

IPO Note – ATER ENERGY LIMITED

28 April 2025

OPPORTUNITY SIZE IS HUGE AND SO IS THE COMPETITIVE INTENSITY!!

Ather Energy (Ather) is a pioneer in the E2W industry which designs and builds electric scooter, battery packs, charging infrastructure and related software ecosystem entirely in-house. It launched its first E2W in 2018 and is ranked as India's 4th largest E2W maker as on 9MFY25 with a market share of ~11%. It has an annual installed capacity of 420K units in its Hosur facility and is expanding its capacity by 500k units, scalable to 1 mn units in its new Chatrapati Sambhaji Nagar facility. It also operates one of the largest LECCS approved fast-charging network in India with over 2,583 installed fast chargers. It operates 265 Experience Centres (EC) across India as on 9MFY25 with 5 and 10 ECs in Nepal and Sri Lanka respectively. Ather currently has 7 variants on sale across its 2 models i.e. Ather 450 series and Ather Rizta series.

A Scalable, Premium and Tech-Driven EV Ecosystem to drive growth:-

Ather's **business model** is founded on 4 key pillars:- **1) Vertically integrated approach** to manufacturing wherein they design and develop key components of their E2Ws, accessories, battery packs and the software in-house, giving them control over critical aspects of their products' quality. **2) Software-defined ecosystem** powers their product ecosystem and generates customer engagement by unlocking features related to navigation, analytics, ride assistance, safety and productivity, as well as integration with their charging infrastructure and smart accessories through its "Atherstack". **3) Focus on quality and user experience** allows them for a **premium pricing** across its segments **4) Capital efficient approach** across their value chain with an emphasis on control over design and technology, while maintaining operational flexibility. They operate an asset-light distribution model comprising of ECs and service centres operated by third-party. This model reduces both their upfront capital investments and operational costs in their distribution network with Ather planning to continue with this model to expand and deepen the distribution network.

Tech and R&D focused innovation led to launch of segment-first features:-

Ather Energy has consistently pioneered first-of-its-kind innovations in the E2W space. From launching India's first electric scooter with an 80 kmph top speed to introducing a fast-charging network and a smart helmet, Ather has redefined expectations in the segment. It was also the first to offer features like a touchscreen dashboard with navigation, 3G internet connectivity, aluminium chassis and guide-me-home lights. Over time, Ather expanded its tech suite with traction control, fall safe, cloud integration, OTA updates, ride stats, WhatsApp notifications, Alexa voice commands and up to 56L of storage space—many of which were industry-firsts. All these features were achieved through Ather's high focus on R&D. Its tech platform is composed of 5 key elements i.e. Battery, Powertrain, Electronics, Chassis and Atherstack. As of 9MFY25, they had 3 R&D facilities in India and 731 employees in its R&D team.

Key Risks:- 1.) Co. has incurred losses since inception, 2.) High sales dependence on South-India market, 3.) Rising competition, 4.) Risk of slowdown in demand post completion of PM E-Drive scheme, 5.) Hero Motocorp will continue to hold 30%+ stake in Ather post- listing with advantage of such a huge stake unknown for both 6.) Slow distribution expansion than peers.

Financials & valuation:-

Ather has been a pioneer in the E2W industry and has carved out a niche for itself with an efficient and quality product, tech-enabled features and superior user experience. However uncertainty in the EV subsidies offered by the Govt., consistent cash burn and operating losses, rising competition from traditional peers and a history of slow distribution expansion may pose near-term challenges. Also, at the upper price band, Ather is available at a rich valuation of ~6x its FY25E sales, leaving little on the table for investors. We have an **AVOID** recommendation to this issue.

Rating	AVOID
Issue Details	
Issue Opens	28-Apr-25
Issue Closes	30-Apr-25
Face Value (₹)	1
Price Band (₹)	304-321
Bid Lot	46 shares
Issue Size at higher price band (₹ Cr)	2,981
Market cap @ upper price band (₹ cr)	12,300
Listing	NSE/BSE
BRLMs	Axis Capital, HSBC securities, JM Financial, Nomura
Registrar	MUFG Intime India Pvt Ltd
Shareholding Pattern (%)	

	Pre-Issue	Post Issue
Promoters	54.61	42.09
Public	45.39	57.91
Total	100	100

Issue Structure (In cr no. of shares)	
Issue size	8.18
OFS	1.11
Break-up of net issue to public (%):	
QIB's portion	75.0
Non-Institutional portion	15.0
Retail Portion	10.0

Source: ABML Research, RHP

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Key Financials (₹ Cr)	Mar-22	Mar-23	Mar-24	9MFY25
Revenue	409	1,781	1,754	1,579
EBITDA	(255)	(687)	(649)	(370)
EBITDA Margin (%)	-62.4	-38.6	-37.0	-23.4
PAT	(344)	(865)	(1,060)	(578)
PAT Margin (%)	-84.2	-48.5	-60.4	-36.6
Net Worth	225	614	545	108
E2W Market Share (%)	7.9	10.6	11.5	10.7
Vehicles Sold	23,000	92,000	1,10,000	1,08,000
Vehicles Sold (YoY Growth %)	373	294	19	45

Source: ABML Research, RHP, company presentation

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