

Autos - India

EV subsidy gets some extension but policy roadmap beyond still unclear

Industry Overview

Breaking News

- FAME 2 electric subsidy gets 4 mnth extension with Rs5B allocation. Subsidy roadmap beyond July to be seen post elections
- PLI scheme starting to take off bt meaningful only in F26. EV adoption in 2W/ 3W rising offlate on px aggression & new models

FAME extension by 4 months offers some respite. Policy continuity still needs to be seen

Per news reports, the government has launched a special 4 month scheme of Rs5B until July for electric two wheeler & three wheeler (E-2W, E-3W). We read this as an extension of FAME-2 EV policy as incentives are same (Rs10K per KWH for 2Ws & 15% of ASP cap) and also note that policy was due to expire in Mar. Market expectation has been of continuation of subsidies and hence this extension is in line to some extent (sigh of relief). That said, there is uncertainty on policy roadmap beyond July but it seems govt will evaluate launch of another phase (phase 3 of Rs100B) of FAME policy post elections. Ministry of Heavy industry has proposed a Rs100B FAME 3 which will support EV adoption across segments& for charging infra, though subsidy for 2W may eventually get rationalized a bit. While we await more details on policy continuity, it does not seem end of road for demand subsidies yet for electric vehicles.

PLI starting to take off but benefits to come in F26

Govt policy focus is shifting more towards EV supply chain localization & creation of ecosystem over demand subsidies. Hence, PLI will gain significance ahead. We have started to see PLI certifications for select auto manufacturers and suppliers come through over the last month or so. Ola, Tata Motors, MM (OEMs) and Sona Comstar (supplier) are among the early ones to have a few of their models approved under PLI. Just to refresh, PLI scheme offers incentives for localization of EV value chain – benefit range from 13-18% on incremental electric sales revenues for OEM and 8-13% for component suppliers. Overall outlay under PLI is Rs260B across players and it is time bound for 5 years. Note that incentives will start to be paid on annual basis and hence cash accrual will happen only from F26 onwards (hence need to FAME to continue).

Where are we on EV in 2Ws & 3Ws?

2W and 3Ws are seeing decent traction on EV adoption: 2Ws at 6% EV adoption also aided by aggressive pricing by Ola offlate (Ola at 40% market share); 3Ws also inching toward high teen EV adoption led by rise in model availabilities and govt subsidies. Among the incumbents, Bajaj seems to be faring well on EVs on both segments now with a nimble strategy on pricing & more model variants around the corner. TVS EV vols have been range bound in recent months and it has taken some pricing action as well to counter competition. The bigger risk for TVS is cannibalization on petrol scooters given the aggressive pricing of EV and no. of affordable e-scooters expected in F25.

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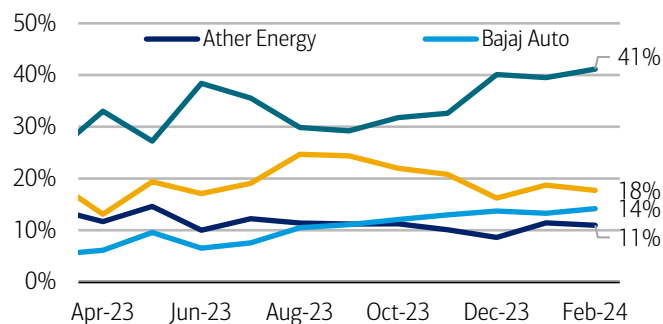
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Abbreviations

	Faster adoption & manufacturing of electric vehicles
FAME	
	Production linked incentives
PLI	
	Original Equipment Manufacturer
OEM	
PV	Passenger vehicles
EV	Electric vehicles
2W	Two wheeler
3W	Three Wheeler

Exhibit 1: Electric 2W Market share in recent months

Ola Electric has reached 40% market share led by price aggression: Bajaj following through with nimble EV strategy. TVS range bound in recent months

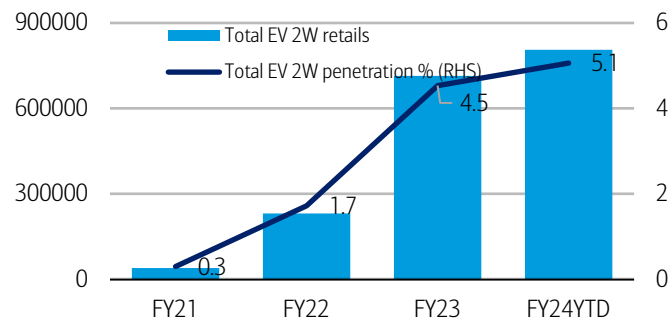


Source: Vahan

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Exhibit 2: : 2Ws: Annual EV Penetration

EV 2W penetration has been inching up in recent months. Currently EV adoption stands at 5.1% on YTD basis (>6% in Feb). It has been improving steadily after set back seen last year on subsidy rationalization

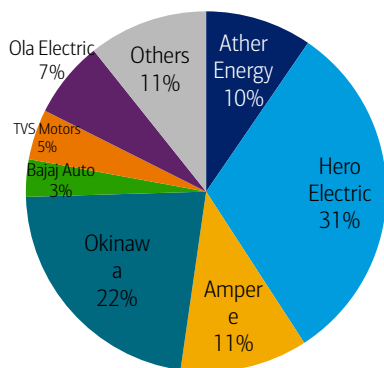


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Exhibit 3: EV 2W FY22 Market share

Market was quite fragmented in F22

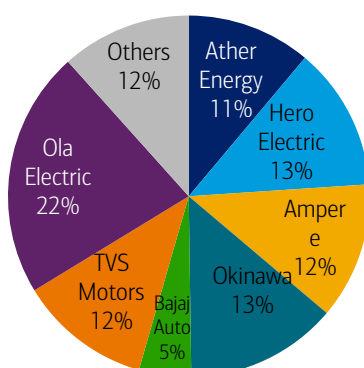


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Exhibit 4: EV 2W FY23 Market share

Regulation tightening started in F23

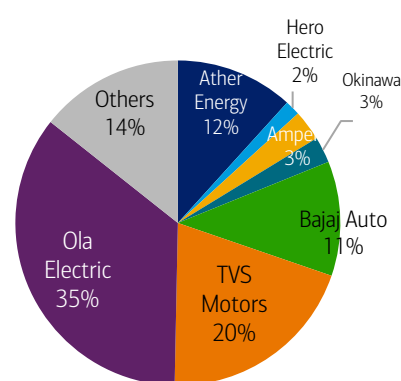


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Exhibit 5: EV 2W FY24YTD Market share

..This has led to market consolidation. Top 4 players account for >80% of market now

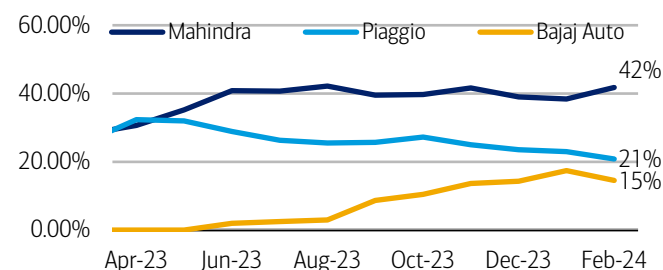


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Exhibit 6: Electric 3W Market share

Market shares evolving with Bajaj foray in recent months. MM faring well

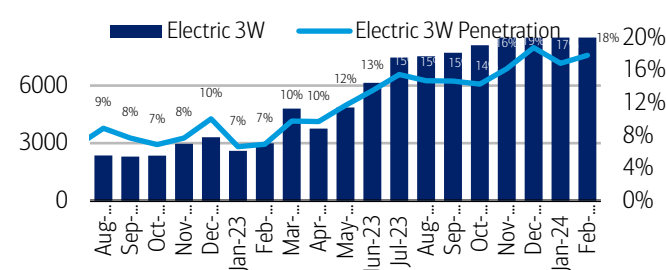


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Exhibit 7: Electric 3W monthly Penetration

EV adoption at 18% has inched up a lot in recent months



Source: Vahan

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