

**Rating: Subscribe for listing gain**

### Issue Offer

The IPO is a book-built offering comprising an offer for sale of 1,10,51,746 equity shares and a fresh issue of 8,18,06,853 equity shares with a total issue size of up to INR 2,980.76 Crore.

#### Issue Summary

Price Band INR	304-321
Employee Discount INR	30
Face Value INR	1
Implied Market Cap INR Mn.	119,557
Market Lot.	46
Issue Opens on	April 28, 2025
Issue Close on	April 30, 2025
No. of share pre-issue	29,06,43,469
No. of share post issue	37,24,50,322
Listing	NSE, BSE

#### Issue Break-up %

QIB Portion	≥ 75
Retail Portion	≤ 10
NII Portion	≤ 15

#### Registrar

MUFG Intime India Private Ltd

#### Book Running Lead Managers

Axis Capital Limited	
HSBC Securities and Capital Markets	
JM Financial Limited	
Nomura Financial Advisory and Securities (India) Pvt Ltd	

	Pre-Issue	Post-Issue
Promoters	54.61%	39.65%
Public & Others	45.39%	60.35%

#### Objects of the issue

- Capital expenditure to be incurred by the Company for establishment of an E2W factory in Maharashtra, India;
- Repayment/ pre-payment, in full or part, of certain borrowings availed by the Company;
- Investment in research and development;
- Expenditure towards marketing initiatives; and General corporate purposes.

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Ather Energy Limited is a pioneer in India's electric 2W market, founded in 2013. As a pure-play EV company, it is engaged in the design, development and sale of E2Ws, complemented by an integrated ecosystem comprising in-house developed software, charging infrastructure, and smart accessories. The company's E2W portfolio currently includes 2 product lines: the Ather 450 series, catering to performance-focused customers, and the Ather Rizta series, introduced in April 2024, aimed at convenience-oriented family users. The company's operational infrastructure includes its main manufacturing unit in Hosur, Tamil Nadu, with an annual installed capacity of 420,000 E2Ws and 379,800 battery packs as of Dec 31, 2024. To meet growing demand, it has commenced development of its new Factory 3.0 in Aurangabad, Maharashtra, which is expected to increase total production capacity to 1.42 Mn E2Ws per annum upon full commissioning of both its phases.

#### Investment Rationale:

**Strong Market Position in a High-Growth E2W Segment:** Ather Energy is a well-established player in India's rapidly growing E2W industry. Ranked 3rd and 4th by sales volume in FY24 and 9MFY25 respectively, the company has demonstrated significant sales momentum with 109,577 vehicles sold in FY24, up from 23,402 in FY22, a ~4.7x growth in 2 years. With India's E2W penetration expected to rise from 5.1% in FY24 to 70% for scooters by FY31, and the E2W market forecasted to grow at a CAGR of 41-44%, the company is strategically positioned to capture market share in both premium performance and family convenience scooter segments.

**Capacity Expansion Aligned with Market Opportunity:** With the E2W market poised for exponential growth, Ather is proactively expanding capacity. Its current Hosur plant has an annual capacity of 420,000 E2Ws and 379,800 battery packs (as of Dec 2024). The upcoming Factory 3.0 in Maharashtra, to be constructed in phases by FY27, will take total production capacity to 1.42 million E2Ws annually, enabling Ather to meet anticipated demand while enhancing operational efficiencies through backward integration in key processes like transmission and electronics assembly.

**Demonstrated Cost Reduction and Margin Improvement Focus:** has successfully reduced the bill of materials cost of its flagship Ather 450X (2.9 kWh) by 31% between FY21 and December 2024. Similar cost-saving measures across new products and in-house component developments have improved adjusted gross margins from 7% in FY22 to 19% in the 9MFY25, alongside a consistent reduction in warranty costs and better working capital days. Upcoming launches on the EL platform and new LFP battery packs promise further cost benefits and operational leverage.

**High-Quality Product Ecosystem with Recurring Software Revenue and Margin Expansion:** Proprietary Atherstack software ecosystem is a significant revenue and engagement driver, with 86%-89% of customers purchasing advanced connected features. This software business contributed 6% of FY24 revenue, with a strong EBITDA margin of 56% in FY24. The growing connected vehicle ecosystem, including smart accessories like the Halo helmet and Ather Grid charging network, supports customer stickiness and premium product positioning, offering long-term revenue visibility.

#### Valuation and View:

Ather Energy is strongly positioned in India's fast-growing electric two-wheeler market, backed by its early-mover advantage, premium product positioning, and a robust in-house R&D and technology ecosystem. The company's recent launches, like the Ather Rizta, have helped expand its customer base. Its upcoming Factory 3.0 will significantly increase production capacity from 420,000 to 1.42 Mn units by FY27, while ongoing cost-cutting and R&D investments are expected to improve margins further. Management expects industry-wide E2W sales in India to grow at around 41-44% CAGR until FY31, and Ather aims to tap into this by growing its product range, reducing costs through localisation and new battery technologies, and increasing software monetisation opportunities. While the reduction of government subsidies has been a challenge, the company has managed to improve its profitability metrics and reduce subsidy dependence. **At the upper band of INR 321, the issue is valued at a EV/sales ratio of 8x, based on a 9MFY25 Sales of INR 15,789 Mn. We are recommending a "Subscribe for listing gain" rating for this issue.**

## Key Highlights from Ather's IPO Meet

### Manufacturing Capacity:

Ather currently has an annual production capacity of 420,000 electric two-wheelers and 379,800 battery packs at its Hosur facility. The company plans to scale this significantly to 1.42 mn E2Ws with its upcoming Factory 3.0 in Maharashtra.

### Distribution Network:

Ather employs an asset-light go-to-market strategy, operating through 265 experience centres and 233 service centres across India. It also has an international presence via authorized distributors in Nepal and Sri Lanka. This model enables rapid network expansion with low capital investment while retaining full control over design and technology. Distribution expansion is a major growth driver, with strong performance in southern markets like Kerala and Karnataka. Penetration into non-southern regions is being driven by new models like Ather Rizta, leading to traction in states such as Gujarat.

### Capital Expenditure:

The new manufacturing facility will involve a total capital outlay of INR 11.27 bn, including land and construction costs. Of this, INR 9.27 bn will be funded through IPO proceeds.

### Proprietary Software – AtherStack:

Ather has developed its in-house software platform, AtherStack, which provides advanced features such as navigation, ride analytics, assistance, safety, and productivity tools. Offered as an optional accessory priced between INR 12,000– INR 20,000, it boasts a strong attach rate of 86%. While it contributes around 6% to total revenues, its robust EBITDA margin of 55% results in a meaningful 3–3.5% contribution to overall EBITDA.

### Cost Optimization & Margins:

Since the launch of the 450X, the bill of materials (BOM) cost has dropped by 31%, driven by an 18% reduction in electronics, 6% in mechanical parts, and 7% in battery costs—largely due to improved powertrain design and component-level optimizations. As a result, adjusted gross margins have improved from 9% in 9M FY24 to 19% in 9M FY25.

### Strategic Growth Pillars:

Ather's business model is built on four core pillars: vertically integrated design, a software-centric ecosystem, premium brand positioning, and a capital-efficient operational approach across the value chain.

### Target Customer Segment:

Ather focuses on households with annual incomes between INR 10–30 lakh, targeting aspirational urban buyers. The brand is well-positioned to benefit from the growing trend of premiumization in the two-wheeler EV segment, driven by demand for smart, connected, and performance-oriented vehicles.

### Charging Infrastructure – Ather Grid:

Ather Grid, comprising over 2,000 fast chargers across more than 230 cities, plays a vital role in enhancing ecosystem engagement and alleviating range anxiety for users.

### Research & Development:

Ather maintains a high R&D intensity, focusing on embedded software, charging infrastructure, and accessories to drive improvements in quality, cost efficiency, user experience, and supply chain resilience. In 9M FY24, R&D expenditure totaled INR 2,388 mn ~15% of revenue.

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**Stock Rating Scale****Absolute Return**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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