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IPO Note

Company Name: "Ather Energy Limited"

Date: 25 April 2025

Ather Energy Limited

About the Company

Ather Energy Limited, incorporated in 2013, is an Indian electric two-wheeler (E2W) company engaged in the design, development, and in-house assembly of electric scooters, battery packs, charging infrastructure, and supporting software systems. The company operates as a vertically integrated EV manufacturer with a focus on product and technology development.

As of December 31, 2024, we had 265 experience centres and 233 service centres in India, five experience centres and four service centres in Nepal, and ten experience centres and one service centre in Sri Lanka. The company's product ecosystem includes Ather Grid, a public fast-charging network for two-wheelers, and Atherstack, a proprietary software platform with 64 connected features as of July 2024.

Manufacturing is carried out at the Hosur Factory in Tamil Nadu, which had an annual installed capacity of 420,000 electric vehicles and 379,800 battery packs as of March 2024. Ather's strategy is built on four pillars: Vertically integrated design and engineering, A software-defined product ecosystem, Premium market positioning and Capital-efficient operations.

Outlook & Valuation

Over the past three financial years, the company, on a consolidated basis, has reported total income and net profit/(loss) figures of ₹413.80 crore and (₹344.10) crore for FY22, ₹1801.80 crore and (₹864.50) crore for FY23, and ₹1789.10 crore and (₹1059.70) crore for FY24. For the nine months ended December 31, 2024 (9M FY25), it posted a loss of ₹577.90 crore on a total income of ₹1617.40 crore, as against a loss of ₹766.40 crore on a total income of ₹1253.70 crore for the corresponding period in the previous year. Over the last three fiscals, the company's average Earnings Per Share (EPS) stood at (₹44.00) while its average Return on Net Worth (RoNW) was (-170.00)%.

ASL is a pure-play electric vehicle (EV) company specializing in the sale of electric two-wheelers (E2Ws), batteries, and other related products. It is in the process of expanding its manufacturing capacity by setting up a new unit in Maharashtra. Despite its growth initiatives, the company has been consistently posting losses and carries significant accumulated losses. Its financial performance has resulted in a negative Price-to-Earnings (PE) ratio, and its borrowings stood at over ₹1121 crore as of December 31, 2024, which is a point of concern. However, the company benefits from strong parentage, which remains its key strength. Considering its current financials, this appears to be a long-term investment story, and therefore, only well-informed investors with surplus funds and a long-term perspective may consider investing moderately.

Recommendation : Subscribe for Long Term

Issue Details:

Price Band (Rs)	Rs 304– Rs 321
Issue Size	2980.76 Cr
Lot Size	46 shares
Issue Opens	April 28, 2025
Issue Closes	April 30, 2025
Lead Manager	Axis Capital , HSBC, JM Financials and Nomura
Registrar	Link Intime India Private Limited
Listing Date	May 06, 2025
Listing on	BSE, NSE

We recommend to subscribe the IPO with a long-term perspective.

Indicative Timetable

Finalization of Basis of allotment	May 02, 2025
Refund/ Unblocking of ASBA	May 05, 2025
Credit of Equity Shares to DP A/C	May 05, 2025

Issue Breakup

QIB	Not more than 75.00% of the Net offer
RETAIL	Not less than 10.00% of the Offer
NII	Not less than 15.00% of the Offer
TOTAL	100%

Promotor Shareholding

Pre Issue Share Holding	52.67%
Post Issue Share Holding	42.09%

Ather Energy Limited

Objective of The Issue

The company propose to utilise the Net Proceeds towards funding the following objects:

- ❑ 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
- ❑ General corporate purposes.

Business Overview

Ather Energy Ltd. (AEL) is a pioneer in the Indian electric two-wheeler ("E2W") market, according to the CRISIL Report. It is a pure play EV company that sells E2Ws and the associated product ecosystem, comprised of software, charging infrastructure and smart accessories, all of which are conceptualized and designed by the company in India. Other than battery packs which are manufactured in-house and portable chargers and motors which are designed and manufactured by suppliers, other key E2W components, such as motor controllers, transmissions, vehicle control units, dashboards, DC-DC converters, harnesses, and chassis are designed in-house and outsourced to suppliers for manufacturing.

It developed all components of the Atherstack software that powers its products in-house. The company sold 107,983 and 109,577 E2Ws in the nine months ended December 31, 2024 and Fiscal Year 2024, respectively. According to the CRISIL Report, it is the third and fourth largest player by volume of E2W sales in Fiscal Year 2024 and the nine months ended December 31, 2024, respectively. It builds products with a focus on quality and user experience. AEL's products are positioned at a premium price in their respective segments. AEL launched its first product, the Ather 450, in June 2018. With the Ather 450, it introduced connected features through a 3G SIM card, touchscreen dashboard, aluminium chassis and cloud integration for the first time in the E2W industry in India.

It was also the first E2W to offer a top speed of 80 kmph, comparable to internal combustion engine ("ICE") scooters and had the highest top speed among E2Ws in India in 2018. Its current E2W portfolio comprises two product lines – the Ather 450 line, which caters to customers seeking performance scooters, and the Ather Rizta line, which is targeted at customers seeking convenience scooters for their family. Launched in April 2024, the Ather Rizta features a large seat, WhatsApp notifications displayed on the vehicle dashboard, voice commands through Alexa Skills, up to 56 L of storage and introduced traction control to the Indian E2W market.

Financials

Income Statement			(Rs in million)
Particulars	FY24	FY23	FY22
Revenue from Operation	17,538.00	17,809.00	4,089.00
Other income	353	209	49
Total Income	17891	18018	4138
Cost of material	15,792.00	15,370.00	3,482.00
Purchase of Stock	279.00	923.00	201.00
Changes in inventories	247.00	-339.00	155.00
Employee Benefit Exp	3,692.00	3,348.00	1,139.00
Finance Cost	890.00	650.00	407.00
Depreciation	1,467.00	1128	484.00
Other expenses	6,121.00	5583	1,711.00
Total expenses	28,488.00	26,663.00	7,579.00
Profit before tax	-10,597.00	-8,645.00	-3,441.00
Total Tax expenses	0	0	0
Profit after tax	-10597	-8,645.00	-3441
Basic EPS	-47	-48	-27

Cash Flow Statement			(Rs in million)
Particulars	FY24	FY23	FY22
Net Profit before tax	-10597	-8645	-3441
Cash generated from Operating Activity	-2,675.00	-8,688.00	-2,277.00
NET CASH FLOW FROM OPERATING ACTIVITY	-2676	-8713	-2284
NET CASH FLOW FROM INVESTING ACTIVITY	-2281	-1350	-66
NET CASH FLOW FROM FINANCING ACTIVITY	6332	13174	2307
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENT	5060	3685	574
Cash and Cash Equivalent at the beginning of the year	5060	3685	574
Cash and Cash Equivalent at the end of the year	5060	3685	574

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Balance Sheet			(Rs in million)
Particulars	FY24	FY23	FY22
ASSETS			
Non Current Assets			
Property, Plant and Equipment	1871.0	1,818.00	935.00
Right to use Assets	1489.0	1,844.00	646.00
Capital WIP	0.0	9.00	4.00
Intangible Assets	1229.0	1,783.00	1,766.00
Intangible Assets under development	706.0	365.0	923.00
Investment	0.0	0.0	0.00
Other Financial Assets	153.0	177.0	132.00
Other Non current Assets	1393.0	689.0	855.00
Total Non Current Assets	6841.0	6685.0	5261.0
Current Assets			
Inventories	1167.0	2574.0	607.0
Investments	2922.0	2859.0	373.0
Trade Receivable	16.00	12.00	10.00
Cash and cash equivalent	2279	826.00	574.00
Bank	2199.0	936.00	313.00
Loans	2.0	0.00	0.00
Other Financial Assets	1170	3,721.00	355.00
Current Tax Assets	24	23.00	9.00
Other current assets	2515	2,132.00	684.00
Total Current Assets	12294.0	13083.0	2925.0
Total Assets	19135.0	19768.0	8186.0
EQUITIES AND LIABILITIES			
Equity Share Capital	0.00	0.00	0.00
Other Equity	5,459.00	6,137.00	2,249.00
Total Equity	5,459.00	6,137.00	2,249.00
Non Current Liabilities			
Long term Borrowings	309.00	1,205.00	1,087.00
Lease liability	1,419.00	1,686.00	597.00
Other Financial liabilities	103.00	59.00	19.00
Provisions	702.00	486.00	290.00
Other non current liabilities	379.00	0.00	0.00
Total Non Current Liabilities	2,912.00	3436	1993
Borrowings	2840	3647	1897
Lease liability	209	178	68
Trade Payable	4027	3837	1209
Other Financial liability	1348	1383	533
Other Current liabilities	1533	563	132
Provisions	807	587	105
Total Current liabilities	10764	10195	3944
Total Equities and Liabilities	19135	19768	8186

Ather Energy Limited

Directors Profile

Tarun Sanjay Mehta, one of the Promoters, is an Executive Director and the Chief Executive Officer of company. He has been associated with Company since incorporation and leads operations in the product, business as well as growth front. He holds a bachelor's and masters' degree in technology in engineering design from Indian Institute of Technology, Madras under the dual degree programme.

Swapnil Babanlal Jain, one of the Promoters, is an Executive Director and the Chief Technical Officer of Company. He has been associated with Company since incorporation and works on both the long-term technology roadmap for Company, as well as day-to-day aspects of creating an engineering team and culture. He holds a bachelor's and masters' degree in technology in engineering design from Indian Institute of Technology, Madras under the dual degree programme. He has over 10 years of experience in the electric vehicles sector.

Niranjan Kumar Gupta is a Non-executive Director of our Company and a nominee of HMCL on Board. He has been associated with Company since November 3, 2020. He holds a bachelor's degree in commerce from University of Calcutta. He is a qualified chartered accountant, company secretary and cost and works accountant.

Nilesh Shrivastava is a Nominee Director of our Company, nominee of National Investment and Infrastructure Fund II on Board. He has been associated with Company since July 22, 2022. He holds a bachelor's degree in technology from Lucknow University and a post-graduate diploma in management from Indian Institute of Management, Calcutta.

Pankaj Sood is a Nominee Director of Company, nominee of Caladium Investment Pte Ltd on our Board. He has been associated with Company since November 11, 2022. He holds a bachelor's degree in chemical engineering from Indian Institute of Technology, Kharagpur and a post-graduate diploma in computer aided management from Indian Institute of Management, Kolkata.

Ram Kuppuswamy is a Non-executive Director of Company and a nominee of HMCL on our Board. He has been associated with Company since January 27, 2023. He holds a bachelor's degree in engineering from Madurai Kamaraj University and a post-graduate diploma in management from the Indian Institute of Management, Ahmedabad.

Kaushik Dutta is an Independent Director of Company. He is a fellow member of the Institute of Chartered Accountants of India and a co-founder of Thought Arbitrage Research Institute, an independent not-for-profit research think tank working in areas of corporate governance and sustainability. He was also associated with Price Waterhouse & Co Chartered Accountants, LLP, and Lovelock & Lewes, Chartered Accountants as Partner for over 16 years.

Neelam Dhawan is the Chairperson and an Independent Director of Company. She holds a bachelor's degree in arts (economics) from the University of Delhi and a master's degree in business administration from the 338 University of Delhi. She was previously associated with Hewlett-Packard Enterprise India Private Limited as vicepresident, solutions sales and with HP India Sales Private Limited, Hewlett-Packard India Private Limited, Microsoft Corporation (India) Private Limited as managing director.

Sanjay Nayak is an Independent Director of Company. He has been associated with Company since August 27, 2024. He holds a bachelor's degree in science (engineering) from Birla Institute of Technology, Ranchi University and a master's degree in science from North Carolina State University, Raleigh. He was previously associated with Tejas Networks Limited as its managing director and chief executive officer. He has over 23 years of industry experience and has expertise in electronics and telecommunications.

Ather Energy Limited

Competitive Strength

- ❑ Ability to pioneer new technologies;
- ❑ E2Ws are positioned at a premium price in their respective segments in the E2W market;
- ❑ Vertically integrated approach to product design with strong in-house R&D capabilities;
- ❑ Software defined ecosystem that drives high customer engagement and drives margins;
- ❑ Established and scalable technology platform enabling accelerated product launches;
- ❑ Experienced management team and long-term investors committed to strong corporate governance standards.

Key Risk of The Business

- ❑ Company have incurred losses since incorporation. They had stagnant revenue growth in Fiscal Year 2024 and loss before tax of ₹5,779 million and ₹10,597 million in the nine months ended December 31, 2024 and Fiscal Year 2024, respectively. There is no assurance that we will be cost effective in operations or achieve profitability in the future.
- ❑ Future growth is dependent on the demand for and adoption of electric two-wheelers. According to the CRISIL Report, we had a 10.7% and 11.5% market share of the Indian E2W market in the nine months ended December 31, 2024 and Fiscal Year 2024, respectively. If the market does not develop as they expect, or develops at a speed that is slower than anticipated, business, prospects, financial condition and operating results will be affected.
- ❑ Company rely on imports from certain countries, such as China, and supplies of such imports may be disrupted by changes in government regulations or policies, deterioration in economic conditions or escalation of trade tensions.

Market Opportunity

India was the largest motorised 2W market by volume in the world in CY2023. Total domestic sales in Fiscal Year 2024 was 18.4 million units. In the nine months ended December 31, 2024, the India 2W market recorded sales of 15.3 million units, positioning itself for sustained growth in Fiscal Year 2025. This performance marks a 11% year-on-year increase compared to the nine months ended December 31, 2023.

The Indian 2W market is expected to further grow at a CAGR of approximately ~7% between Fiscal Years 2024 and 2031 to reach a market size of 29 to 30 million in Fiscal Year 2031. Apart from domestic sales, Indian 2Ws are also exported. Such exports accounted for approximately 17% of the overall Indian 2W sales in the nine months ended December 31, 2024. Indian OEMs exported 3.1 million and 3.5 million 2Ws in the nine months ended December 31, 2024 and Fiscal Year 2024 respectively, primarily to Africa, Asia and North America.

Moreover, with India being one of the largest 2W domestic markets globally, it has a unique opportunity to leverage its domestic market scale and manufacturing competitiveness for the export market. This, together with the industry-wide trend of electrification afford Indian E2Ws an opportunity to amass a larger share of the global 2W market. The global 2W market is expected to reach 80 to 82 million units by 2029.

Threats

Company face intense competition from domestic and multinational automobile manufacturers in India and outside

India. Their existing and future competitors may have significantly greater financial resources that can be devoted

to design, development, manufacturing, sales and support of their E2Ws. They may also have technical and manufacturing capabilities and/or marketing, distribution and service network and brand recognition that is

comparable to, or more developed than, our theirs.

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