

May 15, 2023

Ola Electric Technologies Private Limited: Update on Material Event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term - Fund-based Term Loans	750.0	750.0	[ICRA]A (Stable)
Long-term Interchangeable Letter of Credit	(340.0)	(340.0)	[ICRA]A (Stable)
Long term/ Short-term Fund Based Limits/ Non-Fund based Limits	1,061.0	1,061.0	[ICRA]A (Stable)/[ICRA]A1
Long-term/ Short-term Unallocated Limits	76.0	76.0	[ICRA]A (Stable)/[ICRA]A1
Total	1,887.0	1,887.0	

*Instrument details are provided in Annexure-1

Rationale

Ola Electric Technologies Private Limited (Ola Electric), via a public announcement on May 4, 2023, in the context of the ongoing developments related to its compliance with the Faster Adoption and Manufacturing of Electric Vehicles (FAME) II guidelines, while setting aside the technicalities, indicated that it has decided to reimburse the cost of the electric two-wheeler (e2W) chargers to all its eligible existing customers.

This announcement was made against the backdrop of recent discussions between leading e2W manufacturers and the Ministry of Heavy Industries (MHI), Government of India, regarding a complaint that by pricing chargers (and in some cases software updates) as an additional component of the vehicle price, manufacturers were in violation of FAME II norms. Amidst these allegations, MHI had held back the subsidies due under FAME II over the past few months, leading to sizeable increase in working capital blockage for Original Equipment Manufacturers (OEMs). In addition to the decision to reimburse the cost of the charger to eligible customers, the company has also decided to start including the price of the charger within the ex-factory price of the vehicle going forward.

ICRA notes that the aforementioned reimbursement is likely to amount to ~Rs. 130 crore for Ola Electric. The company continues to have adequate liquidity as on date, which should be more than sufficient to fund the reimbursements. In addition, with uncertainty regarding the compliance with FAME II guidelines ebbing, the company's liquidity position is expected to improve over the near term, following the receipt of subsidy.

In ICRA's opinion, the decision to include the price of the charger with the ex-factory price impacts the company's realisations and profitability adversely; nonetheless, the company has been working on lowering cost of production through value engineering initiatives as well as localisation of key components, which may help offset the impact to an extent. Accordingly, ICRA will continue to monitor the company's ability to scale-up volumes aided by new model launches amid rising competition, and achieve break-even, which would remain critical in helping it maintain a healthy credit profile.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, the liquidity position, rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Two-Wheeler Manufacturers
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Ola Electric Mobility Private Limited (OEMPL). As on November 30, 2022, OEMPL had nine subsidiaries (including step-down subsidiaries), including Ola Electric, who are all enlisted in Annexure-2.

About the company

Incorporated in January 2021, Ola Electric was set-up to design, manufacture and sell e2Ws. It is positioned as the leading player in the e2W segment in India (market share of ~21% in FY2023¹). The company has set up a state-of-the-art plant in Tamil Nadu, India, with a targeted annual production capacity of 2 million e2Ws (to be developed in phases over the medium term). Ola Electric is a 100% subsidiary of OEMPL, a start-up company in the electric vehicle (EV) manufacturing and e-mobility space. The start-up has raised ~\$652 million equity over the past three years from reputed investors like SoftBank, Tiger Global Capital, Matrix Partners, and Falcon Edge Capital, etc. It is part of the Ola Group promoted by Mr. Bhavish Aggarwal, which is also present in the ride sharing (through ANI Technologies Private Limited) space.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
	Type	Amount rated (Rs. crore)	Amount outstanding as of Nov 30, 2022 (Rs. crore)	Date & rating	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				May 15, 2023	Dec 23, 2022	Nov 3, 2021	-
1 Term Loans	Long term	750.0	521.0	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	-
2 Non-Fund based Limits	Long term	(340.0)	168.0	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	-
3 Fund Based Limits/ Non-Fund based Limits	Long term and short term	1,061.0	-	[ICRA]A (Stable)/[ICRA]A1	[ICRA]A (Stable)/[ICRA]A1	-	-
4 Unallocated Limits	Long term and short term	76.0	-	[ICRA]A (Stable)/[ICRA]A1	[ICRA]A (Stable)/[ICRA]A1	-	-

¹ As per retail sales reported on VAHAN dashboard

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term Term Loans	Simple
Long-Term Non-Fund based Limits	Very Simple
Long term/ Short-term Fund Based Limits/ Non-Fund based Limits	Simple
Long-term/ Short-term Unallocated Limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan-I	2021	-	2031	400.0	[ICRA]A (Stable)
NA	Term Loan-II	2021	-	2031	350.0	[ICRA]A (Stable)
NA	Non-Fund based Limits	NA	NA	NA	(340.0)	[ICRA]A (Stable)
NA	Fund Based Limits/ Non-Fund based Limits	NA	NA	NA	1,061.0	[ICRA]A (Stable)/[ICRA]A1
NA	Unallocated Limits	NA	NA	NA	76.0	[ICRA]A (Stable)/[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Ola Electric Technologies Private Limited	100% (Rated Entity)	Full consolidation
Ola Electric Charging Private Limited	100%	Full consolidation
Ola Electric Mobility B.V.	100%	Full consolidation
Ola Electric Mobility Inc.	100%	Full consolidation
Etergo B.V.*	100%	Full consolidation
Etergo Operations B.V.**	100%	Full consolidation
Ola Electric UK Private Limited***	100%	Full consolidation
Ola Cell Technologies Private Limited	100%	Full consolidation
Ola Electric Technologies B.V.***		

Source: company; *Wholly owned subsidiary of Ola Electric Mobility B.V., ** Wholly owned subsidiary of Etergo B.V.

***Subsidiary of Ola Electric Mobility B.V.

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Branches



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