December 13, 2024

Ola Cell Technologies Private Limited: Ratings reaffirmed; outlook revised to Negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	1,910.00	1,910.00	[ICRA]BBB (Negative); reaffirmed; outlook revised to Negative from Stable
Short-term – Interchangeable – Others	(22.00)	(22.00)	[ICRA]A3+; reaffirmed
Short-term – Interchangeable – Letter of credit	(1,100.00)	(1,100.00)	[ICRA]A3+; reaffirmed
Total	**1,910.00**	**1,910.00**	

**Instrument details are provided in Annexure-I*

Rationale

The revision in outlook to Negative from Stable for OCTPL's ratings factor in the revision in outlook on the parent entity (OEML; ICRA has taken a consolidated view of OEML and its subsidiary Ola Electric Technologies Private Limited (OETPL)), led by increased competitive intensity and a longer than expected road to profitability. Even as OCTPL achieved commercial production for 1.4-GWh capacity in March 2024, the integration of the battery cells in the Group's products is likely to commence in Q1 FY2026. OCTPL, thus, remains exposed to risks of timely execution, demand/offtake, supply chain and technology obsolescence. However, in this regard, the group's demonstrated track record of setting up manufacturing facilities in a time bound manner (Ola Futurefactory and first phase of Ola Gigafactory), expectation of healthy captive offtake from Ola Electric Group and chemistry agnostic nature of the capacity being setup at Ola Gigafactory mitigates the risks to an extent. The battery cell manufacturing segment is highly technologically complex and has significant dependence on imports for sourcing raw materials, which exposes the project to geopolitical and region-specific risks for raw materials. In this regard, the company's in-house capabilities (wherein the company has been working on development of the cell in its battery innovation centre for the past two years), and expected, captive offtake from Ola Electric Group mitigates the risks to an extent. It is also expected to witness competition from imports and other players who have invested in lithium-ion cell manufacturing in India.

The ratings reaffirmation continues to factor in the strong operational and financial support enjoyed by OCTPL from its parent entity, OEML, which holds 100% stake in OCTPL. OEMPL, raised ~Rs. 5,500 funds via IPO launched in August 2024, thereby leading to adequate liquidity, healthy capitalisation and moderate reliance on external borrowings for the group. The company had invested ~Rs. 1,200 crore as of September 2024 since inception of the project, with capacities for 1.4 GWh lithium-ion cell manufacturing capacity already established and capacity expansion till 5 GWh underway in Krishnagiri, Tamil Nadu; the plant would act as a captive battery cell manufacturer for the Ola Electric Group (OETPL is the current market leader in the Electric two-wheeler segment) for the foreseeable future. The company has completed the first phase – 1(a) operations with 1.4GWh manufacturing capacity and plans to further expand to 5GWh by FY2025 end as a part of phase – 1(b); in the second phase, the company plans to expand the scale to 20GWh by CY2027. The company has capex plans of ~Rs. 2,200.0 crore for FY2024-FY2025, which is expected to be funded through a mix of debt and equity; the group has also raised funds in the IPO to aid a ramp up in the capacity to 6.4 GWh. The parent entity OEMPL has provided a corporate guarantee for the project debt.

The ratings continue to favourably factor in the early mover advantage for the company in setting up lithium-ion cell manufacturing plant, with a gradual increase in penetration of electric vehicles (EVs) over the medium to long term expected to support the company's offtake prospects. While India is one of the larger automobile markets globally, EV industry is still nascent. However, there has been a strong push by both the Central and state governments for faster adoption of EVs, especially in recent years. The company has also unveiled the cell being produced, which is a 4680-format cell, which is targeted to be more energy dense with faster charging capabilities and higher power output vis-à-vis the currently used battery cell. The ratings also consider the project's eligibility under ACC-PLI scheme to receive subsidy benefits, which are expected to support project return metrices once operations ramp up; ICRA however notes that the ability of the company to achieve the desired production and domestic value addition levels to be eligible for the subsidy benefits remain to be seen. Any delay in ramping up the operations may lead to penalty in the subsidy under ACC-PLI scheme and remains a monitorable; the group's funding plans to further ramp up in capacity for the cell plant also remain to be seen.

Key rating drivers and their description

Credit strengths

Strong parentage; access to operational and financial support – OCTPL enjoys strong operational and financial support from its parent entity, OEML, which holds 100% stake in the company. OEML has raised ~Rs. 5,500 crore via IPO launched in August 2024, thereby leading to adequate liquidity, healthy capitalisation and moderate reliance on external borrowings for the Group. The company had invested ~Rs. 1,200 crore as of September 2024 since the inception of the project, with capacities for 1.4-GWh lithium ion cell manufacturing capacity already established and capacity expansion till 5 GWh underway in Krishnagiri, Tamil Nadu, The company has completed the first phase – 1(a) operations with 1.4 GWh manufacturing capacity and plans to further expand to 5 GWh by FY2025 end as a part of phase – 1(b); in the second phase, the company plans to expand the scale to 20 GWh by CY2027. The company has capex plans of ~Rs. 2,200.0 crore for FY2024-FY2025, which are expected to be funded through a mix of debt and equity. The Group has also raised funds in the IPO to aid a ramp-up in the capacity to 6.4 GWh.

Early-mover advantage in lithium-ion cell manufacturing; favourable demand outlook for EVs – Given the medium to long-term demand prospects for EVs, domestic auto OEMs and ancillaries are investing in developing a local vendor ecosystem, and OCTPL is one of the early movers in lithium-ion cell manufacturing in India. The company is setting up a 5 GWh lithium-ion cell manufacturing facility at Krishnagiri, Tamil Nadu, with plans to further enhance the capacity to 20 GWh by the end of CY2027. The company would act as a captive cell manufacturer for the Ola Group. While India is one of the larger automobile markets globally, the EV industry is still nascent. However, there has been a strong push by both the Central and state governments for faster adoption of EVs, especially in recent years. The favourable EV demand prospects are likely to support a ramp-up in the company's scale of operations over a medium term.

Eligibility under ACC-PLI scheme to support project return metrices – OCTPL was awarded benefits for the 20 GWh battery unit under the ACC-PLI scheme, wherein the company is eligible for subsidy on the basis of percentage of value-addition every year, for a period of five years starting from FY2025. Even as the ability of the company to achieve the desired production and domestic value addition levels remain to be seen, the availability of healthy subsidy benefits is expected to support the project return metrics to an extent over a medium term.

Credit challenges

Sizeable capex plans over medium term – The company had invested ~Rs. 1,200 crore as of September 2024 since inception of the project, with capacities for 1.4-GWh lithium-ion cell manufacturing capacity already established and capacity expansion till 5 GWh underway in Krishnagiri, Tamil Nadu. The company has completed the first phase – 1(a) operations with 1.4 GWh manufacturing capacity and plans to further expand to 5 GWh by FY2025 end as a part of phase – 1(b); in the second phase, the company plans to expand the scale to 20 GWh by CY2027. The company has capex plans of ~Rs. 2,200.0 crore for FY2024-FY2025, which is expected to be funded through a mix of debt and equity; the group has also raised funds in the IPO to aid a ramp up in the capacity to 6.4 GWh.

Project exposed to risks of execution, demand/offtake, supply chain and technology obsolescence – Even as the project has completed phase 1 (a) and established 1.4 gWh capacity, it remains exposed to risks of timely execution of subsequent expansion phases, demand/offtake, supply chain and technology obsolescence. The battery cell manufacturing segment is highly technologically complex and has significant dependence on imports for sourcing raw materials, which exposes the project to geopolitical and region-specific risks. Also, there are risks on the offtake front, given that EV penetration is still in the nascent stages. However, in this regard, the group's demonstrated track record of setting up manufacturing facilities in a time bound manner (Ola Futurefactory and first phase of Ola Gigafactory), expectation of healthy captive offtake from Ola Electric Group and chemistry agnostic nature of the capacity being setup at Ola Gigafactory mitigates the risks to an extent. ICRA notes that the company is investing in lithium-ion cell technology. Though the company has plans to develop future technologies going forward, emergence of alternative battery technologies remains a monitorable.

Exposed to competitive risks – The company may face competition from imports and other players who have invested in lithium-ion cell manufacturing in India. The relatively high capital intensity involved, OCTPL's early-mover advantage, its strong parentage and captive consumption of batteries by the Group company are expected to mitigate the risk to an extent.

Liquidity position: Adequate

OCTPL's liquidity is expected to remain adequate, supported by periodic infusion of funds from its parent, OEML, and undrawn term loan of ~Rs. 1,288.0 crore as of September 2024. The company had unencumbered cash and liquid investments of ~Rs. 1,335 crore as on September 30, 2024, which was supported by funds infused by the parent entity (which raised funds via a successful IPO). While it has significant capex plans of ~Rs. 1,800.0 crore for FY2025, which is expected to be funded through a mix of equity from OEMPL and debt, its repayment obligations are expected to commence only from Q1 FY2027. OEMPL is expected to extend timely and adequate financial support to OCTPL, as and when required.

Rating sensitivities

Positive factors – Timely ramp-up in operations of the battery cell manufacturing plant, with the desired domestic value addition levels, would remain critical for a change in outlook to Stable. An improvement in the credit profile of the parent could also lead to a favourable transition.

Negative factors – The ratings could be downgraded, if there is any weakening in the parent's credit profile or linkages with the parent. Additionally, pressure on ratings could arise if there is any significant time or cost overruns, delay in ramp-up upon commencement of operations, thus weakening debt metrics or liquidity position.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	The ratings assigned to OCTPL factors in the very high likelihood of its parent entity, OEML, extending financial support to it because of the close business linkages between them. ICRA also expects OEML to be willing to extend financial support to OCTPL, out of its need to protect its reputation from the consequences of a Group entity's distress.
Consolidation/Standalone	Standalone

About the company

Ola Cell Technologies Private Limited (OCTPL) is a 100% subsidiary of Ola Electric Mobility Limited (OEML). OCTPL was incorporated in July 2022 and is setting up a lithium-ion cell manufacturing facility in Krishnagiri, Tamil Nadu, which would act as a captive battery cell manufacturer for the Ola Group. In the first phase – 1(a) OCT has established operations with 1.4 gWh which can commence mass production as of November 2024. The cells produced from the plant had acquired BIS certification and are under homologation phase with OETPL. OCTPL expects to integrate its cells with OLA e2Ws by Q1 FY2026, post which production is expected to ramp up. OCTPL is also undertaking expansion phase 1 (b) where manufacturing capacity is being enhanced to 5 gWh from 1.4 gWh. The company plans to expand manufacturing capacity up to 20 gWh under future phases.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	0.0	2.8
PAT	(13.8)	(65.2)
OPBDIT/OI	-	-2195.7%
PAT/OI	-	-2335.1%
Total outside liabilities/Tangible net worth (times)	3.3	1.6
Total debt/OPBDIT (times)	0.0	(4.9)
Interest coverage (times)	-	-

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Dec 13, 2024	Date	Rating	Date	Rating	Date	Rating
Fund Based-Term Loan*	Long term	1910.0	**[ICRA]BBB (Negative)**	30-Nov-23	[ICRA]BBB (Stable)	-	-	-	-
Interchangeable-Others	Short term	(22.00)	**[ICRA]A3+**	30-Nov-23	[ICRA]A3+	-	-	-	-
Interchangeable-Letter of Credit	Short term	(1100.0)	**[ICRA]A3+**	30-Nov-23	[ICRA]A3+	-	-	-	-

**Term loan is sanctioned but not yet disbursed*

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term-Fund Based-Term Loan	Simple
Short Term-Interchangeable-Others	Very Simple
Short Term-Interchangeable-Letter of Credit	Very Simple

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	**Fund Based-Term Loan**	FY2024	-	FY2034	1910.00	[ICRA]BBB (Negative)
NA	**Interchangeable-Others**	-	-	-	(22.00)	[ICRA]A3+
NA	**Interchangeable-Letter of Credit**	-	-	-	(1100.00)	[ICRA]A3+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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