



AN IPO REVIEW SERIES

BLOOMBERG CLUB'S INITIATIVE

OLA Electric

IPO REVIEW

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OLA Electric IPO Company Overview

About The Company

The company was incorporated in 2017. Ola Electric is into manufacturing, and building integrated technology and components of Electric Vehicles (EVs). Their EVs and components are built at Ola Future factory.

They have delivered seven products and announced four new motorcycles (Adventure, Diamondhead, Cruiser, and Roadster). Ola is planning to start motorcycle deliveries in the first half of 2026. Their products include Ola S1 Pro, Ola S1 Air, Ola S1 X, Ola S1 X+, and others. The company even plans to export its vehicles to select international markets in the future.

The company's market share in the E2W segment was 34.80% in FY24, which is a significant increase from 21% in FY23 and 5.70% in FY22. In D2C distribution, they have 870 experience centers and 431 service centers as of 31st March 2024.

Management



Bhavish Aggarwal
Chairman and
Managing Director



**Ananth
Sankaranarayanan**
Independent Director



Shradha Sharma
Independent
Director

Expert Recommendations

Anand Rathi Research- May Apply

Ola Electric Mobility 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 favorable 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 loss-making entity company has gained market share of 34.8% in E2W segment. At the upper price band company is valuing at market cap/Sales of 6.6x with a market cap of ₹335,220 million post issue of equity shares. Currently top global automobile entities are trading between 1-8x as on market cap/sales.

Therefore, on the valuation front, we believe that the company is richly priced. Thus, we recommend a "Subscribe – long term" rating to the IPO with a higher risk appetite.

BP Equities (BP Wealth)- Apply

Ola Electric Mobility Limited is a pure EV and core EV component manufacturer, with its primary focus on production of E2W. Ola Electric is in a favorable position to be the main beneficiary of all these factors as the company is able to manufacture majority of the core components in-house which is required to manufacture E2W, including cells at its new and soon to be operable Gigafactory in Tamil Nadu along with support from the government in terms of subsidies and tax benefits. The company also plans to enter international markets where the EV demand is yet to be fulfilled. On the upper price band, the issue is valued at a Market Capitalization/Sales of 6.4 x based on FY24 sales.

On account of positive EV market outlook, favorable regulatory environment, large quantum of fresh issue in the IPO, announcement of new models along with the upcoming cell manufacturing unit (Gigafactory), we have a positive view for the company from a medium to long term perspective. We, therefore, recommend a SUBSCRIBE rating for the issue.

IPO Overview

IPO Date	August 2, 2024 to August 6, 2024
Face value	Rs 10 per share
Price Band	Rs.72 to RS.76 per share
Lot size	195 Shares
Total Issue Size	808,626,207 shares (aggregating up to ₹6,145.56 Cr)
Fresh Issue Offer for Sale	723,684,210 shares (aggregating up to ₹5,500.00 Cr) 84,941,997 shares of ₹10 (aggregating up to ₹645.56 Cr)
Employee Discount	Rs 7 per share
Issue Type	Book Built Issue IPO
Listing At	BSE, NSE

IPO Reservation

Investor Category	Shares Offered
QIB (Qualified Institutional Buyers)	Not less than 75% of the Net Issue
Retail Investors	Not more than 10% of the Net Issue
Non Institutional Investors (HNI)	Not more than 15% of the Net Issue

IPO Timeline

IPO Open Date	Friday, August 2, 2024
IPO Close Date	Tuesday, August 6, 2024
Basis of Allotment	Wednesday, August 7, 2024
Initiation of Refunds	Thursday, August 8, 2024
Credit of Shares to Demat	Thursday, August 8, 2024
Listing Date	Friday, August 9, 2024

About Lot Size

Application	Lots	Shares	Amount
Retail Investors	1 - 13	195-2535	Rs ₹14,820- Rs. ₹192,660

Grey Market Premium

“OLA Electric IPO last GMP is ₹13, last updated Aug 1st 2024 11:31 PM. With the price band of 76.00, OLA Electric IPO's estimated listing price is ₹89 (cap price + today's GMP). The expected percentage gain/loss per share is 17.11%.”

- chittorgarh.com

Strengths

- Dominates the Indian E2W market with 35% of total registrations in Fiscal 2024, focusing solely on EV technology.
- Led by founder Bhavish Aggarwal, with a Board and senior management team providing cross-industry experience.
- Conducts significant R&D in India, the UK, and the US, spending ₹3,851.06 million from Fiscal 2022 to 2024 on advancing EV technology.
- Operates India's largest E2W manufacturing plant, enhancing performance and cost efficiencies through in-house design and economies of scale.

Weaknesses

- Consistent losses and negative cash flows from operations since FY22 may hamper future prospects.
- Limited operating history in manufacturing EVs could lead to challenges in scaling production and managing costs.
- Heavy reliance on imported components, particularly from China, exposes the company to supply chain and geopolitical risks.
- Dependence on government incentives and subsidies for EVs means any reduction could impact vehicle prices and customer demand.

Peer Comparison

FY24	EPS	P/E	EBITDA	Revenue from Operations (Rs. Millions)
TVS Motors	8.13	67.40	56,057	3,19,740
Eicher Motors	49.8	38.31	58,505	1,65,358
Bajaj Auto	175.04	35.15	1,04,651	4,48,704
Hero MotoCorp	169.6	27.79	60,839	3,77,886
Ola Electric (Pre IPO)	(4.3)	(17.69)	(10,402)	50,098

Key Financial Information

Particulars	FY24	FY23	FY22
Revenue (₹ in crore)	5,243.27	2,782.70	456.26
Profit after Tax (₹ in crore)	(1,584.40)	(1,472.08)	(784.15)
Assets (₹ in crore)	7,735.41	5,573.17	5,395.86
Net Worth (₹ in crore)	2,019.34	2,356.44	3,661.45
Reserves and Surplus (₹ in crore)	(2,882.54)	(1,380.03)	(68.83)
Total Borrowing (₹ in crore)	2,389.21	1,645.75	750.41
Return on Net Worth (%)	(78.46)	(62.47)	(21.42)

Risk Factors to Consider

- The expansion of the Ola Futurefactory could encounter delays, disruptions, or cost overruns.
- Ola Electric Mobility's revenue is currently generated solely from a limited range of electric scooter models. If these models do not gain sufficient market acceptance, the company's business prospects could be negatively impacted.
- Any reduction or elimination of government incentives would increase the retail price of the company's EVs, which could adversely affect customer demand for its products and consequently its profits.
- Ola Electric Technologies Private Limited, the company's material subsidiary, has obtained working capital demand loans from banks and financial institutions totaling Rs 746 crore as of June 30, 2023.
- The company has a total indebtedness of Rs 2,675.18 crore as on June 15, 2024. Any inability to service or repay these loans can hurt the company's operations.

Sources

- RHP of the company
- Bloomberg Terminal.
- <https://groww.in/ipo/ola-electric-ipo>
- <https://www.livemint.com/market/ipo/ola-electric-ipo>
- https://reports.chittorgarh.com/ipo_notes/BPEquitiesOlaElectricMobilityLtd_IPONote_.pdf
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Thank You