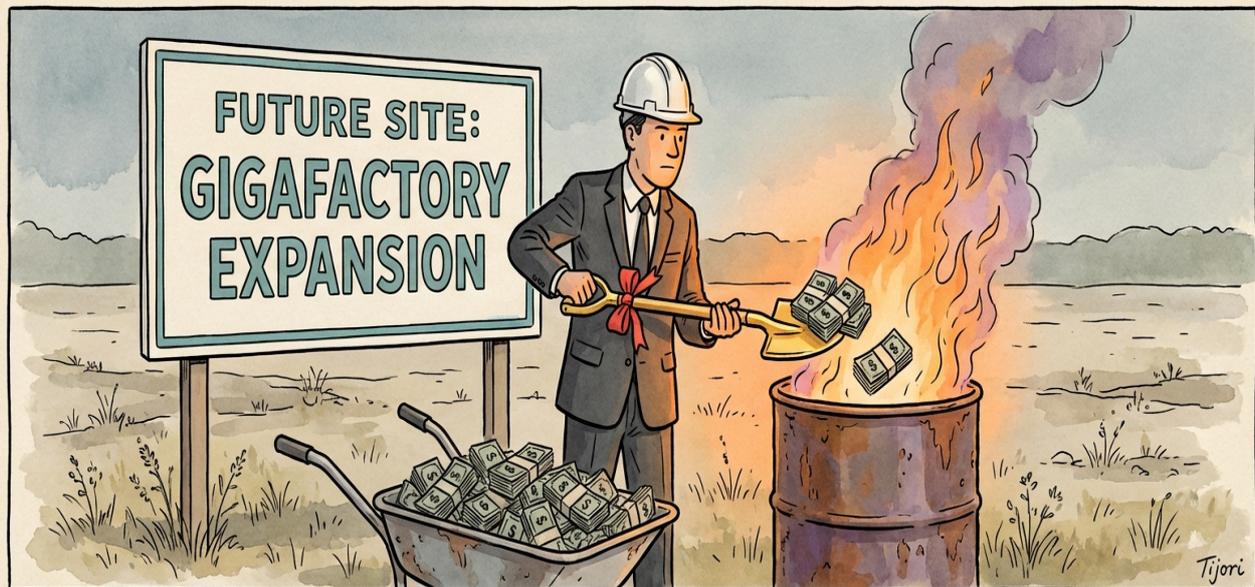


The Growth Facade: Severe Cash Hemorrhage, Phantom Sales, and IPO Bait-and-Switch



The ceremonial golden shovel proved surprisingly efficient for feeding the operational furnace.

The financial and operational architecture of Ola Electric Mobility Ltd. signals severe distress masked by regular external capital infusions. Despite raising Rs.5,275 Cr in a recent IPO, the company immediately executed a massive reallocation of proceeds—abandoning Rs.1,228 Cr earmarked for Gigafactory expansion to plug operational cash burn. Compounding this structural unprofitability (–68.7% Adjusted EBITDA margin in Q3 FY26) are highly concerning audit and regulatory flags: management failed to physically verify Rs.362 Cr of retail inventory, disabled critical IT audit trails, and was rebuked by SEBI for publishing misleading sales figures. The business is fundamentally reliant on perpetual fundraising to survive an accelerating free cash flow bleed.

Category	High Risk	Medium Risk	Low Risk	Unable to Assess
Accounting (7)	5	1	1	0
Business (7)	4	2	1	0
Governance (3)	3	0	0	0
Total (17)	12	3	2	0

Core Diagnostic: 12 High-Risk Red Flags Detected

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Analysis based on regulatory filings up to 2 hours prior to request.

OLA Electric Mobilit

February 24, 2026

Category	Area of Concern	Assessment	Rationale & Evidence
Accounting	Obfuscation Patterns	High Risk	Auditor flagged that the accounting software's audit trails for general ledger and revenue were strategically disabled at the database level.
Accounting	Revenue Recognition Quality	High Risk	SEBI issued notices after management claimed 25,000 units were "sold" in a press release; these were actually just unfulfilled bookings, artificially inflating demand perception.
Accounting	Earnings Quality	High Risk	Operating cash burn is accelerating exponentially. Q3 FY26 Free Cash Flow plummeted to -Rs.781 Cr, drastically trailing even the highly negative reported operating EBITDA metrics.
Accounting	Asset Capitalization Quality	High Risk	Carries Rs.962 Cr in intangibles, notably avoiding immediate impairment by capitalizing abandoned four-wheeler project costs into its speculative three-wheeler pipeline.

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Category	Area of Concern	Assessment	Rationale & Evidence
Accounting	Accounting Motive Indicators	High Risk	Auditor flagged a critical breakdown: management failed to physically verify Rs.362 Cr of finished goods and raw materials sitting at state distribution centers and stores.
Business	Unsustainable Economics	High Risk	Unit economics are severely distressed. Q3 FY26 Adjusted EBITDA margin collapsed to -68.7%, indicating massive gross and operating losses on essentially every vehicle delivered.
Business	Management Credibility & Communication	High Risk	Management executed an IPO bait-and-switch: swiftly reallocating Rs.1,228 Cr raised explicitly for Gigafactory expansion toward vague "general corporate" and operational expenses post-listing.
Business	Capital Allocation Destruction	High Risk	Having just raised Rs.5,275 Cr in an IPO, the aggressive cash bleed has already forced the board to approve an additional Rs.1,700 Cr debt and Rs.1,500 Cr equity infusion.

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Category	Area of Concern	Assessment	Rationale & Evidence
Business	Liquidity Risk	High Risk	Consumes massive cash (-Rs.781 Cr FCF in Q3 FY26 alone). Operational survival is entirely dependent on continuous access to, and dilution through, capital markets.
Governance	Insider Enrichment	High Risk	Substantial operational mingling with the promoter's private entities (ANI Technologies, Krutrim). Millions cross-charged for "shared services," exposing public equity to subsidize private ventures.
Governance	Board & Audit Failures	High Risk	Governance failures are compounding: unverified physical inventory, disabled IT audit logs, and delayed, inadequate responses to severe Central Consumer Protection Authority (CCPA) notices.
Governance	Shareholder Unfriendliness	High Risk	The immediate diversion of Rs.1,228 Cr IPO proceeds from critical infrastructure (Gigafactory) to fund pure operational cash burn severely violates public shareholder expectations.

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Category	Area of Concern	Assessment	Rationale & Evidence
Accounting	Cash Quality	Medium Risk	Headline liquidity marginally overstates operating flexibility, as up to Rs.755 Cr of bank balances are restricted as liens against letter of credit and overdraft facilities.
Business	Market Position Erosion	Medium Risk	The Central Consumer Protection Authority launched a massive investigation over thousands of unaddressed national consumer vehicle quality and service network grievances.
Business	Solvency Risk	Medium Risk	Chronic unprofitability structurally erodes net worth. Significant IPO proceeds provide a temporary runway, but underlying margin profiles demand permanent debt/equity subsidies to stay solvent.
Accounting	Hidden Leverage & Control	Low Risk	The company uses standard corporate guarantees (Rs.16,787 million for OET) but exhibits no irregular off-balance-sheet, joint venture, or bill discounting structures.

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Category	Area of Concern	Assessment	Rationale & Evidence
Business	High Customer & Counterparty Concentration	Low Risk	Operates a standard direct-to-consumer (B2C) retail model; revenue generation is fragmented and not reliant on a concentrated handful of large corporate counterparties.

Lifecycle Context

Ola Electric Mobility Ltd is classified as an **Early-Stage / Rapid Scaling (Capital-Intensive Buildout)** company based on its recent commercialization, heavy front-loaded capital expenditures for its Gigafactory, and significant reliance on external equity funding. Several flagged metrics should be interpreted through this lens:

- **Liquidity Risk and Solvency Risk:** Rapidly scaling EV manufacturers structurally burn cash. Standard thresholds for negative free cash flow are typically relaxed for this stage. However, the sheer magnitude of the cash burn against the recent capital raises maintains the severity of the liquidity concern.
- **Unsustainable Economics:** Negative EBITDA margins are expected during capacity ramp-ups. However, the deterioration of the Adjusted EBITDA margin to -68.7% in Q3 FY26—well into commercial delivery phases—is highly atypical and suggests structural pricing or cost-absorption failures, maintaining a High Risk rating.

What would change this assessment: A consecutive three-quarter trend of narrowing free cash flow deficits, resolution of the CCPA product quality complaints, and transparent re-establishment of database-level audit trails.

The 1,228 Crore IPO Bait-and-Switch

In its prospectus, Ola Electric successfully pitched investors on funding a massive capital expansion, specifically claiming Rs.1,228 Cr would expand its Ola Cell Technologies Gigafactory from 5GWh to 6.4GWh. Shortly after listing, management passed resolutions to completely zero out this allocation, redirecting the Rs.1,228 Cr to "general corporate purposes" and "organic growth initiatives." This pivot effectively converts restricted capital

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expenditure funds into a slush fund to finance expanding operating losses, materially altering the investment thesis sold to public markets.

Inventory Opacity & IT Red Flags

A manufacturer failing to verify its own end-point inventory is a severe internal control failure. The auditor explicitly noted that management did not conduct physical verification of Rs.362 Cr worth of finished goods and raw materials at its stores and State Distribution Centers (SDCs). Concurrent with this inventory opacity, the auditor flagged that the accounting software's embedded audit trail (edit log)—a mandatory regulatory requirement to prevent fraud—was not enabled at the database level for either the general ledger or revenue modules. This combination creates a blind spot where revenue and inventory manipulation could occur undetected.

Sales vs. Bookings: Manufacturing the Narrative

Management's communication patterns demonstrate a willingness to stretch regulatory definitions to maintain a hyper-growth narrative. The company issued a press release boasting "25,000 units sold," prompting immediate inquiries from SEBI and the NSE. Management was forced to concede these were actually unfulfilled "bookings," not recognized revenue events via delivered and registered vehicles. This discrepancy closely tracking the CCPA investigation into widespread customer grievances suggests a high-pressure corporate culture prioritizing headline metrics over foundational operational stability.

Related Party Bleed

The company operates in an unusually porous ecosystem with the promoter's private entities (ANI Technologies/Ola Cabs, and Krutrim SI Designs). The balance sheet reveals significant cross-charging for "shared services," expenses incurred on behalf of other entities, and massive receivables/payables between the public EV company and the private AI/Cab companies. Public shareholders of Ola Electric are deeply exposed to the risk of their capital subsidizing the broader, loss-making Ola ecosystem.

Forensic Checklist: 35 Checks Executed

A: Revenue & Earnings Quality

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- [x] A1: OCF / EBITDA Ratio (FLAGGED)
- [x] A2: Exceptional Items Recurrence (FLAGGED)
- [x] A3: Unbilled Revenue vs. Sales Growth
- [x] A4: Receivables Aging vs. Quarterly Revenue
- [x] A5: DSO vs. Business Model
- [x] A6: Gross vs. Net Revenue Recognition
- [x] A7: Bad Debt Provisioning Trends
- [x] A8: Working Capital Divergence (FLAGGED)

B: Asset Quality & Capitalization

- [x] B1: CWIP Aging (FLAGGED)
- [x] B2: Depreciation Rate Trajectory
- [x] B3: Intangible Capitalization / PBT (FLAGGED)
- [x] B4: Business Model vs. Asset Profile
- [x] B5: Unit Economics Sanity Check (FLAGGED)

C: Cash Quality

- [x] C1: Cash Yield Test
- [x] C2: Cash Composition (Cheques in Hand)
- [x] C3: Statutory Dues vs. Cash Balance
- [x] C4: Free Cash vs. Short-term Obligations (FLAGGED)
- [x] C5: Restricted / Trapped Cash (FLAGGED)
- [x] C6: Dividend Sustainability

D: Hidden Leverage & Off-Balance Sheet

- [x] D1: Bill Discounting Reclassification
- [x] D2: Contingent Liabilities / Net Worth (FLAGGED)
- [x] D3: Implied Interest Rate
- [x] D4: JV / Associate Loss Hiding
- [x] D5: Balance Sheet Anomalies (FLAGGED)

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E: Solvency & Leverage

- E1: Interest Coverage Ratio (FLAGGED)
- E2: Debt-to-Equity
- E3: Debt-to-EBITDA (FLAGGED)
- E4: Net Worth Trajectory (FLAGGED)

F: Related Party & Capital Extraction

- F1: RPT Intensity (P&L) (FLAGGED)
- F2: RPT Capital Flows (Balance Sheet) (FLAGGED)
- F3: Equity Raise Fund Flow Tracing (FLAGGED)
- F4: Trade Payables Stress (FLAGGED)

G: Governance & Other

- G1: Audit Opinion Review (FLAGGED)
- G2: Other Income / PBT (FLAGGED)
- G3: Peer Comparison Overrides (N/A - no peer data)

Summary: 35 checks executed | 20 flagged | 14 passed | 1 not applicable

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