

Date: November 10, 2024

To,
National Stock Exchange of India Limited
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 Earnings Conference Call with Analyst/Investors held on November 08, 2024

Dear Sir/ Ma'am,

Pursuant to Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith a copy of transcript of the earnings conference call held on Friday, November 08, 2024 on the unaudited financial results (standalone and consolidated) of the Company for the quarter and half year ended September 30, 2024.

The transcript of the earnings conference call is also available on the website of the Company at <https://www.olaelectric.com/investor-relations/financials>.

Kindly take the same on record.

Thanking You,

For Ola Electric Mobility Limited

Harish Abichandani
Chief Financial Officer

Encl.: As above



Ola Electric Mobility Limited Q2 FY'25 Earnings
Conference Call

November 08, 2024

Management of Ola Electric Mobility Limited:

Mr. Bhavish Aggarwal – Chairman & Managing Director

Mr. Harish Abichandani – Group CFO

Mr. Abhishek Chauhan – Director, Corporate Communications & PR

Moderator: Ladies and gentlemen, good day and welcome to Ola Electric Q2 FY25 Earnings Conference Call.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on a touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Chauhan from Ola Electric Mobility Limited. Thank you and all to you Mr. John.

Abhishek Chauhan: Thank you and good evening to everyone and thank you for joining the Earnings Conference Call of Ola Electric Mobility Limited for the 2nd Quarter of Financial Year 2025.

To begin with, I would like to request Bhavish Aggarwal – Chairman and Managing Director. Ola and Harish Abichandani – Group CFO of the Company to take us through the Results, but we will take 5 minutes before we start. So, I will give everyone a heads up and then we will start the call.

Good evening once again and thank you everyone for your patience. I hope you have gone through the Shareholders Letter now once again to begin with, I would like to request Bhavish Aggarwal – Chairman and Managing Director of Electric, and Harish Abichandani – Group CFO of the company to take you through the Results. Over to Bhavish and Harish.

Bhavish Aggarwal: Hi everybody. Good to speak again after a quarter and this is this is Bhavish. This is practically I think our first quarter in the public markets that we are giving you an update on. Before that actually in the last quarter we had done the IPO and in just three days after that, we had quarterly results. We have also changed our format of how we are updating all of you. We have also changed the way some financial metrics are being told or more around how industry standards are on revenue, etc. I am assuming most of you would have gone through the Shareholders' Letter that we have tried to capture all the financials and some operating commentary also in it.

What I will do is I will just give you some highlights and my remarks will be very short and then we will get into questions directly.

This quarter actually has been a good quarter compared to last year. If you see our revenues have grown about 40% over last year - 38.5%. Deliveries also almost touching 1 lakhs (+98,000) and gross margin, especially for the auto segment is 20.6% which is flat quarter-on-quarter whereas year-on-year it's about 12 points up and this is

despite the much more enhanced competitive dynamics in the industry, which I will talk about in my remarks.

The key highlights for us in Q2 have been that we have maintained our market leadership. Our market share is around 33% and this is also a quarter where competitive action got aggressive, and we will comment a bit on that.

One key area of focus for us going forward on the market is to expand distribution. We have about 780 odd stores right now. And we are in the process of expanding the company-owned stores to about 2000 by March, which is just about four months away.

And in addition, we have also in September launched our Network Partner Program under which third parties like multi-brand outlets, other people who are already in the auto ecosystem from a retail perspective, can also sell our products. We have about 1000 such partners live with our products now. The front-end distribution is a is an important focus. We continue to scale.

And as you will find in the document, for us each store does almost about 130 sales per quarter. And that's almost 2x to 3x of industry average. So, we have much higher productivity per store than the industry and we are expanding our store network so we actually hope that we will be fairly competitive in terms of depth of distribution with about 2000 stores of ours. In addition to that the Network Partner Program will amplify the distribution network.

Second, I think more on the industry commentary – for a few quarters there have been questions that how is EV penetration doing?

Now actually if you see this quarter and even then after that October last month, we have seen EV penetration start to hit a bit of an inflection point, especially if you see the Scooter EV penetration because when you see overall it kind of gets averaged out due to the motorbikes. But when you see Scooter EV penetration in June to September this year itself it's gone from 16% to 21.5%. And even from September last year to September this year, it's gone from 13.5% to 21.5%. A very significant increase in EV penetration despite the FAME subsidies and all tapering off significantly. We believe that the EV scooter penetration is actually at an inflection point now. And if you also look at it regionally, many states like Rajasthan, UP, Maharashtra, the big states are around between 30% to 45% EV scooter penetration. In fact, Rajasthan is actually 47% so this shows while some states are racing ahead, eventually all states will get here. It's a question of just adding distribution. So, that's a very good encouraging sign in the industry.

And in many ways, while on a daily, monthly level, there's a lot of operating noise, the fundamentals of the EV transition of India remain very strong. And as the leader of that transition, we actually feel very confident of this inflection point.

Another point which played out in this quarter is as we had launched our Mass market portfolio a couple of quarters back, this quarter is where it really came into its own. We were able to supply at almost full demand. Quarter-on-quarter our Mass market products, the S1X portfolio, grew 15% and despite the growth in Mass market, our Premium market products continue to be a majority of our revenues. We have a very good balance between the two products.

And another point you will find in our Shareholders' Letter as you read deeper would be that our margin profiles across both Mass and Premium are actually not very different because it's built-off platform architecture, so we are very easily able to control some costs as we go down the Mass ladder and hence make similar gross margins.

Then I want to reiterate our strategy, which we have been consistently following over the last couple of years or ever since we started this company. And every quarter I would like to give you guys an update on how our strategy is progressing. There are three key elements of our strategy:

1. Firstly, broadening our product portfolio. In the scooter segment anyways, we have the most largest product portfolio. With six scooters from Rs. 75,000 to Rs. 1.5 lakhs and in August this year, which is in Q2, we launched our motorbike portfolio, especially the Roadster portfolio, and the first bike is on track for deliveries next quarter. So, we are on track with our motorcycle launch and execution and delivery roadmap.
 - In addition to just the Roadster series, we also announced a bunch of other motorcycle products which will come out through the next year or two. As well as the Gen 3 platform on top of which more scooter products will be coming, and you will see a chart in the Shareholders' Letter where it shows you just the time view on some of these products.
 - There has been some media speculation in the past about us working on 3-Wheelers. So, yes, we are building 3-Wheelers. The beauty is that it shares the same platform as our S1 in terms of electronics, battery architecture, powertrain, only the mechanicals are different. So, you see the 3-Wheelers product road map also in that chart.
 - So, net-net, very strong product line up over the next two years, almost (+20) products to be coming over the next two years. And more than actually one per quarter. So, we are quite excited and starting next quarter itself, we will start seeing a lot of product rollouts from us across categories.

- So, that's strategy #1, which is broadening our product portfolio so that the EV transition, EV evolution can be more broad based across the 2-Wheeler and 3-Wheelers industry in India.
2. The second strategy for us is to continue to expand our distribution and service network. And like I mentioned in a previous point today that we are growing to 2000 stores. We already have 1000 network partner stores, and we will increase that also by March. So, net-net by March, we will have more than 3000 retail points. 2000 of ours and a minimum of 1000 of network partners. Now these stores for us as you know are co-located with service infrastructure.
 - So, as we are expanding our sales network, our service network is also getting expanded. Over the last quarter or so, especially in Q2, we had a bit of a capacity challenge in service. Our sales have expanded much faster than we had expanded our service network. But I would like to inform everybody that almost all of the backlog that was there because of the capacity issue has been solved now. And we have added capacity also as well as we have as one-time solved almost all of the backlog more than 90%-95%.
 - And now in service our T + 1 service which is like say you give your vehicle to me to service today either today or next day I return it to you is almost 80% which is more or less at industry standard.
 - We are continuing to expand both sales and service infrastructure. We have invested very solidly as well as deeply into the back-end of the business, which is the factory, manufacturing vertical integration. We are now focused on really expanding our distribution to be as close to the customer in both sales and service as we can be. So, that's strategy #2 and in the Letter you will also see some maps and how the network is densifying already.
 3. The 3rd and most important in my view, is the continuing focus on technology innovation and vertical integration. So, in August this year, again just two months back, we had announced our Gen 3 platform. Now, as you all might remember, and since you all track the company closely, Gen 2 over Gen 1 had saved about 20% of BOM cost and hence gross margin for us. Now Gen 3 over Gen 2 will be a similar saving, and I am actually very happy to announce that while we had said Gen 3 will come out in August next year, we are now bringing out Gen 3 products two months from now, which is January. So, the S1 scooters on the Gen 3 platform will be coming out in January and then through the year the whole 20% of margin savings will be step-by-step coming in. So, some savings will come in in January and then many more every quarter as all of the Gen 3 technologies come into play. So, that's a very good highlight. Our engineering teams and the manufacturing teams have really executed well to bring in very significantly from August to January our timeline on Gen 3.

So, three strategies like I said:

- #1. The broad product portfolio.
- #2. Very large distribution, company owned as well as partner.
- #3. Continuing focus on technology innovation and vertical integration.

And finally on the vertical integration point, I would like to share with all of you that our cell project continues well on track. There's a program timeline in the Shareholders' Letter that you can refer to. We are on track for starting commercial production in Q1 FY26. This quarter our testing as well as our trial production continuing to be ramping up. We are seeing good improvements in process accuracy, in yield, etc. There is still a journey to go. We are being very rigorous in terms of testing and process quality for the cell, so that's why Q1 is the timeline where it will get commercial production started and then there are some images and videos for you to refer to on how the Gigafactory is shaping up as well as some products that we have.

A very quick commentary on financials and then I will open it up for Q&A.

On financials, you can see year-on-year gross margins have improved significantly, EBITDA margins have improved significantly.

Quarter-on-quarter our gross margins are flat. Now we have had 3%-point improvement in gross margins due to BOM cost savings due to our vertical integration and technology. Part of that which is about 1% point we have invested back into discounts to grow and then 1.5% points is actually a one-time timing issue on PLI Certification of our new S1X products. All of which is now done so this quarter Q3 we have the full PLI recognition for the S1X portfolio also.

And a general commentary I want to give on gross margins looking ahead also is because we have also pulled in Gen 3 and in addition to Gen 3, we have been doing a lot of other technology and manufacturing integration work. We can expect to see almost every quarter a continuous improvement on gross margins, right. And part of the margins we will keep improving the bottom line. Part of it, we will invest into growing the market or competing with the aggressive competition.

And our own estimates, we have we have a chart there towards Page #8 I think where you can see how our cost structure in our own estimates versus competition's cost structure. These are two incumbent competition where we have about a 20% advantage on just BOM cost for a better featured product. Now this advantage only gets stronger because of our technology and vertical integration.

Just to summarize this point, so in terms of gross margin, we expect about a 20 point improvement as Gen 3 plays out over the next 12 months step-by-step. And then as our own cell comes in, that's another 7-8 points of gross margin improvement so you can see a nice start at the end on how even without incentives, our gross margins are looking like at a target level. That's a steady state focus we are building towards that. And every quarter you can expect to see gross margin improvements from us.

Now in addition to the gross margin on financials, I also want to comment on EBITDA a little. Now on EBITDA, there have been some one-off expenses. If you exclude that our operating expenses are actually flat or slightly 1% lower quarter-on-quarter. And we are focused on some cost efficiencies, and we do expect our operating expenses to actually be flat or maybe slightly lower over the next couple of quarters. As we continue to scale distribution and hence revenue and including product portfolio, so revenue keeps growing and operating expenses will largely be flat or probably even down over the next couple of quarters.

In terms of one-off expenses, there is one warranty expense that we have taken in this quarter. Now, in FY24, our warranty as a percentage of revenue was about 5.5%. Now for this year in the last quarter, we are accruing about I think 2.5% of revenue as a warranty. We are still waiting for our estimation model to stabilize. There are some one-time expenses in the warranty due to this backlog, but over the next couple of quarters, we will stabilize this and if we need to increase provisions, we will but broadly through the year, I expect the warranty to be at or lower than last year's number of 5.6%.

So, that's broadly the commentary and now I will actually let you guys ask your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Chandramouli Muthiya with Goldman Sachs. Please go ahead.

Chandramouli Muthiya: My first question is just around some of the one-off that Bhavish spoke about just now. So, there seems to be a pick-up in both other expenses and wages quarter-on-quarter in spite of having flattish or slightly better gross margin performance quarter-on-quarter. So, just trying to understand around the IPO, were there any flotation costs, were there any appraisal costs and also if you could size out maybe in, in rupees crores, what those expenses were and also just the warranty one-off that you might have taken this quarter, what the size of that would be?

Bhavish Aggarwal: Sure, Chandra, I will take a first attempt and then maybe Harish can add some specifics. So, there were actually two or three one-off costs. Obviously, there was an

IPO linked cost. Then there was this annual launch event that we do. There were some costs linked to that. And then thirdly, obviously our annual appraisal which happened in this quarter. So, all included I think these three added up to about Rs. 36 crores. Then in addition, the warranty was the one-off that we did was about Rs. 64 crores. And like I said, I think my commentary on that is we are provisioning 2.5% of revenue. Over the next couple of quarters, we will watch that. Last year, like I said, the warranty was about 5.6%. We do expect the warranty to be lower than last year across this year if we need to increase our provisions after a quarter or so we might do that.

Chandramouli Muthiya: Second question is just around the motorcycle launches you mentioned, we will start next quarter. I am just trying to understand we have done the launch in August so do we have any order backlog color or any sort of demand color that we are able to share around the Roadster portfolio which might start getting delivered in the March quarter?

Bhavish Aggarwal: The Roadster series has generated a lot of interest and there are three products there – the Roadster X, the Roadster, and the Roadster Pro. And these three are coming in sequence. The first Roadster X is coming, most likely around the March timeline. Then Roadster will happen most likely around the May timeline. And then Roadster Pro towards the end of the year. Now interest is very high. Today I won't be sharing any specifics around reservations or orders and all, by the time the next call comes around, I will definitely share that. But there has been very significant interest on social media, on our stores, on our website for really understanding about this product as well as a lot of people booking reservations for this.

Chandramouli Muthiya: And my last question is just on the points that you made around efforts to bridge the service network gaps. So, there are a lot of numbers floating around. I think there are some press articles which have spoken about 85,000 to 90,000 incoming service requests per month. I think our installed base of vehicles is close to 8,00,000 to 8,50,000 vehicles at this stage, so if you could just give us some clarity on what are the run rates that we have on a monthly incoming vehicle service request.

Bhavish Aggarwal: There are a lot of numbers floating around. So, even if you take the 80,000 number from the press so if you think of any typical OEM product, it has one to two scheduled maintenance per year, right? So, if you have, let's say 1 million install base, that's 1.5 million to 2 million service touch points per year now, that makes it about 1.25 lakh a month, right? So, and then in these 80,000 are not all complaints or issues with the product. Many of them are regular check-ins. The customer scheduled maintenance, more than 2/3 are actually just minor labor things. Something feels loose, or the guy actually doesn't understand how his software works, so he comes in and then we explain to him. More than 2/3 are actually around these kind of minor issues where no part is actually changed. Then there are some where there are accident cases which is nothing to do with the product. And then there are some which are product warranty

cases, right? So, between these three, 80,000 number per month is not bad for an 8 lakhs unit in operation if you assume a lot of it is just scheduled or minor queries.

Moderator: Thank you. The next question is from the line of Gunjan Prithyani with Bank of America. Please go ahead.

Gunjan Prithyani: Bhavish I just wanted to go back to the point that you made initially that EVs are at an inflection and market is growing. When I look at the numbers for Ola, of course this is a business in nascent stages I would ideally think that the base of volume sold every quarter should consistently go up, right? So, when I look at Quarter 2 volumes clearly Premium is something which is almost half from last quarter level. And I am just trying to understand, is it more to do with our focus on Mass expansion just the number Quarter 1 to Quarter 2 volume going down is something that if you can explain how are we approaching that because this is an expansion market, right? It is a very nascent market at this point of time.

Bhavish Aggarwal: See for us for seasonal as well as some regulatory reasons Q2 has always been a bit of a dip over Q1. So, if you see FY24 also Q2 was a dip over Q1 and FY25, also Q2 is a bit of a dip over Q1. Now there is a seasonality also in the industry and also generally whatever FAME reductions the government does is around the start of Q1 or the end of Q1 last two years that's been happening. So, what happened in Q1 FY25 was a lot of the deliveries which were there because March end was the FAME changeover. So, a lot of customers had ordered in March and the deliveries happened in in Q1. But hence I would actually say you should look at more broader time horizon where actually our numbers are going up. Like we had said, we sold more than 50,000 vehicles in October. Even this month, we are seeing a good growing traction. So, I feel in general penetration is going up, and our position remains strong. We do have to expand distribution that's a very clear focus for us but quarter-on-quarter, you should see growth over the next few quarters. Q2 over Q1, is always a bit of an outlier.

Gunjan Prithyani: The better way to look at it is just look at first half over first half, is that the way we should continue to expect like at least 25% to 30% growth on the base of volume?

Bhavish Aggarwal: See my expectation would be, we would year-on-year aim to grow around (+50%). That's our aim. Some quarters it might be more some quarters it might be less. So, now within there is obviously seasonality. So, Q3 will always be a good season, Q2 will be a little weaker season. I am sure you will apply the seasonality discount whenever you look at it quarter-on-quarter. The other comment Gunjan was from you on Premium versus Mass. So, Mass has obviously helped increase penetration. Our focus is to let both of our portfolios – Premium and Mass grow in the market. We are not really worried about cost cannibalization since gross margins are broadly similar and Premium like I mentioned also makes just about 52% of our revenue overall so the

majority of our revenue comes from Premium. Now looking ahead also even after Q2 in October, we have had the generally similar ratios. The Premium continues to also grow, while Mass is really the one growing significantly.

Gunjan Prithyani:

The other thing that I wanted to get your thoughts on these regular schemes. Now whenever particularly BOSS when it got launched it just tends to create a lot of nervousness around how you are thinking about the margins because these are clearly very high discount schemes, right. So, how should we think about these recurring schemes coming back to the market and then we are sort of getting nervous about is it chase for market share, how should we think about margin if you can share your thoughts on this as well please?

Bhavish Aggarwal:

Absolutely Gunjan. So, our directional commentary on this is we will balance between growth and profitability. But given the balance, gross margins will continue to improve quarter-on-quarter because you saw, even in Q2 over Q1, despite the additional discounts in Q2, we had discounts around our Sankalp event, we had discounts around our IPO period, and we had discounts in September a little bit. So, despite more discounts in Q2, we still kind of had a flat gross margin. So, like I said, 3% went up due to BOM cost reduction and 1% we invested back into pricing and discount. Now in Q3 also while we are investing into discounts, our general direction would be that quarter-on-quarter gross margin will incrementally go up only. So, we are seeing BOM cost savings. Even while Gen 3 will come in next quarter, there are other lot of vertical integration activities that are playing out which continue to every month actually keep improving our BOM cost and hence improving gross margins and then some of that we keep investing into pricing and discounts. Our strategy is to continue to gun for strong penetration and market leadership and like I said, we have a very significant BOM cost advantage over competition, which is only increasing. So, while we are investing from our margins, I think at some point competition will actually have to see how they invest from balance sheet versus their gross margins from this product. So, to summarize, you can expect increasing gross margins despite the discounts.

Gunjan Prityhani:

And is it fair to assume that the savings that you will get from the Gen 3 as well as the battery vertical integration, around 25 is I think what you have quantified at least 30% to 40% of that goes in terms of reinvesting in terms making the pricing better, enhancing the adoption is that a broader way from a mid-term perspective to think of it.

Bhavish Aggarwal:

Our focus is to have a gross margin of about (+/-30%), right? And that's where the ICE industry also broadly operates. So, at that level with a much more efficient front-end due to the B2C nature of it, we actually believe our EBITDA margins will be in the mid-teens at a certain volume scale. Right now, we are almost at that volume scale and that's why quarter-on-quarter you see are segment EBITDA in the negative single digits roughly. So, if there is a higher competitive intensity in the quarter, we might invest a

little bit more, but we will keep focusing on growing the headroom on the gross margin so that we can invest out of gross margin. So, so that's the overall direction I would share.

Gunjan Prityhani: Thirty by when Bhavish, is there a timeline around that?

Bhavish Aggarwal: No, not a timeline, but specifically if you see Gen 3 like I said is starting January, not all savings will be in January, but as all the ideas on January roll out through the next calendar year, we will get about 20 points savings from today's gross margin. And then on top of that, the cell starts in Q1 FY'26, again, not all of our vehicles will start with our own cell on day one, but there will be a 1-2 year period when step-by-step different vehicles will come on to our own step. So, that's a step-by-step journey. It will take a couple of years, and I am not giving any timeline on it. And also there is an open market dynamic which as market competitive dynamics evolve we have the wherewithal to continue to be aggressive while maintaining a certain level of profitability.

Gunjan Prityhani: Harish, I think I just want to get a sense on what part of the portfolio got PLI in this quarter, maybe if you can quantify that as a percentage of revenue in Q2?

Harish Abichandani: So, on the PLI front, last year we got our Air PLI certified and Pro certified in February. And in this quarter, the entire X portfolio, 2, 3, 4, we all got PLI certified during the course of the quarter, three of them happened in August and one or two happened in September. So, as of now this quarter we will have obviously the entire PLI and across the fourth quarter.

Bhavish Aggarwal: I think in Q2 there was about a 5% as PLI. So, PLI is about 5% of revenue, which is accounted for in the gross margins.

Moderator: The next question comes from the line of Yogesh Agarwal from HSBC. Please go ahead.

Yogesh Agarwal: Couple of questions. Bhavish, firstly on Gen 1 versus Gen 2 and Gen 3, you talk about cost advantage, but what's your views on general quality improvement, were you negatively surprised with Gen 2 issues and are there any learnings when the Gen 3 comes, are you expecting lower issues, so what are your views on that?

Bhavish Aggarwal: If you think of our product quality, our product quality is actually in terms of number of defects per hundred vehicles or amount of warranty replacements, etc., broadly in line with industry within India and even globally. Gen 2 is actually better than Gen 1. That's why I said in FY'24 we had a certain warranty cost, in FY'25 we will have slightly lower than that and that's because of the Gen 2 transition. In Gen 3, we have also focused on

further making many reliability, quality, serviceability improvements in the product, fairly significant ones actually. For example, one thing the hub motor is actually a very higher prone to quality issues. So, we're actually in Gen 3 moving to a complete mid mount motor across the platform which actually helps reduce cost also as well as helps improve quality significantly. There's almost a factor of 10 just in the motor quality over there. So, many such things which have helped improve quality in Gen 2 and then further in Gen. 3. So, we do expect a further reduction in warranty costs on Gen 2.

Yogesh Agarwal:

And then the other thing is, just curious to know your views on the long-term brand and the product positioning strategy, the ASPs have been falling, right, and it's probably in line with your COGS, but we are still falling in the last many quarters now and this is led by all these flat, discounting and mass market products. And we have seen in the past, once you go down that curve, it's very tough to upgrade the portfolio as well. So, is it something you worry your volumes and cost of that amount here?

Bhavish Aggarwal:

See, we think of firstly product and then volumes and brand is an outcome of product experience of the ownership experience and obviously at the scale at which you do it. So, that's how we think of this. See, our premium products are holding very good. Our market share in the premium, let's say the S1 Pro or the S1 Air segment is fairly high, and even the product is much better than what anybody has been able to build so far in competition and there are very strong loyalist customers, many of them have brought multiple S1 Pro, S1 Air, etc., So, I personally don't worry about the brand going down. One of the reasons for ASP is going down and ASP is actually probably a wrong proxy to think of in terms of brand because ASP is going down for two reasons; one is a mix which you rightly said; second is actually just as FAME is reducing over the last two years that FAME has come out of revenue. So, for the whole EV industry FAME would be falling and hence ASPs would be falling.

Moderator:

The next question is from the line of Rishi Vora with Kotak Securities. Please go ahead.

Rishi Vora:

Just on the mass market portfolio, right? Obviously on a sequential basis, we have seen a double digit volume growth. But now, given that wherever pricing is versus the ICE scooters, when will that next leg of growth as per you will come through because I think our models are there in the market for last two, three quarters. So, what is stopping the customers to now shift from ICE to EVs even now the upfront cost is maybe similar or in lower in some cases?

Bhavish Aggarwal:

So, Rishi, like I mentioned in my opening remarks, we actually believe there is a EV penetration inflection that is happening already in the scooter industry. There were two or three key drivers for this and many of them have come in place over the last couple of quarters and some still have to be done over the next couple of quarters. Firstly, purchase price parity. Now that is all done more or less especially for our portfolio, and

a better cost of ownership for EVs with the purchase price parity is a very compelling proposition and customers are starting to recognize that. Second is distribution penetration. Now, while we have 800 stores or so, competition is now selling in more stores, about 3,000 to 4,000 each of them tell in their analyst commentary. But our stores sell much more because we have the best product at the best price. Now, as we expand our stores to 2,000, we actually believe we will be much closer to customers for them to truly experience the best EV product and at the best price and the best overall package. So, that's #2. And third is also the expansion of the service infrastructure for us. Service infrastructure in EV is also not just an Ola problem, it's an industry problem because training the mechanics in EV, EV battery maintenance, motors, electronics, software, all these are new things. So, we are investing effort into doing this, which I believe is probably the last leg of confidence the customer needs. We don't see any major concerns or questions around charging in this ecosystem because 2-Wheelers are not very dependent on public charging. All of these things are coming together. In many states, for example, I told Rajasthan, actually, Rajasthan has 47% EV scooter penetration, and this is basis our estimates of the scooterization of the Rajasthan market. UP. Madhya Pradesh are around I think 35%-odd, Maharashtra, Karnataka around 25%, 30%. But these are the states which are large enough states and yet have high scooter EV penetration and this penetration has actually happened in the last 6 to 9 months as our mass market portfolio has come on. So, as now we have almost a million units in operations, 8.5 lakh or so, more people are seeing their friends, so more people are getting more confident. So, it's a matter of again just all these things falling in place and these all-different themes actually compound on each other, right? So, that's where you are seeing already an inflection in EV penetration. I have a chart in my shareholder Letter on page 5. If you see it'll show you how in the last one year we have grown, the industry has grown EV penetration despite in the same time FAME subsidies falling from almost 60,000 to 10,000. It just shows how industry and the penetration has grown.

Rishi Vora:

Just on the premium portfolio, right? Well, I do understand the seasonality part, but even on a YoY basis our volumes are down 26% and this is despite I think our pricing being lower than what it was a year back. So, is there something which we need to be concerned about or is something which you think is a very quarterly phenomenon that should start normalizing in the subsequent quarters?

Bhavish Aggarwal:

This is a quarterly phenomenon. I wouldn't be too concerned about it. There will always be some cannibalization when we launch mass products which we have. From our vantage point, like I said, my commentary to all of you would also be that, don't assume mass products have lower margin. That's why if you see even though the ratio in Q1 FY'25 and Q2 FY'25 has changed, yet the gross margin is actually flat. And that's because broadly the gross margins are in the same zone for us broadly few points here

and there. For us many customers were buying premium EVs earlier, but they wanted a product for TCO. So, now there's mass market products for them. But parallelly what's also happening is many customers who are buying let's say 125 to 150CC motorbikes, slightly mid-market motorbikes are actually buying the premium EV scooters now, because better performance, better torque, better functionality of a scooter versus a motorbike in urban areas. So, there are many market dynamics which are very hard to forecast beyond a point and that's why our strategy and effort is to just let these products be in the market, there will be some cannibalization, the premium portfolio will do of motorbikes, some it will grow within the premium scooter segment, the mass of scooters will cannibalize our premium, but the mass will also much largely cannibalize the ICE scooters actually and even actually the mass is cannibalizing the ICE motorbike segment we were looking at some data.

Rishi Vora:

And just the last question is on the distribution side, right. Before our IPO, our experience centers were at I think around 935, currently we are at 782 and in our RHP we had guided that we will have 300 experience centers by FY'26. Why there is a change in strategies more because of pressures or is this -?

Bhavish Aggarwal:

See, the 900 to 780-odd was just some real estate which was not performing, we removed that and then we consolidated our stores into the performing ones and all these stores are performing well, like I said, the average is about 130-odd per quarter, which is 2 to 3 times the industry average. Now, when we were planning our expansion, we actually had initially thought we will do more incrementally, a few hundred, but we're now seeing that the EV penetration is actually at this inflection point. So, we now actually want to go deep into many markets. For example, let's say while in urban centers, we have enough stores, but let's say in a city like Bangalore we have about 25, 30 stores, whereas an incumbent 2-Wheeler company might have 70, 80 100 stores. So, we will do some densification. We don't need to be 1:1 because our productivity per store is much higher. And then even if you think of other tier 2 cities, let's take my hometown, Ludhiana, the whole district, we have only about one to two stores in the whole district, an incumbent ICE company will have about 7 to 10 stores in the whole district. So, there are places where the closest OLA store is about 50, 60 kilometers away, yet these are towns with a 1-2 lakh population, there is enough 2-Wheeler cells over there. And as our motorbikes are also coming in, we feel we have the product portfolio to now go into up country in terms of distribution. So, that's the overall thinking and hence we decided to allocate some more capital to a faster expansion.

Moderator:

The next question is from the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

Jinesh Gandhi: Couple of questions from my side. One is we have talked about 20 percentage point reduction in cost due to Gen. 3. Would it be possible to get some breakdown how do we come to that 20% number, where are the savings coming from within the Gen. 3?

Bhavish Aggarwal: Jinesh, there's actually a very nice video in the Shareholders' Letter which maybe offline, you can see if you haven't seen already, it'll give you a very good conceptual architecture of the Gen 3 platform, but some highlights are, we're doing rearchitecture of the motor platform which reduces cost, increases power density. We're doing rearchitecture of the electronics platform to lower the number of ECUs into smaller, largely a single board, we're doing some very cool work on battery as a structure which takes away some layers of plastic, we're doing some very interesting work on the way the mechanicals, the fabrication of the vehicle happens in the factory, which reduces the manufacturing cost, we're doing more automation in the factory, we're doing more vertical integration, some things which we were outsourced to suppliers like for example, the motor tier twos, we might bring some of those things also into our own manufacturing, because we see a very quick return on capital on those things. So, all of these added up, get you the 20% savings. More specifics we won't be sharing each idea, but you can assume each of these broad categories of mechanicals, electronics, powertrain, etc., all of them add up.

Jinesh Gandhi: And effectively by next quarter 3Q our PLI should go up from 5% to 14% given all our products have been approved which are there in the market today. Is that the right way to think about PLI?

Harish Abichandani: See, the entire quarter we will have PLI accrual for all the products in Q3 and Q4. There is also slabs in PLI like actually can go higher than 13% based on which slab you are on the top line, etc., So, I think but minimum 13% on the product is given.

Jinesh Gandhi: With respect to the cell manufacturing, which will come from 1Q FY26, what kind of savings do we expect, I mean, where are we in terms of our current cell cost, which has been imported and what would be the cost of manufacturing for us for the upcoming cells?

Bhavish Aggarwal: See, on cell, I will actually comment first on the segment P&L because you'll have to look at the cell segment P&L differently and the automotive segment P&L differently at that point. But if I give you right now a consolidated number, see, the cell at a gross margin level will be much more profitable on day one versus procuring from outside, but there will be some costs we will be incurring for scale, which we will grow into that as the cell production scale. So, roughly about 5 GwH is when our own cell production will be much cheaper than procuring from outside. And that's the seven to eight points of savings further. So, that will happen by the time we get to between 3 to 5 GwH.

Jinesh Gandhi: Lastly, can you talk about the CAPEX plan for FY'25 and FY'26?

Harish Abichandani: So, on the CAPEX plan, what we have also highlighted in our book and continue to engage on that is that a), there is a cell project which is currently happening. You will note that we have completed 1A, 1B's in progress, then that will be followed by scaling up from 5 GwH onwards, for which around 1,200 crores as we already raised in the IPO. That's the current road map from now for FY'25 and FY'26 and then beyond five later. The auto side, there is obviously new product launch which are happening at the motorcycles and the 3-Wheelers we spoke about. That will require a certain level of CAPEX followed by capacity expansion from a current 1 million onwards to 2 million. These are the largely broad buckets of CAPEX is where the investment will go into the coming couple of years.

Bhavish Aggarwal: If I add to that, Harish, on the product development CAPEX, there are two things. One is factory expansion and the second is actually the R&D or the investments on the tooling, etc., which is more on the product things. Since the factory is already built out for much larger scale, factory expansion CAPEX will not be similar to what we have done so far. So, that will be much more tapered down even as we increase volumes. But for each new product we build, there will be some capital expense across tooling and testing and some homologation, etc.,

Jinesh Gandhi: So, first half we invested roughly about 280 crores, there should be close to 800 to 1,000 crores given that investment will also culminate in terms of the cash flow cell?

Harish Abichandani: On the cell side, the rough math is roughly around USD 45 to USD 50 million per GwH, it continues to taper down as we scale up, and in the going up from 1B project itself we have got around 1,800 crores of debt facility from SBI and already invested our 400-odd crores that takes us to five and then beyond. So, that's the rough math on the cell side.

Moderator: The next question comes from the line of Pramod Amte with InCred Equities. Please go ahead.

Pramod Amte: So, first question is with regard to your group presence. Looking at you are expanding from scooter to motorcycles and if I look at your peers where you had an advantage of product launch earlier in scooters versus motorcycle, do you see financing as a big enabler for EVs, and in that context, does it make sense to have captive financing?

Bhavish Aggarwal: See, financing is a very important thing for 2-Wheeler customers. But even if you look at our scooter financing percentage, it's I think in the early 60s percentage of products being financed. It doesn't feel like it's a constraint for penetration right now. Banks and all are very comfortable lending to EVs now compared to three years ago. And we have

our group company, Ola Financial Services, which distributes the loan. We keep a very large part of the margin. So, in that sense, we are actually generating margin without using any balance sheet. So, we are able to monetize some of the lending and insurance commissions without having to deploy our balance sheet.

Pramod Amte: And what proportion of your sales are funded through this entity, right, if you can just support it?

Bhavish Aggarwal: There's no funding of sales. This entity is also just a platform. This entity doesn't take any balance sheet also. It's just banks like IDFC, HDFC, Axis or other NBFCs which do the loans actually.

Pramod Amte: And the second one is with regard to the pricing action in the EV space. Considering that you come from a completely different background as compared to a typical automaker who are very sacrosanct about the selling price and the way the brands are positioned, so how do you look at a product -- is it more like a consumer durable where the price points are very drastically to make it more affordable at any given point of time? Second, where you can play around with a much wider scope of variants and all to keep the consumer excitement alive?

Bhavish Aggarwal: Interesting question. See, on pricing, if you look at current -

Pramod Amte: In terms of pricing, right, the way conventional autos are designed, similarly -

Bhavish Aggarwal: So, we think very first principles about these things. So, we think of a pricing basis whatever is required for penetration as well as whatever our margin structure can afford us. I don't believe the modern customer really holds a brand and pricing interplay. Brand is built by product, not by pricing. And if you think of the current context also with competitive pricing actions, I actually feel these competitors, they're not going to be able to sustain these deep discounts as the industry scales up because they don't have the margin structure and then you guys are all the smart people on understanding their margins. So, I just don't feel they have the vertically integrated manufacturing for EVs or technology capability to truly sustain some of these at scale, whereas we have really deeply invested in those. So, that gives us the ability to price aggressively, and we will always continue to be more innovative on pricing.

Pramod Amte: But do you feel it's more inclined as the EV space evolves in India too, like globally the pricing can't be sacrosanct considering technology curve is very steep, right?

Bhavish Aggarwal: See, I don't think pricing and brand are linked. I think product and brand are linked. That's the question.

Pramod Amte: But does technology also play a substantial role, right, when you look at costing versus pricing?

Bhavish Aggarwal: Absolutely. 100%. See, the reason we are able to grow our margins, and all the while also pass on some benefit to consumers is because all of this is through technology development. Technology enables better margins because it brings cost down.

Pramod Amte: The third question is with regard to the cell plant. What is the update in terms of technology development drive process and how far you have gone in terms of stabilization of the same if you can update?

Bhavish Aggarwal: Our cell process has actually evolved a lot. There are two steps in the cell process. First is in the lab, we call that the R&D step. Second is in the factory, we call that the manufacturing process validation step. So, our R&D and link certifications were all done last quarter itself. And since over the last I think three to four months, we have been focusing on the factory process stabilization, now we have developed both Wet and Dry electrodes, the Dry is a bit of a moon shot, we have very good progress on the Dry electrode also. The Dry electrode will be cheaper than the Wet electrode, but our Wet electrode also is actually fairly advanced and if you recall, maybe if we spoke earlier, I would have shared that the first cell, actually the generation one cell that we developed was the Wet electrode cell and then we continued to evolve the Wet electrode technology for us as well as we added our Dry electrode as an Experiment. So, we have both options. Wet is obviously very mature. We have that cell system ready, the giga factory is being tested, all production systems you can see image of all these, the mixing, the electrode formation, the cell assembly and winding, the electrolyte as well as the formation stage. All of them are going through very rigorous design of experiments. The Dry one also the only thing that changes the electrode manufacturing, everything else downstream remains exactly the same. So, as we are developing Dry technology, once it matures, we might actually change over to Dry. The Wet is anyways mature for us.

Moderator: The next question comes from Kapil Singh from Nomura. Please go ahead.

Kapil Singh: I am curious to understand, some of the states have seen very good EV penetration. Any thoughts you have what has gone right in these states, what are the enabling factors that are helping us much faster EV penetration?

Bhavish Aggarwal: See, states which have had very sharp rise in penetration in the last six to nine months like Rajasthan, UP, etc., are the states which are actually more price-sensitive. So, the mass market portfolio has really taken off over there. And now we are also doubling down with increasing our distribution in those states. Our distribution was actually South and West heavy. And now we are increasing in the North as well as the

Northwest part of India. So, we feel as our S1X product goes even beyond into deeper upcountry, there'll be a very strong demand for it. In the South and West markets also, if you look at, urban markets are more penetrated, deeper rural markets need a little bit more distribution access from us, which also over the next 2-3 months as we add, we feel confident that those markets will also grow and even the premium portfolio will I feel that in rural areas in these South and West regions, the premium portfolio will also sell.

Kapil Singh: And anything on electricity availability as well you feel is making a difference in some of the states?

Bhavish Aggarwal: No, I don't think electricity availability is a challenge anywhere. I don't know which states are low on electricity, but I haven't heard that from the ground.

Kapil Singh: Just one more question was on cell chemistry. You guys are doing NMC and also 4680. Any thoughts whether there will be a need for LFP because some of the OEMs globally as well as in India are also exploring LFP. So, just your thoughts on that?

Bhavish Aggarwal: So, we are actually working on both. The first cell that will come out in Q1 FY'26 will be an NMC cell, but the same platform of the cell which is the 4680 platform can do LFP also and we have an experimental project working on LFP, we have cell systems which are undergoing testing on LFP, although we are still maybe a year and a half or two away from productionizing it. So, the first step is actually to get the NMC cell up and going, and then in the same cell system, the same manufacturing facility we can do LFP also.

Moderator: Ladies and gentlemen, in the interest of time, that was the last question for today. I now hand the conference over to Abhishek for closing comments.

Abhishek Chauhan: Thank you so much, everyone for your time and all your questions during the call today and once again, thank you so much for joining us and we look forward to meeting you all during our next earnings conference. Thank you.

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