Ola Electric sees lower margin loss than legacy players

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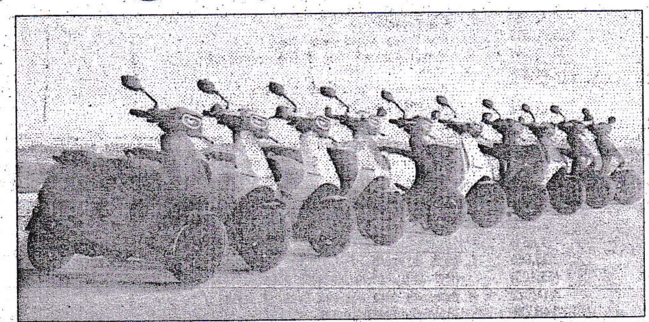

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OLA ELECTRIC IS selling its two-wheelers at the lowest level of loss among its peers, including Bajaj Auto and TVS Motor Company, aided by higher localisation and the absence of dealer margins.

Based on international brokerage Bernstein's assessment of cost structures, incentives and pricing, the Bhavish Aggarwal-led company leads the margin profile followed by TVS, Bajaj and Hero MotoCorp-backed Ather Energy.

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Ola's negative Ebit margin (the percentage of earnings before payment of interest and taxes relative to its total income) was the lowest at 8.6%, while for TVS, Bajaj and Ather, it was at -11.7%, -13.2% and -45.4%, respectively. "Ola Electric and Bajaj are in the mass market, while Ather and TVS cater to premium customers. Ola differentiates itself from other brands in both distribution strategy and the level of backward integration," the report said.

Ola had a market share of 31% of India's domestic electric two-wheeler segment as of August end, as per data from the Federation of Automobile Dealers Association (FADA). TVS, Bajaj and Ather had market shares of 20%, 19% and 12%, respectively, during the same month. As per the government-controlled Vahan portal Ola's market share in September stood at 28% while that of TVS, Bajaj and Ather stood at 13%, 8% and 12% respectively.

"Ola's lead is due to an early start, aggressive localisation, leveraging the same platform to push more products, own dealerships and access to twin subsidies — PLI and FAME," Bernstein noted.

Production-linked incentive (PLI) and Faster Adoption and Manufacturing of Electric Vehicles (FAME) are the two Centre-floated schemes for the EV segment.

"TVS has yet to receive PLI as per the June quarter, but we expect it in subsequent quarters. Bajaj Chetak generates higher losses than TVS iQube, as it offers better specs at a lower price and relies more on outsourcing," the report added.

Ather has the weakest margin profile, with high overhead costs per unit from low scale and underutilised capacity, further strained by ineligibility for the PLI subsidy, it said.