

About the Company

Ola Electric manufactures EVs and core EV components like battery packs, vehicle frames, and motors. Its offerings include electric two-wheelers like the Ola S1 Pro, Ola S1, Sola Si Air, and Ola S1 X+. It has also announced a line-up of motorcycles comprising four models: Adventure, Diamondhead, Cruiser, and Roadster. The company anticipates E2W penetration growth from 4.5% in 2023 to 41-58% in 2028. The company led India's E2W market with 31% of total E2W registrations in September 2023.

The company dominated the domestic EV market with a 52% share as of April 2024. In the same month, it registered 34,000 EVs, the government's VAHAN website stated.

Ola Electric's in-house R&D spans India, the UK, and the US, focusing on EV technologies and core components. The company's R&D efforts concentrate on five key technologies: software, electronics, motor and drivetrain, cells and battery packs, and manufacturing technology.

Ola Electric's key business strategy centers on platform-focused product development, utilizing shared elements like a modular electric powertrain with a battery pack, BMS (battery management system), motors, power electronics module, and software. This approach reduces both estimated product development costs and time to market for new EV models.

Issue Details

Allied Blenders & Distillers Limited	
Issue Opens	02 August 2024
Issue Closes	06 August 2024
Issue Size	Rs. 6,145.56 Cr
Face Value	Rs 10 per share
Price Band	Rs 72 - 76 per share
Market Lot	195 shares
Listing	NSE & BSE

The company has a digitally driven D2C (direct to customer) sales and service model. This allows cost advantages, low vehicle inventories at experience centers and centralized distribution. The system enhances demand forecasting and facilitates precise supply orders and production schedules.

In the financial year 2022-23, Ola Electric had reported a 510% jump in consolidated profit to Rs. 2,782 crore in comparison to previous fiscal. However, net loss widened to Rs. ,1472 crore during the same period.

Financial Highlights

Particulars (Rs Cr.)	FY24	FY23	FY22	FY21
Assets	7735.41	5573.17	5395.86	2112.64
Revenue	5243.27	2782.70	456.26	106.08
Profit After Tax	-1584.40	-1472.08	-784.15	-199.23
Net Worth	2019.34	2356.44	3661.45	1970.62
Reserves and Surplus	-2,882.54	-1,380.03	-68.83	1999.3
Total Borrowing	2,389.21	1,645.75	750.41	38.87

About the Issue

The issue will see existing investors, including founder Bhavish Aggarwal, selling up to 9,51,91,195 shares. Currently, Aggarwal is the largest shareholder with a 36.9 percent stake, followed by SoftBank's SVF II Ostrich (DE) LLC with 22 percent. According to the draft papers, Aggarwal plans to sell 4,73,94,014 shares, while SVF II will offer 2,38,57,268.

The company will use the funds raised from the issue to expand cell manufacturing capacity, repay debts, and support research and product development at its upcoming Giga factory in Krishnagiri, Tamil Nadu.

The company is also coming up with electric bikes, with the first model expected in the first half of fiscal year 2026.

Investment Rationale

The IPO will give Ola Electric the much-needed impetus to invest in enhancing cell manufacturing capacity and R&D in future technologies and products.

Ola Electric Mobility Ltd (OEML) plans to use Rs 1,226.43 crore of the proceeds from its Rs 5,500 crore public issue to increase its cell manufacturing plant's capacity from 5 GWh to 6.4 GWh, according to its draft papers. The corporation is also considering using Rs 1,600 crore from the new money for research and product development, while another Rs 800 crore will be distributed toward debt repayment.

Phase 1(a) and Phase 1(b) of establishing and expanding the Ola Gigafactory in Krishnagiri district in Tamil Nadu will be funded with internal receivables and long-term loans obtained by its Ola arm Cell Technologies Pvt Ltd (OCT), according to OEML in the DRHP.

Risks

Ola Electric's short operating history is a potential red flag, especially when it comes to the risk factor of designing and manufacturing electric vehicles (EVs) without defects.

Possible defects, quality issues, or disruptions in the supply chain could lead to increased material costs, impacting manufacturing and delivery timelines.

Inadequate access to public charger guns for consumers could materially and adversely affect demand for the electric vehicles.

It may not be able to compete successfully in the highly competitive and fast evolving automotive market.

The internet-led distribution model differs from traditional showroom distribution of automobiles, making it challenging to evaluate Ola Electric's business, operating results, and future prospects.

Use of lithium-ion cells poses a risk of adverse publicity in case of fires or smoke, potentially harming the brand and overall business.

If the company is not able to attract and retain customers, the business, prospects, financial condition, results of operations, and cash flows would be materially harmed.

Outlook

Issue can be subscribed for listing gain considering the market buzz around electric vehicles.

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