ICRA

May 01, 2025

Ola Cell Technologies Private Limited: Ratings downgraded to [ICRA]BBB- (Negative)/[ICRA]A3

Summary of rating action

Instrument*	Previous rated amount (Rs. Crore)	Current rated amount (Rs. Crore)	Rating action
Long-term – Fund-based – Term loan	1910.0	1910.0	[ICRA]BBB- (Negative); downgraded from [ICRA]BBB (Negative)
Short-term – Non-fund based – CEL (sub-limit)	(22.0)	(22.0)	[ICRA]A3; downgraded from [ICRA]A3+
Short-term – Non-fund based – Letter of Credit (sub-limit)	(1100.0)	(1100.0)	[ICRA]A3; downgraded from [ICRA]A3+
Total	**1,910.0**	**1,910.0**	

**Instrument details are provided in Annexure I*

Rationale

ICRA has taken a standalone view of Ola Cell Technologies Private Limited (OCT) while also factoring in the implicit support that it is likely to draw from its parent, Ola Electric Mobility Limited (OEML), for arriving at the credit ratings, given the strong likelihood of OEML extending financial support to it because of the close business linkages between them.

The downgrade in the long-term rating along with continuation of the Negative outlook factors in the weakening of the credit profile of the parent entity (OEML; ICRA has taken a consolidated view of OEML and its subsidiary, Ola Electric Technologies Private Limited, or OET) due to weakening in performance of OEML's automotive unit, led by increased competitive intensity and a longer than expected road to profitability.

Even as OCT commenced production of batteries with a 1.4-GWh capacity in March 2024, the integration of the battery cells in the Group's products is likely to commence only over the next few quarters. OCT, 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 Future factory and first phase of the Ola Gigafactory), expectation of healthy captive offtake from the Ola Electric Group and chemistry agnostic nature of the capacity being set up 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 developing a cell in its battery innovation center for the past two years) and expected captive offtake from the Ola Electric Group mitigate 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 continue to factor in the strong operational and financial support enjoyed by OCT from its parent entity, OEML, which holds 100% stake in it. OEML raised ~Rs. 5,500 via an IPO (initial Public Offer) launched in August 2024, 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 for another 5 gWh underway in Krishnagiri, Tamil Nadu, which would act as a captive battery cell manufacturer for the Group in the foreseeable future. The company's capex plans towards building capacity are expected to be funded through a mix of debt and equity; the group had also raised funds in the IPO to aid a ramp up in the capacity to 6.4 gWh. The parent entity, OEML, has provided a corporate guarantee for the project debt.

The ratings continue to factor in favourably the early mover advantage for the company in setting up a 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 a large automobile market globally, its EV industry is still at a nascent stage. However, there has been a strong push by both the Central and state governments for faster adoption of EVs, especially in recent years. The ratings also consider the project's eligibility under the ACC-PLI scheme (Advanced Chemistry Cell Production Linked Incentives) to receive subsidy benefits, which are expected to support project return metrices once operations ramp up. The ability of the company to achieve the desired production and domestic value addition levels to be eligible for the subsidy remains to be seen. ICRA notes that the company has received a communication from the nodal agency regarding its non-compliance with the scheme guidelines for the receipt of subsidy benefits under the programme. The management of the company remains in discussions with the agency regarding the same and the outcome remains a monitorable.

Key rating drivers and their description

Credit strengths

Strong parentage; access to operational and financial support – OCT 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 an IPO launched in August 2024, 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 for 5 GWh underway in Krishnagiri, Tamil Nadu. The company has completed its first phase 1(a) operations with 1.4 GWh manufacturing capacity and plans to further expand to 5 GWh in FY2026 as a part of phase 1(b). In the second phase, the company plans to expand to 6.5 GWh by CY2027. The company has capex plans of ~Rs. 1,800.0 crore for FY2025-FY2026, which are expected to be funded through a mix of debt and equity. The Group 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 (Original Equipment Manufacturer) and ancillaries are investing in developing a local vendor ecosystem, and OCT 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, with plans to further enhance the capacity to 6.4 GWh by CY2027. The company would act as a captive cell manufacturer for the Ola Group. While India is a large automobile market globally, the EV industry is still at a nascent stage. 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 the medium term.

Eligibility under ACC-PLI scheme to support project return metrices – OCT was awarded benefits for the 20 GWh battery unit under the ACC-PLI scheme, wherein it became 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 remains to be seen, the availability of healthy subsidy benefits is expected to support the project return metrics to an extent over the medium term.

Credit challenges

Sizeable capex plans over medium term – 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 of 5 GWh underway in Krishnagiri. The company has capex plans of ~Rs. 1,800.0 crore for FY2025- FY2026, 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 at 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 coming up at Ola Gigafactory mitigates the risks to an extent. ICRA notes that the company is investing in lithium-ion cell technology. Though the company plans to develop future technologies, going forward, the 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, OCT'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

OCT's liquidity is expected to remain adequate, supported by a periodic infusion of funds from its parent, OEML, and an undrawn term loan of ~Rs. 1,000.0 crore as of March 2025. While the company has significant capex plans of ~Rs. 1,800.0 crore over FY2025-FY2026, the same is expected to be funded through a mix of equity from OEML and debt. Moreover, its repayment obligations are not expected to commence before Q1 FY2027. OEML is likely to extend timely and adequate financial support to OCT, 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, would remain critical for a change in outlook. An improvement in the credit profile of the parent could also lead to improvement in the ratings.

Negative factors – The ratings could be downgraded, if there is any weakening in the parent's credit profile or in linkages with the parent. Additionally, negative pressure on ratings could arise if there is any material time or cost overrun, delay in ramp up upon commencement of operations, leading to weakening of 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 OCT factors in the very high likelihood of its parent, 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 OCT, 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 is a 100% subsidiary of Ola Electric Mobility Limited. OCT 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 over the medium term. In the first phase 1(a), OCT has established operations with 1.4 gWh. The cells produced from the plant had acquired BIS certification and are under homologation phase with OET. OCT expects to integrate its cells with OLA e2Ws (Electric two-wheelers) in FY2026, following which production is expected to ramp up. OCT is also undertaking expansion of phase 1(b), wherein manufacturing capacity is being enhanced to 5 gWh from 1.4 gWh. The company plans to expand its manufacturing capacity up to 20 gWh under future phases.

Key financial indicators (audited)

OCT (Standalone)	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; Amount 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

	Current (FY2026)				Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long-Term	1910.0	May 01, 2025	[ICRA]BBB- (Negative)	Dec 13, 2024	[ICRA]BBB (Negative)	Nov 30, 2023	[ICRA]BBB (Stable)	-	-
Non-fund based - CEL (Sub-limit)	Short-Term	(22.0)	May 01, 2025	[ICRA]A3	Dec 13, 2024	[ICRA]A3+	Nov 30, 2023	[ICRA]A3+	-	-
Non-fund based - Letter of Credit (Sub-limit)	Short-Term	(1100.0)	May 01, 2025	[ICRA]A3	Dec 13, 2024	[ICRA]A3+	Nov 30, 2023	[ICRA]A3+	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-Term – Fund based - Term Loan	Simple
Short-Term -Non-fund based - CEL (Sub-limit)	Very Simple
Short-Term - Non-fund based - Letter of Credit (Sub-limit)	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	Long-Term – Fund based - Term Loan	FY2024	NA	FY2034	1910.0	[ICRA]BBB- (Negative)
NA	Short-Term -Non-fund based - CEL (Sub-limit)	NA	NA	NA	(22.0)	[ICRA]A3
NA	Short-Term - Non-fund based - Letter of Credit (Sub-limit)	NA	NA	NA	(1100.0)	[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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