

# Ather Energy Limited

Rating: Not rated

(Not Edited &amp; Formatted)\*

## IPO meet highlights

1. Ather Energy plans Rs.30bn IPO equity raise - 31% for new capacity, 25% for R&D, 10% for marketing spend, rest for general purpose and debt repayment. New Maharashtra plant of 0.5mn capacity to be ready by Mid CY26.
2. New EL platform, built by Atherstack technology, management feels will allow it to introduce multiple scooter models across lower price points in coming quarters and improve costing.
3. Consistent performance in rising EV penetration market gives Ather Energy credibility. However, lower automation and backward integration limits Fixed asset turnover ratio and value addition, which is overlooked at current superior EV/sales valuation to peer (Fig 3). Software division (6% of sales) option value is an upside.

### Key takeaways from IPO meet

- a) **Key strategies:** Ather's growth strategy is built on four pillars: a vertically integrated approach to EV design to enhance quality and reduce cost and time to market; a software-defined ecosystem that creates a differentiated user experience with an expansive feature set; premium brand positioning across segments to drive customer satisfaction and higher average selling prices; and a capital-efficient business model that reduces cash burn while increasing flexibility and agility across the value chain.
- b) **Production Control:** The company manufactures 80% of its hardware in-house and develops 100% of its software. Additionally, 46% of its workforce is engaged in research and development (R&D). The company is committed to maintaining complete control over its technology and product development.
- c) **E2W Penetration:** Electric two-wheeler (E2W) penetration reached 5.1% in FY24 and management expects it to rise to 40% by FY31. Tier 3 cities have already achieved 18-19% EV penetration, while the top 6 cities stand at 12% and the top 15 cities at 10%. Future growth is anticipated to be driven mainly by Tier 2 and Tier 3 cities.
- d) **Market Share:** In four cities—Delhi, Gujarat, Mumbai, and Bangalore—Ather has doubled its market share over the past year, rising from single-digit to double-digit figures. In South and East India, its market share stands at 15-18%.
- e) **Existing Plant:** The assembly line is predominantly manual, as Ather prefers flexibility for implementing product changes. However, select processes requiring high-quality control are automated.
- f) **Manufacturing Facility:** Ather is planning a new Factory 3.0 in Chhatrapati Sambhajnagar (Aurangabad), Maharashtra, which will expand the total installed production capacity to 1.42 million E2Ws per annum. The additional 1 mn capacity will be implemented in two phases of 0.5 mn units each.
- g) **New Platforms:** Ather is set to launch new products based on its upcoming EL platform, which will be unveiled soon, this platform is expected to optimize costs and reduce the bill of materials (BOM). Also plan to launch Zenith Platform targeting 125cc - 300cc motorcycle segment.
- h) **Product Positioning:** The 450 series is performance-oriented, targeting a niche market with a limited total addressable market (19% of ICE Scooter Market), aims to become a market leader in the long term. The Ritza model, designed for families and daily commuters, now accounts for 70% of the product mix without impacting profit margins which caters to (88% of the scooters).
- i) **Battery Cell Manufacturing:** Ather sources battery cells from Korean and Chinese suppliers while designing its own Battery Management System (BMS) and Printed Circuit Board Assembly (PCBA), manufacturing is handled by Foxon. A new LFP battery assembly line has been introduced for entry-level E2Ws. Due to rapid advancements in cell technology, the company has no plans for in-house cell manufacturing. Current production capacity stands at 3,84,000 units per annum, with plans to expand to 4,20,000 units by March 2026.
- j) **PLI Benefits & Government Policies:** Ather does not receive Production-Linked Incentive (PLI) benefits on any of its products. The company expects government EV subsidies to be phased out within 2-3 years, although GST of 5% likely to gradually go up, however it expected to stay lower by 7-8% vs ICE vehicles.
- k) **Atherstack Software:** The latest version, Atherstack 6, is available for Rs. 14,000-15,000, with an annual subscription fee of Rs. 1,000. 86% of customers opting for it. It has 40% renewal rate and contributes 6% of total revenue and has EBITDA margin of 53%.
- l) **Retail Network:** Ather has a presence in 202 cities with 310-315 retail stores and 233 services center.
- m) **Warranty Cost Reduction:** The company reduced warranty costs per unit by 37% from FY23 to FY24.
- n) **Braking System Enhancements:** Ather is continuously improving its regenerative braking system, with a long-term goal of eliminating manual braking altogether.
- o) **Vehicle Servicing:** After 5,000 km of usage, Ather recommends a service check-up for its scooters at a cost of Rs. 1,500. However, servicing is not mandatory.
- p) **Raw Material Sourcing:** 60% of components are procured from multiple vendors, while 99% are sourced domestically. BOM reduced by 31% since launch of 450x, majority reduction was led by electronic (-18%) followed by battery (-7%) and mechanical.

- q) **EV vs ICE Cost Comparison:** Management has stated that, as of FY24, electric vehicles offer a 55% lower total cost of ownership (TCO) compared to internal combustion engine (ICE) vehicles. Further improvements are expected as input costs decline.

**Figure 1: IPO details**

IPO Date	28 to 30 April, 2025	
Issue Price Band	Rs.304-321 per share	
Face Value	Rs.1 per share	
Offer for Sale	1.1mn shares	Rs.3.5bn
Fresh Issue	8.2mn shares	Rs.26.3bn
<b>Total Issue Size</b>	<b>9.3mn shares</b>	<b>Rs.29.8bn</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Utilization of Net Proceeds**

	(Rs. in mn)	% of total proceeds
Capex in E2W factory in Maharashtra	9,272	31%
Debt repayment	400	1%
Investment in R&D	7,500	25%
Marketing expenses	3,000	10%
General corporate purposes	9,628	32%
<b>Total Net Proceeds</b>	<b>29,800</b>	<b>100%</b>

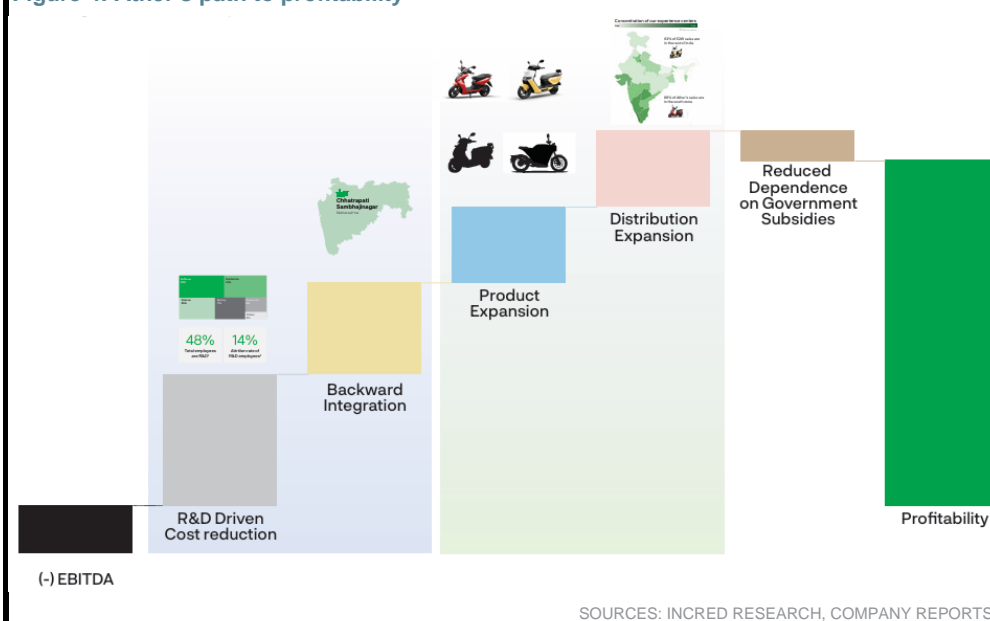
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Ather premium valuation is a concern**

Share Holding Pre Issue (mn)	291	
Share Holding Post Issue (mn)	373	
Issue price (Higher end)	321	
Expected Market cap (Rs.in mn)	1,19,688	
<b>Valuation vs peer</b>	<b>Ather Energy</b>	<b>Ola Electric</b>
FY25F Sales (Rs.mn)	21,052	53,493
Market cap (Rs.mn)	1,19,688	2,34,080
Market cap (USD.bn)	1.4	2.7
<b>Market cap / sales</b>	<b>5.7</b>	<b>4.4</b>

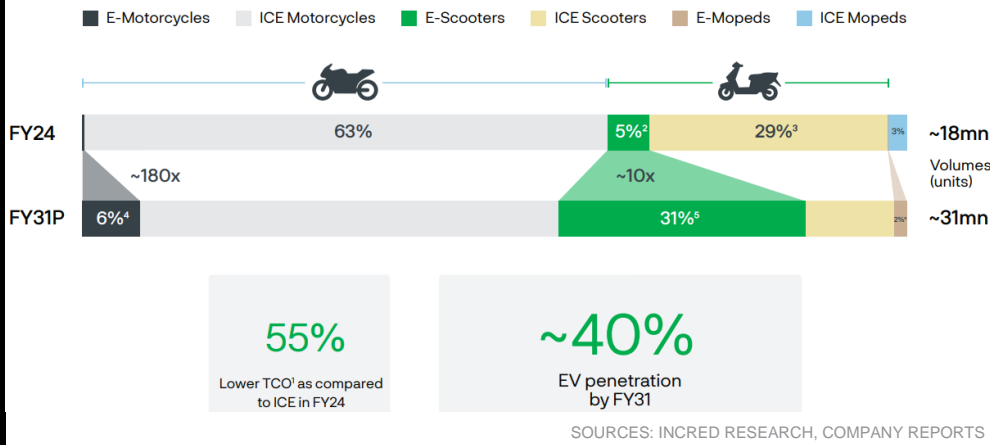
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Ather's path to profitability**

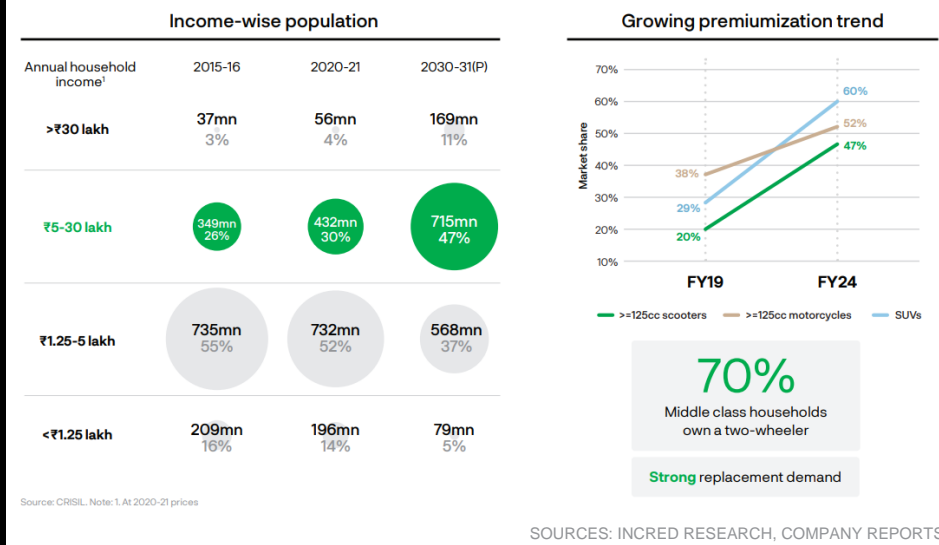


SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: E2W market to witness 13x growth within 6 years as per management**



**Figure 5: Premiumization trend across industries favours Ather Energy**

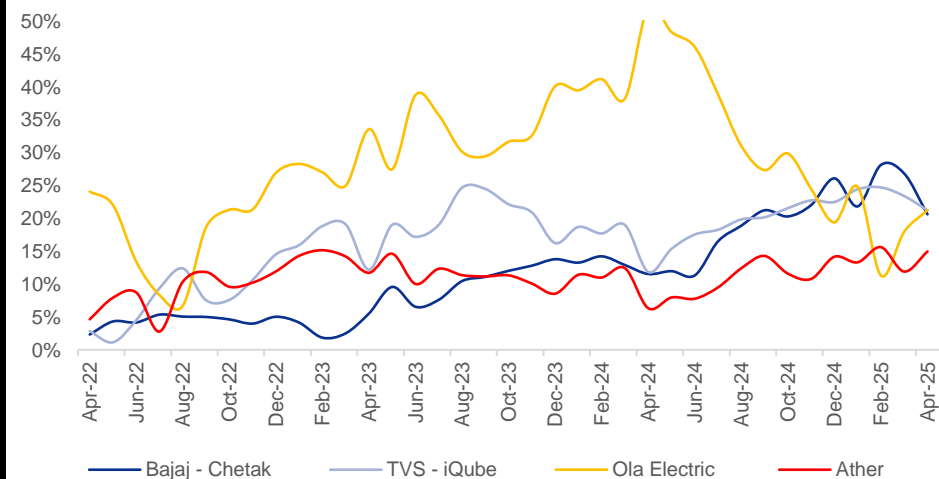


**Figure 7: Financials**

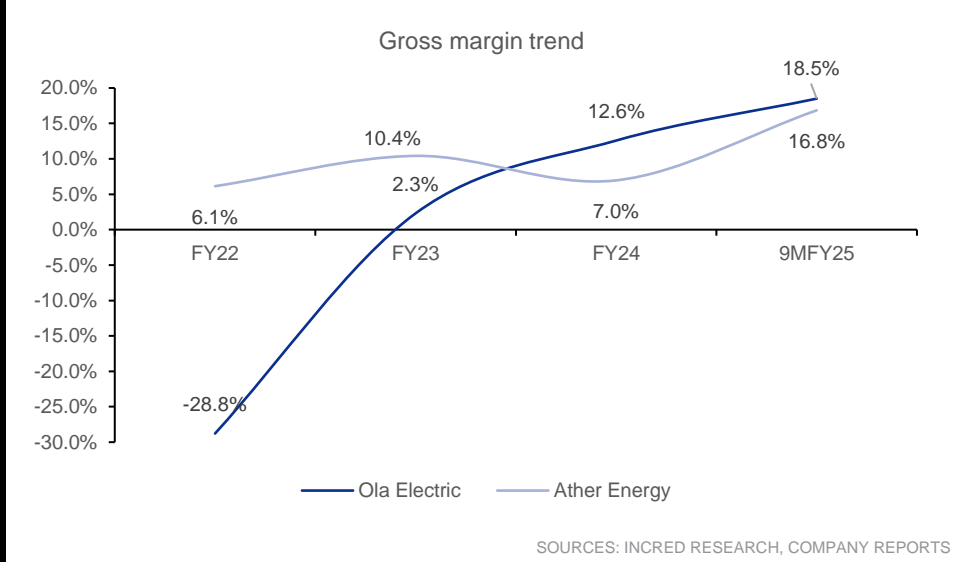
Financials in Rs.mn	FY2022	FY2023	FY2024	9MFY25
Volume	23,402	92,093	1,09,577	1,07,983
Revenue	4,089	17,809	17,538	15,789
Gross Margin (%)	6.1%	10.4%	7.0%	16.8%
EBITDA	(2,599)	(7,076)	(6,847)	(4,085)
EBITDA Margin (%)	-63.6%	-39.7%	-39.0%	-25.9%
PAT	(3,441)	(8,645)	(8,851)	(6,038)

SOURCES: INCRED RESEARCH, COMPANY REPORTS

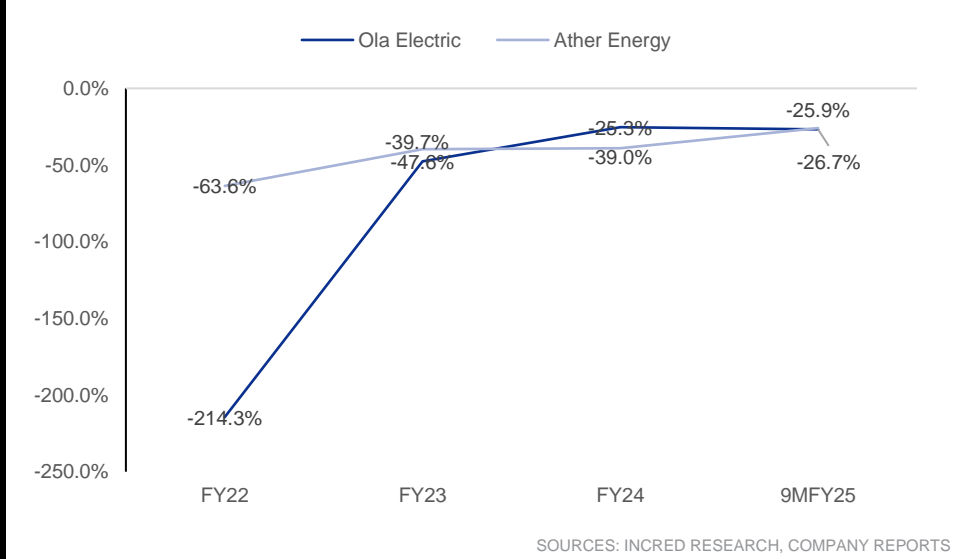
**Figure 8: Ather Energy seeing gradual improvement in market share**



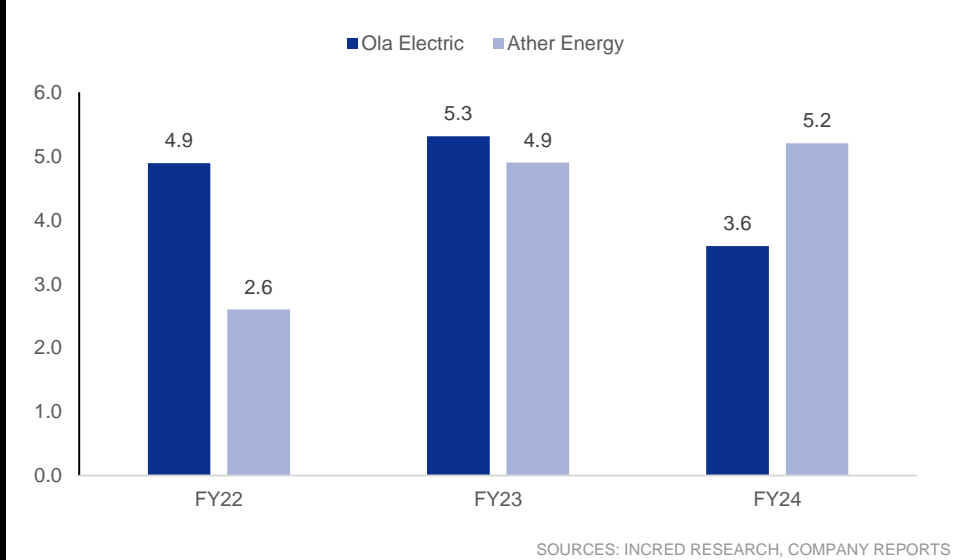
**Figure 9: Gross margin trend comparison for Ola and Ather**



**Figure 10: EBITDA margin trend comparison for Ather and Ola**



**Figure 11: Ather's asset turnover ratio improving as volume rise.**



\*P.S. As it's a Quick Take, the document is not edited/formatted.

Thanks and Regards,

## **Pramod AMTHE**

Head of Equity Research

Analyst – Automobile Sector



m: +91 9820605731

t: +91 22 4161 1541

Email: [pramod.amthe@incredresearch.com](mailto:pramod.amthe@incredresearch.com)

[www.incredcapital.com](http://www.incredcapital.com)



### **Incred Research Services**

Laxmi Towers, Unit no. 3, 5<sup>th</sup> floor, B Wing,  
BKC, Mumbai-400051, Maharashtra.

## **Ravi GUPTA**

Equity research

Associate – Automobile Sector



m: +91 9892118378

t: +91 22 4161 1552

Email: [ravi.gupta@incredresearch.com](mailto:ravi.gupta@incredresearch.com)

[www.incredcapital.com](http://www.incredcapital.com)



### **Incred Research Services**

Laxmi Towers, Unit no. 3, 5<sup>th</sup> floor, B Wing,  
BKC, Mumbai-400051, Maharashtra.