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A quality report by [JainMatrix Investments](#)

## Ola Electric IPO – Profitability in 2 years

- Mid Cap: Mkt cap ₹ 33,500 cr.
- Sector: Automobile, EV, 2W

- Dated 04<sup>th</sup> Aug. IPO is open from 2-6<sup>th</sup> Aug, at ₹ 72-76 /share
- The IPO offering is of ₹ 6,150 cr.
- Opinion: High risk takers can buy with a 2 year perspective

OLA ELECTRIC

- **Summary:** Ola Electric is a startup by serial entrepreneur Bhavish Agarwal for Electric two Wheelers. With a good brand drawn from Ola Cabs, Ola Electric has created the products, factories and sales network to grab a 35% market share in India in E2W. Revenue grew 88% in FY24, indicating that Ola may have hit the 'growth inflexion point' in the hockey stick formation. The organization and structure set up looks good to handle the possible growth. The overall 2W industry size and growth offer a massive opportunity for disruption. The products are beneficial to reduce pollution from fossil fuels and electrification / renewables initiatives. Govt. of India policies are helpful with Ola using FAME and PLI incentives. E4W adoption in China is a good early indicator of possible E2W adoption in India. Our analysis indicates Ola can hit profitability by FY26, ie in two years.
- **Risks:** 1) Typical startup risks of small possibility of success of massive disruption and ambitious goals; Typical IPO risks of unknown corporate setup 2) currently cash burning business 3) Dependence on China for RM – is being overcome through R&D and new mfg. facilities 4) Competition - Entry of new startup players and E2W plans by current ICE players 5) support drying up from Gov policies as industry accelerates 6) Volatility in RM prices
- **Opinion:** High risk takers can buy with a 2 year perspective

Here is a note on Ola Electric Mobility Ltd (OLA).

### IPO highlights

- IPO application dates: 2<sup>nd</sup> – 6<sup>th</sup> Aug'24, with Price Band: range of ₹72 - 76 per share, of FV: ₹10.
- IPO Size is of ₹ 6,150 cr. – Offer for Sale 8.49 cr. of ₹ 645 cr. and Fresh Issue 72.3 cr. of ₹ 5,500 cr.
- Lot Size: Investors can bid for a minimum of 195 shares and in multiples of this.
- The promoter is serial entrepreneur Bhavish Aggarwal that own 36.94%.
- The main objects of the IPO Issue are
  1. From the Fresh Issue, Capex to be incurred for expansion of capacity of its cell mfg. plant from 5 GWh to 6.4 GWh, classified as phase 2 under the expansion plan, Repayment or pre-payment, in full or part, of debt incurred by its Subsidiary, OET; Investment into R&D and product development; Expenditure for organic growth initiatives, and General corporate purposes.
  2. From OFS, the Promoters and some of the prior investors get a chance to exit.
- The IPO share quotas are QIBs: NIIs: Retail is 75:15:10. (Qualified, Non-Institutional Investors)
- The unofficial/ grey market premium of Ola is ₹ 9/share over IPO price. This is a positive.
- The IPO allotment is likely to be finalized on Aug 7<sup>th</sup>, refunds will be on Aug 8<sup>th</sup>, and also crediting of shares to eligible allottees. Ola Electric shares will list on BSE and NSE, on Aug 9th.

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## Introduction

- Founded in 2017, OLA is a pure E2W player from India that is building vertically integrated technology and mfg. capabilities for EVs and EV components. They make EVs and key EV components like battery packs, motors and vehicle frames at the Ola factories.
- The financials – Revenues, EBITDA & Profits in FY24 were ₹ 5,243 cr., ₹ (1,034) cr. and ₹ (1,578) cr. Revenues in FY24 grew 88% YoY.
- OLA has delivered seven products since the first product launch in Aug'21, see Fig 1.
  - The first EV model, the Ola S1 Pro, in Dec'21, and next the Ola S1 in Sep'22.
  - The Ola S1 Air in Aug'23, the Ola S1 X+ in Dec'23.
  - The Ola S1 X (2 kWh), the Ola S1 X (3 kWh) and the Ola S1 X (4 kWh) in May'24.
- On 15<sup>th</sup> Aug'23, OLA announced a line-up of 4 motorcycle models, Diamondhead, Adventure, Roadster and Cruiser. Ola plans to start delivery of these in the first half of FY'26.



Fig 1 OLA Roadmap

- Ola's state-of-the-art mfg. facility in Tamil Nadu, known as the Futurefactory, is central to its strategy. It is designed for high scalability and efficiency, allowing for the mass production of electric scooters and other future products. The Futurefactory is the largest integrated and automated E2W mfg. plant in India (by production capacity).
- The company operates an omnichannel distribution network across India, comprising 870 experience centres and 431 service centres, in addition to the Ola Electric ecommerce website.

- It has an excellent, eminent board, see Fig 2. It had in FY24 a total 4,011 on-roll and 3,358 off-roll employees. Of these, 959 employees focus on R&D. They are dedicated to product development, vehicle design, and cell development.
- Structure - the holding company Ola Electric Mobility has subsidiaries for mfg., sales and service.



Fig 2 - The Management

### News, Updates and Strategies

- Ola has EV hubs in Krishnagiri and Dharmapuri districts in TN, which includes Ola Futurefactory, upcoming Ola Gigafactory and co-located suppliers in Krishnagiri.
- The Ola Gigafactory makes lithium-ion cells in India. At Ola Futurefactory, mfg. of E2W is done using components either made in-house or procured from third parties, such as (battery) cells. In addition, Ola also operates a Battery Innovation Centre (BIC) in Bengaluru focused on developing cell and battery technology and mfg. processes for forthcoming cell mfg. at the Ola Gigafactory.
- It plans to ramp up production to meet growing demand and for economies of scale to reduce costs.







						
Gen 2 Platform	Ola S1 Pro	Ola S1 (Air)	Ola S1 X+	Ola S1 X (4kWh)	Ola S1 X (3kWh)	Ola S1 X (2kWh)
Vehicle Retail Price	c.INR 147,499	c.INR 119,999	c.INR 109,999	c.INR 109,999	c.INR 89,999	c.INR 79,999
Motor	11kW	6kW	6kW	6kW	6kW	6kW
Range	195 km	151 km	151 km	190 km	151 km	91 km
Top Speed	120 km/h	90 km/h	90 km/h	90 km/h	90 km/h	85 km/h
Battery Capacity	4 kWh	3 kWh	3 kWh	4 kWh	3 kWh	2 kWh
Drive Modes	Eco, Normal, Sports & Hyper	Eco, Normal & Sports	Eco, Normal & Sports	Eco, Normal & Sports	Eco, Normal & Sports	Eco, Normal & Sports

Fig 3 – Current Product Portfolio

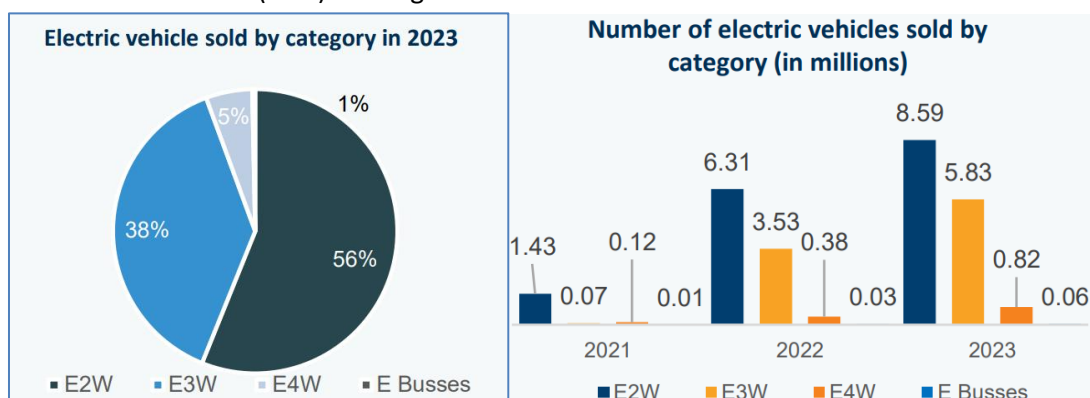
- The existing products Fig 3, are equipped with a touchscreen dashboard, navigation, voice control, and mobile app connectivity. Available in multiple colour options with a sleek and modern design.
- Ola is working with various government bodies and industry players to develop infra like charging stations and battery swapping networks, essential for the widespread adoption of EVs (mint).
- Ola is building a 'Hypercharger Network', to provide ultra-fast charging for its current and future EVs. It's designed to offer a 50% charge in just 18 minutes (HT).
- Its committed to reducing emissions and promoting cleaner transportation options, aligning with global environmental targets (Business Today).
- As part of its marketing strategy, Ola has leveraged their strong brand recognition from their ride-hailing services Ola Cabs, to create awareness for their EVs. Their marketing efforts focus on highlighting the eco-friendly and cost-effective benefits of electric scooters, aligning with the growing environmental

consciousness among consumers. This move aligns with Ola's aggressive expansion plans and its goal to become a major player in the EV market.

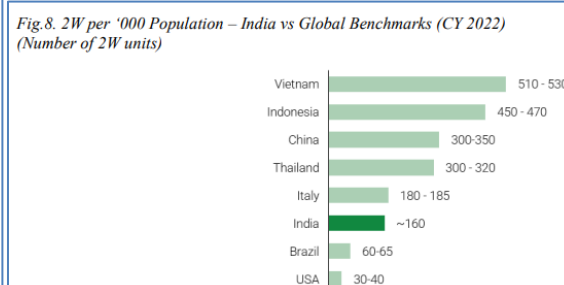
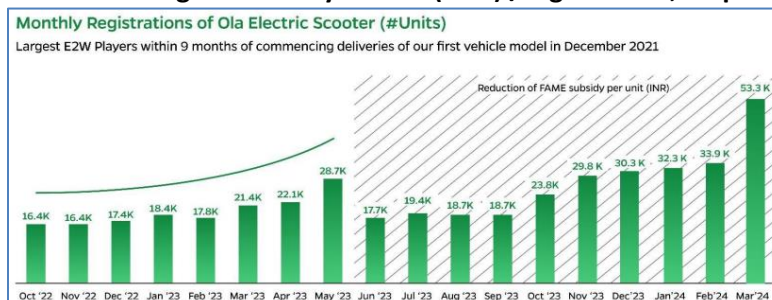
- July'24 - EV maker Ola launched its IPO to institutional investors on Thursday. Ola allotted 364 million shares to anchor investors to mop up ₹ 2,763 cr. at ₹ 76 apiece. About ₹ 1,117 cr. was allotted to domestic MFs that included SBI MF, HDFC MF, Nippon MF and UTI MF. Among the foreign funds allotted were Templeton Global, Nomura, Amundi, Jupiter Global and Goldman Sachs.
- The grey market premium for the IPO shares was ₹ 9 on 2nd Aug, a positive, suggesting that investors were willing to pay a premium above the issue price (mint).
- On day one of the IPO, it is already subscribed 35% overall. This is a very positive indicator.
- July'24 - MapMyIndia accuses Ola of data theft for maps, sends legal notice, alleging that the company copied its data after Ola Electric introduced its own mapping service in India.
- July'24-Ola is set to introduce a new electric motorcycle close after its IPO. The move highlights the company's commitment to expanding its product lineup and enhancing its position in the EV market.

## Industry Overview

- India's automotive market is undergoing a technology-led transformation, which will unlock the next wave of growth which is likely to have a global impact, given India accounts for 15-20% of global production for 2W (in terms of sales volumes), with strong growth headroom in the sector.
- The Indian EV market is forecasted to expand from US\$ 3.21 B (₹ 26,000 cr.) in 2022 to US\$ 113.99 billion (₹ 9.5 lakh cr.) by 2029, with a 66.52% CAGR. India is on track to become the largest EV market by 2030, with rise in investment over the next 8-10 years.
- Current well established Internal Combustion Engine (ICE) players are slow moving with EV products.
- 2W EVs form most EV sales today, accounting for 56% of all EV units sold in India, followed by 3W EVs at 38% and 4W EVs at 5%. (IBEF). See Fig 4a.



**Fig 4a – EV Key Trends (IBEF) / Fig 4b – Ola, EV penetration (RHP) below, 4d – Hockey Stick**



**E2Ws have witnessed growth in India.**

Fig. 13. (a) Electric 2W Registrations (FY 2018 to FY 2024) and Penetration of Overall 2W market in India (Registrations in Mn units, Penetration as % of Overall 2W registrations)

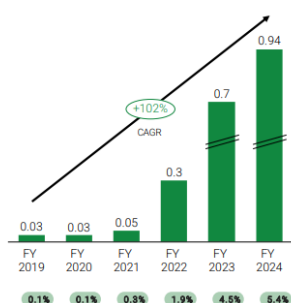
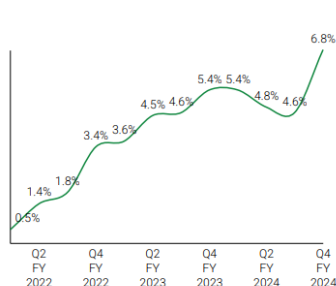
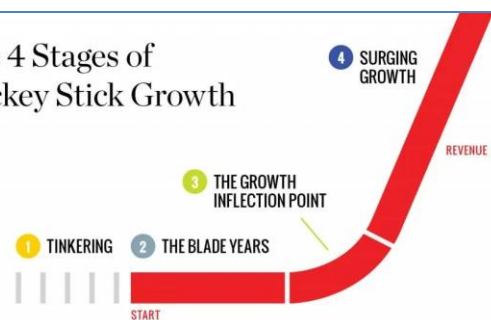


Fig. 13. (b) Electric 2W Penetration in India (Q1 FY 2022 to Q4 FY 2024) (as % of Overall 2W Registrations)



### The 4 Stages of Hockey Stick Growth



- India has emerged as a global auto component hub and exports 25% of its annual production.
- India's EV sector is experiencing rapid growth, growing middle-class population, fueled by government incentives, rising environmental concerns, and technological advancements, with initiatives like Faster Adoption and Mfg. of Hybrid and Electric Vehicles (FAME) scheme.
- Govt. of India has established an objective to elevate the proportion of EV sales to 30% in private cars, 70% in CVs, 40% in buses, and 80% in two and three-wheelers by the year 2030.
- India is expected to become the third largest market for EVs by 2025 at 25 lakh vehicles. Focus is shifting to EVs to reduce emissions. Govt envisions improving the contribution of the automotive industry to reach 40% of the mfg. GDP by FY26 (Source: Auto. Mission Plan '16-26).
- Petrol & diesel prices in India have been on the rise. At the same time, the price of electricity has been falling along with improving power supply and quality, driven by renewable energy acceleration.
- China leads the world in EV adoption rates because its govt. has supported the push for electrification.

### Govt Initiatives

- The (Production Linked Incentives) PLI proposes financial incentives of up to 18% (sales-linked) to boost domestic mfg. of Advanced Automotive Technology. The financial incentive under the scheme has been recently declared to be applicable from FY24 for a total of 5 consecutive financial years.
- Advanced Chemistry Cell Battery' Scheme was launched for setting up ACC Battery Storage mfg. facilities in India for 5 years. Under the scheme, the production-linked subsidy is based per Kilo-Watt and percentage of value addition achieved on actual sale for makers. The scheme will help develop a strong domestic supply chain for them.

### Key PLI schemes OLA is benefitted by

- Automobile PLI Scheme with a duration of 5 consecutive financial years from FY24, and the incentive amount ranges between 13% to 18% of the "determined sales value" (DSV).
- For the Cell PLI scheme, 5 years from the commissioning date of the 5 GWh capacity (Nov 2022). Cell PLI Scheme provides Cash incentive every quarter based on the total GWh sold and domestic value addition (DVA) during each quarter (capped at 20% of the revenue).
- Fiscal 2024 PLI incentives were ₹ 97.23 cr. & PLI incentives as % of revenue from operations were 1.94%.

### Financial Performance and Stock Evaluation

- While revenues have grown rapidly, EBITDA and profit margins are negative, see Fig 5.
- Being a startup, Ola is at a stage of rapid growth, and may take 1-2 years to move to a profit.



- The company's focus is on sales and marketing, service experience and support.
- In mfg., the capacities are being expanded and unit cost of production lowered even as volumes grow.
- Cash Flow has been negative so far, so the focus is on debt control and reduction.
- This IPO will strengthen the balance sheet of the company due to
  - Significant Fresh Issue of shares, issued at a premium to face value
  - The funds to be used for Capex, as well as to repay debt
  - For organic growth and R&D

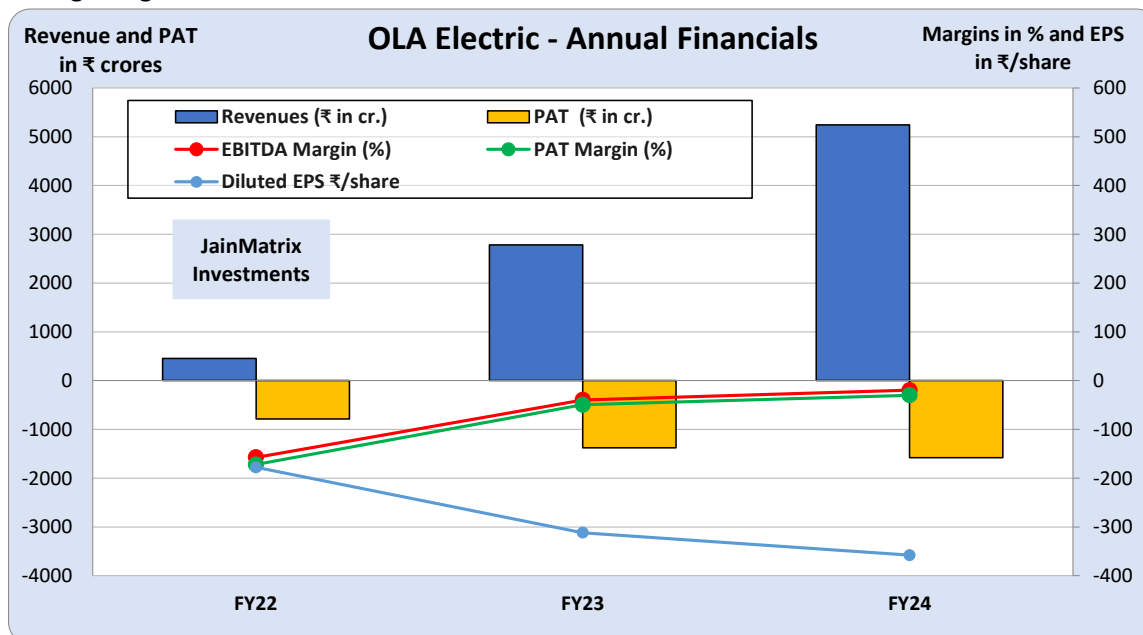


Fig 5 – Financials

## Benchmarking

We compare Ola with peers in India 2W and EV automobile industry.

Particulars	Ola Electric	Hero Motocorp	Eicher Motors	TVS Motor	Bajaj Auto	JBM Auto	Olectra Greentech
Sales (₹ in cr's.) (FY24)	5,243	33,806	14,442	24,355	36,455	3,857	1,091
EBITDA (₹ in cr's.) (FY24)	-1,034	4,551	4,354	2,750	8,167	426	154
Profits (₹ in cr's.) (FY24)	-1,578	2,826	2,914	781	5,986	124	66
Market Cap (₹ in cr's.)	33,522	1,07,360	1,36,127	1,22,809	2,71,758	23,046	13,762
PE (x)	-17.69	28.45	34.02	75.43	33.95	126.56	179.13
3 Yr CAGR Sales (%)	26%	5.44%	16.42%	6.50%	6.81%	25.60%	76%
3 Yr CAGR Profit (%)	-4.8%	-2.18%	16.79%	3%	4.78%	21.68%	92.82%
Debt to equity ratio (x)	1.18	0.01	0.01	3.40	0.00	1.61	0.12
EBITDA Margin (%)	-19.7%	13.5%	30.2%	11.3%	22.4%	11.0%	14.1%
Net Profit Margin (%)	-30.1%	8.6%	20.2%	3.1%	16.6%	3.2%	6.0%
Return on Equity (%)	-78.2%	17.92%	21.12%	17.77%	20.47%	12.99%	8.27%
Dividend Yield (%)	0.00	2.61	1.03	0.31	0.82	0.08	0.02
Price to book value	1.66	6.07	7.54	18.1	9.38	19.74	15.07

Fig 6 Benchmarking

- With negative earnings, the PE is meaningless. Clearly Ola is at a different stage of growth.
- Sales growth is excellent, and the firm is building scale that will help it lower costs and reach profitability
- PB is low on a post IPO basis. This is because non share capital equity is low, it will be built up soon as the business stabilizes.

- DE is high but manageable. Margins and returns are negative
- Ola is a startup that is growing rapidly, burning cash, but can improve financials over next few years. Thus it is different in profile compared to peers.

## Financial Projections

We project Ola financials based on volumes, market share and costs below:

Projections	FY22	FY23	FY24	FY25E	FY26E
India 2W Production Volume Millions	18.3	19.5	21.5	23.65	26.02
Market share of E4W in China in %*	1	2	5	5	16
Market share of E2W in India in %	3.4	4.5	5	9	16
OLA Market share %			34.8	34.8	34.8
India 2EW Volume Million			1.08	2.13	4.16
Ola Volumes Million			0.37	0.74	1.45
Ola Volumes in UNITS	20,948	1,56,251	3,29,651	7,40,718	14,48,515
Ola Per unit price incl. PLI ₹	2,17,777	1,78,085	1,59,000	1,59,000	1,59,000
<b>Ola Revenue in ₹ Cr</b>	456	2,783	5,241	11,777	23,031
Ola Variable Cost in ₹ cr.	995	3,391	5,850	11,830	20,821
Variable Cost per unit in ₹/unit	4,75,158	2,17,025	1,77,458	1,59,712	1,43,741
YoY Reduction in PU variable costs %		54.3	18.2	10	10
Fixed Costs in ₹ cr.	349	702	983	1,081	1,190
<b>Total Costs in ₹ cr.</b>	1,344	4,093	6,833	12,912	22,011
<b>Profit</b>			-1,592	-1,134	1,021

**Fig 7 Financial Projections**

- Based on our projections, Ola will hit profitability in 2 years, i.e. by FY26.

### Assumptions:

\* - China 5 year E4W adoption percentages are available.

- We feel India's E2W adoption will be on similar lines, by %.
- Indian 2W growth projections are about 10%.
- Data till FY24 is actual, future is Estimated.
- Ola's Market Share is difficult to project, we have assumed it stays at 34.8%.
- Ola will be able to reduce Variable Cost per unit by own manufacture and scale benefits.
- Total absolute Variable Costs rise proportionally to volumes but at projected Variable Cost per unit.

## SWOT analysis

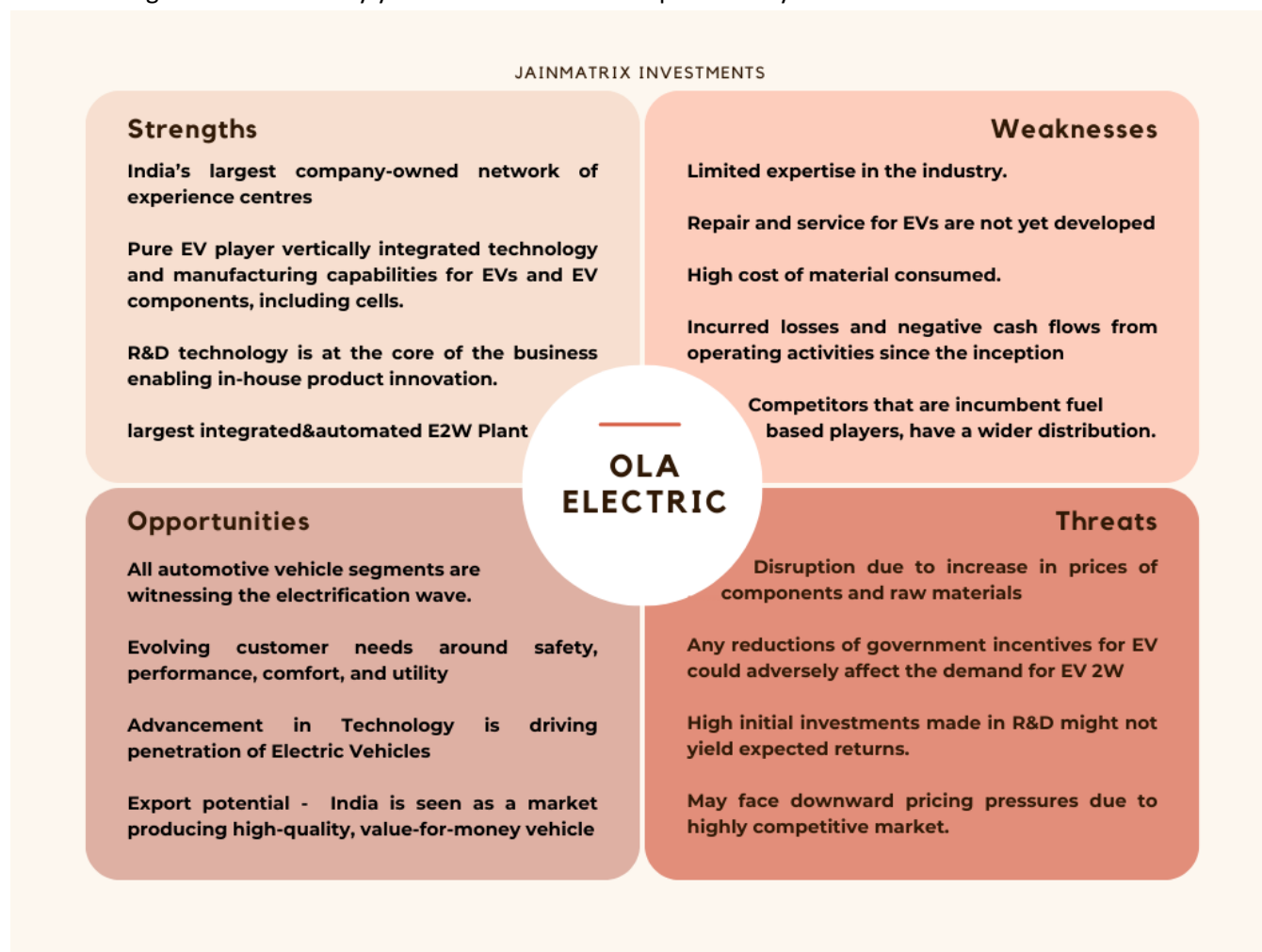
### Positives for Ola Electric

- Significant market share of 38% in the Indian E2W segment in Fiscal 2024.
- Bold startup has competition from slow moving ICE 2 wheeler companies.
- Secured substantial funding & investments from prominent venture capital firms and strategic investors.
- Benefiting from government policies promoting EVs, including subsidies and incentives for EV mfg.
- Ola appears to be at the growth inflexion point in a hockey stick adoption path, see Fig 4d.

### Risks and Negatives

- Potential delays in obtaining or renewing necessary permits and approvals could impact operations.
- High competition from established automotive manufacturers and new entrants in EV market.

- Lowering of unit costs every year is essential to reach profitability.



### Opinion, Outlook and Recommendation-

- Ola currently enjoys a first mover advantage in E2W space. EVs are anticipated to drive substantial growth in the global automotive market while OLA has favourable market conditions, and regulatory policies and the introduction of Gigafactory and Futurefactory provides more control through vertical integration. Despite a loss-making company, it has 35% market share. On the valuation side, we believe the company is highly priced and current losses is a concern.
- Ola Electric is a startup by serial entrepreneur Bhavish Agarwal for Electric two Wheelers. With a good brand drawn from Ola Cabs, Ola Electric has created the products, factories and sales network to grab a 35% market share in India in E2W. Revenue grew 88% in FY24, indicating that Ola may have hit the 'growth inflexion point' in the hockey stick formation. The organization and structure set up looks good to handle the possible growth. The overall 2W industry size and growth offer a massive opportunity for disruption. The products are beneficial to reduce pollution from fossil fuels and electrification / renewables initiatives. Govt. of India policies are helpful with Ola using FAME and PLI incentives. E4W adoption in China is a good early indicator of possible E2W adoption in India.
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- **Opinion:** High risk takers can buy with a 2 year perspective

### Disclaimers and Disclosures

- All assumptions are mentioned in main body of report along with Fig 7 Financial Projections.
- Punit Jain discloses that he has no shareholding in Ola Electric Mobility, or any group company. He was not involved in the IPO preparation. In addition, JMI and its promoters/ employees have no direct or financial interest in these companies, and no known material conflict of interest as on date of publication of this report.
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