

Automobiles

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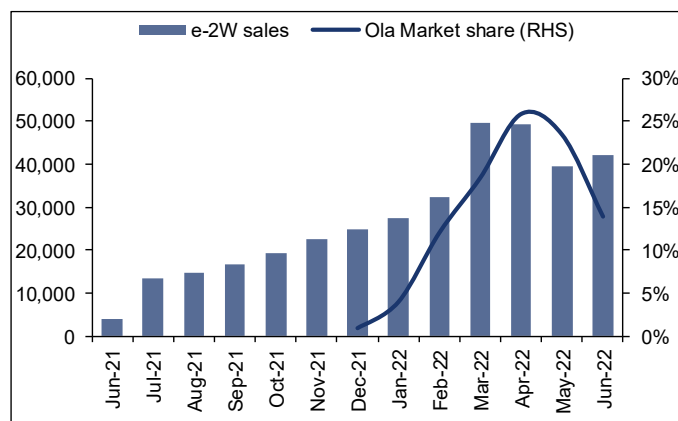
Ola Electric

UNRATED

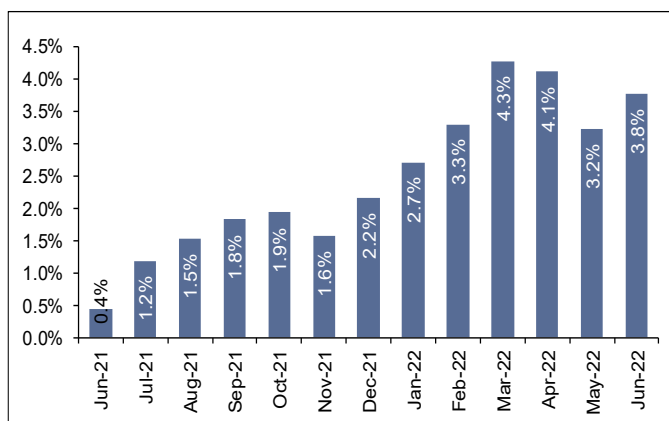
Set to lead India automotive electrification movement

We attended the investor meet organised by Ola Electric at its 'Futurefactory' in Krishnagiri, Tamil Nadu. Following are the key takeaways: a) Being built on a total area of 500 acres, this facility will eventually have annual manufacturing capacity of 10mn 2Ws, 1mn PVs and 100GWh of battery cells. b) Will start with 20GWh initial cell capacity with 60% localisation to cater to near-term needs as against being fully dependent on LG Chem for battery cells currently. c) Will launch a mass market e-scooter later this year followed by a premium e-bike in CY23 and mass market e-bike in CY24. d) Will spend US\$100mn on R&D activities involving 200 researchers, including the battery innovation centre, which is expected to be ready by CY22-end. e) The plant is currently operating with daily capacity of 1.5k units, employing ~2,000 women workers. f) Ola will focus on the key drivers of design, technology and performance and will continue on its lean dealer-less distribution model. g) The 'Futurefactory' currently operates with 3,000 robots enabled by artificial intelligence across functions like battery pack assembly, vehicle assembly, welding processes, painting, etc.

- ▶ **Plans to tap a larger addressable market beyond domestic scooters:** Through the 'Futurefactory', Ola plans to tap domestic 2Ws and not restrict itself only to e-scooters. With conviction of full electrification in next five years (including bikes), it will be launching e-bikes from CY23. Ola is also planning a 1mn p.a. capacity PV facility within the 'Futurefactory' space. We believe, with India being at the cusp of gradual electrification across personal mobility segments from ICE (TAM of 13.5mn 2W market and ~3mn PV market), it is currently too early to envisage capacities of the scale of 10mn and 1mn in 2Ws and PVs respectively. *We believe, a successful automobile brand in India needs all of the following requisites: a) favourable running cost economics; b) attractive capital cost with due longevity of the vehicle; c) better than peer resale value; d) design features of the vehicle being in sync with taste of the market; and e) hassle-free servicing. With large incumbents satisfying these criteria for decades, we believe it would be a long journey for Ola to create a sustainable impact as against making a quick impact in the space through disruption and gain market share.*
- ▶ **Setting up a sustainable and efficient supply chain:** Ola currently sources its battery cells from LG Chem at ~US\$150/kWh and is aiming to make cells internally in a year's time, taking the cost down by ~30%. A 23kg-heavy battery pack contains 224 cells and a BMS system (manufactured by Foxconn) other than thermal management systems, sandwiched together. With volumes scaling up and new models to diversify the portfolio, we believe Ola would follow a multi-vendor policy for key components, e.g. drive motors. Company is looking forward to benefit from its integrated supply chain/procurement for its 2Ws and PVs. *We believe Ola is moving in the right direction w.r.t. procurement and that, with time, a robust supply chain with the excellent manufacturing/assembling capability in the upcoming Futurefactory, would help deliver desirable returns as the business scales up, ahead.*
- ▶ **Beyond conventional mobility business:** Ola has plans to enter areas like vehicle financing, vehicle insurance, location services and robo-taxis ahead, in order to grab a pie of the market opportunity associated with the core EV-making business. *We believe, the company has targeted every addressable area of doing the business and thus we have evaluated the TAM in excess of US\$1trn. It is therefore time for efficient tapping of the huge opportunity, paving the way for India automotive electrification and briskly moving beyond selling ~10k units of S1 Pro a month currently.*

Chart 1: Ola Electric continues to gain market share with monthly sales of ~10k units

Source: Vahan, I-Sec research

Chart 2: Industry mix of e-2Ws improving MoM apart from a small decline in May'22

Source: Vahan, I-Sec research

Table 1: 2W – EV retail monthly sales trends

No	OEM	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
1	Ampere	268	657	797	785	1,046	1,990	3,343	4,220	4,305	6,341	6,541	5,836	6,534
2	Ather Energy	319	1,799	1,612	2,175	2,648	2,200	1,809	1,881	2,233	2,233	2,451	3,338	3,797
3	Bajaj Auto	176	728	796	377	748	728	642	611	1,314	827	1,122	1,725	1,781
4	Hero Electric	1,202	4,223	5,173	6,292	6,368	7,023	6,057	7,764	7,360	13,029	6,578	2,851	6,486
5	Okinawa	959	2,580	2,855	3,266	4,083	5,370	6,098	5,614	5,925	8,284	11,012	9,303	6,976
6	Ola Electric							238	1,105	3,908	9,140	12,703	9,253	5,869
7	PUR energy	460	1,317	1,094	1,337	1,399	1,686	1,684	1,690	1,427	2,066	1,757	1,466	1,125
8	Revolt	59	317	844	499	900	779	834	673	1,128	1,410	1,240	1,586	2,419
9	TVS Motor	208	648	650	688	486	508	1,099	1,111	1,482	2,269	1,420	443	1,936
Total e2Ws		4,073	13,392	14,911	16,671	19,263	22,471	24,725	27,588	32,459	49,640	49,188	39,516	42,172

Source: Vahan, I-Sec research

Table 2: 2W – EV retail monthly market share trends

No	OEM	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
1	Ampere	6.6%	4.9%	5.3%	4.7%	5.4%	8.9%	13.5%	15.3%	13.3%	12.8%	13.3%	14.8%	15.5%
2	Ather Energy	7.8%	13.4%	10.8%	13.0%	13.7%	9.8%	7.3%	6.8%	6.9%	4.5%	5.0%	8.4%	9.0%
3	Bajaj Auto	4.3%	5.4%	5.3%	2.3%	3.9%	3.2%	2.6%	2.2%	4.0%	1.7%	2.3%	4.4%	4.2%
4	Hero Electric	29.5%	31.5%	34.7%	37.7%	33.1%	31.3%	24.5%	28.1%	22.7%	26.2%	13.4%	7.2%	15.4%
5	Okinawa	23.5%	19.3%	19.1%	19.6%	21.2%	23.9%	24.7%	20.3%	18.3%	16.7%	22.4%	23.5%	16.5%
6	Ola Electric							1.0%	4.0%	12.0%	18.4%	25.8%	23.4%	13.9%
7	PUR energy	11.3%	9.8%	7.3%	8.0%	7.3%	7.5%	6.8%	6.1%	4.4%	4.2%	3.6%	3.7%	2.7%
8	Revolt	1.4%	2.4%	5.7%	3.0%	4.7%	3.5%	3.4%	2.4%	3.5%	2.8%	2.5%	4.0%	5.7%
9	TVS Motor	5.1%	4.8%	4.4%	4.1%	2.5%	2.3%	4.4%	4.0%	4.6%	4.6%	2.9%	1.1%	4.6%
Share of total 2Ws		0.44%	1.18%	1.53%	1.82%	1.93%	1.57%	2.15%	2.71%	3.29%	4.28%	4.11%	3.23%	3.77%

Source: Vahan, I-Sec research

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