

Auditor flags Ola entity's internal financial control

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The operating entity of Ola Electric Mobility Ltd did not have the right systems to physically verify the scooters at its retail stores during the last financial year, the company's statutory auditor said.

Ola Electric Technologies Pvt. Ltd is a wholly owned subsidiary and operating entity of Ola Electric Mobility, the listed company. Out of Ola Electric Mobility's ₹4,645 crore FY25 revenue, almost 99% came from the subsidiary. According to BSR & Co. LLP, statutory auditor for both companies, the inventory issue could result in material inventory misstatements.

The auditor's note comes as a first-of-its-kind rebuke to the company that ushered in India's electric two-wheeler revolution.

BSR & Co. LLP identified 19 cases where the scooter count



India's electric two-wheeler boom was led by Ola. **BLOOMBERG**

at stores and money owed by customers to Ola Electric Technologies, as per its books, did not match the company's own quarterly returns filed with banks in FY25.

For example, Ola Electric's inventory totalled ₹369.50 crore in the December quarter, according to the company's books of accounts. However, when it filed a return to Axis Bank, it reported that its inventory was ₹344.22 crore.

In another instance, it

reported ₹1,186.94 crore as money owed by customers as per its books in the December quarter. But when it filed its return with Yes Bank, it reported ₹1,220.85 crore.

BSR also noted that Ola has not corrected the returns filed with the banks after the auditor highlighted the difference.

BSR, the Indian affiliate of KPMG, also noted that at least on two occasions, Ola's inventory shared with two different banks at the end of a quarter differed when the company borrowed money as working capital.

Ola Electric Technologies reported inventory worth ₹319.90 crore to Bank of Baroda and ₹322.21 crore to Axis Bank for the same September quarter of last year, the audit report showed. In the following quarter, it reported stocks of ₹341.39 crore to Bank of Baroda and ₹344.22 crore to Axis Bank.

"The company (Ola Electric

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Technologies) did not have an appropriate internal control system for physical verification of raw material and finished goods located at its stores and state distribution centres, which could potentially result in material misstatements in the company's inventories, cost of materials consumed and change in inventories of finished goods, stock-in-trade and work-in-progress account balances," BSR & Co. wrote, when it audited the financial statements for 2024-25 and gave a qualified opinion.

Significantly, BSR's qualifying statements of Ola Electric Technologies are a first, as the auditor did not raise any red flag during its audit in the previous fiscal year.

An email sent to Ola Electric on 1 September seeking comment went unanswered.

"Post-closure entries which were recorded in the books of accounts subsequent to submission of returns to the bankers were not taken into consideration in the returns provided to the bankers," Ola noted in the results of the subsidiary. "Hence, there were above differences between the books of accounts vs the returns filed with banks."

It is also important to note that BSR also audited the financials of Ola Electric Mobility,

BSR has audited the financials of Ola Electric Mobility, the listed entity of the electric vehicle maker in FY25



BSR noted that Ola's inventory shared with two different banks differed when the firm borrowed money as working capital. **REUTERS**

the listed entity of the electric vehicle maker in FY25.

An email sent to Umang Banka, BSR & Co.'s partner who signed off on the audit of both Ola firms went unanswered.

Axis Bank declined to offer a comment on whether it is aware of the statutory auditor flagging the lack of ability to ascertain inventory, and how the bank gave loans to the company. Emails sent to Yes Bank and Bank of Baroda went unanswered.

"This is a very significant misstatement that the statutory auditor has highlighted," said Gaurav Pingle, a Pune-based independent company secretary. "Having an adequate internal control system is extremely important for companies which are in the growth phase. This ultimately affects external stakeholders

like banks that have lent money to the company and (where) goods are provided as security."

BSR's qualifying remarks prompted proxy advisor Institutional Investor Advisory Services India Ltd to recommend voting against the adoption of standalone and consolidated financials of Ola Electric Mobility and the reappointment of a director last month.

"We believe the audit committee of Ola Electric Mobility Ltd bears responsibility and must address the statutory auditor's concerns of the material subsidiary which accounts for -99% of the consolidated revenue from operation," IiAS wrote in a note dated 17 August.

Nonetheless, both resolutions, including the adoption of financial results and the reappointment of Tenneti, were approved by an overwhelming majority of 99% of shareholders.

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