- Recent lower-ASP launches, normalised R&D and in-house D2C model may reverse the reported margin uptick.
- R&D spend appears insufficient given vertical integration strategy.
- Meeting cell PLI requirements look challenging without external customers, as per our calculations.
- Product-related issues continue even on the new Gen-2 platform.

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JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet and Visible Alpha

Automobiles

The Rush Factor: Fast Track to Product Launches & IPO

Ola Electric Mobility ('Ola Electric') has always been in limelight for various reasons (-ve as well as +ve), the current buzz is its upcoming IPO. While the company has taken an early lead in domestic E2W industry, product-related issues continue. Given the industry is still in a nascent stage, focusing on market share may be misleading. 1) Recent introduction of lower ASP models, 2) adjustments for higher R&D capitalisation, 3) higher cost of operating sales and service network going ahead could reverse the recent improvement in profitability and continue the cash burn. Investments in R&D/product development, Gigafactory (with high technological and operational risk) may delay +ve FCF in the foreseeable future. The moot concern is the rushed approach to everything – be it product introduction (without thorough R&D/testing) or coming to the public markets (fastest among auto OEMs / new-age cos.) instead of first stabilizing internal operations (employee attrition at c.45%+).

- **Leadership is a fact, Incumbents (with sturdy products) catching-up is the reality:** Ola Electric's electric two-wheeler (E2W) volume is expected to double to approximately c.300k units in FY24E, but this falls significantly short (2/3rd below) of the earlier target of around c.882k units **(Exh.1)**. Despite this, the company maintains its leadership in the domestic E2W industry with a retail market share of c.32%. The strong growth is attributed to the rapid expansion of the distribution network **(Exh.3-4)**. However, traditional two-wheeler OEMs like TVSL, BJAUT, HMCL, who were initially slow, focused on R&D, after-sales service and test marketed products in limited regions are now rapidly expanding across India **(Exh.2)**.
- **Contribution per vehicle shows improvement but RM cost is still higher than ASP:** DRHP reveals improvement in gross margin from -29% to +10.7% by 1QFY24 **(Exh.7)**. The positive shift in the contribution per unit may be led by moderation in inflation, cost reduction, and economies of scale. However, the ASP of the top variant (Ola S1 Pro) is still lower than the per-unit RM cost, indicating that vol. growth has been fuelled by cash burn **(Exh.6)**. Additionally, recently launched models at lower price points may impact profitability as the DRHP doesn't clearly specify whether the reported 18% cost reduction on the Gen-2 platform is based on the inflationary base of FY23. Despite these improvements, there is an increase in average monthly cash burn from ~USD9mn to ~USD15mn in FY23 **(Exh.9).**
- **EBITDA masks higher R&D & cost of D2C model:** Ola Electric's EBITDA loss increased from ~INR 7.2bn in FY22 to ~INR 12bn in FY23, with a subsequent decline in 1Q **(Exh.8)**. Notably, the company capitalizes R&D spends at a significantly higher rate of ~80%+, compared to 10-30% for industry peers **(Exh.10)**. Adjusting for a normalized R&D capitalization rate of ~30%, Ola Electric's EBITDA loss in FY23 would have been higher by ~INR 2.7bn **(Exh.11)**. Moreover, Ola Electric assumed control of the experience and service network from Jul'23, previously operated by Ola Fleet Technologies (promoter group co) at substantial losses until 1QFY24. This change may potentially add further pressure on profitability beyond 1QFY24.
- **Product related issues continue; R&D backed products need of the hour:** Recent channel checks reveal that customers have experienced several issues with Ola Electric's E2Ws. Despite addressing some issues, challenges persist, and media reports suggest on-going product quality and safety concerns, even with the latest Gen-2 models **(pg.7)**. The DRHP emphasizes Ola Electric's focus on R&D and technology, but the R&D spending when the company initiated deliveries of its first product, Ola S1 Pro (in Dec '21), was only ~INR 2bn. Although R&D spends increased in FY23, it appears insufficient vs. peers, considering vertically integrated business model & its status of a new entrant starting from scratch **(pg.8)**
- **Gigafactory targets: highly ambitious?:** Ola Electric's subsidiary, Ola Cell Technologies (OCT), aims to establish in-house cell manufacturing and is approved for the Cell PLI scheme. However, meeting PLI scheme requirements, such as achieving 5GWh capacity (i.e. ~1.67mn E2W units) in FY25 or scaling up to 20GWh (i.e. ~5mn E2W units) by FY27, may be challenging without external customers for company's cells, as per our calculations **(pg.6).**
- **Operational risks are real:** Risk factors in the DRHP highlight more internal/operational risks than external risks for Ola Electric. Right from high employee attrition rate (c.45%) to cautionary statements around product quality issues, D2C model, Gigafactory execution & ramp-up plan, consumer complaints, multiple business interest of founder, etc. are all high probability risks in our view **(Pg.5; 9-11)**.

Key takeaways from Ola Electric Mobility DRHP

Fact 1: Market leader in E2Ws in India

Ola Electric's E2W volumes have grown from 21k units in FY22 to c.156k units in FY23. The company aims to double the volumes in FY24 to c.300k units, based on media reports. This is approx. 2/3rd lower than their previous target of ~882k units.

The company has maintained a leading position in the E2W segment with retail market share of c.32% during CY23. This was owing to rapid expansion of distribution network, a feature-rich product and claimed riding range better than peers.

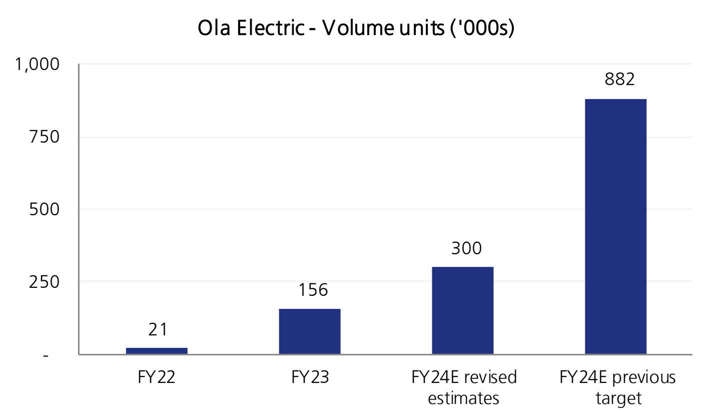
Like in our previous note, we believe focusing on a single parameter i.e. market share, may be misleading at this stage as the segment is still evolving. Incumbents like TVS / Bajaj / HMCL started slow initially and only now they are expanding their presence pan-India. Yet in certain months during CY23, the gap between monthly sales of Ola Electric and TVS Motor was <3.5k units.

Ola S1 Air

Features: LED lighting, 7-inch touchscreen TFT cluster, smartphone connectivity, GPS, Reverse mode, Hill hold assist, Call alerts & Music controls.

Range: 151kms **Price:** INR 120k (Ex-showroom)

Exhibit 1. Ola Electric sales are expected to double YoY, 2/3rd below the target…



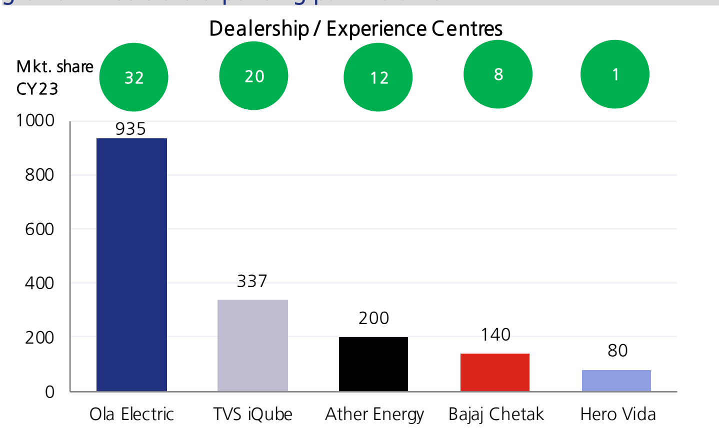
Source: Company DRHP, Industry, JM Financial; Media report

Exhibit 2. …Incumbents are rapidly catching-up - 12 months change

Volumes ('000)	Jan'23	Oct-Nov'23*	Growth (x)
Ola Electric	18.3	26.8	1.5 ↑
TVS iQube	10.2	17.6	1.7 ↑
Ather Energy	8.8	8.5	- ↔
Bajaj Chetak	2.4	10.1	4.2 ↑
Hero Vida	0.2	2.5	15.6 ↑
Others	22.1	15.8	0.7 ↓
Industry	**61.9**	**81.1**	**1.3**

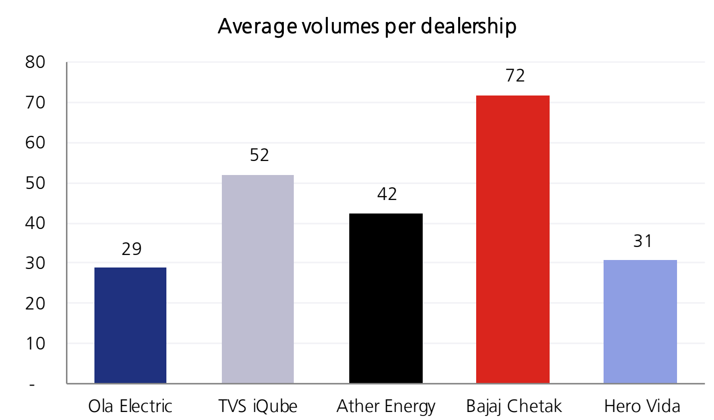
Source: Company, Vahaan, JM Financial; *Not considered Dec'23 due to seasonality, floods in Chennai

Exhibit 3. Widest distribution network among peers helped drive rapid growth…Peers are expanding pan-India now.



Source: Company DRHP, Industry, JM Financial

Exhibit 4. …Average volumes per dealership for Ola Electric is relatively low among peers



Source: Company DRHP, Industry, JM Financial

Fact 2: Contribution per vehicle showing improvement

One of the key positives from DRHP has been improvement in Ola Electric's gross margin from c.-29% in FY22 to +2.3% / +10.7% in FY23 / 1QFY24. ASP increase in 1QFY24 was owing to FAME II related price hike from June 1, 2023. RM cost per unit has also shown significant improvement from ~INR 230k/unit in FY22 to ~INR 158/unit in 1QFY24.

However, RM cost per vehicle is still higher than selling price (adj. for GST) of top variant (Ola S1 Pro) indicating the growth / market share is fuelled through cash burn. Unlike Ola, peers like TVSL, BJAUT and HMCL have adopted a calibrated view to minimize sudden impact on profitability. Further, ASP of recently launched models: Ola S1 Air and Ola S1 Air X are considerably lower than S1 Pro and S1 (discontinued now). While an attractive price for the product may be helping in volume ramp-up, we believe, such pricing may be putting significant pressure on profitability of the company.

DRHP also highlights that recently launched (Sept'23) Generation 2 (Gen 2) platform, has helped the company reduce cost by 18% (not sure if it's on inflationary base of FY23) owing to 11% fewer parts and 4% reduction in EV weight.

Recent model launches are at lower price points

Model	Price (INR 000s)	Delivery commencement
Ola S1 Pro	147	Dec'21
Ola S1	130	Sept'22 Discontinued in Aug'23
Ola S1 Air	120	Aug'23
Ola S1 X+	110	Dec'23

Improvement in Gen-2 platform

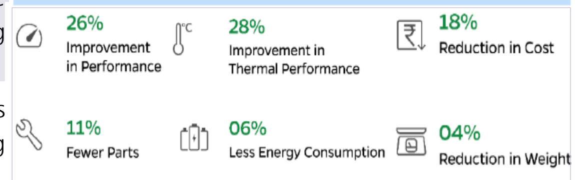
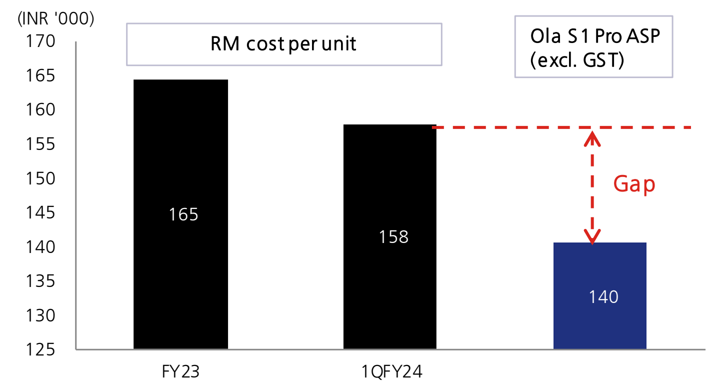


Exhibit 5. ASP per unit (incl. spares revenue) has improved in 1QFY24 owing to FAME II related price hike from June 1, 2023

INR mn	FY22	FY23	1QFY24
Total Revenue from Operations (A)	3,734	26,309	12,427
Other Operating Revenue (B)	54	305	205
Revenue from Sale of Services (C)	198	1,195	876
Revenue from Sale of Goods (D) = (A) - (B) - (C)	3,482	24,810	11,346
No. of units (E)	20,948	156,251	70,238
ASP per unit (INR '000) (F) = (D) / (E)	166	159	162
Cost of RM consumed (G)	4,809	25,704	11,095
RM cost per unit (INR '000) (H) = (G) / (E)	230	165	158
Contribution per unit (INR '000)	-63	-6	4

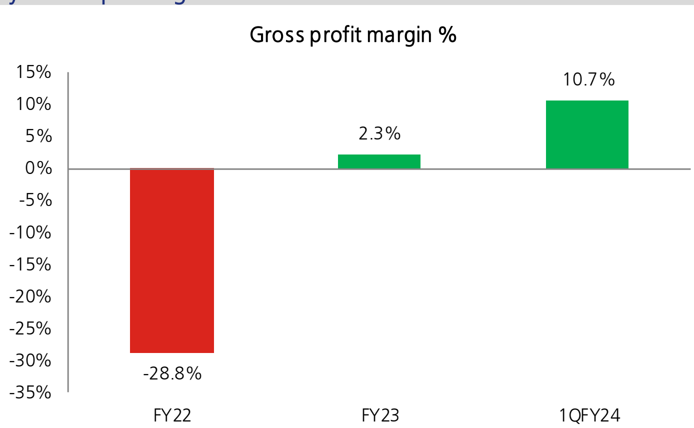
Source: Company DRHP, JM Financial

Exhibit 6. While RM cost per unit has reduced during 1QFY24, it is still higher than selling price of top variant of Ola S1



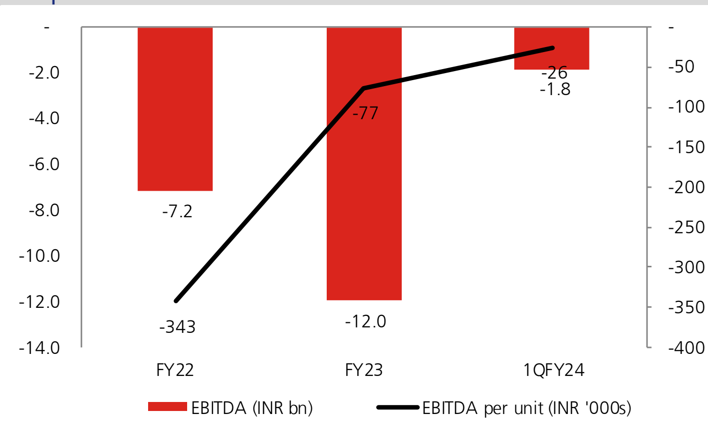
Source: Company DRHP, Industry, JM Financial

Exhibit 7. Contribution margin has turned positive in FY23, supported by other operating revenues…



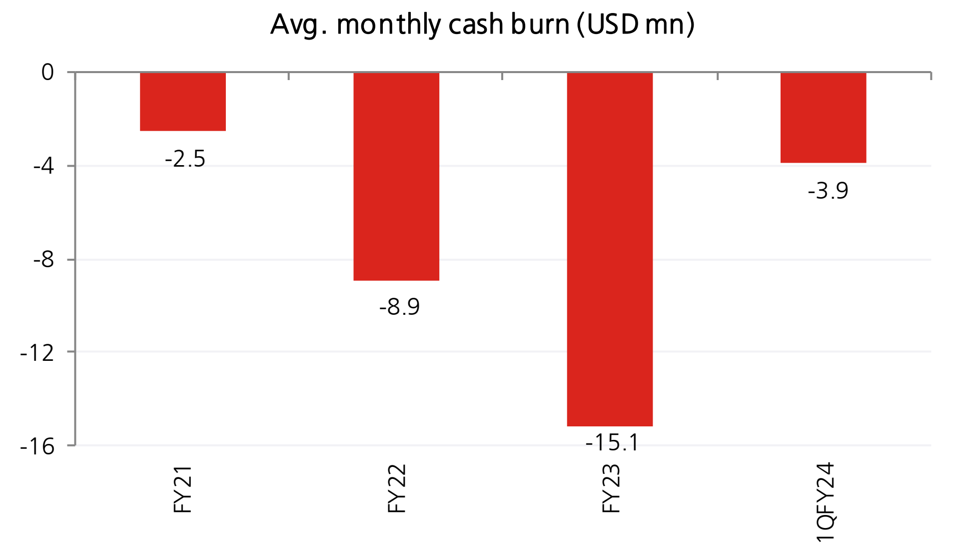
Source: Company DRHP, Industry, JM Financial

Exhibit 8. … EBITDA losses have reduced in 1Q, per unit value may turn positive with economies of scale



Source: Company DRHP, Industry, JM Financial

Exhibit 9. Avg. monthly cash flow from operating activities



Source: Company DRHP, JM Financial

Ola Electric's average monthly cash burn (we define OCF as cash burn) inched up from ~USD 9mn in FY22 to ~USD 15mn in FY23.

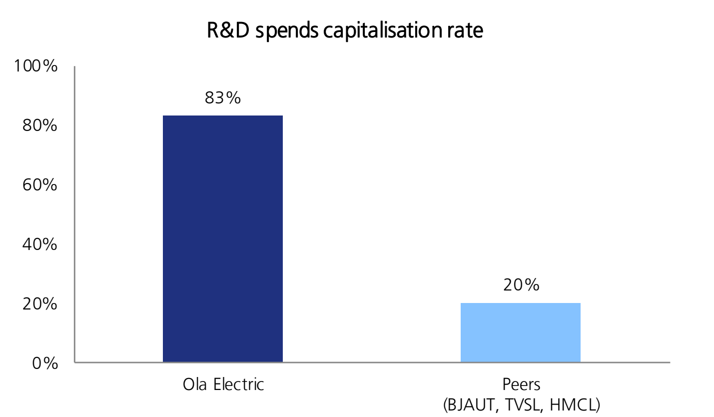
Upcoming investments in R&D (product development), experience and service network expansion and Gigafactory suggest positive free cash flows may take a while.

Concern 1: Higher R&D capitalisation and cost of D2C model masks losses

Ola Electric is capitalising R&D spends at significantly higher rate of c.80%+ (in FY23) vs. c.10-30% for peers like Bajaj Auto, Hero Motorcorp and TVS Motor Company. Thus, adjusting for normalised R&D capitalisation rate (~30%), Ola Electric's EBITDA loss would have been higher by INR 2.7bn in FY23.

Also, Ola Electric's experience and service centres were initially opened and operated by Ola Fleet Technologies (subsidiary of ANI Technologies, promoter group entity). Starting July 1, 2023, Ola Electric has taken over the control and will operate these experience and service centres. Thus, going ahead, Ola Electric will not be required to pay selling and distribution (S&D) fees to Ola Fleet Technologies. Financials of Ola Fleet Technologies highlights that over 95% of its revenue of INR 1.9bn came from Ola Electric and its PAT loss stood at INR 3.88 bn in FY23. This indicates that cost of operating experience and service centres is higher than the S&D fees Ola Electric was incurring.

Exhibit 10. Adjusting for higher R&D spends capitalised by Ola Electric, EBITDA losses would have been higher by c.2.7bn



Source: Company DRHP, Industry, JM Financial

Exhibit 11. EBITDA losses can further be impacted by higher cost of operating sales and service centres

Particulars	FY23
Reported cost of operating sales and service centres paid to Ola Fleet Technologies (INR bn) (A)	1.82
Reported cost as a % of FY23 revenue	6.9%
PAT of Ola Fleet Technologies (INR bn) (B)	3.88
Actual cost of operating sales and service centres (INR bn) (C) = (A) + (B)	5.70
Actual cost as a % of FY23 revenue	21.7%

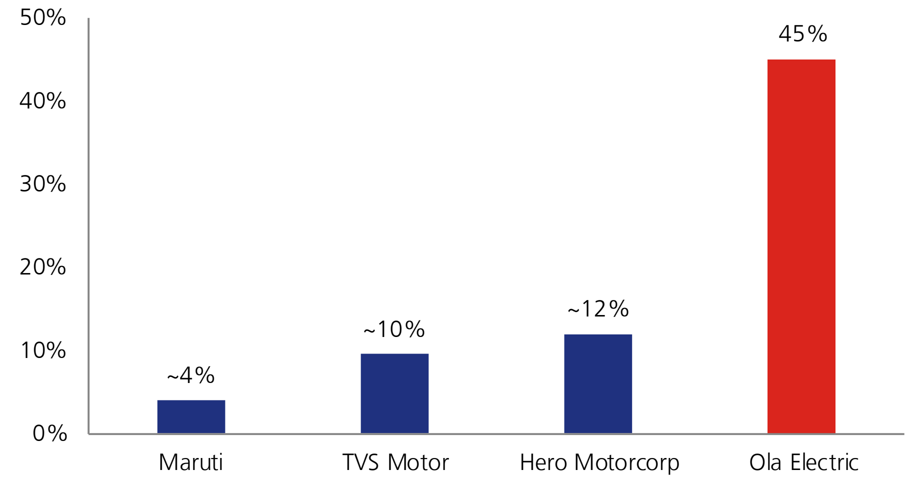
Source: Company DRHP, Industry, JM Financial

Concern 2: High employee turnover / attrition rate

The success of any business organization largely depends on its employees' uninterrupted contributions in steering the organization forward. International studies link higher attrition rate to impact on brand equity, deterioration in product / service quality and customer experience, disruption in business plan execution and increase in instances of employee burnout, etc.

DRHP mentions the company had turnover in some of the Key Managerial Personnel, Senior Management Personnel and other personnel, including certain senior executives, in FY22 and FY23. Further, the company's employee attrition rate was 42.06% and 47.48% in the seven-month period ended October 31, 2023 (on an annualized basis) and FY23, respectively. This is significantly higher than industry peers where the same ranges between 10-12% (in case of 2W OEMs) and ~4% (in PV OEMs).

Exhibit 12. ~1 out of every 2 employees leaves from Ola Electric every year



Source: Company DRHP, Industry, JM Financial **Note: Average of previous 2-3 years**

Ken article - link 1

The Ken has learnt that, in the past few months, many top executives have left the company. These include Hareesh KT, Ola Electrics' head of battery engineering and BMS; Sourabh Grover, director of product planning; Sourabh Gupta, chief of vehicle engineering and technology; and Joseph Thomas, head of quality assurance. Most of the engineers who worked on the scooter in its early days have also left the company, said the former executive. Their responsibilities have since fallen on the shoulders of younger engineers.

"So now you see the problem," said another current executive. "There are people who have not engineered the product from the testing stage. Supply chains have been asked to deliver the parts; the quality team is forced to accept rejected parts to continue with deliveries. There is a three-way tug of war, which is creating chaos."

Source: The Ken

Livemint article - link 3

Two top executives quit Ola Electric; two more departures likely

1 min read • 05 Aug 2023, 02:21 PM IST Join us

Source: Livemint

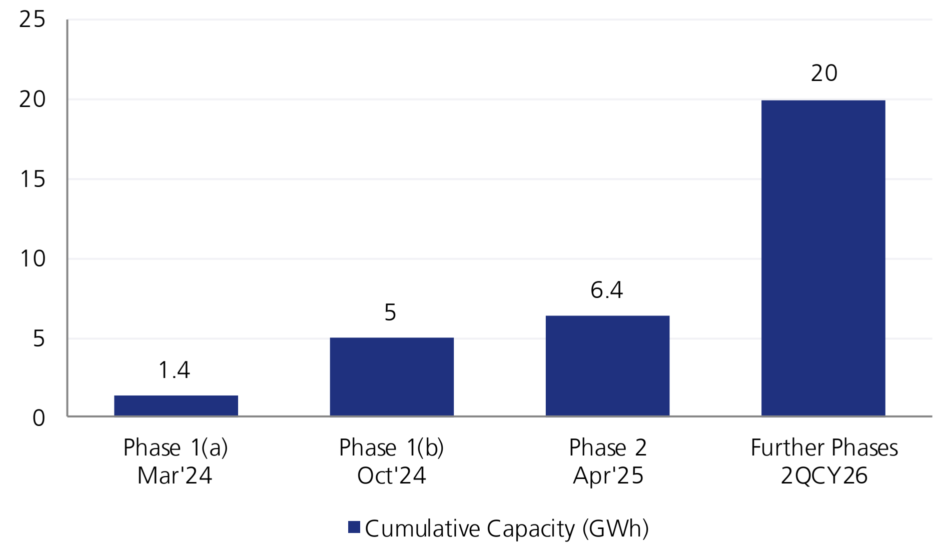
Livemint article - link 2

Source: Livemint

Concern 3: Ola Gigafactory project: Highly ambitious?

Ola Electric's plans to develop cell, battery technology and manufacturing process in-house (no mention of any technical tie-ups in DRHP). And, to leverage the benefit of incentives under Cell PLI scheme, Ola Cell Technologies (OCT), wholly owned subsidiary of Ola Electric, has committed capacity expansion to 20 GWh by 2026.

Exhibit 13. Proposed phases of Ola Gigafactory



Source: Company DRHP, JM Financial

To comply with PLI incentive scheme, OCT will be required to achieve 1GWh capacity in the first year i.e. FY24, 5GWh capacity in FY25, 10GWh capacity in FY26 and 20GWh capacity by FY27. Our calculation suggests, Ola Electric will be required to manufacture 2.5mn / 5mn units of E2Ws in FY26 / FY27 to achieve the committed capacity, which seems unrealistic in our view, unless Ola Electric finds an external customer for its in-house developed cell technology.

Exhibit 14. Ola Electric will be required to mfg 2.5mn / 5mn of E2Ws by FY26/27

Year	Committed capacity (GWh)	Avg. kWh per E2W	No of E2W required to be manufactured by Ola Electric
FY24	1	3	333,333
FY25	5	3	1,666,667
FY26	10	4*	2,500,000
FY27	20	4*	5,000,000

Source: Company DRHP, JM Financial; *Post launch of electric motorcycles.

Further, DRHP states one of the objects as utilizing INR 12.3bn to expand the Gigafactory capacity from 5GWh to 6.4GWh by Apr'25. At this level of capex per GWh, OCT will require an investment of INR 119bn to further expand the capacity to the committed level of 20GWh by 2QCY26.

Exhibit 15. Ola Electric will require capex of INR 119 bn during FY26/27

Year	Proposed Capacity expansion (GWh)	Capex per GWh (INR bn)	Expected capex (INR bn)
FY25 (by Apr'25)	1.4	8.8	12.3
FY26-27	13.6	8.8*	119

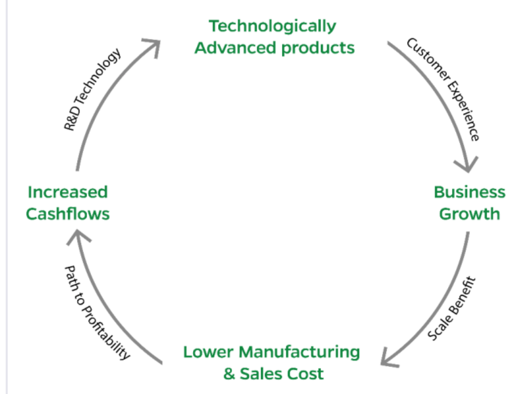
Source: Company DRHP, JM Financial; * assumed – not factored inflation

Concern 4: 'Hurried' and 'fix-on-the-go' approach reflects in product quality / customer complaints

We note that DRHP mentions that the company's business model enables it to improve its EVs' performance, resulting in a better customer experience, business growth and control over cost. And, this enables the company to continuously focus and invest in R&D and technology, giving rise to flywheel effects.

Our recent extensive E2W channel check (our report link) (media reports: link 1; link 2) indicated that customers are also facing numerous issues related to software glitches, product quality (features not working, uneven panel gaps, etc.), delays in delivery and long wait for service attention (due to inadequate manpower at service stations) etc. While Ola Electric has acted upon some of the issues (for instance: Suspension design flaw, etc.), many issues still remain with new generation models (media reports: link 1, link 2, link 3).

Ola Electric's Flywheel



Source: Company DRHP, JM Financial

Product related issues continue to persist, even on Gen-2 products

Customer advising against buying Ola scooters (Link) & Recent fire incidents (Link1) (Link 2) (Link 3)

8th Jan' 2024

Thinking to buy an Ola S1 Air? An owner advises to put off your plans

January 2024, 12:35 by Utkarsh Chaudhary

I am one of those "Early Adopters" a.k.a Test Mules for the new Ola S1 Air. I booked mine in July, paid full price upfront, endured ever-changing delivery timelines, and after a frankly disappointing and lacklustre delivery experience, finally took delivery of my S1 Air on 27th September. It cost me just under 1.38 lacs OTR at Trivandrum, with full cover insurance, the extended warranty and the Ola Care+ package. At the time, it was a good deal considering every other comparable option was more than 1.5 lacs.

The Real Nightmare Begins

A couple of days later, I was about to leave for the office in the morning with a remaining charge of 50%, when the scooter again just jerked and stopped. I tried rebooting, but this time it was of no use. And that's how I was introduced to the nightmare of Ola Service.

I immediately requested emergency assistance, but no one responded even by noon. Finally, I called their customer care, who assured me that they would send out a technician to diagnose the issue. I also called the dealership (who wouldn't give a contact number for the service team) and they too promised to send out a tech. This calling went on for about 3 days, with me calling and begging customer care every day before they sent someone to check out the scooter. In between, I visited the service centre, and the staff there were unable to help as they were understaffed.

I had taken RSA with Ola Care+, which has unlimited pickup and puncture assistance. But the funny thing is that they do not prioritise your pickup if your vehicle is at a safe parking spot or home. While this does make sense, it is frustrating to have to waste several days and repeated calls to customer care for someone to attend to your issue.

The person who came to check out the Scooter confirmed that it was a battery issue, and asked me to inform the service centre to initiate a pickup. Again, I started calling customer care, the dealer, and the service centre repeatedly for another 3 days, before they would initiate a Tow. The Tow service took another couple of days to pick up the Scooter and take it to the service centre.

Since then, I have been calling them every day to ask about the status of the scooter. Initially, they answered the phone and told me that the Battery Pack had to be replaced and that it had not yet been approved. Apparently, 11 S1 Air scooters are at the dealership, waiting for a battery replacement, and it does not seem to be happening any time soon.

So that's the story of how I spent 1.4 lacs on an Ola S1 Air, to use it for about a month (actual use). Now it's at the service centre for God knows how long, and the Service Centre is now refusing to answer my calls or call me back.

Personally, I would advise anyone who is planning to buy an Ola right now to put it off or buy something better, like an Ather, a Chetak, or a TVS. The Gen2 seems to have glaring issues, and Ola seems to have learnt little from their debacle with the Gen 1s. And their service is as horrible as the YouTube videos make it out to be. I had spoken to a couple of owners who said they had not had any issues, but apparently, if you have a real issue, you're out of luck.

If anyone has any pull with someone at Ola, please help me out to get my scooter repaired.

Source: Team BHP

15th Nov, 2023

3 Days Old Ola S1 Pro Electric Scooter Catches Fire In Karnataka, 2 People Hospitalized

Ola Electric Scooter Fire: A brand-new Ola S1 Pro Gen2 electric scooter was reportedly burnt to a cri after catching fire on Tuesday night. The scooter was said to have been purchased on November 10th just a few days before Diwali. The fire is also said to have damaged the nearby parked two-wheelers. However, the root cause of the fire, is yet to be determined.

Prashant Singh | Updated Nov 15, 2023, 01:52 PM IST

Source: Times now

24th Jul, 2023

Ola Electric scooter fire being investigated in southern Kerala

...& Nirmal John, ET Prime - Last Updated: Jul 24, 2023, 05:33:00 PM IST

Synopsis
This is the second known incident of an Ola S1 range scooter catching fire. Investigations are on into the incident in Nedumangad in Kerala

(Representative image)

An Ola Electric scooter caught fire in a house in a village in southern Kerala's Thiruvananthapuram district late last week. The cause of the fire is unknown. An FIR has been filed by the Nedumangad police station on the incident, which occurred at around 3am on July 19.

Investigations are going on, according to the local police authorities, who added that this was not a case of arson.

Source: Economic Times

1st Dec, 2023

businessline. Companies / Markets / Portfolio / Opinion / Economy FREE TRIAL

Home » News » National

User complaints turning speed-breaker for Ola Electric's ride

Updated - December 01, 2023 at 09:54 PM. | Bengaluru

Users are facing issues with the electric scooters, service and repair

Customer woes

Several Ola customers complained about the reliability issue and complained online about repair times or difficulties in finding servicing slots, according to a review of social media posts.

Yogendra Kumar, who has an Ola S1 Pro, said that after a recent update, his scooter stopped working.

"There was a 3.0.3 update, and since then it is not working. It turns on but doesn't move. Even despite repeated requests, no action is being taken," said Kumar.

Another user who requested anonymity said that in a span of eleven months, his Ola S1 Pro broke down thrice and it took nearly 5-15 days for the vehicle to become operational.

"The service centre manager informed that due to the shortage of staff, it will take a while to solve issues," he lamented.

Another social media user, Saif Khan, was frustrated with the lag in connection.

"The scooter is mainly controlled by a screen. The screen is not responsive. It requires 2-3 touches, and it gets input after a 5-second delay – there is a lag," he said.

Ola did not reply to a detailed questionnaire sent by *businessline*.

Source: The Hindu Business Line

Concern 5: R&D focus, 'Quality & Safe' products - need of the hour

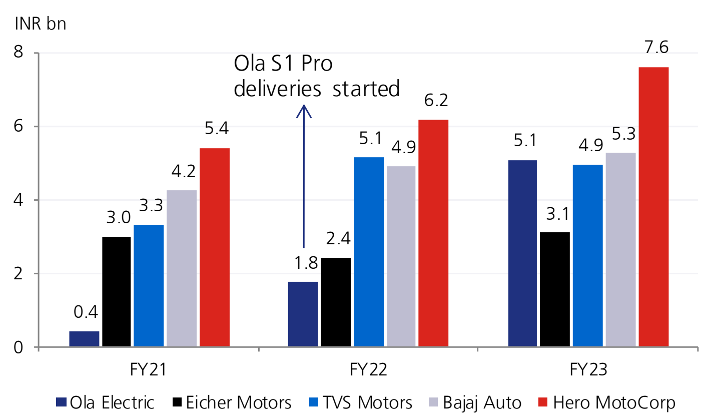
DRHP presses on R&D and Technology focus, spends indicate otherwise

Ola Electric's DRHP mentions R&D and technology platform with in-house design and development of EV technologies and components as one of its core pillars of business model. DRHP also states that the company undertakes R&D activities in India, UK and US focused on designing and developing new EV products and core EV components, such as battery packs, motors, vehicle frames and its battery innovation centre which is focused on developing cell and battery technology and manufacturing processes.

Our view: While the company has pressed on its R&D and Technology focus in the DRHP, its research and development spends at the time company started deliveries of its first product, Ola S1 Pro, was just ~ INR 2bn. While the R&D spends increased to INR 5bn in FY23 (probably towards Generation 2 platform, cell development, new products etc.), it still seems inadequate given the company had to start from the scratch and is also vertically integrated and hence would require higher R&D spends on components, cell development etc.

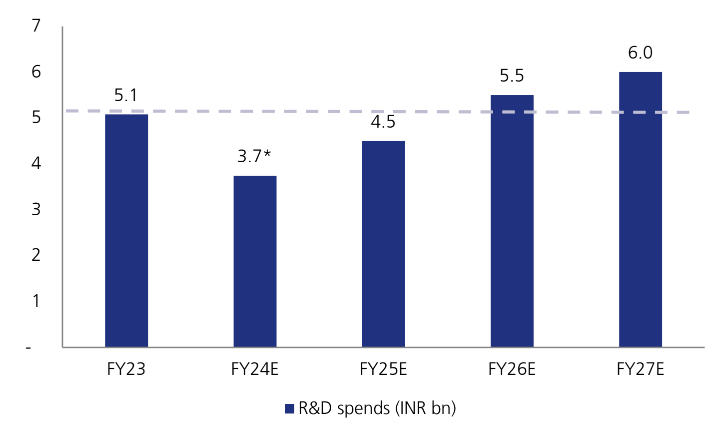
Further, Ola Electric's plan to develop and manufacture cell and battery technology in-house and expand its product portfolio (incl. launch of 4 new e-motorcycles in 1HFY26), its R&D spending (source: DRHP) in FY24/FY25/ FY26 is now expected to pick pace. However, the reflection/success of these R&D spends may only be visible few years down the line.

Exhibit 16. Research & development spends of Ola Electric vs. peers



Source: Company, JM Financial

Exhibit 17. Proposed R&D spends out of IPO proceeds

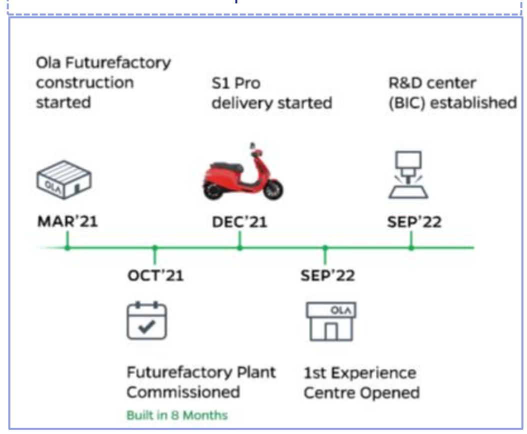


Source: Company DRHP, JM Financial; *1QFY24 R&D spends of INR 936 million annualised.

Product's go-to-market timeline indicates lack of adequate R&D/testing

Our view: Ola Electric bought the scooter model including technology and know-how from Etergo, an EU based start-up, in May'20 (i.e. at peak of Covid). Little over 1yr post this acquisition, and within 9 months of start of construction of Ola Futurefactory (in Mar'21), the company commenced deliveries of its first model Ola S1 Pro (from Dec'21). Product development / testing timelines have never been this constrained historically. In our view, reworking the Etergo to make it suitable to India's terrain and climate conditions, testing and validation of the functionality, performance, setting up local vendor ecosystem (incl. testing components, vendor audits etc.) would have called for longer timelines.

Ola electric – key milestone; R&D center was established post model launch



Source: Company DRHP, JM Financial

Concern 6: Probability of operational risks playing-out remains high

We note the following 'Risk Factors' highlighted in the DRHP pertaining to…

…Product and after-sales servicing

Risk	Details
Defects or quality issues in supplies	Ola Electric provides its suppliers with the design specifications of certain EV components such as the body panels and frames of its scooters and in some instances, necessary tools to manufacture. However, Ola Electric cannot guarantee that the quality of the EV components manufactured by their suppliers will be consistent and maintained as per company's design specifications and will be consistent across multiple suppliers. Ola Electric cannot also guarantee the suppliers' compliance with ethical business practices, such as environmental responsibilities, industry standards on sustainability, fair wage practices and compliance with child labour laws, among others.
EVs may contain defects or fail to meet performance standards	Ola Electric cannot assure that it will be able to detect and fix any defects in the EVs on a timely basis, or at all. Any defects or any other failure of its EVs to perform or operate as advertised could harm its reputation and result in negative publicity, loss of revenue, delivery delays, product liability claims, harm to the 'Ola' brand, and significant expenses including warranty claims, cause the company to be subject to potential lawsuits, diversion of its management's attention and other resources that could materially and adversely affect its business, financial condition, results of operations and prospects. For example, Ola Electric identified 1,441 EV scooters manufactured between February 5, 2022 and February 9, 2022 suspected to contain faulty batteries. The company gave the owners of such scooters the option to bring in their scooters for a detailed diagnostics and health check of their scooters and battery packs, and undertook to replace any batteries that were found to be faulty based on certain test results.
Limited experience and resources in servicing and after-sales.	While Ola Electric provides at-home scooter servicing and servicing at its experience centres, its road-side assistance is provided through third party service providers with whom it has partnered with. The company has limited experience servicing EVs and providing after-sales service to its customers in part through third-party service providers. The company cannot assure that its service arrangements will adequately address the service requirements of its customers to their satisfaction, or that the company and its third party service providers will have sufficient resources to meet these service requirements in a timely manner as the volume of EVs increases.
Consumer complaints wrt. products & after-sales service	OET, material subsidiary of the company, have been made party to certain proceedings before various consumer dispute redressal commissions by its customers alleging inter alia (i) non-delivery of vehicle after payment of full consideration; (ii) cancellation of purchase order and loan application without consent of customer; (iii) delivery of vehicles that are defective or unable to meet the advertised standards; (iv) improper servicing of vehicles; and (v) display of erroneous charge levels and break down of scooters. There are 189 such matters against the company involving an aggregate amount of INR 44.77 million, to the extent quantifiable. These matters are presently pending at various stages of adjudication.

Source: Company DRHP, JM Financial

…D2C business model and lack of adequate resources in servicing and after-sales

Risk	Details
Limited experience and resources in servicing and after-sales.	While Ola provides at-home scooter servicing and servicing at its experience centres, its road-side assistance is provided through third party service providers with whom it has partnered with. The company has limited experience servicing EVs and providing after-sales service to its customers in part through third-party service providers. The company cannot assure that its service arrangements will adequately address the service requirements of its customers to their satisfaction, or that the company and its third party service providers will have sufficient resources to meet these service requirements in a timely manner as the volume of EVs increases.
Internet-led distribution is relatively new and unproven	The company plans to continue selling our EVs online through Ola Electric website, which customers can also access at its experience centres. According to the Redseer Report, an internet-led distribution model is relatively new and unproven in India's automobile industry. To date the company acts as both EV manufacturer and dealer in India. As of October 31, 2023, the company had 935 experience centres in India, the majority of which have been open for less than one year. The company has limited experience in distributing and selling EV scooters through its experience centres as the company assumed control of the operation of experience and service centres starting on July 1, 2023.

Source: Company DRHP, JM Financial

…cell manufacturing (Gigafactory) project

Risk	Details
Delay and cost overrun wrt. cell mfg. at upcoming Gigafactory	The company may face significant delays in setting up of the factory owing to various reasons. The company aim to develop new cell form factors may face higher risks of delays and cost overruns due to research and development spends and capital expenditure. Even after developing these cells, the manufacturing process takes significant time to perfect, which may result in low cell yield for a considerable duration during the initial stages of cell production thereby impacting the company's ability to achieve profitability in cell business.
Technology risk pertaining to Cell mfg.	The company has developed cell technology around the 4680 form factor, for which testing is in progress. The company cannot guarantee that the new 4680-form factor cells or other new technology that it launches will achieve general market acceptance in India or abroad. The technology surrounding cells is rapidly evolving and the company may face competition from more advanced cell technology developed by other manufacturers and other battery alternatives being developed and used globally such as lithium iron phosphate and nickel manganese cobalt oxide cathode batteries, which may cause Ola's cell technology to become obsolete in comparison.
Risk of inadequate testing to meet the commitment for cell PLI	Ola has been approved to be eligible for Cell PLI Scheme and the company is required to achieve 1GWh capacity in the first year in Fiscal 2024, 5GWh capacity in the second year, 10GWh capacity in the third year and 20GWh capacity by the fourth year. If it fails to achieve the agreed upon capacity each year, the Government of India has the right to deduct twice the shortfall in the committed capacity from the total subsidy payable.

Source: Company DRHP, JM Financial

…Related party transactions

Risk	Details
Potential conflict of interest from related party transactions	The company has entered into various transactions with ANI Technologies ("ANI") and its subsidiaries such as: (i) sub-lease of the Corporate Office and Registered Office from ANI; (ii) arrangement with ANI for the sale and advertisement of our EVs on their website and app; (iii) arrangement with Ola Financial Services, for the distribution of insurance policies for EVs; (iv) services provided by Geospoc Geospatial Services (subsidiary of ANI), which powers the Ola Maps navigation system on company's MoveOS version 4 platform; and (v) arrangement with Ola Fleet Technologies, for the provision of packing, warehousing and logistics services in relation to the chargers and accessories that the company sells. If the company is unable to continue with such transactions with ANI and its subsidiaries in the future, there may be a negative impact on its business operations. While the company believes that all such transactions have been conducted on an arm's length basis, it cannot assure that it could not have achieved more favourable terms had such transactions not been entered into with related parties. Furthermore, any future transactions with related parties could potentially involve conflicts of interest which may be detrimental to the Company. There can be no assurance that the company will be able to address such conflicts of interest in the future.

Source: Company DRHP, JM Financial

…Profitability

Risk	Details
Loss making operations currently & no assurance that company can turn profitable	The company may continue to incur operating losses in the near term as it invests in business and expand its product portfolio, build capacity and scale operations. Upcoming product launches of Ola S1 X (2 kWh) and Ola S1 X (3 kWh) and the company's strategy of expanding its sales footprint across international automotive markets, could result in an increase in operating costs. The company also cannot assure that it will be able to manage costs effectively to sell products at favourable margins or that expansion into international markets will prove to be profitable.

Source: Company DRHP, JM Financial

Concern 7: Multiple business interest of founder

DRHP states that the company is highly dependent on the services and reputation of Mr.Bhavish Aggarwal, Founder, Chairman and Managing Director, who has significant influence on the company's business plan. He is also the Chairman and Managing Director of ANI Technologies Private Limited and has recently founded a new startup, Krutrim SI Designs Private Limited. His involvement with ANI Technologies Private Limited and Krutrim SI Designs Private Limited may detract from the time that he is able to dedicate to Ola Electric.

Concerns highlighted in the media:

The curious case of Bhavish Aggarwal and Ola Electric
https://www.moneycontrol.com/news/business/the-curious-case-of-bhavish-aggarwal-and-ola-electric-4447411.html

Should SEBI allow the Ola Electric IPO to go through?
https://themorningcontext.com/internet/should-sebi-allow-the-ola-electric-ipo-to-go-through

The method and madness of Bhavish Aggarwal
https://the-ken.com/the-nutgraf/the-method-and-madness-of-bhavish-aggarwal/

Exhibit 18. Years of operation before listing on stock exchanges

Auto OEMs	Founded	Listed on BSE/NSE*	Years of operation before listing
Auto OEMs			
Escorts Kubota (Erstwhile Escorts Ltd)	1944	1961	17
Tata Motors	1945	1955	10
Mahindra & Mahindra	1945	1956	11
Bajaj Auto	1945	2008	63
Eicher Motors	1948	1986	38
Ashok Leyland	1948	1976	28
TVS Motor Company	1978	2000	22
Maruti Suzuki	1981	2003	22
Hero Motorcorp	1984	2003	19
Ola Electric**	**2019**	**2024**	**5**
New-age companies			
PB Fintech	2008	2021	13
Zomato	2008	2021	13
Cartrade	2009	2021	12
Delhivery	2011	2022	11
Nykaa	2012	2021	9
Honasa (Mamaearth)	2016	2023	7

Source: Company, Industry, JM Financial; * whichever is earlier, ** Year of demerger from ANI Technologies

APPENDIX I

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Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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Rating	Meaning
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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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