

IPO Note – OLA ELECTRIC MOBILITY LIMITED EXPENSIVE ON EVERY FRONT!!

Ola Electric (Ola) is a pure EV player in India, building a vertically integrated technology and mfg. capabilities for EV and EV components like battery packs, motors and vehicle frames at its Ola Future Factory with cells produced at its newly commissioned Ola Giga Factory. It has delivered 7 products in scooter segment and announced 4 new products in the motorbike segment. It is leader in E2W segment with ~35% market share as of FY24. It is also seeking opportunities to export its EVs in select markets.

Diversified Business models and robust manufacturing and R&D capabilities: - Ola works on 3 pillars:- **1) R&D** and in-house design and development across EV and EV components consisting of software, electronics, motor & drivetrain, cells & battery packs and mfg. technology, **2) Mfg. & supply chain platform** consisting of a vertically integrated mfg. ecosystem across core EV and EV components. Its current capacity stands at 1 mn units annually with total capacity of 4 mn units, **3) D2C distribution platform** consists of company owned sales and service network, a charging network and an online retail platform. It had 870 experience centres and 431 service centres as on 31/03/2024 and has also installed hypercharge facility at some of its experience centres.

Cell manufacturing, EV hub and PLI incentive: - Ola is set to commence mfg. of 4680 lithium-ion cells for its EV products, which was earlier imported by the company. The Gigafactory has a production capacity of 1.4 GwH as of FY24 and plans to use the net proceeds to expand the capacity to 6.4 GwH by April 2025. Ola has also signed an MOU with TN Government for various incentives for EV and cell manufacturing. It is looking to create an EV hub in TN, expected to span over 700 acres land adjacent to their Future Factory and Giga Factory. Also, they operate a battery innovation centre in Bangalore that is focused on developing cell and battery technology. Ola has been approved under 2 PLI schemes. One relates to the manufacturing of advanced automotive technology products (Auto PLI) and other relating to advanced cell chemistry batteries (Cell PLI).

Key Risks: - 1) Co. has incurred losses and negative cash flows since inception, 2) Heavy investment in R&D could be unrewarding, 3) Increasing competition, 4) Slowdown in EV demand, 5) Recently CE Info Systems sued Ola for data theft over its product Ola Maps.

Financials & valuation –

Ola's strategy is to capture India's electrification potential and to look for prospects to export its EVs to foreign markets. However, it is still a very young company in such a huge and capital intensive sector. It has "reported negative" cash flows and loss since inception and its heavy R&D investment and Cell mfg. may stress the balance sheet further. With large players expected to intensify their presence in EV, it will ultimately lead to pricing pressure and market share dilution. At the upper price band, Ola is available at a rich valuation of 6.5x its FY24 sales, leaving little on the table for investors. We have an **AVOID** recommendation to this issue.

Key Financials (₹ Cr) (As reported)	Mar-22	Mar-23	Mar-24
Revenue	373	2,631	5,010
EBITDA	(717)	(1,197)	(1,040)
EBITDA Margin (%)	-192.0	-45.5	-20.8
Net Loss	(784)	(1,472)	(1,584)
Net Worth	3,661	2,356	2,019
E2W Market Share (%)	5.7	21.0	34.8
Net Debt to Equity	-0.10	0.72	2.01

Source: ABML Research, RHP, company presentation

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02 August 2024

Rating	AVOID
Issue Details	
Issue Opens	02-Aug-24
Issue Closes	06-Aug-24
Face Value (₹)	10
Price Band (₹)	72-76
Bid Lot	195
Issue Size at higher price band (₹ Cr)	6,146
Market cap @ upper price band (₹ cr)	33,522
Listing	NSE/BSE
BRLMs	Kotak Capital, Citigroup, BofA Sec, Goldman Sachs, ICICI Sec, SBI Capital, BOB Capital
Registrar	Link Intime India Pvt Ltd

Shareholding Pattern (%)		
	Pre-Issue	Post Issue
Promoter	45.15	36.78
Public	47.19	56.80
Employee Trust	7.67	6.41
Issue Structure (In cr no. of shares)		
Issue size	80.86	
OFS	8.49	
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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