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Issue Offer

Fresh Issue of 723,684,210 shares aggregating upto INR 55,000 mn and offer for sale of 84,941,997 shares aggregating upto INR 6455.6mn

Issue Summary	
Price Band (INR)	72-76
Face Value (INR)	10
Implied Market Cap (INR mn.)	335,217
Market Lot	195 shares
Issue Opens on	Aug 2, 2024
Issue Close on	Aug 6, 2024
No. of share pre-issue	3,687,072,258
No. of share post issue	4,410,756,468
Listing	BSE – NSE

Issue Break-up (%)

QIB Shares Offered	≥75%
Retail Shares Offered	≤10%
NII (HNI) Shares Offered	≤15%

Book Running Lead Managers

Kotak, Citi, BofA Sec, Goldman Sachs
Axis Cap, ICICI sec, SBI cap, BoBCap

Registrar

Link Intime India Private Limited

Shareholding Pattern

	Pre-Issue	Post-issue
Promoters	45.14%	36.78%
Public & Others	54.86%	63.22%

Objects of the issue

➤ Capex to be incurred for expansion of the capacity of cell manufacturing plant from 5 GWh to 6.4 GWh. Repayment or pre-payment, in full or part, of the indebtedness incurred by subsidiary, OET. Investment into research and product development. Expenditure to be incurred for organic growth initiatives. General corporate purposes

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Ola Electric Mobility Limited is an electric vehicle company that primarily manufactures electric vehicles and certain core components for electric vehicles such as battery packs, motors, and vehicle frames at the Ola Futurefactory. Since August 2021, the company has launched seven new products and announced four. Co. has Future factory where it manufactures and assembles scooter, Giga Factory for its in-house battery manufacturing and a dedicated Battery Innovation Centre to focus on R&D for maintaining its position. We believe if the EV adoption happens exponentially, Ola could be one of the biggest beneficiaries of it. It is EBITDA negative and losses have widened over the past years, the path to profitability could be a challenge for the EV player. While other co.'s market share has been eroding QoQ, Ola has been able to solidify its position. Ola's attrition rate is also high which might pose a challenge to retain talent.

Investment Rationale

Driving the technology innovation: For Ola to maintain its position and expand, they are investing heavily in R&D. They intend to deploy INR 16,000mn out of the INR 55,000mn they raise from IPO into R&D. The company has made tremendous progress in developing its in-house battery called '4680' which will outperform all existing batteries for electric 2wheelers in market. With this, the company will no longer rely on importing batteries for its scooters.

Giga Factory with 20GWh planned under Phase A: With Ola developing capabilities to manufacture battery in-house at its giga factory, it could attract a lot of attention from peers to use this technology. Company has completed its phase 1 under which it has 1.6GWh and has civil infra ready to scale this to 5GWh under phase 2. They have a vision of 100GWh of which detailed plan has been made for 20GWh. Co. can use these batteries outside scooters as battery packs with varied uses. Only 5% of the total capacity is built now

Omnichannel distribution model: Company has D2C and Omni channel model for distribution.. Ola had >870 experience centers as of Oct'23 and 414 service centers. Co. has been leading in terms of MS at time when other players' share is eroding. Company is underway to launch commercial production of motor bikes by next year with futuristic designs and enhanced battery capabilities. This will drive volumes for the company thereby enhancing its positioning.

Valuation and View:

Ola's margins are expected to improve post integration of its in-house cell since it will be saving on the margins of the companies from which it imports batteries. Cell PLI will come when commercial production starts and it will also get 13-18% PLI on production of 2 models of electric scooters. Ola is the market leader with ~50% market share in electric 2w as of April'24. We believe that if the EV story sustains and drives demand, Ola could be one of the biggest beneficiaries. Ola's battery business can have more potential than its scooter business since surplus capacity after captive consumption could be deployed for various uses. With a valuation of 6.6x Market Cap/Sales, we recommend to 'Subscribe for Listing Gains'.

Income statement summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24
Revenue	3,734	26,309	50,098
Operating expenses	4,809	25,704	43,795
Gross Profit	(1,075)	605	6,303
Gross Margin (%)	-28.8%	2.3%	12.6%
Employee Cost	2,825	4,267	4,389
Other Expenses	4,104	8,862	14,590
EBITDA	(8,004)	(12,524)	(12,676)
EBITDA Margin (%)	-214.3%	-47.6%	-25.3%
Depreciation	(490)	(1,671)	(3,576)
Interest expense	(176)	(1,079)	(1,866)
Other income	828	1,518	2,334
Share of profits associate & JV	-	-	-
Profit before tax	(7,842)	(12,792)	(15,723)
Taxes	-	-	-
Minorities and other	-	-	-
PAT	(7,842)	(12,792)	(15,723)
PAT Margin (%)	-210.0%	-48.6%	-31.4%
EPS (INR)	(4.4)	(3.9)	(2.2)

Source: Company Reports, Aриhant Capital Research

Cashflow summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24
Profit before tax	(7,842)	(12,792)	(15,723)
Depreciation	490	1,671	3,576
Tax paid	-	-	-
Working capital Δ	1,056	2,483	11,401
Change in Goodwill	(62)	-	(23)
Operating cashflow	(6,358)	(8,639)	(769)
Capital expenditure	(8,184)	(4,097)	(13,297)
Free cash flow	(14,542)	(12,736)	(14,066)
Equity raised	26,415	(313)	716
Investments	(379)	-	-
Others	(37,581)	2,926	(7,961)
Debt financing/disposal	25,545	9,009	19,071
Dividends paid	-	-	-
Other items	541	1,114	2,241
Net Δ in cash	0	(0)	0
Opening Cash Flow	-	0	(0)
Closing Cash Flow	0	(0)	(0)

Source: Company Reports, Aриhant Capital Research

Balance sheet summary

Y/e 31 Mar (INR mn)	FY22	FY23	FY24
Equity capital	19,555	19,555	19,555
Instruments equity in nature	18,041	18,097	29,733
Other equity	(981)	(14,087)	(29,094)
Net worth	36,615	23,564	20,193
Minority Interest	-	-	-
Provisions	51	51	154
Debt	7,504	16,458	23,892
Other non-current liabilities	490	1,604	3,742
Total Liabilities	44,660	41,677	47,981
Fixed assets	7,511	8,811	15,647
Capital Work In Progress	184	1,309	4,194
Other Intangible assets	1,929	5,780	8,155
Goodwill	62	62	85
Investments	379	379	379
Other non current assets	3,259	4,894	8,428
Net working capital	(1,056)	(3,539)	(14,940)
Inventories	2,843	5,840	6,940
Sundry debtors	-	-	-
Loans & Advances	-	-	-
Other current assets	5,400	4,677	7,493
Sundry creditors	(3,568)	(6,933)	(13,485)
Other current liabilities & Prov	(5,731)	(7,121)	(15,888)
Cash	-	-	-
Other Financial Assets	32,392	23,980	26,033
Total Assets	44,660	41,677	47,981

Source: Company Reports, Aриhant Capital Research

Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24
Growth matrix (%)			
Revenue growth		604.5%	90.4%
Op profit growth		56.5%	1.2%
Profitability ratios (%)			
OPM	-214.3%	-47.6%	-25.3%
Net profit margin	-210.0%	-48.6%	-31.4%
RoCE	-17.4%	-30.1%	-33.0%
RoNW	-21.4%	-48.9%	-72.4%
RoA	-17.6%	-35.3%	-33.0%
Per share ratios (INR)			
EPS	(4.0)	(6.5)	(8.1)
Cash EPS	(3.8)	(5.7)	(6.2)
Book value per share	9.5	2.8	(4.9)
Valuation ratios (x)			
P/E	(19.0)	(11.6)	(9.4)
P/CEPS	(20.2)	(13.4)	(12.2)
P/B	8.0	27.2	(15.6)
EV/EBITDA	(21.7)	(14.6)	(15.9)
Payout (%)			
Dividend payout	0.0%	0.0%	0.0%
Tax payout	0.0%	0.0%	0.0%
Liquidity ratios			
Inventory days	216	62	53
Creditor days	111	49	59
WC Days	105	12	(6)
Leverage ratios (x)			
Interest coverage	-48.2	-13.2	-8.7
Net debt / equity	1.4	6.3	-5.6
Net debt / op. profit	-3.2	-2.8	-4.2

Source: Company Reports, Aриhant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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