

Retail Research - IPO Note	25th April 2025
Sector: Auto OEM	Price Band (Rs): 304 - 321
Listing Gain: Unlikely	Recommendation: AVOID*

*We would like to review the performance of the company post listing.

Ather Energy Ltd.

Company Overview:

Ather Energy Ltd. (Ather) is a pure play EV company which is engaged in the selling of EV 2-Wheelers (E2W) and its associated product ecosystem, including software, charging infrastructure and smart accessories. It was the first 2-Wheeler OEM to establish a 2W fast charging network grid (Ather Grid) in the country. The company assembles its E2Ws and lithium-ion battery packs out of its manufacturing facility located near Hosur, Tamil Nadu which has a total installed capacity of 420,000 units for E2Ws and 3,79,800 units for battery packs as of Dec'24. Further, the company is in the process of building a factory at Chhatrapati Sambhaji Nagar, Maharashtra, which will take its total installed capacity to 1.4 million E2Ws. Ather operates through a robust distribution network of 265 experience centers and 233 service centers in India; 5 experience centers and 4 service centers in Nepal; 10 experience centers and 1 service centers in Sri Lanka. As of Dec'24, the company procured 99.9% of its E2W components by Bill of Materials (BOM) value chain (excluding lithium-ion cells) through domestic vendors. The company's offerings are complemented by its product ecosystem which comprises of charging infrastructure, accessories and its in-house developed software 'Atherstack'.

Key Highlights:

1. Software defined ecosystem: Ather's in-house developed software 'Atherstack' powers the products and generates customer engagement by unlocking features related to navigation, analytics, ride assistance, safety and productivity, as well as integration with charging infrastructure and smart accessories. In FY24 and 9MFY25, ~89% and 86% of the E2W owners purchased advanced Atherstack features, while 61% of users engaged with the connected software features at least once a week.

2. Robust charging infrastructure: The company's EV charging infrastructure consists of a) the Ather Grid, a public charging network of 2,616 fast chargers and 666 neighbourhood chargers spread across 314 cities in India, Nepal and Sri Lanka as of Dec'24; and b) portable chargers for home charging which are bundled and sold with E2Ws. Further, Ather developed its own in-house charging connector technology, the Light Electric Combined Charging System (LECCS) and protocol for the fast-charging network.

3. Strong in-house R&D capabilities: Through its focused R&D team, Ather owns 303 registered trademarks, 201 registered designs and 45 registered patents, in addition to pending applications for 102 trademarks, 12 designs and 303 patents, as of Feb'25. Further, the company designs majority of its E2W components in-house including battery packs, transmission, motor controllers, vehicle control units, dashboard, harness, chassis, etc. This control over the design of key components including the underlying software, gives it speed to market, control over quality, cost management capabilities and the ability to deliver an improved user experience.

Valuation: The company is yet to achieve profitability at the EBITDA and PAT level. Competition is intensifying in the electric two-wheeler industry with established OEMs such as TVS Motors, Bajaj Auto and Hero MotoCorp expanding their respective E-2W product portfolio and the distribution network. Further, Honda Motorcycles and Scooters India (HMSI) has launched its electric scooter offering under the popular 'Activa' brand which should further intensify competition. Ather trades at 5.7x P/S at upper price band of Rs 321. Investors are recommended to AVOID the issue. We will review the company's performance post listing.

Issue Details	
Date of Opening	28 th April 2025
Date of Closing	30 th April 2025
Price Band (Rs)	304 – 321
Offer for sale (shares)	1,10,51,746
Fresh Issue (Rs cr)	2,626
Issue Size (Rs cr)	2,962 – 2,981
Issue Size (No. of shares)	9,74,33,325 – 9,28,58,600
Face Value (Rs)	1
Post Issue Market Cap (Rs cr)	11,462 – 11,956
BRLMs	Axis Capital, HSBC Securities & Capital Markets (India), JM Financial, Nomura Financial Advisory & Securities (India)
Registrar	MUFG Intime India Pvt Ltd.
Bid Lot	46 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Capital expenditure to be incurred for establishment of E2W factory in Maharashtra, India	927.2
Repayment/pre-payment of borrowings availed by the company	40.0
Investment in R&D	750.0
Expenditure towards Marketing initiatives	300.0
General corporate purposes [^]	608.8
Total proceeds from fresh issue	2,626.0

[^] The amount to be utilized towards general corporate purposes shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	15,87,28,716	54.6
Public & Others	13,19,14,753	45.4
Total	29,06,43,469	100.0

Post Issue @ Lower Price Band	No. of Shares	%
Promoter & Promoter Group	15,67,68,716	41.6
Public & Others	22,02,56,332	58.4
Total	37,70,25,048	100.0

Post Issue @ Upper Price Band	No. of Shares	%
Promoter & Promoter Group	15,67,68,716	42.1
Public & Others	21,56,81,607	57.9
Total	37,24,50,323	100.0

Source: RHP, SSL Research

Key Financial and Operating Metrics

Particulars (Rs cr)	FY22	FY23	FY24	9MFY25
Revenue from operation	408.9	1,780.9	1,753.8	1,578.9
Gross Margin (%)	6.1	10.4	7.0	16.9
EBITDA	(259.9)	(707.6)	(684.7)	(408.5)
Adj. PAT	(344.1)	(864.5)	(885.1)	(577.9)
Market Share in E2W (%)	7.9	10.6	11.5	10.7
E2W Sales Volume (Units)	23,402	92,093	1,09,557	1,07,983
Revenue per Unit (Rs)	1,58,192	1,55,571	1,43,333	1,29,001

Source: RHP, SSL Research

**Pre-issue based on upper price band*

Risk Factors

- **Raw material supply risk:** The company outsources the manufacturing of all vehicle components except battery packs, and is dependent on third party suppliers for raw materials sourcing.
- **Brand Reputation risk:** Lithium-ion cells may release smoke or may catch fire even if they are properly maintained due to environmental and other factors, which could lead to potential publicity and brand reputation risks.
- **Industry risk:** The company operates in the auto industry which is dependent on the demand of consumers which can be impacted by tight monetary policy, inflation, decreasing discretionary income etc.
- **High Competition:** The E2W segment has become highly competitive with offerings increasing multi-fold in the past few years with the entry of new players and expansions of legacy OEMs in the segment.
- **Geographic concentration risk:** The company's derived 65%/66%/68%/61% of its FY22/FY23/FY24/9MFY25 sales volume from the Southern part of India, which may be impacted due to geography specific macro-economic, regulatory events.

Growth Strategy

- Strategically expand product portfolio through multi-product technology platforms.
- Expand and deepen distribution network in India and internationally.
- Improve operational efficiencies and manufacturing capabilities through the Chhatrapati Sambhaji Nagar factory.
- Focus on unit economics through in-house product development.
- Build long term partnerships to secure supply chain for cells and other raw materials.
- Continue building the 'Ather' brand.
- Expand through strategic partnerships and acquisitions.

Revenue Mix & Realization

Particulars	FY22	FY23	FY24	9MFY25
Revenue from				
Sale of Vehicles (%)	91	80	90	88
Sale of Non-Vehicles (%)	9	20	10	12
Revenue per Unit (Rs)	1,58,192	1,55,571	1,43,333	1,29,001

Source: RHP, SSL Research

Model wise sales volume

Model	FY22	FY23	FY24	9MFY25
Ather 450S	-	-	22,712	15,195
Ather 450X	23,402	92,093	39,067	1
Ather 450X (2.9 kWh)	-	-	11,249	8,286
Ather 450X (3.7 kWh)	-	-	35,999	25,835
Ather 450 Apex	-	-	550	2,015
Ather Rizta Z (2.9 kWh)	-	-	-	21,388
Ather Rizta Z (3.7 kWh)	-	-	-	19,341
Ather Rizta S	-	-	-	15,922
Total	23,402	92,093	1,09,557	1,07,983

Source: RHP, SSL Research

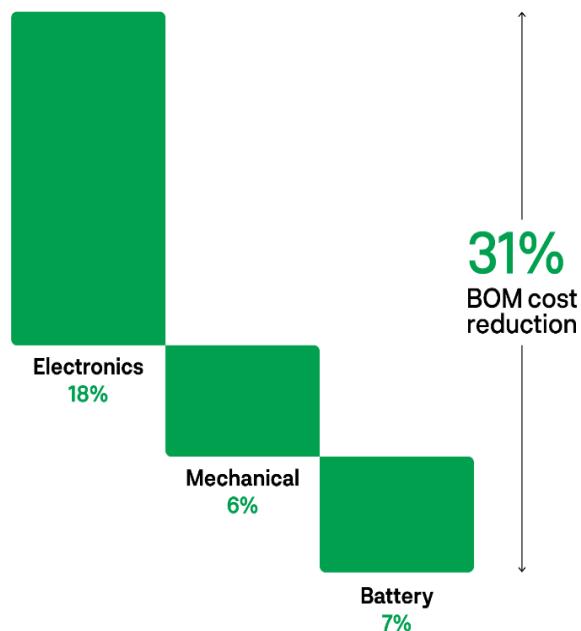
Designing and Manufacturing Capabilities

E2W component	Designed in-house	Manufactured inhouse	Outsourced manufacturing
Battery Pack (excluding cells)	✓	✓	
Motor			✓
Transmission	✓		✓
Motor Controller	✓		✓
Vehicle Control Unit	✓		✓
Dashboard	✓		✓
DC Converter	✓		✓
Harnesses	✓		✓
Chassis	✓		✓
Charger (portable)			✓

Source: RHP, SSL Research

Reduction in Bill of Materials (BOM) through in-house product development

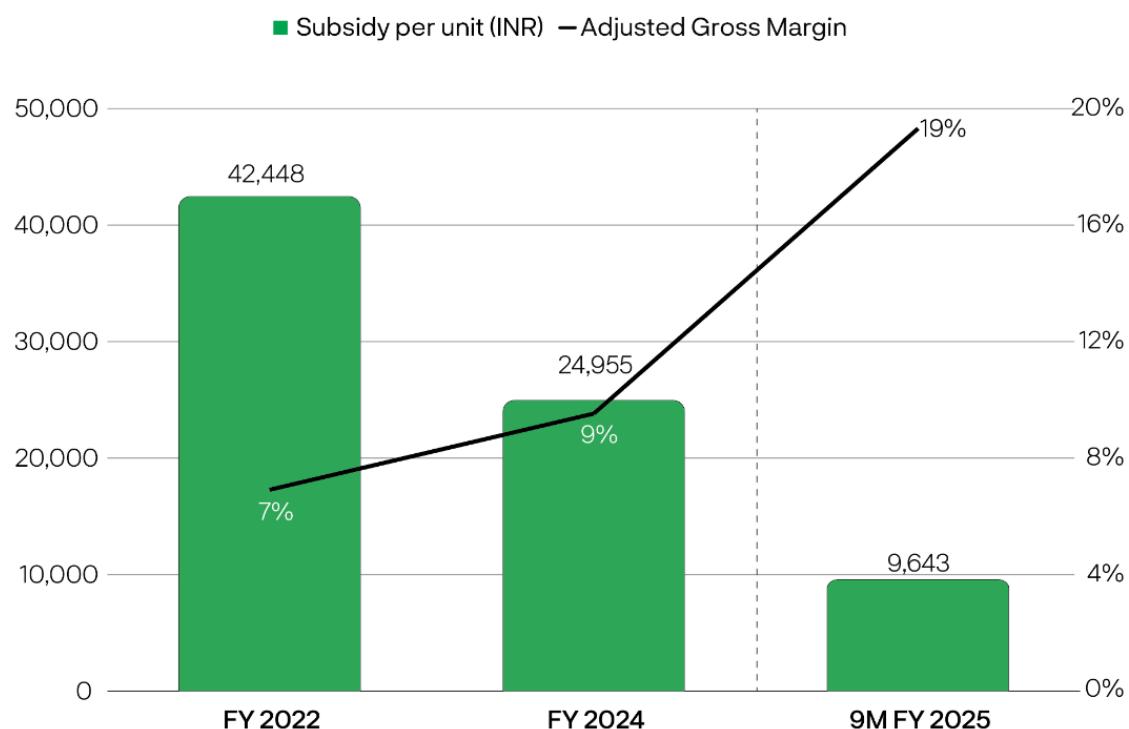
Reduction of BOM cost for Ather 450X (2.9 kWh)*



Source: RHP, SSL Research

*: BOM cost reduction on the Ather 450X (2.9 kWh) variant from the start of production in FY21 to the end of FY24.

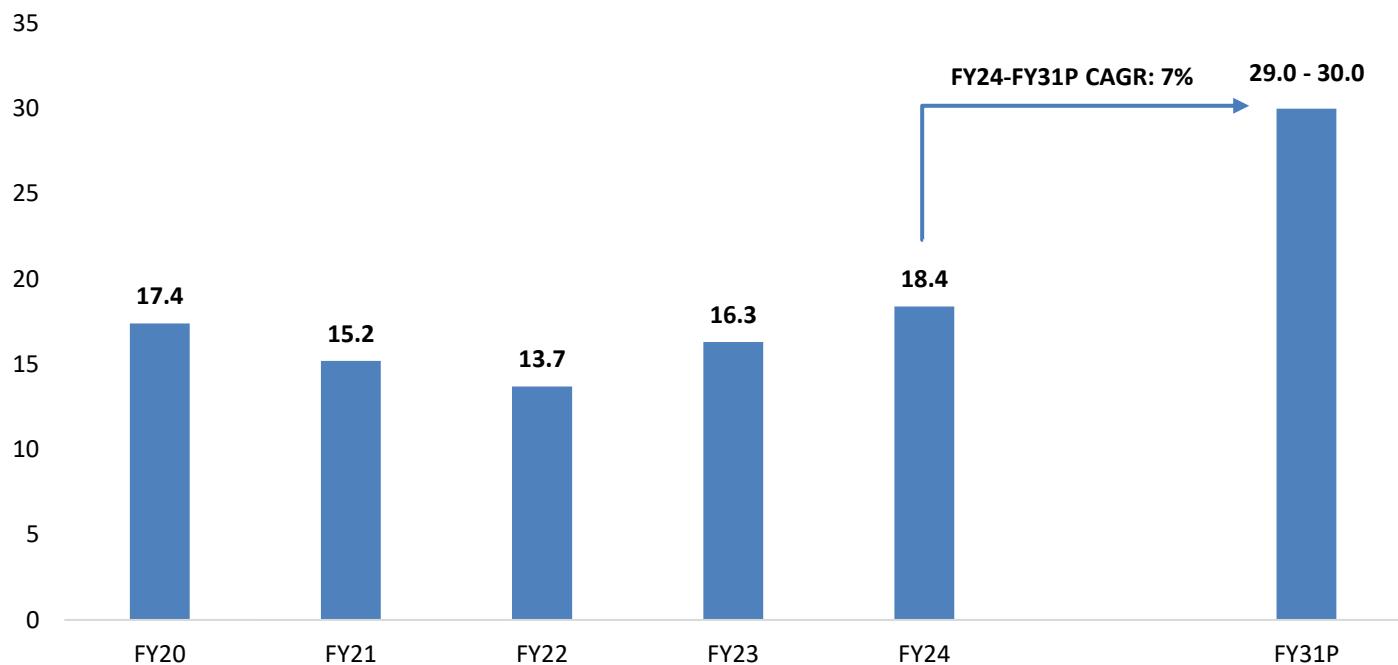
Increasing Adj GPM despite of drop in Subsidy



Source: RHP, SSL Research

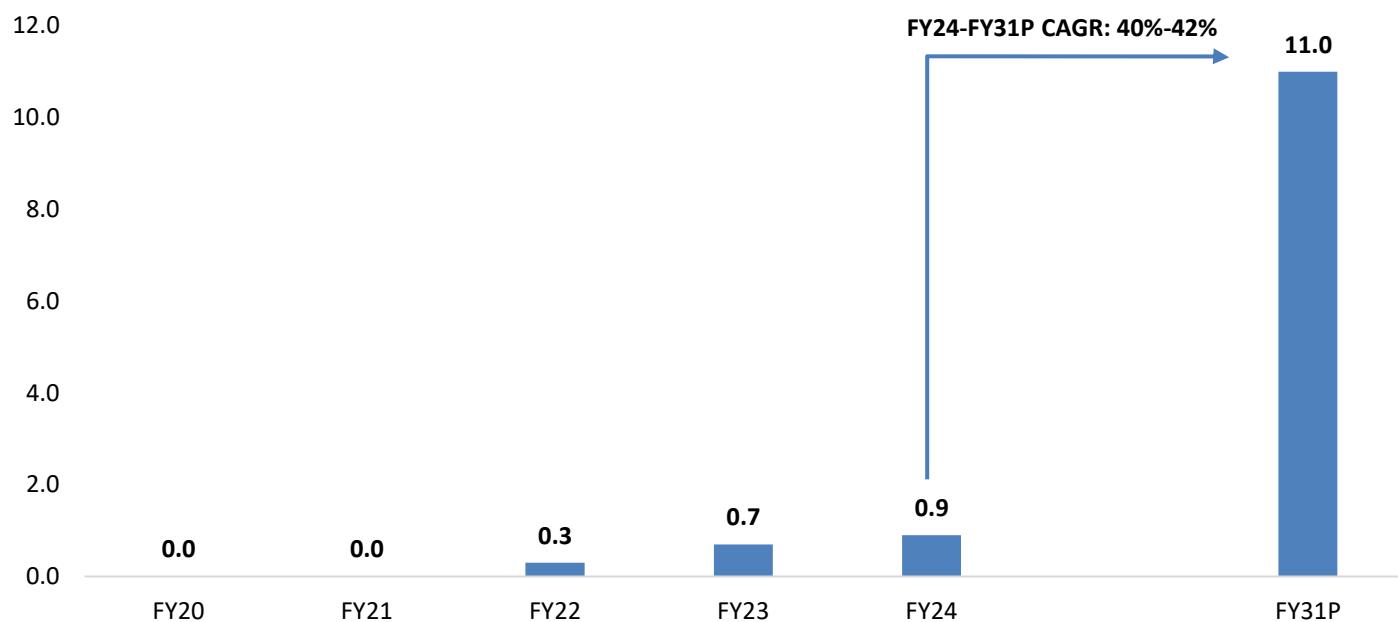
Industry Overview

Domestic 2-Wheeler Industry Sales (Mn units)



Source: RHP, SSL Research

Domestic EV 2-Wheeler Industry Sales (Mn units)



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
Particulars (Rs cr)	FY22	FY23	FY24
Revenue from Operations	409	1,781	1,754
YoY growth (%)	-	335.5%	-1.5%
Cost Of Revenues (incl Stock Adj)	384	1,595	1,632
Gross Profit	25	186	122
Gross margin (%)	6.1%	10.4%	7.0%
Employee Cost	114	335	369
Other Operating Expenses	171	558	438
EBITDA	-260	-708	-685
EBITDA margin (%)	-	-	-
Other Income	5	21	35
Interest Exp.	41	65	89
Depreciation	48	113	147
PBT	-344	-865	-885
Exceptional item/Extraordinary item	-	-	-175
Tax	-	-	-
Adj. PAT	-344	-865	-885
Adj. PAT margin (%)	-	-	-
Adj. EPS (Rs)	-11.8	-29.7	-30.5

BALANCE SHEET			
Particulars (Rs cr)	FY22	FY23	FY24
Assets			
Net Block	94	182	187
Capital WIP	-	1	-
Intangible Assets	177	178	123
Intangible Assets under development	92	37	71
Right of use assets	65	184	149
Other Non current Assets	99	87	155
Current Assets			
Current Investment	37	286	292
Inventories	61	257	117
Trade receivables	1	1	2
Cash and Bank Balances	89	176	448
Other Current Assets	105	588	371
Total Current Assets	293	1,308	1,229
Current Liabilities & Provisions			
Trade payables	121	384	403
Other current liabilities	67	195	288
Short-term provisions	11	59	81
Total Current Liabilities	198	637	772
Net Current Assets	95	671	458
Total Assets	621	1,340	1,142
Liabilities			
Share Capital	1	1	1
Reserves and Surplus	224	613	545
Total Shareholders' Funds	225	614	546
Total Debt	298	485	315
Long Term Provisions	29	49	70
Lease Liabilities	67	186	163
Other Long-Term Liabilities	2	6	48
Total Liabilities	621	1,340	1,142

Financial Snapshot

Cashflows (Rs cr)	FY22	FY23	FY24
Cash flow from Operating Activities	(228)	(871)	(268)
Cash flow from Investing Activities	(7)	(135)	(228)
Cash flow from Financing Activities	231	1,317	633
Free Cash Flow	(301)	(1,003)	(384)

RATIOS			
	FY22	FY23	FY24
Profitability (%)			
Adj. Return on Assets	-	-	-
Adj. Return on Capital Employed	-	-	-
Adj. Return on Equity	-	-	-
Margin Analysis (%)			
Gross Margin	6.1	10.4	7.0
EBITDA Margin	-	-	-
Adj. Net Profit Margin	-	-	-
Short-Term Liquidity			
Current Ratio (x)	1.5	2.1	1.6
Quick Ratio (x)	1.2	1.6	1.4
Avg. Days Sales Outstanding	1	0	0
Avg. Days Inventory Outstanding	58	59	26
Avg. Days Payables	115	88	90
Fixed asset turnover (x)	2.6	4.9	5.2
Debt-service coverage (x)	-	-	-
Long-Term Solvency			
Gross Total Debt / Equity (x)	1.3	0.8	0.6
Interest Coverage Ratio (x)	-	-	-
Valuation Ratios			
EV/EBITDA (x)	-	-	-
P/E (x)	-	-	-
P/B (x)	41.5	15.2	17.1
EV/Sales (x)	23.3	5.4	5.2

Source: RHP, SSL Research

Peer Comparison

Particulars (Rs cr)	Ather Energy Limited	Hero MotoCorp Limited	Bajaj Auto Limited	Ola Electric Mobility Limited	TVS Motor Company Limited	Eicher Motors Limited
CMP (Rs)	321.0	3,954.0	8,201.5	52.4	2,773.9	5,650.5
Sales	1,753.8	37,456.0	44,685.0	5,010.0	3,11,776.0	16,078.0
EBITDA	(684.7)	5,261.0	8,802.0	(1,266.0)	3,514.0	4,382.0
Net Profit	(1,059.7)	3,968.0	7,479.0	(1,584.0)	2,083.0	3,749.0
Mkt Cap.	11,955.7	78,604.3	2,29,801.1	23,130.4	1,33,057.7	1,57,096.0
Enterprise Value	9,196.8	77,995.3	2,29,390.1	18,894.4	1,33,513.7	1,57,166.0
Gross Margin (%)	7.0	32.0	29.0	13.0	26.0	46.0
EBITDA Margin (%)	-	14.0	19.7	-	1.1	27.3
Net Margin (%)	-	10.6	16.7	-	0.7	23.3
P/E (x)	-	19.8	30.7	-	63.9	41.8
EV/EBITDA (x)	-	14.8	26.1	-	38.0	35.9
RoE (%)	-	22.1	30.1	-	26.9	23.9
RoCE (%)	-	25.3	35.0	-	38.2	24.1
EV/Sales (x)	5.2	2.1	5.1	3.8	0.4	9.8
Market Share in E2W (%)	11.5	1.9	11.4	35.1	19.3	-

The data is based on FY24 financial data. Standalone numbers for Hero MotoCorp, Bajaj Auto, TVS Motor and Eicher Motors to compare with the core Two-Wheeler business

For Ather Energy Limited, the Market cap, P/E(x), and EV/EBITDA (x), EV/Sales (x) are calculated on post-issue equity share capital based on the upper price band.

CMP as on 23^d April, 2025.

Source: RHP, SSL Research

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