four new products since its first product announcement in August 2021. It 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, Ola also announced a line-up of motorcycles comprising four models, Diamondhead, Adventure, Roadster and Cruiser. Ola plans to commence delivery of the motorcycles in H1FY26.

Ola had the highest revenue of all Indian incorporated E2W OEMs in FY23. R&D is at the core of Ola’s business model with a focus on in-house product innovation. Ola 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. Ola is in the process of building its EV hub in Krishnagiri and Dharmapuri districts in Tamil Nadu, India, which includes its Ola Futurefactory, its upcoming Ola Gigafactory and co-located suppliers in Krishnagiri district. At its 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 by an E2W-only OEM, as at FY24. In addition, it operates a BIC (battery innovation center) in Bengaluru, India that is focused on developing cell and battery technology and manufacturing processes for its forthcoming cell manufacturing at the Ola Gigafactory.

It operates its own D2C omnichannel distribution network across India, comprising 870 experience centres and 431 service centres (of which 429 service centres are located within experience centres) as at FY24 in addition to its Ola Electric website. Its network of experience centres is India’s largest company-owned network of experience centres.

**Three key pillars of Ola’s business model**

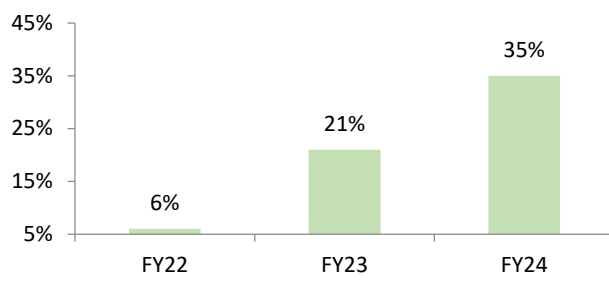


**Investment Rationale**

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

E2W penetration in India is expected to expand from approximately 5.4% of domestic 2W registrations sales reported on the VAHAN portal in FY24 to 41-56% of the domestic 2W sales volume by FY28. Ola’s exclusive and singular focus on EV enables it to leverage on this transition in the growing Indian 2W market. Ola is the largest E2W seller in India by number of units registered in FY24, accounting for approximately 35% of the total E2W registrations in India. Ola 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.

**Ola’s market share**

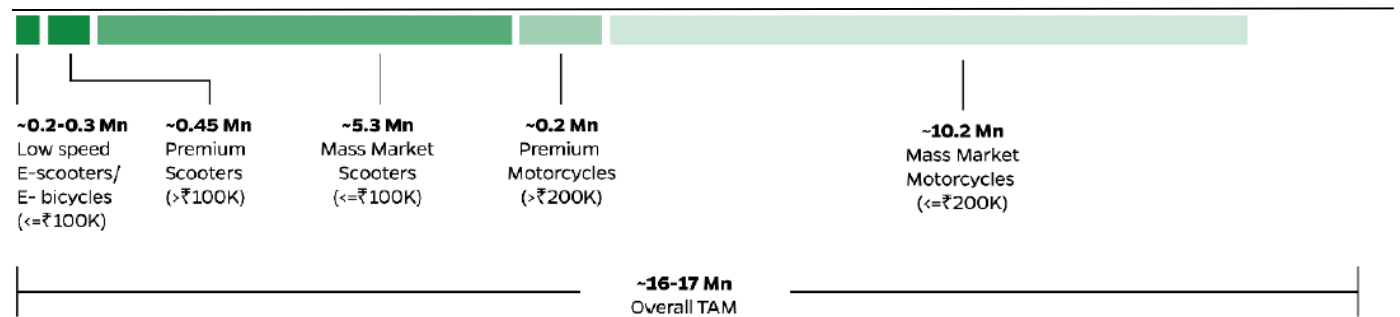


Source: RHP

**Significant market opportunity**

India is the second largest 2W market globally in terms of domestic sales. The total addressable market for 2W exports from India is between Rs. 7.20 trillion to Rs. 8.00 trillion. The trend towards electrification of mobility is driven by increasing affordability of EVs attributable to lower battery prices, improved EV driving ranges and regulatory support amongst other factors, in addition to advanced software enabled features, favourable policy environment and a lower carbon footprint as compared to ICE. E2W adoption has grown rapidly to reach approximately 5.4% of total 2W registrations in India in FY24. E2Ws are projected to account for 41-56% of the domestic 2W sales volume by FY28. Additionally, markets like Africa, LATAM and SE Asia provide an export opportunity for Indian E2W OEMs further increasing their TAM. Ola estimates that it’s overall TAM (domestic + exports) in terms of volumes is at 16-17 Mn as on FY24.

**Total addressable market for 2W**



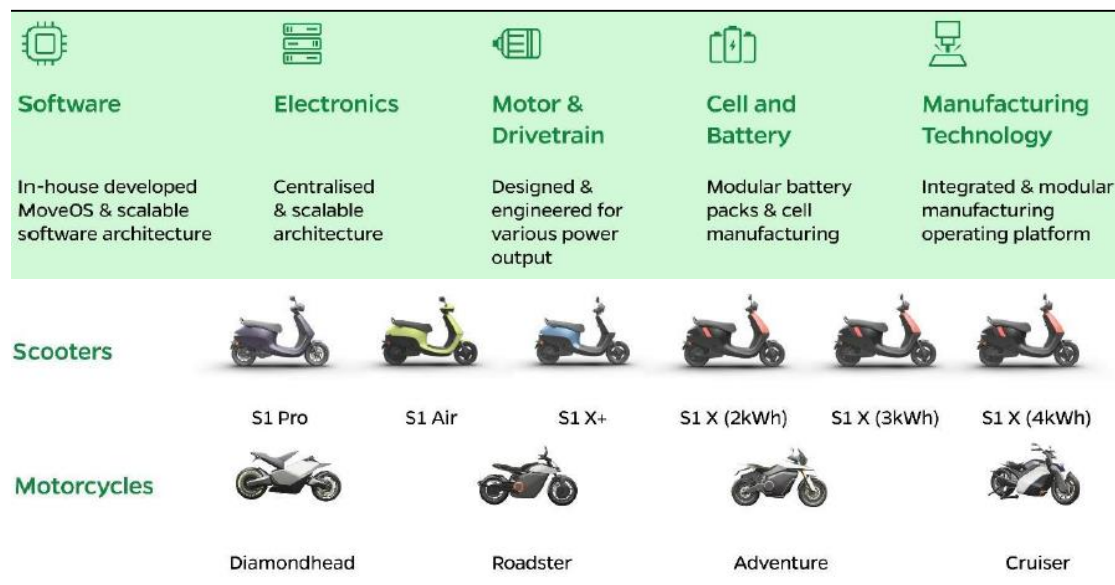
Source: RHP

## Scalable platform-based design and expansion of product portfolio

Ola's platform-focused product development is core to its business model, enabling it to leverage common elements, such as its modular electric powertrain which includes a modular battery pack with BMS and motors, as well as a power electronics module, electronics and software to develop and design new EV models. This reduces its estimated product development costs and time to market. Ola's capability to develop multiple models on its adaptable platform model enabled it to deliver four products and announce seven new products since its first product announcement in August 2021. As at March 31, 2024, 86.6% of the components used in three of its EV scooter models, the Ola S1 Pro, the Ola S1 Air, and the Ola S1 X+ are common across all three models. For example, the Ola S1 Pro, the Ola S1 Air and the Ola S1 X+ use the same battery pack.

Ola has delivered seven products and additionally announced four new products. It 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, Ola also announced a line-up of motorcycles comprising four models, Diamondhead, Adventure, Roadster and Cruiser. Ola plans to commence delivery of the motorcycles in H1FY26.

## Elements of E2W platform



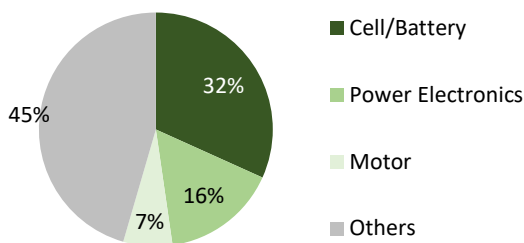
Source: RHP



**Develop own cell technology and strengthen in-house manufacturing capabilities**

Ola currently sources cells from third party suppliers. Batteries for Ola’s EV scooters constituted approximately 32% of the BOM for Ola S1 Pro scooters as at March 31, 2024. Ola’s medium to long-term plans place emphasis on backward integration for greater control over its supply chain and costs. Ola commenced construction of Ola Gigafactory for cell manufacturing in June 2023. Phase 1(a) of Ola Gigafactory was completed on May 31, 2024. Ola has developed cell technology around the 4680-form factor, for which it has received BIS certification on May 13, 2024. Ola commenced manufacturing the 4680-form factor cells at Ola Gigafactory on March 22, 2024. 1.4GW trial production is own and commercial production will start in Q4FY25. Company will be expanding capacity to 5GW by FY25 end. Peak capacity target is 20GW. Apart from internal Consumption company will also be selling cell in the market.

**Cost-wise breakup of major EV components in S1 Pro (Gen 2)**



Source: RHP

**Beneficiary of PLI Schemes**

Ola 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”).

Under the Automobile PLI scheme, incentives are available for up to five consecutive financial years, commencing from FY23, where the incentive availed for a financial year will be disbursed in the subsequent financial year. The Automobile PLI Scheme requires approved applicants to apply for registration of their products as eligible advanced automotive technology vehicles, in respect of which pre-approval of the eligible product will be undertaken by the testing agency of the MHI, and a minimum 50% domestic value addition on the eligible product, that is required to be certified by the testing agency of MHI, for being eligible for incentives. The incentive amounts range between 13% and 18% of the “determined sales value” (“DSV”).

Meanwhile, Ola has also been awarded 20 GwH capacity under the Cell PLI Scheme vide a letter of award dated March 28, 2022 from the MHI, the most received by any Cell PLI recipients. Ola is eligible to receive the incentives under the Cell PLI Scheme over a five-year period from the commissioning date of its Ola Gigafactory. Under the Cell PLI Scheme, Ola is required to manufacture cells as per the committed capacity specified in its bid. Accordingly, it is required to achieve 1 GwH capacity in the first year in Fiscal 2024 which it achieved on March 22, 2024, 5 GwH in the second year, 10 GwH in the third year and 20 GwH capacity by the fourth year. If Ola fails to achieve the agreed

upon capacity, the Government of India has the right to deduct twice the shortfall in the committed capacity from the total subsidy payable to Ola.

## Concerns

**Ola has been generating losses since inception:** Olas losses have been increasing in the last three years from Rs. 784 Cr to Rs. 1472 Cr to Rs. 1584 Cr over FY22/23/24 respectively. Ola may continue to incur losses in the near term as it invests in the business and expands its product portfolio, builds capacity and scales its operations.

**Limited operating history in manufacturing EVs with no assurance of becoming cost effective or profitable in the future:** Unlike the ICE 2W industry where the industry is consolidated between 6 major players with most of them generating good ROEs and cash flows, the E2W industry is yet in its nascent stages with more than 20 players competing for market share and thus it is tough to predict of Ola can deliver a turnaround in bottom-line over the next few years.

**Dependence on imports from China:** During FY24, Ola imported 37% of its total raw material requirements from China comprising of lithium-ion cell, magnets, amplifier and electronic integrated circuits. Any geopolitical upheaval or supply constraints could lead to adverse impact on Ola.

## Valuation and Recommendation

Although Ola is the leader in the fast growing E2W industry with a 35% market share, the elevated competitive intensity with a large number of players backed by VCs/PEs/Incumbents shall lead to subdued profitability over the next few years. This is likely to result in Ola remaining a loss making company in the near to medium term.

Further, recently in June 2024, Hero bought an additional 2.2% stake in Ather Energy taking its total stake to 39.7% valuing the company at Rs. 5636 Cr or EV/Sales of 3.2x its FY24 sales. This is at a substantial discount to the asking valuation of Ola (6.9x). Upon considering the market leadership position of Ola and investment in cell development productions as well as its faster growth, we do believe Ola deserves premium valuations over Ather. However, at 6.9x EV/Sales, the valuations appear stretched in the near term; however we recommend to subscribe to the issue from a long term perspective.

### Listed 2W Peers

	Bajaj Auto	TVS Motors	Eicher Motors	Hero MotoCorp	Average	Ola Electric
Revenue	44,870	39,145	16,536	37,789	34,585	5,010
CAGR (FY22-24)	16%	27%	27%	13%	21%	266%
EBITDA Margin	19.5%	14.1%	26.2%	13.9%	18.4%	-25.3%
Asset Turns (x)	1.1	0.9	0.7	1.4	1.1	0.6
Wkg Cap Days	(21)	100	12	(13)	20	3
ROCE	33.5%	14.7%	31.1%	29.1%	27.1%	-29.6%
ROE	26.5%	26.6%	24.2%	22.0%	24.8%	-78.5%
Debt/Equity	0.1	3.8	0.0	0.0	1.0	1.3
EV/Sales	6.0	3.6	8.2	2.9	5.2	6.9
EV/EBITDA	30.6	25.7	31.5	20.7	27.1	-27.3
P/E	33.3	72.4	34.0	28.8	42.1	-21.2

Source: Company Data, NBRR

## Financials

P&L (Rs. Cr)	FY22	FY23	FY24
Net Revenue	373	2,631	5,010
<b>% Growth</b>		<b>605%</b>	<b>90%</b>
Purchases of stock in trade	481	2,570	4,380
<b>% of Revenues</b>		<b>97.7%</b>	<b>87.4%</b>
Employee Cost	282	427	439
<b>% of Revenues</b>		<b>16.2%</b>	<b>8.8%</b>
Other expenses	410	886	1,459
<b>% of Revenues</b>		<b>33.7%</b>	<b>29.1%</b>
<b>EBITDA</b>	<b>-800</b>	<b>-1,252</b>	<b>-1,268</b>
<b>EBITDA Margin</b>		<b>-47.6%</b>	<b>-25.3%</b>
Depreciation	49	167	358
Other Income	83	152	233
Interest	18	108	187
Exceptional item	0	96	6
<b>Loss before tax</b>	<b>-784</b>	<b>-1,472</b>	<b>-1,584</b>
Tax	0	0	0
<b>Tax rate</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
Other Comprehensive income	0	0	0
<b>Loss for the year</b>	<b>-784</b>	<b>-1,472</b>	<b>-1,584</b>
<b>% Growth</b>		<b>88%</b>	<b>8%</b>
<b>EPS (Post Issue)</b>	<b>-1.78</b>	<b>-3.34</b>	<b>-3.59</b>

Ratios & Others	FY22	FY23	FY24
Debt / Equity	0.2	0.7	1.3
EBITDA Margin (%)	0.0%	-47.6%	-25.3%
PAT Margin (%)	-210.0%	-56.0%	-31.6%
ROE (%)	-21.4%	-62.5%	-78.5%
ROCE (%)	-17.2%	-33.7%	-29.6%

Turnover Ratios	FY22	FY23	FY24
Debtors Days	15	12	12
Inventory Days	278	81	51
Creditor Days	349	96	98
Asset Turnover (x)	0.1	0.5	0.6

Valuation Ratios	FY22	FY23	FY24
Price/Earnings (x)	-42.7	-22.8	-21.2
EV/EBITDA (x)	-43.2	-27.6	-27.3
EV/Sales (x)	92.6	13.1	6.9
Price/BV (x)	9.2	14.2	16.6

Source: Company Data, NBRR

Balance Sheet (Rs. Cr)	FY22	FY23	FY24
Share Capital	3,760	3,765	4,929
Other Equity	-98	-1,408	-2,909
Minority Interest	0	0	0
<b>Networth</b>	<b>3,661</b>	<b>2,357</b>	<b>2,019</b>
<b>Total Loans</b>	<b>804</b>	<b>1,696</b>	<b>2,710</b>
Other non-curr liab.	5	126	175
Trade payable	357	693	1,348
Other Current Liab	569	702	1,483
<b>Total Equity &amp; Liab.</b>	<b>5,396</b>	<b>5,573</b>	<b>7,735</b>
Property, Plant and Equipment	751	881	1,565
CWIP	18	131	419
Right of use	139	130	396
Goodwill	6	6	9
Other non Curr. assets	418	976	1,301
Inventories	284	584	694
Investments	1,065	238	26
cash and cash equivalents	1,235	243	107
Bank balances	862	1,286	1,556
Trade receivables(debtor)	15	84	158
Other Current assets	603	1,014	1,505
<b>Total Assets</b>	<b>5,396</b>	<b>5,573</b>	<b>7,735</b>

Cash Flow (Rs. Cr)	FY22	FY23	FY24
Loss Before Tax	-784	-1,472	-1,584
<b>Op. loss before WC</b>	<b>-751</b>	<b>-1,203</b>	<b>-1,076</b>
Change in WC	-133	-308	451
Less: Tax	-1	4	-8
<b>CF from operations</b>	<b>-885</b>	<b>-1,507</b>	<b>-633</b>
Purchase/Sale of fixed/intangit	-777	-440	-938
Development expenditure	-110	-403	-274
Acquisition of other investment	-38	0	0
Proceeds from sale of mutual fu	-586	848	223
Interest/Grant Received	189	-324	-147
<b>CF from Investing</b>	<b>-1,322</b>	<b>-319</b>	<b>-1,136</b>
Proceeds from issue of compul:	2,455	57	1,162
Payment of lease liabilities	-55	-10	-100
Proceeds from issue of debentu	0	0	403
Proceeds from non-current bor	713	720	295
Interest paid	-27	-108	-170
<b>CF from Financing</b>	<b>3,085</b>	<b>659</b>	<b>1,590</b>
<b>Net Change in cash</b>	<b>878</b>	<b>(1,167)</b>	<b>(179)</b>
Cash & Bank at beginning	357	1,235	68
Bank overdraft repayable on de	0	-175	-219
Cash & Bank at end	1,235	243	107

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