



# Indian customers are ready for EVs, so why aren't India's automakers?



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Reporter

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A growing number of Indians believe the future of transportation in the country will be electric.

Electric vehicle enthusiasts in India are making their case by highlighting India's pollution crisis. Currently, 22 of the world's top 30 dirtiest cities are in India, including New Delhi, the nation's capital. The EV transition would help reduce vehicular pollution that constitutes around 11% of the country's carbon emissions.

Despite the increased demand, India's largest carmaker Maruti Suzuki—initially set up by the Indian government in 1981 but now controlled by Japan's Suzuki Motor—isn't in a hurry to join the EV

bandwagon. In August, the company's chairman RC Bhargava dismissed speculation that the company would enter the segment in the near term.

“Maruti Suzuki is the leader in the passenger vehicle industry, and it fully intends to have leadership in EVs. But it is important to understand EV penetration will only happen in India when conditions become such that consumers can buy it,” Bhargava said while addressing a shareholders' meet last month.

Players such as Maruti are skeptical about EVs because the increased interest hasn't converted into higher sales, according to market analysts.

“There is a growing interest for EVs among Indian consumers, but the overall sales volumes of EVs are still a very small percentage of the total sales in the sector and hence, EVs are at a very nascent stage—especially the passenger vehicles,” Vahishta Unwalla, lead analyst at Mumbai-based credit rating agency Care Ratings, told Quartz in an email.

## **Why doesn't Maruti want to sell an EV?**

Maruti's concerns around EVs stem from the price sensitivity of India's customers, a reason why US auto major Ford failed in India.

“If we look at the Indian market, almost 70% to 80% of the buyers buy vehicles which are below 10 lakh rupees (\$13,505), which speaks about the Indian buyers' psyche. Maruti also understands this very well,” said Ashwini Tiwary, co-founder and CEO of a Pune-based EV tech firm, Autobot India, in an email.

In 2017-18, the average annual per capita income of Indian households was around 45,021 rupees (\$607), according to the Longitudinal Aging Study in India, a Mumbai-based research firm.

A majority of Indians possess limited disposable income, which has further fallen due to the pandemic. For most Indians, owning a car remains a luxury because the cheapest offerings from companies such as Maruti and Renault start from over 3 lakh rupees (\$4,044) while an average car cost in the country is around 7 lakh rupees.

Despite this Maruti dominates the Indian market with four out of the country's top five selling cars while the other popular models belong to Hyundai. The cheapest passenger car Maruti offers in India has a starting price of Rs3.15 lakh (\$4,275).

The situation is much different for EVs, which are usually priced at above Rs10 lakh. This is because of the scale and battery cost, which itself is up to 40% of the total EV price. "Maruti will evaluate parameters like cost of manufacturing, battery, mileage per hour, government policies, and proper infrastructure before it will come up its own EV vehicle in India," said Tiwary.

## **The current state of EVs in India**

With the market leader waiting for the right time, companies such as Tata Motors, Mahindra & Mahindra (M&M), and Hyundai, among others, are already testing the waters.

For example, homegrown M&M so far has invested around Rs1,700 crore in the EV segment. That's possible because the company has its own resources and institutions to support its EV ambitions, Tiwary said.

Analysts believe that if any auto company can make EV's affordable, it has the potential to rule the market.

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Launching a four-wheel EV in India at an affordable price is possible even if there is a long list of challenges, Tiwary said. "The product is currently expensive because of a couple of reasons: one is due to import of raw materials and other is due to expensive batteries. If we can take care of both the elements by manufacturing both of them domestically then the pricing factor could be solved," he said.

## **How the government can help?**

The Narendra Modi government has introduced a nationwide scheme to provide incentives to EV sellers and buyers alike. Under the Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles (FAME) program, the government provides subsidies for

manufacturers so they can discount vehicles for buyers, and is also supposed to deploy charging infrastructure in cities.

The policy from the government comes at a time when India is looking to cut down its oil import bill to half by 2030. And the EV transition alone would help the country in saving crude oil imports worth 107,566 crore rupees, according to a report by the Council on Energy, Environment, and Water (PDF), a Delhi-based think tank. Another reason behind the government's EV push is India's aim to reduce carbon emissions as part of its commitment to the Paris climate treaty.

The Modi government has set a goal that 70% of all commercial cars, 30% of private cars, 40% of buses, and 80% of two-wheelers and three-wheelers sold in India by 2030 will be electric. To achieve the target, various states have also come up with EV policies of their own to provide additional benefits to EV manufacturers and customers.

While the schemes have definitely helped the two-wheel EV segment—electric scooters and motorcycles—for passenger cars it's going to be a long drive.

“For two-wheelers, the adoption of EVs has been faster on account of falling battery prices and various state governments providing support in the form of subsidies,” Unwalla said.

For example, the total number of electric two-wheel vehicles sold in India has grown to 143,837 units in the financial year ended on March 31, 2021, from 23,000 in the same period in 2017, as per the data from the Society Of Manufacturers Of Electric Vehicles.

India is still in the middle of creating an EV ecosystem, Unwalla said. It has slowed due to the pandemic, but will definitely provide returns in the long run and encourage more players like Maruti Suzuki to invest in EVs. At present, India is still trying to create a robust charging infrastructure and setting up plants for EV battery manufacturing.

Tiwary agrees. “Tesla today is the leader because they started early, but India looked at EV very late and we are almost behind by a decade and have a lot of catch up to do.