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# OLA ELECTRIC MOBILITY LIMITED

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**IPO Report**

**01st Aug '24**

## Snapshot

Company is a pure EV player in India and are building vertically integrated technology and manufacturing capabilities for EVs and EV components, including cells. Company manufacture EVs and certain core EV components like battery packs, motors and vehicle frames at the Ola Futurefactory. Company's business focuses on capturing the opportunity arising out of electrification of mobility in India and company also seek opportunities to export its EVs in select international markets in the future. Company have delivered seven products and additionally announced four new products since its first product announcement in August 2021..

**VALUATION**

Company is bringing the issue at price band of Rs 72-76 per share at p/s multiple of 6x on FY24 basis.
Company being pure EV player with a leadership position in the fast-growing Indian E2W market. Company is Founder led company supported by a highly experienced and professional leadership team with in-house R&D and technology capabilities with manufacturing at scale and supply chain resilience. And direct to customer omnichannel distribution model.
Hence ,looking after all above we recommend "Subscribe" on issue.

| | |
|---|---|
| **Price Band (Rs./Share)** | **72-76** |
| **Opening date of the issue** | **02nd Aug '2024** |
| **Closing Date of the issue** | **06th Aug '2024** |
| **No of shares pre issue** | 3,687,072,258 Eq Shares |
| **Issue Size** | Rs 6112-6146 Cr |
| **Fresh issue** | Rs 5500 Cr |
| **Offer for Sale** | 84,941,997 Equity Shares |
| **Face Value (Rs/ share)** | Rs 10/share |
| **Employee Discount** | Rs 7/- per share |
| **Bid Lot** | 195 |
| **BIDDING DETAILS** | |
| **QIBs (Including Anchor)** | 75% of the offer (Approx 84,941,997Eq Shares) |
| **Non-Institutional** | 15% of the offer (Approx 121,185,378 Eq Shares) |
| **Retail** | 10% of the offer ( Approx 80,790,252 Eq Shares) |
| **Employee** | 797101 Eq Shares |
| **Lead managers** | Axis Capital, Kotak Mahindra Capital, Citigroup Global, BofA Securities, Goldman Sachs, ICICI Securities, SBI Capital Markets, BOB Capital Market |
| **Registrar to the issue** | Link Intime India Pvt Ltd |

## WHAT WE LIKE

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

E2W penetration in India is expected to expand from approximately 5.40% of domestic 2W registrations sales reported on the VAHAN portal in Fiscal 2024 to 41-56% of the domestic 2W sales volume by Fiscal 2028, according to the Redseer Report. Company's exclusive and singular focus on EV enables it to leverage on this transition in the growing Indian 2W market.

***Founder led company supported by a highly experienced and professional leadership team***

Company's Founder, Chairman and Managing Director, Mr. Bhavish Aggarwal, is an entrepreneur who founded Company, in addition to ANI Technologies Private Limited, also known as Ola Cabs, in 2010. Ola Cabs is a ride-hailing mobility platform. in India. Bhavish has received several accolades such as India 30 under 30 from Forbes India in 2014, Entrepreneur of the Year from the Economic Times in 2017, Top 100 Most Influential People by Time Magazine in 2018 and featured in the TIME100 Climate List in 2023 as one of the most innovative leaders globally.

***In-house R&D and technology capabilities***

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

## COMPANY BACKGROUND

Company 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, company also announced a line-up of motorcycles comprising four models, Diamondhead, Adventure, Roadster and Cruiser. Company plan to commence delivery of the motorcycles in the first half of Fiscal 2026.

Company had the highest revenue of all Indian incorporated electric 2Ws ("E2Ws") original equipment manufacturers ("OEMs") from E2W sales in Fiscal 2023. Within nine months of delivering company's first EV scooter in December 2021, company became the best-selling E2W brand in India in terms of monthly E2W registrations on the VAHAN Portal of Ministry of Road Transport and Highways ("VAHAN") according to the Redseer Report. Research and development ("R&D") and technology is at the core of its business model with a focus on in-house product innovation. Company undertake 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. Company is in the process of building its EV hub in Krishnagiri and Dharmapuri districts in Tamil Nadu, India, which includes company's Ola Futurefactory, company's upcoming Ola Gigafactory and co-located suppliers in Krishnagiri district.

At company's Ola Futurefactory, company manufacture its 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 (in terms of production capacity) by an E2W-only OEM, as at March 31, 2024. In addition, company operate a BIC in Bengaluru, India that is focused on developing cell and battery technology and manufacturing processes for its forthcoming cell manufacturing at the Ola Gigafactory. Company operate its own direct-to-customer ("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 March 31, 2024 in addition to company's Ola Electric website. Company's network of experience centres was India's largest company-owned network of experience centres as at March 31, 2024 according to the Redseer Report.

Company's Business Model

Company's business model is founded on three key scalable platforms: (1) its R&D and technology platform with in-house design and development across EV technologies and components, (2) adaptable manufacturing and supply chain platform, and (3) D2C omnichannel distribution platform. Company's model is vertically integrated across R&D and technology, manufacturing, supply chain, sales and service, and charging facilities.

**Company's R&D and technology platform** consists of the following technologies which are interconnected: (a) software, including company's in-house developed operating system, MoveOS, (b) electronics, (c) motor and drivetrain, (d) cells and battery packs and (e) manufacturing technology. These technologies enable the development of an adaptable platform architecture that can be used to develop different EV models, giving company better control over product and performance and cost, and enabling company to achieve a fast time to market. For example, the Ola S1 Air and Ola S1 X+ models use the same battery packs.

**Company's manufacturing and supply chain platform** consists of a vertically integrated manufacturing ecosystem across core EV components like battery packs, motors and vehicle frames, a resilient and common supply chain with a focus on co-location and localization and flexible assembly lines. This platform, combined with company's ability to scale its manufacturing capacity in coordination with its network of suppliers, help company drive down costs and optimize capital expenditure on the development of company's EVs. For example, the core components of the Ola S1 Pro, Ola S1 Air, Ola S1 X+, Ola S1 X (2 kWh), Ola S1 X (3 kWh) and Ola S1 X (4 kWh), such as battery packs, motors and vehicle frames, are manufactured on the same assembly line. In addition, all of company's servicing and training infrastructure is common across all its EV models.

**Company's D2C omnichannel distribution platform** consists of an integrated company-owned sales and service network, a charging network, and an online retail platform. Company distribute, sell and service all of company's current EV models, comprising the Ola S1 Pro, the Ola S1 Air and Ola S1 X+ on the same platform, and all company's EV models are able to charge on the same charging network. Through this platform, company is able to reach a broader customer base and maintain greater control over the customer experience. This platform can be scaled to accommodate future EV models, enabling company to achieve a faster time to market and optimize its investment in infrastructure.

| INVESTMENT RATIONALE | |
|---|---|
| ***Eligibility for EV-related government incentives leading to cost advantages*** | Company is the only EV manufacturer in India that is a beneficiary of two Government of India PLI schemes: the Automobile PLI Scheme and the Cell PLI Scheme, according to the Redseer Report. Under the Cell and Automotive PLI Schemes, all of the advanced chemistry cells and EV scooters that company manufacture and sell will qualify it for a cash incentive up until the specified cap under the schemes subject to the conditions for disbursement of incentives under the schemes. Under the Automobile PLI Scheme, which commenced from Fiscal 2023, the incentive availed for a financial year will be disbursed in the subsequent financial year (for example, incentives applicable for Fiscal 2023 will be disbursed in Fiscal 2024) for up to five consecutive financial years (but not beyond Fiscal 2027). Company have obtained certifications from the testing agencies of the MHI on December 29, 2023 and February 9, 2024 respectively certifying that its Ola S1 Air and Ola S1 Pro (Gen2) scooters meet the scheme eligibility requirements and have at least a 50% domestic value addition, thus qualifying company for the disbursement. Company is one of only three beneficiaries awarded benefits under the Cell PLI Scheme, as at March 31, 2024, according to the Redseer Report. Cell PLI was awarded for a total of 30 GwH capacity, of which company was awarded 20 GwH, the most received by any Cell PLI recipient, according to the Redseer Report. Company is eligible to receive the incentives under the Cell PLI Scheme over a five-year period from the commissioning date of company's Ola Gigafactory, subject to fulfilment of certain conditions, such as achieving the domestic value addition threshold required under the Cell PLI Scheme and company's commencing sales of advanced chemistry cells. |
| ***Company's execution capabilities*** | Company's execution capability is a skill set that it bring across various facets of its business. Company built the Ola Future factory in eight months, from the start of construction to manufacturing company's first EV scooter at the assembly line in the factory. The Ola Futurefactory had an installed capacity of one million units per year as at March 31, 2024. Since the opening of company's first experience centre in September 2022, company have expanded its experience centre network to 870 experience centres as at March 31, 2024.Company had 959 employees (comprising 907 on-roll employees and 52 off-roll employees) engaged in R&D activities as at March 31, 2024. Company have delivered seven products and additionally announced four new products since its first product announcement in August 2021. Company's in-house capabilities to develop EV technologies driven by its focus on R&D, internal manufacturing of core EV components and adaptable platform-based product development approach has helped company to lower its costs. In June 2023, company commenced construction of its Ola Gigafactory, which will enable company to manufacture cells in-house and serve as another supply source for cells for its products. |
| ***Manufacturing at scale and supply chain resilience*** | The Ola Futurefactory is the largest integrated and automated E2W manufacturing plant in India (in terms of production capacity) by an E2W-only OEM, as at March 31, 2024, according to the Redseer Report. As at March 31, 2024, the Ola Futurefactory had an installed capacity of one million units per year. The Ola Futurefactory is an automated manufacturing facility equipped with modular and flexible assembly lines and an in-house paint shop. The in-house design, and manufacturing of company's core EV components enhance its control over the optimization of EV performance and quality. These capabilities to manufacture at scale, automation, and flexible lines also enable company to improve cost efficiency across value chains through economies of scale in its supply chain, fast component development and cross-utilization of equipment across products. Furthermore, company's direct relationship with suppliers and its focus on local suppliers for most of company's EV components gives company enhanced control of its supply chain. |

## OBJECTS OF OFFER

**Offer for Sale**
The object of the Offer for Sale is to allow the Selling Shareholders to sell an aggregate of up to 84,941,997 equity shares of face value of ₹ 10 each.
**Fresh Issue**
Company propose to utilise the Net Proceeds towards funding the following objects:
1. Capital expenditure to be incurred by company's 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");
2. Repayment or pre-payment, in full or part, of the indebtedness incurred by its Subsidiary, OET;
3. Investment into research and product development;
4. Expenditure to be incurred for organic growth initiatives; and 5. General corporate purposes.

## RISKS

Company, including its Material Subsidiaries, Ola Electric Technologies Private Limited ("OET") and Ola Cell Technologies Private Limited ("OCT"), have incurred losses and negative cash flows from operations since inception.

Source:RHP

## INDUSTRY OVERVIEW

***Key aspects in Auto Sector and the emerging EV sector in India***

**Ownership of R&D & Technology** – R&D has been a key focus area for Indian OEMs in the Auto sector. India has a thriving R&D ecosystem with quality testing centres like ARAI, ICAT and VRDE which are equipped with state-of-the-art facilities for comprehensive testing and validation. Both Indian and foreign ICE vehicle OEMs have established R&D facilities in India. Indian OEM's have overcome intense competition from foreign OEMs by developing quality and affordable products. The average spend on R&D over FY21, FY22 and FY23 for the top 4 publicly listed 2W OEMs (in terms of 2W unit sales) in India has been ~INR 462.1 Cr per annum. Within the Automotive market, EV is an emerging sector in India. Design and development of EV-specific technology components (including software, motor & drive train, cell & battery pack and electricals & electronics) in-house will be an important aspect for success. Key technological components of an Electric vehicle are explained below –

A. Cell: Battery pack comprises 35-40% of a typical E2W vehicle cost, of which 80-85% is constituted by the cells, making it the most critical component of the E2W. The speed, per charge range, charge time, safety, weight and price of the vehicle depend heavily on the cell. Innovations in cell chemistry have been (and will continue to be) core to EV adoption globally (making EVs comparable to ICE vehicles in terms of both performance and costs). Cell technology is expected to undergo greater innovation to reduce dependence on critical materials and ensure supply-chain sustainability.

B. Innovations such as the use of silicon (as anode) and cheaper alternatives like sodium-ion batteries, are already underway, though their commercialization may take several years. Consequently, leading global EV OEMs have developed in-house cell manufacturing capabilities. Large scale cell production has helped these players unlock greater efficiency, making their products superior in terms of quality and accessibility to consumers across the world. Additionally, it can help OEMs to control industry manufacturing value-chains in the long run. India is projected to require 40-60 GWh in terms of E2W battery requirements by FY 2028 (considering 11-15 Mn E2W vehicle sales in FY 2028). Furthermore, India's annual demand for ACC batteries is projected to rise to 104-260 GWh (from 2.7 GWh) by 2030 across multiple sectors (Source: Niti Aayog). Under the PLI scheme for ACC energy storage, manufacturing facilities are being set up with the objective of achieving 50 GWh of domestic capacity by 2030.

C. Battery Management System (BMS) – Multiple cells are assembled into a module and connected with battery management system, to create the battery pack. The BMS safeguards both the rider and the battery by ensuring that the cell operates within safe (and optimum) operating parameters. Global battery packs made in South Korea, China and USA are not made specifically for Indian riding conditions (tropical temperatures, rain, dust, road vibrations and high humidity). BMS for electric vehicles in India need to be contextualized to manage safety, range, and performance of the vehicle, making its ownership critical for long-term success.

D. Software – OEMs who build their own vehicle software can better adapt it to the hardware and provide superior experience (vs OEMs who outsource software development) during and beyond the ride. Owning the software may also provide greater scalability by allowing cross-leveraging of features across various EV products and models (e.g. scooters, motorcycles, mopeds and four-wheelers). In addition, it will allow for wider feature-sets and contextualization to local conditions (e.g. maps, call control, voice-activated assistance, reverse mode in E2W etc.) Also, it might enable the EV OEM to drive customer engagement efforts such as community building, new feature updates etc. d. Integration capabilities – In addition to owning the individual technological components discussed above, it is important for EV players to also own their.

## Consolidated Financials

(Rs in Mn)

| Financials | FY22 | FY23 | FY24 |
|---|---|---|---|
| Total Revenue (A) | 3734.23 | 26309.27 | 50098.31 |
| Total Expenditure (B) | 11738.12 | 38833.75 | 62774.11 |
| EBIDTA | -8003.89 | -12524.48 | -12675.80 |
| EBIDTA Margin | -214.34 | -47.60 | -25.30 |
| Other Income | 828.37 | 1517.70 | 2334.39 |
| Depreciation | 489.80 | 1670.64 | 3576.42 |
| EBIT | -7665.32 | -12677.42 | -13917.83 |
| Interest | 176.18 | 1079.17 | 1865.67 |
| PBT | -7841.50 | -13756.59 | -15783.50 |
| Share of profit in Asso | 0.00 | 0.00 | 0.00 |
| PBIT | -7841.50 | -13756.59 | -15783.50 |
| Exceptional | 0.00 | 964.20 | 60.50 |
| PBT | -7841.50 | -14720.79 | -15844.00 |
| Tax | 0.00 | 0.00 | 0.00 |
| PAT | -7841.50 | -14720.79 | -15844.00 |
| NPM | -209.99 | -55.95 | -31.63 |
| ROE% | -21.42 | -62.47 | -78.46 |
| EPS | -2.23 | -3.91 | -4.35 |
| Eq Cap | 19,554.50 | 19,554.50 | 19,554.50 |
| Net Worth | 36,614.52 | 23,564.44 | 20,193.39 |

**(Source: RHP)**

## Peer Comparison

| Company Name | P/E | Revenue from operations (Rs in Mn) | EPS | NAV | ROE % |
|---|---|---|---|---|---|
| Ola Electric | | ***50098.31*** | ***-4.35*** | ***5.54*** | ***-78.46*** |
| ***Peers*** | | | | | |
| TVS Motors | 68.99 | 391447.40 | 35.50 | 158.10 | 23.68 |
| Eicher Motors | 33.58 | 165357.80 | 145.92 | 659.06 | 22.17 |
| Bajaj Auto | 34.02 | 448704.30 | 272.70 | 1037.41 | 26.61 |
| Hero MotoCorp | 28.89 | 377886.20 | 187.04 | 892.08 | 20.98 |

**(Source: RHP)**

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