Date: August 15, 2024

To,
National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051
NSE Scrip Symbol: OLAELEC

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001
BSE Scrip Code: 544225

Subject: Transcript of the Audio recording with the analysts and institutional investors on the unaudited financial results (consolidated and standalone) for the quarter ended June 30, 2024

Dear Sir/ Ma'am,

In continuation to our letter dated August 09, 2024 and pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed herewith is the transcript of the audio recording of the call with analysts and institutional investors held on August 14, 2024 on the unaudited financial results (consolidated and standalone) of the Company for the quarter ended June 30, 2024.

The above-mentioned transcript is also available on the website of the Company at https://cdn.olaelectric.com/sites/evdp/pages/investor/financials/olaelectric_earnings_aug14_2024_vf.pdf

Kindly take the same on record.

Thanking You,

For Ola Electric Mobility Limited

PRAMENDRA TOMAR

Digitally signed by PRAMENDRA TOMAR
Date: 2024.08.15 13:57:31 +05'30'

Pramendra Tomar
Company Secretary and Compliance Officer
Membership No. – F5999

"Ola Electric

Q1 FY25 Results Conference Call"

August 14, 2024

MANAGEMENT: **MR. BHAVISH AGGARWAL – FOUNDER, CHAIRMAN AND MANAGING DIRECTOR – OLA ELECTRIC**
MR. HARISH ABICHANDANI – CHIEF FINANCIAL OFFICER – OLA ELECTRIC
MR. ABHISHEK CHAUHAN – SENIOR MANAGER, CORPORATE COMMUNICATIONS – OLA ELECTRIC

Moderator: Ladies and gentlemen, good day and welcome to the Ola Electric Q1 FY25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Chauhan from Ola Electric. Thank you and over to you, sir.

Abhishek Chauhan: Thank you. Ladies and gentlemen, we are pleased to welcome you all to Ola Electric's first earnings call where we discuss its financial results for the quarter one of the financial year 2025. From Ola's management today, we have Mr. Bhavish Aggarwal, the Founder, Chairman and Managing Director along with Mr. Harish Abhichandani, the Chief Financial Officer.

I now hand over the conference to Mr. Bhavish Aggarwal. Thank you and over to you.

Bhavish Aggarwal: All right. Hello, everybody. This is our first earnings call as a public company, so we're all very excited about sharing updates with all of you. And I'm just looking at your names, looks like some people that I also know, so good to see all of you. We've released the press release, we've put up the statutory financials and we've also put out a presentation on our website. So I will just walk you through some thematic updates and I'm happy to do a Q&A at the end of it.

So if you see some key metrics for this quarter, overall this quarter has actually been an important quarter in terms of both growth as well as profitability, as well as some key initiatives that have continued to mature well. Key metrics, if you look at our total income, we had INR1,718 crores in this quarter. It's the highest ever, year-on-year about 34% growth.

We had a good number of deliveries of 1.25 lakhs through the quarter, a 77% growth over last year. Adjusted growth margins were about 21.94%, again about 873 bps higher year-over-year. This quarter also, we had a very good market share performance. Almost one in two electric two-wheelers sold in India was an Ola vehicle, 48.6%. And our EBITDA margin also, consol EBITDA margin, went up to negative 7.6%, about a 660 bps improvement.

Now this quarter onwards -- and this is the first quarter result that we're publishing, we have also started showing a segment view of our business. There are two segments. Obviously we show the consol. view, we continue to show that, but we have the automotive segment and the cell segment. And in our discussions with many of you analysts through the process, we realized that people wanted to understand the two types of businesses separately. So we decided to share more information with all of you, so that you can see the health of each individual business.

And I'm actually very happy to share with you the numbers on the automotive segment if you see the financials. We have made significant EBITDA improvements there, segment EBITDA. Our segment EBITDA is now negative 2%, which is just on the cusp of a positive point and this has improved, I think, quarter on quarter, about 7 percentage points.

Some key operating highlights, firstly on growth. Like I mentioned, we have a strong market share in this quarter, 49%. Market share numbers will move up and down to the next few quarters as the industry evolves. But another good sign is our overall volumes continue to grow, our highest ever volumes.

And a very important point that I want to share with all of you is, while the volumes have grown, we have also grown both the category of products, the premium products and the mass market products. Mass market is roughly what you would think of as sub INR1 lakh products. And in our data, we have the numbers of premium deliveries as well as mass market deliveries. So you'll see the split of that.

And you'll see that while our mass market scooters have grown, our premium has also continued to remain steady and actually slightly inch forward. So that's a sign of a deepening penetration in the market. Our mass market products are reaching out to parts of the country, upcountry markets, etcetera, where probably the premium products were slightly costlier for the consumers.

It also, like I said, shows a growing industry penetration. If you look at July, which is the latest month, right after this quarter, the numbers are probably through the Vahan portal. The E2 wheeler industry penetration grew to about 7.4% in July. This is across all categories of two wheelers. And within scooters, the penetration has gone up to 21% in July. So almost higher than 1 in 5 scooters sold in the country now is electric.

And actually there are 9 key states which include big states like Maharashtra, Karnataka, and UP, where the scooter -- electric penetration is now upwards of 30%, which is a very important milestone. One in three vehicles almost is an electric scooter there. And like I mentioned, with our mass market portfolio, we are seeing an early uptick in upcountry, Tier 3, Tier 4 markets also.

On the theme of growth, one important point I want to highlight to everybody on this call is that, we are launching our motorcycle portfolio tomorrow. Tomorrow is our anniversary of product launch event, 15th August, India Independence Day. But I would like to share some highlights with all of you today. And remaining, you'll have to see the event tomorrow. We are launching a portfolio of motorbikes across premium and mass market categories.

And these will be available for delivery soon enough within this financial year. So remaining details, you will see tomorrow. But this week, we believe the next big frontier for EV penetration and EV growth in India is going to be the motorbikes. As many of you would know, motorbikes account for about two-thirds of the Indian two-wheeler market. So it's a very important step that this company is undertaking. And we have a bunch of announcements in more detail lined up for this tomorrow.

Now moving on from the theme of growth into profitability, there are two highlights here I would like to give you. The adjusted gross margins of the company have improved both quarter on quarter and year on year and this is -- by the way, despite a reduction in paying subsidy in this quarter since actually through the last year, our gross margins have improved because primarily our Gen 2 platform, which we had announced in August last year and then through the last six-eight months, it has ramped up production with the latest being the S1X products, which came into deliveries only in this quarter, Q1 of FY25.

So with the Gen 2, we've been able to reduce our form cost and as a result, you see the improvements in adjusted gross margins. In addition to that, we've also seen an improvement in overall EBITDA margins, almost 670 basis points. And specifically within that, the automotive segment, which is primarily the large part of this company right now, is almost EBITDA break-even.

And we've done this by, we've reduced some part of our direct and indirect cost structure beyond the vehicle form. And we've also used some technology around AI and digitization to reduce our distribution costs. Moving ahead into some key operating highlights, specifically around the cell, which has been one of the areas of interest for many of you, I'm happy to announce and share that the phase 1A of the Gigafactory was completed by the end of March 2024.

And that was 1.4 GWh. And now we are producing cells. We've produced more than 30,000 cells since then already and ramping up month by month. These cells will get into our, will get integrated into our products by Q1 of FY26. And that is an important milestone because that will help both profitability as well as getting critical mass for our cell Gigafactory to further then in the future expand into adjacencies like energy storage, et cetera. Another important milestone that we crossed in this quarter for our cell segment was that we received the BIS certification in May.

BIS certification is an important milestone in getting the cell production ready and certifying all the key specifications of the cell. You'll also see in the presentation if you guys have that, a very nice visual of our cell and some key specs. The fact that it's 5X energy than a 2170 format cell which we use right now.

And most companies use that in their vehicles. We get longer range in this cell vis-a-vis the current 2170 cells. And this IP has been built by this company through its R&D efforts. More than 70 patents have been filed in the engineering and production of this cell. Now, some operating highlights just to summarize it for all of you. Important progress on growth with the best market share, highest volumes, highest revenue, improvements year on year, as well as a very important progress this quarter on profitability due to our Gen 2 platform coming to maturity S1X launching, that's leading to penetration and both adjusted gross margins and EBITDA margins reaching to improved levels.

And specifically, automotive segment EBITDA margins getting to almost breaking. So with that, I think I will end my remarks. There are in the presentation some financials, consolidated and automotive, which I'm not covering, which I'll leave for you guys to look at. Now, Harish and I are happy to answer any questions you have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead. Chandramouli, the line for you has been unmuted. You may proceed with your question. As there's no response from the current participant, we will move to the next question, which will be from the line of Gunjan from Bank of America. Please go ahead.

Gunjan: Hi. Thanks, team, for taking my questions and congratulations on the listing. I also, you should mention that it's good to have the segmental reporting. This is something that was very much on top of our mind because otherwise we can't assess the difference between the auto and the battery business profitability. So it's nice to have that and I hope that continues through. Now, two questions. Firstly, on the margin side, could you also help us understand how does the gross margin profile stand when these subsidies, both PLI as well as EMPS?

Bhavish Aggarwal: Sure, Gunjan. Good to have you here, Gunjan. Our goal is providing segmented financial lists for that. All of you can understand the business in more granularity. As you can see, the automotive business is actually in decent shape. Now, if I on the margin if you think of the two subsidies one is FAME and one is Auto PLI. We don't yet accrue anything from the Cell PLI, which is the PLI we are part of.

The FAME subsidy is about INR10,000 a vehicle. Maybe we have INR1,000 here and there for this quarter. This quarter was the changeover from FAME to EMPS and there was some old backup, maybe INR11,000 or so.

So that would be about 8-10 points of margin there. And then PLI we are recognizing right now for S1 Pro and S1 Air not S1 X. So what we recognize is whichever product gets it, I think at least we recognize about 30%. So you assume maybe on 50%-55% of revenue you will get 30%.

Gunjan: Okay. So fair to assume that roughly around 14%, so 8%, maybe 8%-10% on the EMPS and another 6%-7% on the PLI would have accrued in this quarter.

Bhavish Aggarwal: Yes. [inaudible 0:13:51]

Gunjan: And from here on if I just think about the margin trajectory what are the other cost levers from the next 12-18 months perspective what can really kick in in terms of either cost savings or particularly at a time you will also have the bikes kicking in, right? So how do we think about the roadmap of the margins with new product kicking in and anything that you can share in terms of cost improvements yet to kick in?

Bhavish Aggarwal: On the bike specifically Gunjan, the bike is built on the same platform as the scooter which is the Gen 2 platform. So all the key aggregates like electronics and motor and the cell manufacturing processes etcetera all are same. So the supply chains are all the same. Hence the bike starting point will be where the scooter current point is. So even on the manufacturing side there is no real incremental capex installation, unless we have to increase capacity where we are at about a million units installed capacity right now.

There will be some small capex here and there but the major capex will be only for capacity increase because the same, largely the same platform. So the bike will start from similar cost structure on the form cost. The pricing we will see tomorrow so that is the other part of the gross margin equation. On the roadmap of gross margin improvements see there are some there are two or three important themes here which I want to highlight.

Firstly the most, the big mover on gross margin will be our cell -- which will be like I said Q1 of FY26 which is about let's say nine months away that's when a big change in gross margin will happen because that's the next big piece of our vertical integration strategy. Till then there are a few other incremental things on form cost which are reducing through a mix of negotiation with suppliers, different supplier mix, co-location of suppliers co-location to our EV park which reduces the cost of supply to us etcetera. etcetera.

So through a lot of these activities the cost keeps coming down incrementally from here to there and then at that point there is a big change which happens with our own sector.

Gunjan: Okay, got it. Just last question on the battery side 1300 is total money that you've invested how should the sorry, not sure if my voice is echoing but maybe I will just repeat the question. On the battery investment if you can just call out how do we see the investment panning out 1300 done how much more and how phased will it be some thoughts around that?

Harish Abichandani: Hi Gunjan Harish here. On the cell side you will see the segment assets in the regulatory reporting. So that's all covered there. Now going ahead which is a Phase 1B is another implementation which will take us from 1.4 to 5 gigawatts of cumulative capacity in that context the amount that will get invested part of it from the term loan on that. That phase will get completed, around 400 to 500 crores in that phase.

The remaining money will get invested and post that for Phase 2A what we have raised in the IPO which will take it from 5 to 6.4 so that the INR1200-odd crores that you have raised in the IPO will be invested in that and that will obviously be used for further project finance to take it to 10 and beyond.

Gunjan: Okay, got it. I'll join back with you. Thank you so much.

Moderator: Thank you. The next question is from the line of Rishi Vora from Kotak Securities. Please go ahead.

Rishi Vora: Hi, team. Thank you for taking my question and congratulations on the IPO. Just first thing I wanted to understand, I don't know whether you shared it, I joined it a little late but what would be the mix between premium and mass scooters during the current quarter as well as the last quarter? Just directionally, how it has moved?

Bhavish Aggarwal: Rishi, if you see if you have the presentation that we've shared, you will see that in the automotive financials page, you will see the deliveries are across premium and mass. So as you can see premium is still fairly. Out of the 1.25 lakhs, 75,000 was premium and about 49,000 or 50,000 was mass. So premium is actually holding well and mass is continuing to grow.

Last quarter premium was about 65,000, mass was also 49,000. So while mass segment looks flat, I want to share with you that the deliveries in Q4 were from the order backlog of Q3 because Q3 is going to be launched by mass products so you should assume that mass is half of that. So mass products have grown in terms of orders etcetera into Q1.

Rishi Vora: And how has been the acceptance of Ola S1 X. given the price point at which it is being launched and given your mass market motorcycle launch in the coming quarters, how do you think the trajectory of electrification will happen within the motorcycle segment? Do you think will it follow a similar trajectory as scooters or will it be a faster adoption given the learning curve from the electrification in the scooter segment

Bhavish Aggarwal: So you see the first part we actually answered in my opening comments but just to give you a headline we've seen that mass market products have increased penetration and have largely not cannibalized our premium products. Obviously there will be some internal cannibalization here and there but premium has also incrementally grown and mass has added on top of it. So mass products are doing well in upcountry markets even in urban areas where it has helped us grow people into the country the S1X product portfolio 2kWh, 3kWh, 4kWh.

Now moving to motorbikes, motorbikes are built on the same platform so the cost structure is the same and you can directionally expect similar pricing from us for a similar eventual margin that we see in the automotive segment today we will have to obviously see how the market responds but we feel we feel confident that motorcycles will have, because it's two thirds of the overall two wheeler market in India.

So it's a bigger market to tap into and specifically the mass market segment in motorbikes is also fairly utilitarian. People buy ICE motorbikes for their cost not really for, at that price point and maybe at a higher price point people might buy motorbikes for other brand reasons but at the mass segment people buy it largely for utility and cost that's where I believe the EV proposition of lower cost of ownership also will cut through.

I think eventually we will have to see how fast the market grows, but another good thing is compared to three years ago when the EV scooters were just new, now the overall market of two-wheeler consideration, customers is also being educated fairly well about electric. And as we bring in motorbikes, I believe that kind of education will help with a certain accelerated time.

Rishi Vora: Understood. And just last bit on the other expenses, just on a sequential basis, despite uptick in volumes, other expenses are down 12%. So what has driven that decline on cost? Some fixed cost has come down, anything which you would like to highlight?

Bhavish Aggarwal: I am supposing you are referring to operating expenses in the consol financials, so that is -- there is some level of streamlining using technology that we have done on the distribution side. We have also cut down some inefficient source, but we might be adding that back as we add more products out there. But largely it is a continuation of this streamlining of operations using technology. That's the one main theme I would leave you with on operating expenses.

Moderator: The next question is from the line of Chandramouli Muthiah from Goldman Sachs. Please go ahead

Chandramouli Muthiah: Congratulations on the IPO. My first question is just around your longer term vision on where you see electric two-wheeler penetration in India over the next few years? And also related to that, what do you think the industry…

Bhavish Aggarwal: Shall I answer that, Chandra?

Chandramouli Muthiah: Sure, sir. Please go ahead.

Bhavish Aggarwal: Yes. So, Chandra, I think that is an important question. Many people on this call might not have heard us in our roadshows, etcetera. So actually if you look at ICE versus EV, there are multiple opinions and since it is a new domain for India, largely 3 year old only, there is a very important almost like a physics level of a fact, that ICE vehicles keep getting costly because of emissions compliance and ICE fuel, which is petroleum or gasoline derivatives also keep getting expensive due to macro factors, whereas EVs will keep getting cheaper cost because of battery prices continuing to reduce through technology and supply chain innovations and scale.

And electricity also actually -- our Prime Minister has a vision of making electricity free with his solar rooftop. So while that's one scheme, generally electricity will be available and affordable as we go ahead, right. So EVs are only going to get cheaper to buy and cheaper to use, vis-à-vis ICE vehicles, they are only going to get costlier to buy and costlier to use. So this story only ends one way. Question is when and who will be the protagonist in this journey and we hope we are in a position to be that.

But specifically within India, these are more just technological macro themes. Within India, the story for electrification, the main focus area is the two-wheeler ecosystem, that's where we have started our journey from three years ago. And scooters is where we have a good portfolio now and motorbikes is where we are putting our next stride on and we will see very good announcements tomorrow on that.

So we believe -- I wouldn't want to hazard a guess on timelines, but generally the penetration journey will continue with more products being announced. The cost of products continuing to come lower and lower and generally consumer confidence in this new technology increasing. And we have seen that already anecdotally there are people who are buying their 2nd, 3rd electric scooter with OLA. There are people who are -- a reasonable amount of our sales come through customer referrals. So that waterfall is strong and as you guys know we generally don't do much advertising. So a lot of our sales are actually just waterfalls.

Chandramouli Muthiah: Got it. That's helpful. And just as a follow up related to that, you have been a very fast growth company over the past three years as you project out where you think electric scooter sales penetration can be. What are the sort of, you know, volume growth targets that you set for yourself, what sort of volume growth run rates you think the industry can do during the next four to five years when the industry has the tailwind of PLI subsidies?

Bhavish Aggarwal: If you look at penetration right now, scooter is about 20% than in the previous months and I believe that is now going to sustain and grow from here. As other competitors have also launched their EV products whether they make money or not on that is for them to figure. But as they launch and we launch our products and tomorrow you will see more products from us, with more products available. For consumers the consideration for use is only going up and penetration overall 7.5%, scooter 20% maybe in 3-4 years this can be 25%, 30%, 35% again I don't know how the market will play out but that's the general direction.

And the reason I feel confident of that is because two wheelers in India are a mass aam aadmi product and the lower cost of ownership is a very important proposition. And as consumers become comfortable with it, more and more people are adopting it. Now our share in that -- the market share is an outcome of multiple factors. Our focus is on obviously leading this journey as we have over the last three years. We want to focus on getting good products out in the market, being the leaders in getting good products out in the market, a vertically integrated manufacturing strategy so that we are able to meet margins and price them well for consumers in a broadly accessible way.

Competition might be -- they might play pricing, they might want to play their margins. That's up to them. But we believe we have a strong competitive advantage coming into this because of our tech, our vertically integrated manufacturing and our existing strong leadership.

Chandramouli Muthiah: Got it. That's helpful. And lastly, just a question on other income for Harish, just trying to understand as part of the other income. If you could give us sort of a split between what is sort of PLI incentives in the other income you reported this quarter and what is sort of investment yields?

Harish Abichandani: If you look at the segment, you find the other income actually PLI is the account as part of the total revenue. So PLI is not part of other income, PLI is reported and accounted as part of the total income, the other income has got a set of ancillary incomes, other income etc, but PLI as an accounting policy and acceptable policy for that is part of the total income itself revenue itself.

Chandramouli Muthiah: Got it. So just as a follow up so within other income is it largely investment yields or is there any other sort of operational items in that?

Harish Abichandani: So other income would include all the ancillary income, service income handling etc, this is all the part of the various other components of the income. The treasury income of course will also be there, but that's obvious from the numbers you can figure out, but this must be the ancillary related product related income in that.

Chandramouli Muthiah: Got it. Thank you very much and all the best

Moderator: Thank you. The next question is from the line of Kapil Singh from Nomura. Please go ahead.

Kapil Singh: Hi, good evening. Thank you for taking my question. Wanted to check on the gross margin improvement that we have seen, could you elaborate a little bit more that what has caused this and are there more actions underway which could keep driving this let's say between 4Q and 1Q and is there any contribution differential between the subsidies that you got in 4Q and 1Q, if you could just follow up that also, that what were these subsidy elements in 4Q?

Bhavish Aggarwal: So let me answer the first part Kapil. See on gross margin the main contribution between the last quarter, this quarter which has been going on for the last two, three quarters is the Gen 2 platform rollout we started with the premium products late last calendar year and then this calendar year in this quarter Q1 quarter we have started rolling out the mass products, S1X plus and S1X.

So Gen 2 as you know is a lower cost to manufacture platform and that has helped us improve gross margins. There are some activities also which are supplier negotiations, better supplier management as well as some contribution because of the lithium prices being more stable. Now looking ahead also generally margins will be like I said in my opening remarks from here till about a year we can assume incrementally improving some of that we might pass on as pricing tactically that's a tactical call we take on a real time basis or regional basis, but largely the gross margins are a function of supply chain and the engineering from Gen 2 activities. Harish you want to answer the second part of the question?

Harish Abichandani: So on the - so you can repeat that question Kapil.

Kapil Singh: So I just wanted to check we called out that there was about 8% PLI and 6% FAME if I got that right in 1Q. What were the comparable numbers in 4Q?

Harish Abichandani: So if you look at the 4Q numbers the PLI we had on two products. So our S1 Air got 35 PLI in December.

Bhavish Aggarwal: I think Harish has broadly [inaudible 31:30].

Harish Abichandani: And FAME would have been slightly higher and that combined incentive of 13%, 14% combined would have come down in Q1 over Q4.

Kapil Singh: Got it. Q1 incentive you are saying is lower than Q4.

Harish Abichandani: Because FAME reduced in Q1 over Q4.

Kapil Singh: Understood. And just lastly if you could also comment on we are talking about the new cells which will start contributing from Q1 FY26. So what is the capacity of cells that we plan to start with and which technology they will be based on, and in terms of EBIT margins also will they lead to improvement in EBIT margins once you start cell production?

Bhavish Aggarwal: Sure see the cell production is starting Q1 FY26 the installed capacity right now is 1.4 gigawatt, that is roughly equivalent if you assume 3 kilowatt our average in the vehicle that's about half a million vehicles so that's roughly our current volume today give or take a little. So when we start integrating our cells into our vehicles there will be a ramp up period, not all products will move on day one, but over couple of quarters or so the 4680 cells will be replacing the 2170 cells in all our existing S1 products.

New products which start after the cell production will actually on day one start with the 4680x cell itself. Now in terms of cell chemistry our cells the 4680 is actually a platform which can support multiple chemistries the first chemistry will be an NMC chemistry because that's what our scooters are based on. Eventually in about let's say couple of years or so from now we will come up in the same platform with an LFP and an LMFP chemistry also and maybe sometime in the future we'll publish a cell chemistry roadmap from our side, today we don't have it published. So we will be, this platform can actually support and that means our manufacturing investments can support both type of chemistry, NMC and LFP and their individual family derivatives like LMFP or LFP.

Kapil Singh: And on the EBIT margins also if you can comment will they also see an improvement as we start with our cell?

Bhavish Aggarwal: So, let me just give you the headline on the cell on the financials of the cell. The cell costs are about one third of the vehicle costs right now for us roughly this is a rule of thumb. Now as we look ahead into our own production as we start producing it, we will be saving some of the margins that a global supplier like an LG or whatever global supplier would be making on that cell as well as there is a cell import duty also we will be saving that.

So it will flow down into gross margins and at a certain scale it will flow down into EBIT margins also that scale will be 1.4, but maybe slightly higher than that.

Kapil Singh: Thank you and that's special.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Ambit Capital please go ahead.

Jinesh Gandhi: Hi, congratulations on a great line -- one is on when we talk about premium products we are just talking about some of the X…

Moderator: Sorry to interrupt, but the line is not clear, we are getting an echo from the management line

Jinesh Gandhi: Yes, management line is not clear, you are right

Moderator: Sir, I think you can proceed sir, with your question Okay

Bhavish Aggarwal: No, so I understood the question, I think the question is what do we classify into premium and what product do we classify into mass. So premium is Air and Pro, and mass is X and all the variants of X

Jinesh Gandhi: Got it, And when you are referring to PLI incentives in one case it would be only on Pro and air, right not on the X series yet?

Bhavish Aggarwal: Yes, and we have applied for the X series also for PLI incentives and I think we can almost, maybe next week we will get all the certification and all and pretty much done.

Jinesh Gandhi: Got it And we have talked about motorcycle launches which we will be talking about tomorrow, but how do we see our scooter portfolio are there any white spaces which are still there, which we are not yet catering, how do you think from that perspective

Bhavish Aggarwal: Yes. So if you look at the scooter market, that's a good question, we have a portfolio in terms of price points from almost INR75,000, INR80,000 to almost INR1.3 lakhs, INR1.4 lakhs So we have a broad scooter offering In terms of style, we have largely one style, there are some style white spaces like sports or bigger format scooters, touring scooters etcetera. We have that in our mind, but nothing in the short-term that we plan to launch, our focus right now is motorbikes, but maybe in due course we will make some announcements in that direction

Jinesh Gandhi: Got it Lastly, can you talk about your net debt as of June and maybe currently post listing, post IPO proceeds?

Harish Abichandani: So as of June our total approximate gross debt would be around INR3,700-INR3,800 and the gross cash in hand would be around INR1,300.

Management: So that is June…

Harish Abichandani: This is June 30th data

Jinesh Gandhi: June you said? INR3,700 to INR3,800, 3,700

Management: INR2,700 to INR2,800

Jinesh Gandhi: Okay. Got it. That's all from my side, thanks and all the best

Moderator: Thank you. The next question is from the line of Amyn Pirani from JP Morgan, please go ahead

Amyn Pirani: Hi, thanks for the opportunity and congratulations on the listing. I had a question on the buyer of EVs because you sold so many EVs I don't know if you tracked this but broadly do you know as to most of your buyers, are they first time two-wheeler buyers or are they upgrading from a certain kind of product some insights there would be quite helpful?

Bhavish Aggarwal: Is that Amyn?

Amyn Pirani: Yes.

Bhavish Aggarwal: The buyer has obviously evolved from 3 years ago to now 3 years ago when the industry we had just launched our first product, we had some Pro, Gen 1 The buyer was largely the earlier adopter the slightly younger urban affluent buyer Now actually because EV penetration in scooters is 20 odd percent our market share is fairly significant we sell across the country, we have 700-800 stores across the country so the buyer profile is now fairly diverse Premium products like Pro, especially the Pro which is absolutely a high powered vehicle, higher than many 125cc motorbikes also in terms of power and torque.

That buyer is a slightly more involved buyer who may be an affluent student, a college student or maybe a first job or a little more urban focused in that product. As we have brought in S1 X with the 4 kilowatt hour especially we have seen a lot of delivery riders etcetera in urban centres start to buy. Another interesting nuance is sometimes when I saw a lot of women buying scooters, it was a very interesting insight that they actually find EVs much more convenient than petrol because they don't have to go to petrol pumps to fill it they can charge at home and for women these are interesting considerations in buying vehicles.

So there are some buyers I have met that have moved from ICE premium bikes into EVs because they find those bikes bulky but they wanted a higher powered vehicle and they wanted an EV. So, it's now a fairly broad spectrum and increasing penetration into up-market upcountry markets also as well as deepening penetration into urban centres like Bangalore where it's going deeper than the upwardly mobile buyers.

Amyn Pirani: Great, that's helpful Second question is on your cell usage in your own vehicle. Sorry, I think there's an echo

Bhavish Aggarwal: Sorry about that guys.

Amyn Pirani: So you mentioned that from 1Q next year – have the our own cells in our vehicle. Now easily when you ramp up. Should we be prepared for a maybe a negative hit on gross margin and then an improvement, because you all mentioning that one of the areas which we lead you to the higher gross marign, maybe over a period time. But in the initial quarters should we prepared for a negative bid then that happen.

Management: I think on the gross margin level, firstly I say the reason we have shared segment with you also I would like to appreciate the two business evolution separately many of you have questions across individual segments So the automotive as I mentioned will continue to incrementally improve without the cell also on gross margin through many like I had covered that on the cell at a gross margin level I don't foresee a link to scale as much With scale we will improve gross margins but the negotiated supplier form costs that we have gotten for our cell are fairly competitive I would say compared to the procurement of the whole cell.

There will be a different curve on the EBITDA consolidate EBITDA margins because the cell will take some kind of fixed costs and a minimum volume before the EBITDA margins start turning consolidated level better but it will also be set up by the improvement in EBITDA margins on the automotive side through this period.

So we are today not giving very clear timelines on when the consolidate EBITDA or profitability breakeven happens but actually gross margins should see continued improvement with the cell also. EBITDA margins there might be a twin action automotive continues to improve.

Cell might have EBITDA margins reaching to breakeven at a slightly higher volume than 1.4MW.

Amyn Pirani: Understood. And if I can just ask one last question, if I look at the segmental breakup on the EBITDA level there is a reasonably large unallocated part out of the overall EBITDA loss. So maybe Harish can help us understand what that unallocated is?

Bhavish Aggarwal: So let me actually take that and Harish you can add if I miss anything. If you look at the unallocated I think for Q1 it is 70 or so 75. Of the overall revenue it's about 4 odd percent. So it's roughly when we analyze other companies on who report segmental and their unallocated expenses to revenue it's roughly the median range of cost of revenue.

Now obviously we have EBITDA loss as a ratio of loss but largely these are for INR25 crores a month. These are largely corporate costs corporate teams, finance team etc. All the corporate office costs

Amyn Pirani: Okay, understood. Thank you and all the best

Moderator: Thank you. The next question is from the line of Amit Hiranandani from SMIFS Limited. Please go ahead

Amit Hiranandani: Thanks team for the opportunity and congratulations for showing good improvement in the operational performance. Sir, from here on your first priority and focus will be to improve margins or to keep gaining market share. Also, sir, do you see more price cuts or price reduction post using your own manufactured cells?

Bhavish Aggarwal: Thank you for recognizing the improvement in margins. You were the first one on the call, we appreciate that. The team has worked hard to and the whole team not just Harish and I present here but the whole team has been along with on parallel the IPO. We have been hard at work to make sure we continue to grow as well as improve the bottom line.

Now looking ahead, our focus is to deliver profitable growth in terms of pricing, we will keep tactically using pricing levers as long as our overall focus on improving profitability continues. Now how that plays out in different markets across different products, across different times of the year some seasonal sales etc.

That is a practical decision for us. But the focus is to build margin or build supply chain strength through vertical integration build technology in house to bring margin in house and pass some of that to consumers while improving the general direction of gross margins. Now with the cell like I mentioned in my previous comments the gross margin will improve.

How much of that we pass on to consumers, we will take a tactical call at that time. But our focus remains on profitable growth and continue to focus on penetration with products as well as with the right pricing for the consumer.

Amit Hiranandani: Sure, this is very helpful. My second question is basically how much gross margin improvement one can expect once we use all our manufactured cells and continuing with that on the cell manufacturing plant, how will be the arrangement between both the companies at what margin sales will happen to Ola's two wheeler?

Bhavish Aggarwal: The sale between the companies will be an arm's length transaction although both are subsidiaries of the parent companies. So at a confirmed level of the series you will see the overall benefit but it will be an arm's length, whatever price you will be able to procure this cell externally from a vendor, we will price it like that. On what was the first part of your question, Amit?

Amit Hiranandani: How much gross margin improvement one can expect once we see all our manufactured cell?

Bhavish Aggarwal: See on the gross margin improvement from our cell, if I just give you I won't be sharing the specific math today but if I give you a way to think about it, the cell is let's say 30%-35% of the overall vehicle cost. And globally companies make about let's say companies like LG etc. Depending on the markets but between 15%, 25% margins on the cell business and this is on a global pricing, in India the average pricing of these companies is slightly higher than the global average given the smaller scale of the Indian market.

Now you can assume because we are manufacturing for now only for ourselves, we don't have a large corporate team in the cell business, so the margins that an external vendor makes, we will actually be able to save that at a gross margin level soon enough and there is a 5% duty also that India charges so that also will be saved.

So you can assume that's the rough way to think about it, 30%, 35% of the cost of the vehicle is the cell and in the beginning there will be a certain gross margin saving and as we increase our scale from 1.4 to 5, further our BOM cost will reduce due to higher volume and you will improve your gross margin business.

Amit Hiranandani: Yes sir, the last one question sir. Basically, we wanted to understand more on the export strategy, the target markets and what is your strategy for the growth over there and secondly lastly bookkeeping is on the capex outlook if you can give for the next 3 years? That's it, thank you. Sir.

Bhavish Aggarwal: On the export markets, we, India is actually a very strong exporter of 2 wheelers to the world and the ICE industry and kudos to them, they have actually built a very strong global profile for Indian 2 wheelers. In IRIS I actually believe India has an opportunity to become the largest e-two wheeler producer in the world and the largest exporter of these across, broadly the global south markets, be it ASEAN or Africa or Latin America or even parts of Europe.

Our focus will be these markets we are not entering any of these markets in the absolute near term but there it is on our medium to long term growth.

Amit Hiranandani: And the capex outlook sir?

Harish Abichandani: On the capex outlook as you know, primarily both the projects, both on the auto side and the cell side. Auto will consider the capacity expansion and augmentation at the right time and wasteful pressures of our existing capacity. So that will be one capex where it will be to occur. And the other is on the cell side.

I think we discussed on the call that, we are currently in the roadmap of going up to 5 and then 5 to 6.4 and then 6.4 to 10 and beyond. These are the broadly large areas where there will be capex other than some sustained capex on existing processes etc. These are the two areas where there will be investments in the next 2 to 3 years.

Amit Hiranandani: Okay sir. All the best sir. Thank you.

Moderator: Thank you. The next question comes from the line of Pramod Amthe from InCred Capital. Please go ahead.

Pramod Amthe: Yes, thanks for the opportunity. So the first question is with regard to the new cell which you plan to manufacture. It's interesting to see the high energy density which you are planning to pump in. But wanted to understand your thought is it to reduce the energy range and variety of the customer or how are you looking at positioning this cell in your product line?

Bhavish Aggarwal: Pramod, the cell is the heart of the EV. Just like in the ICE vehicle the engine was the heart of the vehicle. And the cell is a constantly evolving technology and that's why in the last 4 years we have invested a lot of time and energy and my own personal bandwidth has gone into creating this cell technology in-house, which you see in the [4680 cell that 50:54] we have now made.

The benefit of building this technology in-house, many features or performance metrics of the vehicle are controlled by the cell. For example, the range that a certain cell capacity can offer, the amount of weight that your battery pack has, lower the better. That means the energy density of the cell matters. The charging time depends on the cell technology, not the charger.

It depends on what kind of cell technology it is. And then the cost also, there's a lot of innovation in the chemistry that you can do to bring down the cost of the cell. All of these we have done also to make it more relevant from a thermodynamic perspective for the Indian market, the Indian environmental conditions.

All of this we have done. So that's been our focus and as we bring these into our product, it will definitely improve the product experience for consumers in terms of a lower weight product and higher range, slightly faster charging time, etc. And with every subsequent generation of the cell in the next few years, each of these metrics will keep inching upwards.

Pramod Amthe: Sure. And the second question is with regard to broadly, what's your thought process or expectation from the FAME policy, since you have been a beneficiary of the same and with that you have now been able to put up a very strong foothold for the company. I am asking you in the context that post the FAME subsidy is off in June, you have improved performance and if I further dice it between premium and the mass might be my sense is premium is already making a big break even on profits. So how do you look at FAME incentives? Should it continue? What are the benefits you would still look at going forward?

Bhavish Aggarwal: Actually, that's a big point Pramod. Again, kudos to you. You are the first person to highlight that. The premium products are obviously better compared to the mass products fairly profitable. I wouldn't say profitable. I will correct my words. It is much better in terms of financial performance and premium you know the cost across the two products obviously is different. Battery sizes are different. Electronics are different. But premium we are able to price higher also and monetize them better. Profitable or not profitable, I don't want to comment on that today. I think I will give you too much information for today.

On the FAME point see, the government has been fairly clear directionally that they will taper down the FAME subsidy over time. And already in one and a half years or so, it has gone from INR60,000 a vehicle to INR10,000 a vehicle. So FAME is actually not that material in the larger scheme of things of the industry. I think the support is needed by the industry for another year or two. Because INR10,000 is still useful about 7%, 8%, 10% of the overall vehicle value. Still useful in terms of meeting the gap on profitability. But the industry is continuing to innovate. We are continuing to innovate. So I think even if this level of FAME support continues, the industry will continue to grow well.

Pramod Amthe: Sure. Thanks. And the last question if I can ask, looking at the two-wheeler industry profitability which ranges from the part of double-digit to somehow in the higher double-digit. And considering at one end, you want to be profitable at the other end, you are on a mission to drive penetration in the two-wheeler space. Where is your ambition or balance, profitability margin? How do you look at it? Or should we look at it more on ROC basis? How do you look at the business?

Bhavish Aggarwal: So if you look at our automotive segment EBITDA, and it's in the presentation that we also shared. You see, I'm just going to read out a few quarter numbers for you. Last four quarters, Q2 was negative 32%, Q3 was negative 10%, Q4 was negative 7.5% and Q1, which is this quarter that we're talking about, is negative 2%. So the automotive EBITDA margins have consistently improved for us in a period of reducing the FAME subsidy.

And, you know, this has been driven by, like I said, the vertical manufacturing strategy of ours. Vertically integrated manufacturing strategy, as well as the core technology development in-house of all EV-centric components. Now these two themes will continue over the next couple of years.

Long-term, I believe, EVs will be a very similar profitability number as ICE vehicles. Because, like I said in the beginning, thematically, ICE vehicles are only getting costlier due to compliances, and EV vehicles are only getting cheaper due to the battery cost curves, the learning curves of the battery cost. So at what point that inflection happens, I'm sure all you analysts have their own models. I have my own. But in the next few years, not long far out, you know, we will all be here, I believe, when it happens. Be here and maybe we'll be doing a call together in the next few years and that will have happened.

Actually, already, if I just give you some macro commentary, in China, you're seeing that happen where EVs are now cheaper than ICE vehicles. Now, if China is there, this global supply chain for many of the input materials like lithium, etc., are common. As we scale up some of these manufacturing capabilities in India and as we get some more scale of product volumes in India, I believe the same dynamic will come true in India.

Pramod Amthe: Sure. Thanks and all the best Bhavish.

Moderator: Thank you. Ladies and gentlemen, we will take that as our last question for today. I would now like to hand the conference over to Mr. Abhishek Chauhan for closing comments. Over to you, sir.

Abhishek Chauhan: Thank you so much. On behalf of Ola Electric, this concludes our conference today. Thank you so much for joining us and you may now disconnect your lines. Thank you.

Moderator: Thank you. On behalf of Ola Electric, that concludes this conference. Thank you, everyone, for joining us. You may now disconnect your lines.