

06th August 2024

Ola Electric Mobility Limited – SUBSCRIBE

Investment Thesis

Ola Electric Mobility Limited (OEML) is coming out with an initial public offering (IPO) on 2 August, 2024. The issue comprises of fresh issue of 723,684,210 equity shares worth Rs. 55,000 mn at highest price band and offer for sale of 84,941,997 equity share worth Rs. 6,455 mn. OEML proposes to utilize the Net Proceeds towards funding of the following objects i) Capital expenditure to be incurred by OEML's Subsidiary. ii) In Ola Cell Technologies Private Limited (OCT) for expansion of the capacity of its cell manufacturing plant from 5 GWh to 6.4 GWh, classified as phase 2 under the expansion plan (the "Project"). iii) Repayment in full or part, of the indebtedness incurred by the Subsidiary, Ola Electric Technologies Private Limited (OET). iv) Investment into research and product development iv) Expenditure to be incurred for organic growth initiatives; and General Corporate Purposes.

OEML is currently constructing its electric vehicle (EV) hub in the Tamil Nadu districts of Krishnagiri and Dharmapuri, India. This hub will consist of the Ola Futurefactory, the upcoming Ola Gigafactory, and suppliers co-located in Krishnagiri district. At its Ola Futurefactory, it manufactures its EV scooters using certain EV components manufactured in-house. In addition to Ola Electric Website, the com OEML operates their own direct-to-customer ("D2C") omnichannel distribution network comprising 935 experience centres and 414 service centres (of which 410 service centres are located within experience centres) as of March 31, 2024. Their network of experience centres was India's largest company-owned network of experience centres as of March 31, 2024.

OEML is the beneficiary of 2 Government of India PLI schemes, i) the Automobile PLI Scheme and ii) the Cell PLI Scheme. Under the Cell and Automotive PLI Schemes, all of the advanced chemistry cells and EV scooters that they manufacture, and sell will qualify them for a cash incentive up until the specified cap under the schemes subject to the conditions for disbursement of incentives under the scheme

Financials

Particulars	FY21	FY22	FY23	Q1FY24
Revenue (Rs in Mn)	86.4	37342.3	263090	124270
Total Expenses (Rs in Mn)	28490	117380	388330	146070
EBITDA (Rs in Mn)	-17880	-71750	-110060	-18200
PAT (Rs in Mn)	-20100	-78340	-147160	-26800
EPS (Rs)	0.59	2.23	3.91	0.71

* At highest price band # Post listing

IPO Details

Issue Open Date	2 August 2024
Issue Close Date	6 August 2024
Price Band (Rs.)	Rs.72 – Rs. 76
Issue Size*	Rs. 61,455 Mn
Issue Size (Shares)	808,626,207
Market Lot	195 Shares
Listing Exchanges	BSE and NSE
Face Value (Rs.)	Rs. 10/-

* At highest price band

Key Details

Fresh Issue*	Rs. 55,000.0 Mn
Issue Type	Book Building
Book Running Lead Manager	Kotak Mahindra Capital, Bofa Securities, Axis Capital, SBI Capital Markets, Citigroup Global Markets India, Goldman Sachs (India) Securities, ICICI Securities and BoB Capital.
Issue structure	QIB: 30% Non Institutional: 15% Retail: 10% Anchor Investors: 45%
Credit of Shares to Demat Account	08 August 2024
Issue Listing Date	09 August 2024

* At highest price band

Key Business Highlights

- Incorporated on February 3, 2017, Ola Electric is a pure EV player in India and is building vertically integrated technology and manufacturing capabilities for EVs and EV components, including cells. OEML manufactures EVs and certain core EV components like battery packs, motors, and vehicle frames at the Ola Futurefactory. OEML's business focuses on capturing the opportunity arising out of electrification of mobility in India and they also seek opportunities to export their EVs in select international markets in the future.
- OEML engages in research and development projects in India, the United Kingdom, and the United States, with a focus on creating and advancing new electric vehicle (EV) products and essential EV parts, such as battery packs, motors, and vehicle frames. A battery innovation center (BIC) is operated by OEML in Bengaluru, India, concentrating on the development of cell and battery technology as well as manufacturing processes for their upcoming cell production at the Ola Gigafactory.
- OEML has delivered 7 products and additionally announced 4 new products since their 1st product announcement in August 2021. They commenced delivery of their 1st 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 and 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.

Valuation

- Ola Electric Mobility Limited being the fast-growing segment in EV space. Going ahead, EVs are anticipated to drive substantial growth in the global automotive market. However, we believe that Ola has significant headroom to grow in coming years led by favourable market conditions, regulatory norms and the higher capacity utilization of Ola Futurefactory on yearly basis. Moreover, they commenced manufacturing the 4680-form factor cells at the Ola Gigafactory on March'24 which is expected allow better control over battery and EV quality, supply, and costs. Despite being a lossmaking entity OEML has gained market share of 34.8% in E2W segment.
- We are recommending **SUBSCRIBE** rating to the IPO of Ola Electric Mobility (OEML). for medium to long term perspective.

Risk & Concern

- Geopolitical tensions pose substantial risks to supply chain continuity and cost structures, potentially leading to inventory shortages and increased costs.
- The automotive market in India, in which Ola Electric operates, may encounter several threats that could impede their growth trajectory and stability.
- Economic downturns, recessions, and heightened inflationary pressures can diminish consumer purchasing power, leading to lower sales volumes and profitability, with consumers deprioritizing non-essential purchases.

Graphs & Charts

Figure 1: Revenue (Rs. Million)

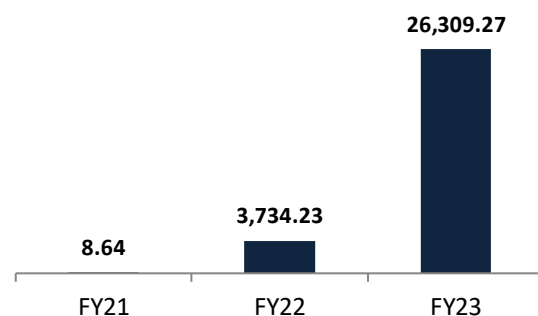


Figure 2: R&D Spend (Rs. Million)

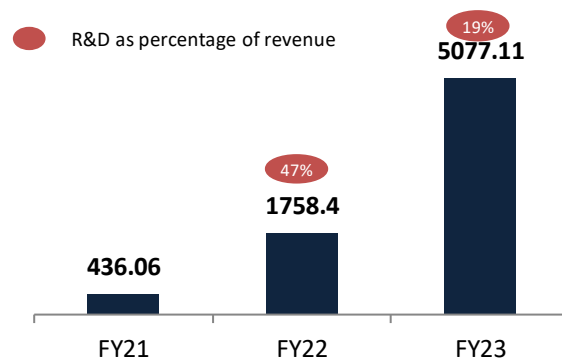


Figure 3: Total Addressable Market (Rs. Million)

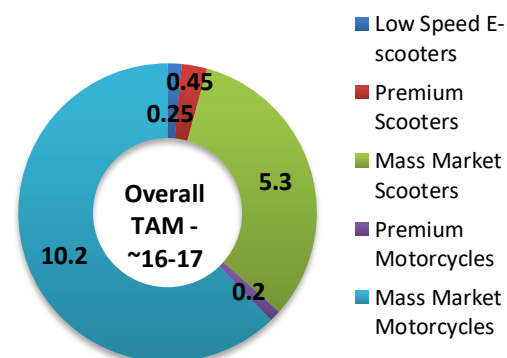
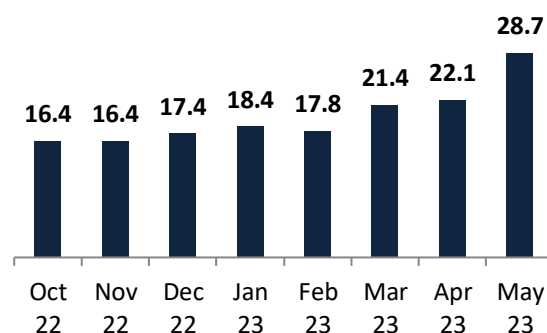


Figure 4: Monthly Unit Sales (Unit in '000)



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