

Electric Vehicles: Revving up despite Roadblocks

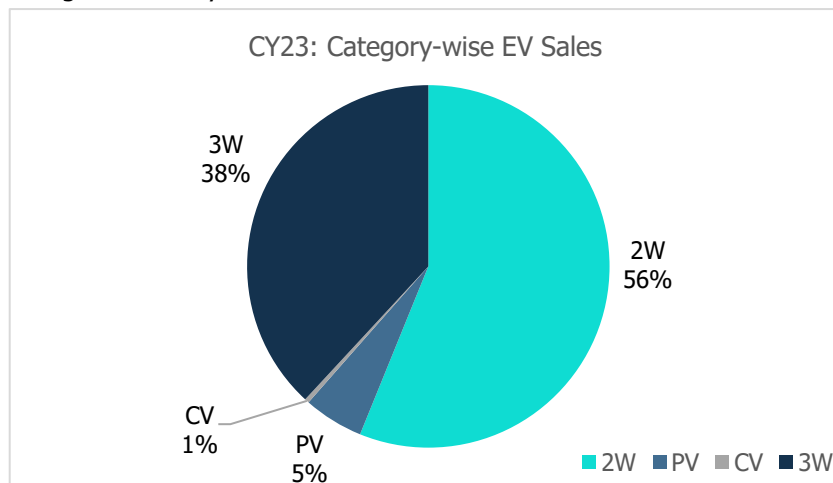
January 18, 2024 | Ratings

Synopsis

- For electric vehicles, CY23 recorded significant growth as the sales volume of EVs surpassed 1.5 million, a 50% increase compared to CY22. Total EV volume sold was recorded at 1.53 million in CY23 compared to 1.02 in CY22. Growth was driven by the increasing adoption of EVs and several exciting new EV models across segments giving better options.
- The overall EV share of auto sales in India has increased to 6.38% in CY23 from 1.75% in CY21, in just 2 years.
- Category-wise, 2W and 3W recorded growth of 37% and 66%, respectively, while PV was at 113% and CV at 169% given the lower base.
- CY24 looks promising with the industry expecting to surpass sales volume of 2 million in CY24, underpinned by surging demand and sustained government support through incentives. However, investments in the EV ecosystem remain crucial for fostering EVs' massive adoption.

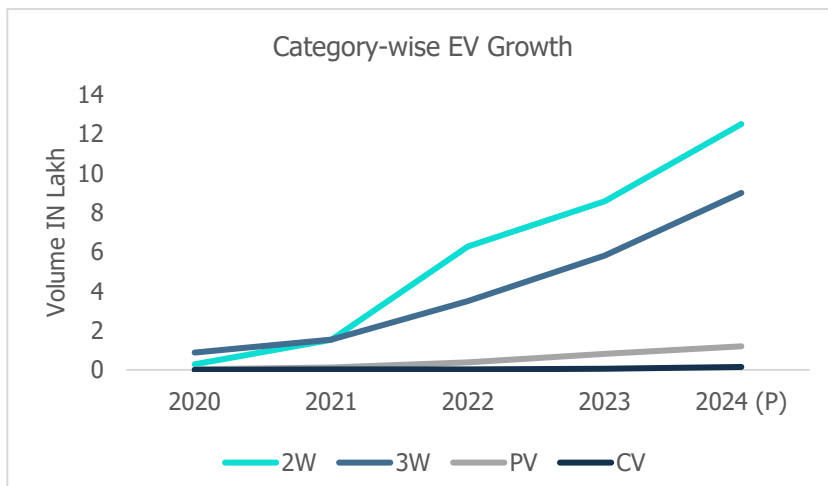
2W and 3W Continue to Drive EV Volumes

The predominant share of EV sales in India is currently held by two-wheelers (2W) and three-wheelers (3W), collectively accounting for 90-95% of the total electric vehicles (EVs) sold in India during CY23. In contrast, the share of electric passenger vehicles (PVs) stands at 5%, while commercial vehicles (CVs) occupy a minor fraction, falling below unity within the EV domain.



Source: Centre for Monitoring Indian Economy (CMIE), Vahan, and CareEdge.

Despite the challenges confronting the EV industry – from insufficient EV charging infrastructure and concerns about battery capacity leading to range anxiety to elevated vehicle prices in comparison to internal combustion engine (ICE) counterparts, and policy revisions such as those witnessed in FAME II – the growth trajectory of EVs persists across various segments, The revision in the FAME II policy during 2023 posed a setback for the growth of 2W and 3W. However, the overall expansion of the EV market remained robust throughout CY2023.



Growth and Demand to Continue through CY24

The growth momentum is expected to continue in CY24, driven by the government's increased focus on electrification at both the Central and state levels, the potential extension of FAME II, the improving EV ecosystem with a significant increase in charging stations, the envisaged reduction in battery costs leading to the lower total cost of ownership (TCO) compared to ICE, and the development of new models across categories, thus continuing to drive demand for EVs.

The continuation of the FAME II initiative is poised to bolster the demand for EVs. Increased incentives and subsidies further encourage consumers to adopt EVs, thus driving growth.

An increase in the number of EVs will promote sustainability and reduce carbon emissions, contributing to the government's environmental goals. The massive adoption of EVs can boost battery technology and infrastructure, further enhancing the EV ecosystem. These incentives reduce the upfront cost of vehicles, making them more attractive to consumers.

As the industry evolves with new policies like the production-linked incentive (PLI) scheme, it is important to address existing concerns and ensure faster sustainable growth for the Indian EV sector.

CareEdge View

While CY23 was certainly a remarkable year for EV growth in India, demand and growth sustainability look promising even going forward. Continued government support through incentives and investments in bolstering the EV ecosystem remains crucial for the massive adoption of EVs. Breakthroughs in battery technology along with battery swapping and faster charging solutions can significantly boost the adoption of EVs.

"An abrupt withdrawal or discontinuation of the FAME II or other incentives may lead to an increase in the prices of EVs by around 25-30%, which can severely hamper the EV adoption momentum. Additionally, it can disrupt ongoing investments in the EV sector, leading to a substantial setback in the advancements made in promoting sustainable transportation", said Arti Roy, Associate Director.

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