

IPO Report

Choice

“Subscribe with Caution” to Ola Electric Mobility Ltd.

Business highly depended on government policies & subsidies



Ola Electric Mobility Ltd.

Business highly depended on government policies & subsidies

Salient features of the IPO:

- **Ola Electric Mobility Ltd.** (OEML), a pure-play e-scooter maker is coming up with an IPO to raise around Rs. 6,150cr, which opens on 2nd Aug. and closes on 6th Aug. 2024. The price band is Rs. 72 - 76 per share.
- The company is backed by funds managed by marquee investors like SoftBank Investment Advisers, Tiger Global Management, Alpha Wave Global, Matrix Partners, Temasek, MacRitchie Investments etc.
- With success of this IPO, OEML will be the first pure-play electric-2W (E2W) manufacturer to list on the domestic stock exchanges. Most of the existing listed peers are mainly into the manufacturing and sales of internal combustion engine (ICE) 2Ws.
- The company has scaled down its valuation, compared to the last private funding. The current demanded valuation (at higher price band) is around 25% discount to the valuation based on the last private funding rounds during Jul-Sept. 2023.
- This public issue is a combination of fresh issue and OFS. OEML will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, the company will be investing Rs. 1,600cr for research & product development activities; Rs. 1,228cr will be used for expanding cell manufacturing capacity; Rs. 800cr will be used for the re-payment/pre-payment of certain outstanding borrowings and Rs. 350cr is likely to be utilized for funding various organic growth initiatives. Residual proceeds will be used for general corporate purposes.
- Few of the promoter & promoter group (P&PG) entities are participating in the OFS and offloading 4.209cr shares, while some of the investor shareholders are also partially offloading their stake in the company. Post-IPO, P&PG will have 36.78% stake, while public and non-promoter & non-public shareholders will have 56.81% and 6.41% stake in the company, respectively.

Key competitive strengths:

- Pure EV player with a leadership position in the fast-growing Indian E2W market
- In-house R&D and technology capabilities
- Manufacturing at scale and supply-chain resilience
- Scalable platform-based design and development approach
- Direct-to-customer(D2C) omnichannel distribution model
- Eligibility for EV-related government incentives leading to cost advantages
- Execution capabilities
- Founder led company supported by a highly experienced and professional leadership team

Risk and concerns:

- General slowdown in the global economic activities
- Reliance on government incentive schemes for sales volume
- Declining consumer preference towards electric 2Ws
- Rapidly changing cell technology & obsolescence of current cell technology
- Import disruptions for key raw materials mainly for the cell segment
- Continued loss making operations
- Competition

Below are the key highlights of the company:

- Despite India being the second largest 2W market globally, the electrification of 2W (E2W) is lower than China and other key European countries. E2W penetration will be driven by increasing affordability attributable to lower battery prices, improved driving ranges, regulatory support amongst other factors. In India, due to favorable total cost of ownership, E2Ws are at the forefront in the electrification of mobility. In FY24, E2W penetration was at 5.4% and is projected to account for 41-56% of the domestic 2W sales volume by FY28E. (Source: RHP)
- Further, around 20% of the 2W manufactured domestically are exported, of which around 75% is exported to geographies like Africa, Latin Americas and Southeast Asia. Thus, exports are also an additional opportunity for Indian E2W OEMs thereby further increasing their target addressable market.

Issue details

Price band	Rs. 72 - 76 per share
Face value	Rs. 10
Shares for fresh issue	72.368 - 76.389cr shares
Shares for OFS	8.494cr shares
Fresh issue size	Rs. 5,500cr
OFS issue size	Rs. 611.6 - 645.6cr
Total issue size	80.863 - 84.883cr shares (Rs. 6,111.6 - 6,145.6cr)
Employee reservation	0.072 - 0.076cr shares
Net issue size	80.790 - 84.807cr shares (Rs. 6,106.1 - 6,140.1cr)
Bidding date	2 nd Aug. - 6 th Aug. 2024
Implied MCAP at higher price band	Rs. 33,522cr
Implied enterprise value at higher price band	Rs. 31,488cr

Book running lead manager	Kotak Mahindra Capital Company Ltd., Citigroup Global Markets India Pvt. Ltd., BofA Securities India Ltd., Goldman Sachs (India) Securities Pvt. Ltd., Axis Capital Ltd., ICICI Securities Ltd., SBI Capital Markets Ltd. and BOB Capital Markets Ltd.
---------------------------	--

Registrar	Link Intime India Pvt. Ltd.
Sector	Auto - 2W
Promoters	Mr. Bhavish Aggarwal

Issue break-up

Category	Percent of issue (%)	Number of shares
QIB portion	75%	60.593 - 63.605cr shares
Non institutional portion (Big)	10%	8.079 - 8.481cr shares
Non institutional portion (Small)	5%	4.040 - 4.240cr shares
Retail portion	10%	8.079 - 8.481cr shares

Indicative IPO process time line

Finalization of basis of allotment	7 th Aug. 2024
Unblocking of ASBA account	8 th Aug. 2024
Credit to demat accounts	8 th Aug. 2024
Commencement of trading	9 th Aug. 2024

Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	45.14%	36.78%
Public	47.19%	56.81%
Non-promoter & Non-public	7.67%	6.41%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot

Number of shares per lot	195
Employee discount	Rs. 7 per share
Application money	Rs. 14,820 per lot

Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM adjusted PAT (Rs. cr)	TTM gross margin	TTM EBITDA margin	TTM adjusted PAT margin
					1 M	3 M	6 M	1 Y						
Ola Electric Mobility Ltd.	10	76	33,522	31,488					5,010	(1,268)	(1,578)	12.6%	-25.3%	-31.5%
Bajaj Auto Ltd.	10	9,569	2,67,142	2,62,666	0.7%	7.4%	26.5%	95.5%	44,870	8,721	7,708	28.9%	19.4%	17.2%
Greaves Cotton Ltd.	2	178	4,127	3,705	35.0%	25.5%	9.4%	31.6%	2,633	90	(135)	31.7%	3.4%	-5.1%
Hero MotoCorp Ltd.	2	5,447	1,08,895	1,04,257	-2.4%	19.9%	18.7%	71.7%	37,789	5,350	3,745	32.5%	14.2%	9.9%
TVS Motor Company Ltd.	1	2,496	1,18,582	1,33,251	5.5%	21.0%	27.5%	83.8%	39,145	5,517	1,686	37.7%	14.1%	4.3%
Amara Raja Energy & Mobility Ltd.	1	1,649	30,185	29,740	-0.8%	49.9%	97.0%	164.2%	11,708	1,657	934	32.9%	14.2%	8.0%
Exide Industries Ltd.	1	532	45,220	45,277	-5.8%	12.6%	67.2%	111.8%	16,770	1,821	877	32.0%	10.9%	5.2%
Average												32.6%	12.7%	6.6%

Company name	3Y revenue growth (CAGR)	3Y EBITDA growth (CAGR)	3Y PAT growth (CAGR)	3Y average EBITDA margin	3Y average PAT margin	3Y capital employed growth (CAGR)	3Y CFO growth (CAGR)	3Y average working capital cycle (Days)	3Y average CFO/EBITDA	3Y average CFO / Capital employed	3Y average fixed asset turnover	3Y average total asset turnover	3Y average RoE	3Y average RoIC
Bajaj Auto Ltd.	16.4%	29.2%	11.8%	17.6%	17.5%	-1.3%	25.0%	(8.7)	79.1%	22.0%	14.5	1.0	22.6%	74.0%
Greaves Cotton Ltd.	24.1%	98.2%	95.8%	3.2%	-1.4%	23.3%	64.9%	1.2	-9.6%	4.3	1.0	-3.1%	-3.7%	
Hero MotoCorp Ltd.	13.1%	26.5%	27.1%	12.4%	8.7%	10.1%	53.0%	(8.2)	73.6%	23.6%	5.2	1.4	17.6%	26.2%
TVS Motor Company Ltd.	26.8%	41.5%	49.3%	12.7%	3.9%	26.6%	-10.8%	(23.5)		-17.7%	4.8	0.9	22.1%	39.0%
Amara Raja Energy & Mobility Ltd.	16.0%	27.3%	35.0%	13.2%	7.0%	19.3%	41.4%	65.5	68.1%	15.7%	2.6	1.3	12.4%	11.8%
Exide Industries Ltd.	14.5%	13.9%	-55.2%	10.8%	14.9%	13.7%	399.8%	55.7	45.6%	6.5%	3.4	1.0	18.5%	12.0%
Average	18.5%	39.4%	27.3%	11.7%	8.4%	15.3%	95.5%	13.7	66.6%	6.7%	5.8	1.1	15.0%	26.6%

Company name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	Fixed asset turnover ratio (x)	Total asset turnover ratio (x)	RoE	RoCE	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning yield
Bajaj Auto Ltd.	276.1	1,037.4	141.9	0.1	13.8	1.1	26.6%	35.0%	34.7	9.2	5.9	30.1	6.0	2.9%
Greaves Cotton Ltd.	(5.8)	61.9	0.9	0.0	3.0	1.1	-9.4%	0.4%	(30.5)	2.9	1.4	41.2	1.6	-3.3%
Hero MotoCorp Ltd.	187.3	885.3	135.2	0.0	6.1	1.4	21.2%	32.6%	29.1	6.2	2.8	19.5	2.9	3.4%
TVS Motor Company Ltd.	35.5	142.8	8.0	2.5	5.7	0.9	24.9%	25.0%	70.3	17.5	3.4	24.2	3.0	1.4%
Amara Raja Energy & Mobility Ltd.	51.1	371.5	7.5	0.0	2.6	1.3	13.7%	17.3%	32.3	4.4	2.5	17.9	2.6	3.1%
Exide Industries Ltd.	10.3	151.6	2.0	0.1	3.2	0.9	6.8%	9.6%	51.6	3.5	2.7	24.9	2.7	1.9%
Average			49.2	0.5	5.7	1.1	14.0%	20.0%	31.2	7.3	3.1	26.3	3.1	1.6%

Note: Financials considered between FY22-24; TTM financial data as on 31st Mar. 2024; Source: Choice Broking Research

- OEML is a pure-play E2W manufacturer in India. It manufactures E2Ws and certain core electric vehicle (EV) components like battery packs, motors and vehicle frames. The company is focused on capturing the growth opportunity arising from the electrification of mobility in India and also seeks to tap the export market to export its E2W in select international markets in the future.
- Launching its first E2W in Aug. 2021, the company currently manufactures and sells seven products. These seven product are e-scooters, i.e. , Ola S1 Pro, Ola S1, Ola S1 Air, Ola S1 X+, Ola S1 X (2KWh), Ola S1 X (3KWh) and Ola S1 X (4KWh). On 15th Aug. 2023, OEML announced four new products under the motorcycle segment, which it plans to start commercial deliveries from H1 FY26.
- In terms of revenue and sales volume, the company was at the top-position among all domestic incorporated E2Ws original equipment manufacturers in FY24. Further, it had a market share of around 35% in the total E2W registrations in India.
- OEML's business model is based on three key vertically integrated scalable platforms, i.e. R&D & technology platform, Manufacturing & supply chain platform and D2C omnichannel distribution platform. Through this business model, the company intends to improve its performance by reducing cost of production, optimize capital expenditure, faster the time-to market and maintain a greater control over customer experience.
- The R&D & technology platform consists of the various technologies, i.e. in-house developed operating system (MoveOS), electronics, motor & drive-train, cells & battery packs and manufacturing technology. These technologies enable the development of an adaptable platform architecture which is used to develop different E2W models. For example, the Ola S1 Air and Ola S1 X+ models use the same battery packs.
- The Manufacturing & supply chain platform consists of flexible assembly lines, which are used for manufacturing core EV components. For instance, the core components (like battery packs, motors & vehicle frames etc.) used in all the existing e-scooter models are common and manufactured on the same assembly line.
- The D2C omnichannel distribution platform consists of integrated company-owned sales & service network, a charging network and an online retail platform. OEML sells & services all of its current E2W models on the same platform and all the E2W models are recharged on the same charging network. As of 31st Mar. 2024, it had 870 experience centers and 431 service centers (of which 429 service centers are located within the experience centers). Further, OEML's charging network comprised of 250 hyper-charger guns, 764 standard-charger guns spread across 17 and 21 states of India, respectively.

Key highlights of the company (Contd...):

- OEML is establishing an EV hub in Tamil Nadu, and includes Ola Futurefactory (OFF), upcoming Ola Gigafactory (OGF) and co-located suppliers. The company manufactures its E2Ws and components from an automated manufacturing facility i.e. OFF located in Tamil Nadu. This facility was built in just eight months and presently, it has a capacity to manufacture 1mn units of E2Ws. As of 31st Mar. 2024, OEML utilized over 148 automated robots for functions like welding, battery, motor & general assembly lines and paint shops.
- It is in the process of designing and building a cell manufacturing facility i.e. OGF located within close proximity of OFF and within the EV hub. OEML commenced construction of OGF in Jun. 2023, with Phase-1 starting commercial operations from 22nd Mar. 2024. Currently, it has a production capacity of 1.4GWh and further it intends to expand it to 6.4GWh by Apr. 2025.
- OEML is the biggest beneficiary of government policies like reduced corporate tax rate (i.e. 15% for new manufacturing facilities), reduced duty on the EVs and PLI schemes. The company is the only EV manufacturer in India to benefit from the both Automotive Technology Products PLI scheme (Auto PLI) and Advanced Cell Chemistry Batteries PLI scheme (Cell PLI).
- As of 31st Mar. 2024, two E2W models (i.e. S1 Pro (Gen 2) and S1 Air) got Auto PLI certification. These two models contributed around 49% of the total business from the sales of vehicles in FY24 (compared to nil in FY22 and FY23). Auto PLI incentives ranged between 13-18% of the determined sales value and are available for five consecutive years, commencing from FY23. According to the management, OEML will receive Auto PLI incentives starting from Jan. 2024, while the accrued incentives are Rs. 97.2cr for FY24.
- The company was awarded 20GWh capacity under the Cell PLI scheme, which entails to achieve a capacity of 1GWh in the first year, 5GWh in the second year, 10GWh in third year and 20GWh by the fourth year. Under the Cell PLI scheme, OEML will receive quarterly cash incentives, which is dependent on the percentage of value addition during the relevant period and actual sale of the advanced chemistry cells. Incentives are available for a five-year period from the commissioning date of OGF.
- OEML's capability to develop E2W is mainly driven by its focus on R&D. The company undertook R&D activities to develop new EV products, core EV components and cell & battery technology and its manufacturing process at the OGF. Between FY21-24, the company has cumulatively spent around Rs. 1,100cr towards R&D. Leveraging this, OEML has developed the design of a 4680-form factor cell technology, which has been granted BIS certification on 13th May 2024 and is currently under trial production.
- The company currently focuses on nickel-manganese-cobalt battery formulation, which is sourced from third party and formed around 32% of the bill-of-material for its E2W in FY24. With the development of 4680 cell and anticipated beginning of commercial production by early 2025, OEML will start using this cell in its E2Ws thereby providing it a greater control over the supply chain and costs. This cell will lower the import percentage for the company, while enhancing the energy carrying capacity by around 5x, compared to the existing one. Further, as per the company management, the 4680 cell can be supplied to other EV manufacturers and also used in various energy products such as battery energy storage systems.
- To promote the manufacturing of electric and hybrid vehicle technology and to ensure sustainable growth of the same, the Government of India has launched the Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India (FAME) scheme (comprising of FAME-1 And FAME-2). FAME-1 was effective between FY15-19, while FAME-2 was effective over FY22-24. Post FAME-2, the government introduced Electric Mobility Promotion Scheme, 2024 (EMPS), which is applicable from 1st Apr. 2024 to 30th Sept. 2024. Subsidy under the EMPS scheme is up to Rs. 10,000 per E2W. Currently, all the products of OEML are eligible for subsidy. The government has given tax concessions i.e. GST on EV is kept at 5%, compared to around 43-48% for the hybrid and ICE vehicles. Besides this various state governments are giving incentive like exemption in the road tax, nil registration charges etc.
- OEML's business performance is linked to the government policies and incentives. For instance, the government lowered the subsidy under the FAME-2 scheme in May 2023. OEML has reported a sales volume of 28,743 units in May 2023, post that it took around six months to regain the same levels. Similarly, OEML's sales volume peaked in Mar. 2024 at 50,545 units as FAME-2 expired and was replaced by EMPS. Since Mar. 2024, OEML's sales volumes are in declining trend and stood at 15,769 units in Jul. 2024. However, on Y-o-Y basis the company has reported a growth of 2.3% in the dispatches of the E2Ws for the initial four months of the current fiscal. (Source: The Society of Manufacturers of Electric Vehicles). Since there is uncertainty over the extension of EMPS post Sept. 2024, the sales performance of OEML is anticipated to be volatile in the near term.
- Since the company has launched its first product in Aug. 2021, it has a very short operating history. The company is in growth phase, however, it has reported loss at the operating and net levels. On the back of 296.7% CAGR growth in the E2W sales volume over FY22-24, OEML has reported a 266.3% CAGR increase in the consolidated revenue, which stood at Rs. 5,009.8cr in FY24. Net cost of revenue increased by 201.8% CAGR (a rate lower than the top-line growth), resulting to a gross margin of 12.6% in FY24 as against -28.8% in FY22. Consolidated EBITDA remained negative throughout the period, however, with benefits of operating leverage EBITDA margin improved significantly to -25.3% in FY24. With expansion in the business, depreciation charge increased by 170.2% CAGR, while higher financial liabilities led to a 225.4% CAGR increase in the finance costs. The company continued to report a loss at net levels. OEML reported negative operating cash flows during the period. Total consolidated financial liabilities increased by 92.1% CAGR, resulting to a debt-to-equity ratio of 1.8x in FY24, compared to 0.3x in FY22.

Peer comparison and valuation: There are no comparable peers having business model (pure-play manufacturing & sales of E2W) to OEML, However, the above peers (involved mainly into the manufacturing & sales of ICE-based 2W) are taken only to benchmark the demanded valuation. At CMP of Rs. 76, the company is demanding an EV/Sales multiple of 6.3x, which is at significant premium to the peer average of 3.1x.

OEML has undertaken a massive capital spending in the initial years and has also planned a massive capital outlay in the medium term, reflecting its ambitious growth plans. Considering the dominant position maintained by the company in the E2W space, benefits from the backward initiative like cell manufacturing and its wide application in the energy storage application, we believe the demanded valuation seems to be reasonable. Key concern for the company is its reliance on government subsidies for generating sales and its loss making operations. Operating leverage would not kick-in, if the prevailing EMPS scheme is not extended beyond Sept. 2024, thereby keeping the profitability distant. Thus we assign a **"Subscribe with Caution"** rating for the issue.

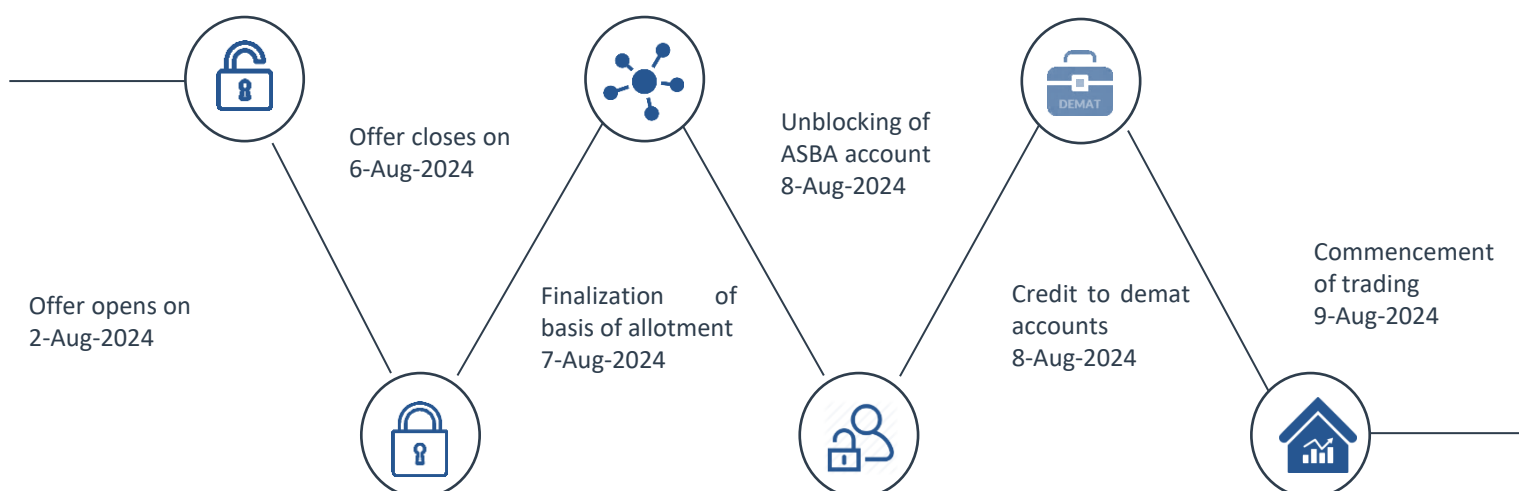
About the issue:

- OEML is coming up with an IPO with 80.863 - 84.883cr shares (fresh issue: 72.368 - 76.389cr shares; OFS shares: 8.494cr shares) in offering. This offer represents 18.33 - 19.07% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 6,111.6 - 6,145.6cr.
- The issue is through book building process with a price band of Rs. 72 - 76 per share.
- Lot size comprises of 195 equity shares and in-multiple of 195 shares thereafter.
- The issue will open on 2nd Aug. 2024 and close on 6th Aug. 2024.
- 0.072 - 0.076cr shares are reserved for eligible employees, while the employee discount is Rs. 7 per share.
- This public issue is a combination of fresh issue and OFS. The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, the company will be investing Rs. 1,600cr for research & product development activities; Rs. 1,228cr will be used for expanding cell manufacturing capacity; Rs. 800cr will be used for the re-payment/pre-payment of certain outstanding borrowings and Rs. 350cr is likely to be utilized for funding various organic growth initiatives. Residual proceeds will be used for general corporate purposes.
- Few of the promoter & promoter group (P&PG) entities are participating in the OFS and offloading 4.209cr shares, while some of the investor shareholders are also partially offloading their stake in the company. Post-IPO, P&PG will have 36.78% stake, while public and non-promoter & non-public shareholders will have 56.81% and 6.41% stake in the company, respectively.
- 75% of the net issue is reserved for qualified institutional buyers, while 15% and 10% of the net issue is reserved for non-institutional bidders and retail investors, respectively.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	45.14%	36.78%
Public	47.19%	56.81%
Non-promoter & Non-public	7.67%	6.41%
Total	100.00%	100.00%

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY22-24: Since the company has launched its first product in Aug. 2021, it has a very short operating history. The company is in growth phase, however, it has reported loss at the operating and net levels.

On the back of 296.7% CAGR growth in the E2W sales volume over FY22-24, OEML has reported a 266.3% CAGR increase in the consolidated revenue, which stood at Rs. 5,009.8cr in FY24.

Net cost of revenue increased by 201.8% CAGR (a rate lower than the top-line growth), resulting to a gross margin of 12.6% in FY24 as against -28.8% in FY22. Consolidated EBITDA remained negative throughout the period, however, with benefits of operating leverage EBITDA margin improved significantly to -25.3% in FY24.

With expansion in the business, depreciation charge increased by 170.2% CAGR, while higher financial liabilities led to a 225.4% CAGR increase in the finance costs. The company continued to report a loss at net levels.

OEML reported negative operating cash flows during the period. Total consolidated financial liabilities increased by 92.1% CAGR, resulting to a debt-to-equity ratio of 1.8x in FY24, compared to 0.3x in FY22.

Pre-issue consolidated financial snapshot (Rs. cr)	FY22	FY23	FY24	CAGR over FY22-24	Y-o-Y (FY24 annual)
Sale of vehicles	317.7	2,303.4	4,603.6	280.7%	99.9%
Sales of finished goods	317.7	2,303.4	4,603.6	280.7%	99.9%
Sales of traded goods	30.5	177.6	105.9	86.2%	-40.3%
Sales of services	19.8	119.5	88.4	111.4%	-26.0%
Other operating revenue	5.4	30.5	211.9	524.6%	595.7%
Revenue from operations	373.4	2,630.9	5,009.8	266.3%	90.4%
Gross profit	(107.5)	60.5	630.3		941.5%
EBITDA	(800.4)	(1,252.4)	(1,267.6)	25.8%	1.2%
Adjusted PAT	(784.2)	(1,375.7)	(1,578.4)	41.9%	14.7%
Restated adjusted EPS	(1.8)	(3.1)	(3.6)	41.9%	14.7%
Cash flow from operating activities	(885.0)	(1,507.3)	(633.1)	-15.4%	-58.0%
NOPLAT	(849.4)	(1,419.5)	(1,625.2)	38.3%	14.5%
FCF	(2,862.7)	(306.7)	(1,456.6)	-28.7%	374.9%
Revenue growth rate	43120.3%	604.5%	90.4%		
Gross profit growth rate	-12539.5%	-156.3%	941.5%		
Gross profit margin	-28.8%	2.3%	12.6%		1,028 bps
EBITDA growth rate	181.8%	56.5%	1.2%		
EBITDA margin	-214.3%	-47.6%	-25.3%		2,230 bps
EBIT growth rate	179.7%	67.1%	14.5%		
EBIT margin	-227.5%	-54.0%	-32.4%		2,151 bps
Restated adjusted PAT growth rate	293.6%	75.4%	14.7%		
Restated adjusted PAT margin	-210.0%	-52.3%	-31.5%		2,078 bps
Inventories days	140.5	60.2	46.6	-42.4%	-22.7%
Trade receivables days	7.6	6.9	8.8	7.7%	28.1%
Trade payables days	(195.5)	(72.8)	(74.4)	-38.3%	2.1%
Cash conversion cycle	(47.4)	(5.7)	(19.0)	-36.7%	231.9%
Fixed asset turnover ratio	0.3	1.5	1.6	115.4%	2.6%
Total asset turnover ratio	0.1	0.5	0.6	205.9%	37.2%
Current ratio	3.5	1.5	1.0	-46.0%	-30.8%
Quick ratio	3.3	1.2	0.8	-49.1%	-31.0%
Total debt	975.3	2,086.9	3,599.3	92.1%	72.5%
Net debt	(1,324.3)	1,605.9	3,466.3		115.9%
Debt to equity	0.3	0.9	1.8	158.7%	101.3%
Net debt to EBITDA	1.7	(1.3)	(2.7)		113.3%
RoE	-21.4%	-58.4%	-78.2%	(5,675) bps	(1,978) bps
RoA	-14.5%	-24.7%	-20.4%	(587) bps	428 bps
RoCE	-43.8%	-51.4%	-44.5%	(74) bps	688 bps

Note: Pre-IPO financials; Source: Choice Equity Broking



Competitive strengths:

- Pure EV player with a leadership position in the fast-growing Indian E2W market
- In-house R&D and technology capabilities
- Manufacturing at scale and supply-chain resilience
- Scalable platform-based design and development approach
- D2C omnichannel distribution model
- Eligibility for EV-related government incentives leading to cost advantages
- Execution capabilities
- Founder led company supported by a highly experienced and professional leadership team

Business strategy:

- Build “India” centric EV products with an “India first” strategy
- Continue to invest in R&D to advance the 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 the 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



Risk and concerns:

- General slowdown in the global economic activities
- Reliance on government incentive schemes for sales volume
- Declining consumer preference towards electric 2Ws
- Rapidly changing cell technology and obsolescence of current cell technology
- Import disruptions for key raw materials mainly for the cell segment
- Continued loss making operations
- Competition

Financial statements:

Consolidated profit and loss statement (Rs. cr)					
	FY22	FY23	FY24	CAGR over FY22-24	Annual growth over FY23
Revenue from operations	373.4	2,630.9	5,009.8	266.3%	90.4%
Cost of raw materials consumed	(584.9)	(2,504.8)	(4,390.9)	174.0%	75.3%
Purchase of stock-in-trade	(56.2)	(139.3)	(69.8)	11.4%	-49.9%
Changes in inventories of finished goods, stock-in-trade and work-in-progress	160.2	73.6	81.1	-28.8%	10.2%
Gross profit	(107.5)	60.5	630.3		941.5%
Employee benefits expenses	(282.5)	(426.7)	(438.9)	24.6%	2.8%
Other expenses	(410.4)	(886.2)	(1,459.0)	88.5%	64.6%
EBITDA	(800.4)	(1,252.4)	(1,267.6)	25.8%	1.2%
Depreciation and amortization expenses	(49.0)	(167.1)	(357.6)	170.2%	114.1%
EBIT	(849.4)	(1,419.5)	(1,625.2)	38.3%	14.5%
Finance costs	(17.6)	(107.9)	(186.6)	225.4%	72.9%
Other income	82.8	151.8	233.4	67.9%	53.8%
Exceptional items		(96.4)	(6.1)		-93.7%
PBT	(784.2)	(1,472.1)	(1,584.4)	42.1%	7.6%
Tax expenses					
Reported PAT	(784.2)	(1,472.1)	(1,584.4)	42.1%	7.6%
Adjusted PAT	(784.2)	(1,375.7)	(1,578.4)	41.9%	14.7%

Consolidated balance sheet statement (Rs. cr)					
	FY22	FY23	FY24	CAGR over FY22-24	Annual growth over FY23
Equity share capital	1,955.5	1,955.5	1,955.5	0.0%	0.0%
Instruments entirely equity in nature	1,804.1	1,809.7	2,973.3	28.4%	64.3%
Other equity	(98.1)	(1,408.7)	(2,909.4)	444.5%	106.5%
Non-current borrowings	523.8	720.3	1,373.7	61.9%	90.7%
Non-current lease liabilities	49.0	39.9	215.0	109.4%	439.4%
Non-current provisions	5.1	5.1	15.4	74.0%	204.0%
Other non-current liabilities		120.6	159.2		32.1%
Trade payables	356.8	693.3	1,348.5	94.4%	94.5%
Current borrowings	226.6	925.5	1,015.5	111.7%	9.7%
Current lease liabilities	4.4	10.2	106.2	393.7%	945.1%
Other current financial liabilities	171.5	391.2	888.9	127.7%	127.2%
Current provisions	58.6	79.8	172.3	71.5%	115.7%
Other current liabilities	338.6	231.0	421.5	11.6%	82.5%
Total liabilities	5,395.9	5,573.2	7,735.4	19.7%	38.8%
Property, plant & equipments	751.1	881.1	1,564.7	44.3%	77.6%
Intangible assets	128.3	201.8	522.3	101.8%	158.8%
Capital work-in-progress	18.4	130.9	419.4	378.0%	220.4%
Intangible assets under development	64.7	376.3	293.2	113.0%	-22.1%
Right-of-use assets	139.0	129.8	395.5	68.7%	204.8%
Goodwill	6.2	6.2	8.5	17.3%	37.7%
Non-current investments	37.9	37.9	37.9	0.0%	0.0%
Other non-current financial assets	25.2	153.3	188.0	173.4%	22.6%
Other net tax assets	8.9	5.3	13.4	22.8%	154.4%
Other non-current assets	152.9	201.0	245.8	26.8%	22.3%
Inventories	284.3	584.0	694.0	56.2%	18.8%
Trade receivables	15.2	84.3	158.5	222.7%	88.1%
Current investments	1,064.6	238.2	25.9	-84.4%	-89.1%
Cash & cash equivalents	1,235.0	242.9	107.1	-70.5%	-55.9%
Bank balances other than cash and cash equivalents	861.8	1,286.4	1,556.0	34.4%	21.0%
Other current financial assets	62.6	546.3	755.9	247.4%	38.4%
Other current assets	540.0	467.7	749.3	17.8%	60.2%
Total assets	5,395.9	5,573.2	7,735.4	19.7%	38.8%

Source: Choice Equity Broking

Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)					
	FY22	FY23	FY24	CAGR over FY22-24	Annual growth over FY23
Cash flow before working capital changes	(751.1)	(1,202.8)	(1,075.6)	19.7%	-10.6%
Working capital changes	(133.4)	(308.1)	450.7		
Cash flow from operating activities	(885.0)	(1,507.3)	(633.1)	-15.4%	-58.0%
Purchase of fixed assets and CWIP	(887.3)	(842.6)	(1,213.9)	17.0%	44.1%
Cash flow from investing activities	(1,321.8)	(318.6)	(1,136.3)	-7.3%	256.7%
Cash flow from financing activities	3,084.8	658.7	1,590.0	-28.2%	141.4%
Net cash flow	878.0	(1,167.1)	(179.4)		-84.6%
Opening balance of cash	357.0	1,235.0	67.9	-56.4%	-94.5%
Closing balance of cash	1,235.0	67.9	(111.5)		

Consolidated financial ratios			
Particulars	FY22	FY23	FY24
Profitability ratios			
Revenue growth rate		604.5%	90.4%
Gross profit growth rate		-156.3%	941.5%
Gross profit margin	-28.8%	2.3%	12.6%
EBITDA growth rate	181.8%	56.5%	1.2%
EBITDA margin	-214.3%	-47.6%	-25.3%
EBIT growth rate	179.7%	67.1%	14.5%
EBIT margin	-227.5%	-54.0%	-32.4%
Restated adjusted PAT growth rate	293.6%	75.4%	14.7%
Restated adjusted PAT margin	-210.0%	-52.3%	-31.5%
Turnover ratios			
Inventory turnover ratio	2.6	6.1	7.8
Trade receivable turnover ratio	47.9	52.9	41.3
Accounts payable turnover ratio	1.9	5.0	4.9
Fixed asset turnover ratio	0.3	1.5	1.6
Total asset turnover ratio	0.1	0.5	0.6
Liquidity ratios			
Current ratio	3.5	1.5	1.0
Quick ratio	3.3	1.2	0.8
Total debt	975.3	2,086.9	3,599.3
Net debt	(1,324.3)	1,605.9	3,466.3
Debt to equity	0.3	0.9	1.8
Net debt to EBITDA	1.7	(1.3)	(2.7)
Cash flow ratios			
CFO to PAT	1.1	1.1	0.4
CFO to Capex	(1.0)	(1.8)	(0.5)
CFO to total debt	(0.9)	(0.7)	(0.2)
CFO to current liabilities	(0.8)	(0.6)	(0.2)
Return ratios			
RoIC (%)	-21.2%	-49.9%	-49.3%
RoE (%)	-21.4%	-58.4%	-78.2%
RoA (%)	-14.5%	-24.7%	-20.4%
RoCE (%)	-43.8%	-51.4%	-44.5%
Per share data			
Restated adjusted EPS (Rs.)	(1.8)	(3.1)	(3.6)
DPS (Rs.)	0.0	0.0	0.0
BVPS (Rs.)	8.3	5.3	4.6
Operating cash flow per share (Rs.)	(2.0)	(3.4)	(1.4)
Free cash flow per share (Rs.)	(6.5)	(0.7)	(3.3)
Dividend payout ratio	0.0%	0.0%	0.0%

Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Choice Equity Broking Pvt. Ltd. ("CEBPL") is a registered Research Analyst Entity (Reg. No. INH000000222; Cin. No. U65999MH2010PTC198714). Registered Address: Sunil Patodia Tower, J B Nagar, Andheri (East), Mumbai 400-099. Tel. No. 022-6707 9999.

Compliance Officer: Prashant Saliang; Tel. No. 022-6707-9999; Ext. 2310; email-id: compliance@choiceindia.com

Grievance officer: Deepika Singhvi ; Tel. No. 022-6707-9999; Ext. 834; email-id: ig@choiceindia.com

Investments in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors .

This Research Report (hereinafter referred as "Report") has been prepared by Choice Equity Broking Pvt. Ltd. as a Research Entity (hereinafter referred as "CEBPL RE"). The Research Analysts, strategists are principally responsible for the preparation of "CEBPL RE" research. The research analysts have received compensation based upon various factors, which may include quality of research, investor client feedback, stock picking, competitive factors and firm revenues etc.

Whilst CEBPL has taken all reasonable steps to ensure that this information is correct, CEBPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his/her own risk and CEBPL does not accept any liability as a result. Securities and derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance.

General disclaimer: This 'Report' is strictly meant for use by the recipient and is not for circulation. This Report does not take into account particular investment objectives, financial situations or specific needs of individual clients nor does it constitute a personal recommendation. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through CEBPL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this "Report" should rely on information/data arising out of their own study/investigations. It is advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This 'Report' has been prepared on the basis of publicly available information, internally developed data and other sources believed by CEBPL to be reliable. CEBPL or its directors, employees, affiliates or representatives shall not be responsible for, or warrant for the accuracy, completeness, adequacy and reliability of such information / opinions / views. Though due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of CEBPL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report.

The price and value of the investments referred to in this Report and the income from them may tend to go down as well as up, and investors may incur losses on any investments. Yester performance shall not be a guide for future performance. CEBPL does not provide tax advice to its clients, and all investors are strongly advised to take advice of their tax advisers regarding taxation aspects of any potential investment. Opinions are based on the current scenario as of the date appearing on this 'Report' only. CEBPL does not undertake to advise you as to any change of our views expressed in this "Report" may differ on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold CEBPL, its employees and associates responsible for any losses, damages of any type whatsoever.

Disclaimers in respect of jurisdiction: This Report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject "CEBPL RE" to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by "CEBPL RE" in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this 'Report' shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. "CEBPL" requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to "CEBPL". Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in Mumbai (India).

Statements on ownership and material conflicts of interest, compensation - CEBPL and Associates reciprocates to the best of the knowledge and belief of CEBPL/ its Associates/ research Analyst who is preparing this Report.

Disclosures of interest (Additional):

- 1) "CEBPL", its research Analyst(s), or its associates or relatives of the Research Analyst does not have any financial interest in the company (ies) covered in this Report.
- 2) "CEBPL" its research Analyst, or its associates or relatives of the research analyst affiliates collectively do not hold more than one of the securities of the company (ies) covered in this Report as of the end of the month immediately preceding the distribution of the research report.
- 3) "CEBPL", its research analyst, his/her associate, his/her relative, do not have any other material conflict of interest at the time of publication of this Report.
- 4) "CEBPL", its research analyst, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company (ies) covered in this Report, in the past twelve months.
- 5) "CEBPL", its research analyst, or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this Report.
- 6) "CEBPL", or its associates have not received compensation or other benefits from the company (ies) covered in this Report or from any third party, in connection with the Report.
- 7) CEBPL research analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Report.
- 8) "CEBPL", its research analyst has not been engaged in market making activity for the company (ies) covered in the Report.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. <https://choiceindia.com/research-listing>.

Research disclaimer & disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (Contd...)

The details of CEBPL, its research analyst and its associates pertaining to the companies covered in the Report are given below:

Sr. no.	Particulars	Yes / No
1.	Whether compensation has been received from the company (ies) covered in the Research report in the past 12 months for investment banking transaction by CEBPL	No
2.	Whether Research Analyst, CEBPL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1% of the company (ies) covered in the Research report	No
3.	Whether compensation has been received by CEBPL or its associates from the company (ies) covered in the Research report	No
4.	CEBPL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company (ies) covered in the Research report	No
5.	CEBPL, its research analyst, his associate, or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company (ies) covered in the Research report, in the last twelve months	No

Copyright: The copyright in this research report belongs exclusively to CEBPL. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the CEBPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

This "Report" is for distribution only under such circumstances as may be permitted by applicable law. This "Report" has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This "Report" is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither CEBPL nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this "report" or lack of care in this report's preparation or publication, or any losses or damages which may arise from the use of this research report.

Information barriers may be relied upon by CEBPL, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of CEBPL.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by CEBPL with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior written consent of CEBPL and CEBPL accepts no liability whatsoever for the actions of third parties in this respect.