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Navigating India's Electric Mobility Transition

Market Dynamics to Policy Shifts

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Image: CEEW

Executive summary

India's automotive sector, a cornerstone of the economy that contributes 7.1 per cent to the GDP and supports over 30 million jobs (PIB 2025a), is undergoing a significant transformation. Electric vehicles (EVs) are outpacing all other categories, posting a remarkable 15-fold growth since FY20, driven by strong policy interventions and rising cost competitiveness. However, this transition is shaped by a central policy ambiguity: India's aspiration to achieve 30 per cent EV sales by 2030 is not yet articulated in any formal national policy document, creating long-term uncertainty in the EV ecosystem.

At the subnational level, state policies have been critical drivers. In a previous CEEW-GFC study *Greening India's Automotive Sector*, we found that states with purchase incentives experienced up to twice the market growth of those without them (Nair and Minocha 2023). Yet, this landscape remains fragmented, of the 28 states/union territories (UTs) with notified policies, more than 50 per cent of them offer both defined targets and incentives, while others consist of either targets, or incentives, or none. While our earlier analysis focused on states, this brief shifts the emphasis to the national level.

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It presents a data-backed analysis of EV adoption trends, and evaluates the design, performance, and evolution of India's key national frameworks, specifically comparing the FAME II scheme and the new PM EDRIVE.

At the national level, India's EV market has expanded dramatically from just 2,348 units in FY15 to approximately 1.96 million units in FY25, pushing overall penetration to 7.49 per cent. The post-COVID period, particularly FY22, served as a major inflexion point, driven by policy incentives and increased vehicle availability. This growth has also involved a significant structural transformation. While early adoption (FY20-FY21) was overwhelmingly dominated by E-rickshaws, E2W sales began to surge from FY22. By FY25, E2Ws had become the largest segment, with over 1.15 million units sold, signalling a market maturing from informal transport to private consumer adoption and logistics.

State-level EV adoption, however, varies widely and correlates strongly with economic capacity (GSDP per capita), revealing two distinct pathways. Higher-income states and UTs (e.g., Goa, Delhi, Karnataka) exhibit broader, diversified adoption across E2Ws, E4Ws, and E-buses; E2W penetration in this group is nearly five times higher than in lower-income states. Conversely, lower-income states (e.g., Tripura, Bihar, Uttar Pradesh) exhibit electrification almost entirely anchored by E3Ws, which account for over 52 per cent of their EV penetration[1]. This divergence highlights a significant challenge in ensuring the transition is equitable and broad-based across all regions.

> FY25 recorded 1.96 million EVs sold, with E2Ws alone exceeding 1.15 million units.

Policy-level findings

1. India's EV policy has entered a consolidation phase with the introduction of the PM EDRIVE scheme (FY25–FY28).

Compared to FAME II, which focused on broad market activation, PM EDRIVE adopts a system-level approach: it expands coverage across vehicle categories (E2W, E3W, E-buses, E-trucks, and E-ambulances), halves per-unit demand incentives, doubles the outlay for charging infrastructure (INR 20 billion), strengthens localisation through an Aadhaar-enabled E-voucher system, and introduces scrappage provisions for E-trucks and E-buses.

2. PM EDRIVE maintained FAME II–level efficiency even with significantly higher annual targets.

- PM EDRIVE achieved 95.5 per cent of its ~1.19 million EV target in its first year.
- FAME II (annualised volumes) achieved a similar 96.6 per cent, but against a much smaller annual target of ~0.34 million vehicles.

This indicates that policy efficiency has remained robust even with a threefold expansion in ambition.

3. PM EDRIVE delivered higher annual EV volumes while offering lower per-unit incentives.

- PM EDRIVE's per-unit incentive was reduced to INR 5,000/kWh—half of FAME II levels.
- Even with the lower incentive, the scheme facilitated 1.13 million EV sales, 3.4 times the annual average (~0.33 million) achieved under FAME II.

This demonstrates improved cost-effectiveness, with the programme achieving more vehicles per unit of subsidy.

1. EV penetration = Total EV sales / Total vehicle sales (in % terms)

Figure ES1. Lower incentives, higher volumes: PM EDRIVE delivers more with less

Source: Author's compilation based on data from the Ministry of Heavy Industries (MHI) for E2Ws and E3Ws

4. PM EDRIVE's performance shows a significant category-level skew.

- E3W (L5) commercial vehicles performed strongly, achieving 153 per cent of their FY25 target.
- E2Ws remained steady, achieving 95 per cent of their target.
- The E3W (E-rickshaw/E-cart) segment achieved only 5 per cent of its target.

This divergence suggests that PM EDRIVE's uniform incentive structure may not sufficiently address the economics of highly price-sensitive segments.

Conclusion and recommendations

India's EV transition is accelerating and maturing. The market is diversifying, and national policy has successfully evolved from fostering initial demand to building a deeper, more resilient ecosystem, as evidenced by PM EDRIVE's 'more-with-less' performance. However, persistent challenges remain. Adoption is uneven across states, with growth concentrated in commercial-use segments. To ensure India's EV transition is not only fast but also inclusive and sustainable, this brief puts forward four key priority actions as recommendations:

- **Formalise the national EV target and improve policy coherence**: India's 30 per cent EV adoption goal for 2030, currently articulated by NITI Aayog, should be integrated into a national policy framework with category-wise sub-targets. As the power and industry sectors already operate under formal mission-led targets, a similar mandate for road transport—supported by a joint or individual roadmap from MHI and MoRTH—would strengthen long-term signalling for OEMs, financiers, and investors.

- **Promote stronger and more consistent state-level EV targets**: EV policies vary widely across states. While more than 50 per cent of the states/UTs with notified policies specify measurable adoption targets and provide purchase incentives, some states remain operating with lapsed policies, or unclear targets/ no incentives. Encouraging all states to adopt clear, updated, and aligned EV targets would help reduce regional disparities, especially between higher-income states with diversified EV adoption and lower-income states dominated by E3Ws.
- **Improve transparency of EV and charging-infrastructure data**: While the PM EDRIVE portal reports scheme disbursement for E2W and E3W categories, key gaps remain for other supported categories and for charging infrastructure, which receives a significant share of the overall budget. Expanding the dashboard and establishing a unified national dataset would enable better monitoring, support mid-course policy adjustments, and offer clearer market signals.
- **Recalibrate PM EDRIVE budgets based on real-world uptake**: Early FY25 trends show strong uptake in high-speed L5 E3Ws and weak performance in lower-speed e-rickshaws and e-carts. This divergence highlights the need for more dynamic budgeting. Periodic adjustments—channelling resources toward high-demand segments while revisiting incentive structures for slower-moving categories—would improve cost-effectiveness and ensure incentives reflect evolving market conditions and state-level variation.

India's EV transition is no longer about if but *how fast and how fairly*. Ensuring that electrification reaches MSMEs, public fleets, rural markets, and informal transport operators will be central to building a truly inclusive and sustainable mobility system.

> PM EDRIVE delivered on a 3.5X bigger ambition than FAME II, with 50% lower incentives.

1. Introduction

India's automotive sector has historically been a key pillar of the economy, powering growth, employment, and industrial innovation. In 2023, it is estimated to have contributed around 7.1 per cent (PIB 2025a) to the country's total gross domestic product (GDP), and at present supports over 30 million jobs (PIB 2025b). It is the fourth-largest market globally, with the potential to become the third-largest by 2030. In FY 2025, India produced over 28 million (PIB 2025a) vehicles while simultaneously emerging as a global hub for vehicle exports, with over 5.3 million (Bhardwaj 2025) vehicles exported.

While the automotive sector as a whole continues to grow, electric vehicles (EVs) have outpaced all other categories with a ~15X growth since FY20, driven by strong policy support and rising consumer adoption. The growth of EVs represents one of the most significant shifts in this industry's history. Driven by environmental urgency, increasing cost competitiveness, and ambitious government targets, EVs are quickly moving from niche to mainstream. India's alignment with the global EV30@30 initiative translates into a goal of **30 per cent EV sales by 2030**, which is bold and highlights India's confidence in EVs. (NITI Aayog 2023)

> EV sales have surged 15X since FY20, pushing national penetration to 7.49%

As much as 70 per cent of India's greenhouse gas emissions originate from three sectors that are central to its clean energy transition: electricity generation (39 per cent), industry (23 per cent), and road transport (9 per cent) (Ministry of Environment, Forest and Climate Change 2024a). The electricity and industry sectors have well-defined decarbonisation pathways supported by a range of policies and schemes, including renewable purchase obligations (RPOs), competitive bidding trajectories for utility-scale renewable energy deployment, green open access regulations, and the *National Green Hydrogen Mission*. Several of these policies are complemented by financial support mechanisms, such as production linked incentive (PLI) schemes, which further accelerate clean technology deployment. Together, these measures create clear signals for investment, facilitate faster uptake of low-carbon solutions, and enable tangible progress towards decarbonisation in both sectors. In contrast, for the automotive sector, India's alignment with the global EV30@30 initiative implies a national aspiration to grow the share of EV sales to 30 per cent by 2030, but this target is not explicitly articulated in any national policy document. The absence of a clearly stated, formal national EV adoption target reduces clarity for manufacturers, investors, and state governments, underscoring the need for a more structured and coordinated policy framework to support India's transport decarbonisation ambitions.

On the state policy front, two critical parameters of electric mobility policy design—notified EV adoption targets and purchase incentives—serve as key indicators of the robustness of EV frameworks. As of now, 28 states and union territories have notified electric vehicle policies. Notably, more than 50 per cent of these state policies (15) have both purchase incentives and defined targets, reflecting a more comprehensive and balanced policy approach. A detailed region-wise breakdown of EV adoption targets and purchase incentives is presented in Figure 1. However, several of these states/UTs have witnessed their EV policies lapse without the notification of updated frameworks, creating uncertainty for investors, manufacturers, and consumers alike.

The two policy levers—EV adoption targets and incentives—must operate in tandem to deliver effective outcomes. While targets establish ambition and strategic direction, incentives translate that ambition into market action by reducing financial barriers to adoption. The absence or expiry of either weakens policy continuity, undermines market confidence, and risks slowing the pace of electric mobility deployment. Therefore, to sustain momentum in India's EV transition, it is imperative that regional policies are regularly updated and closely aligned with national programmes to ensure coherence, consistency, and equitable progress across regions.

National EV policies like *Faster Adoption and Manufacturing of Electric Vehicles* (FAME), *Electric Mobility Promotion Scheme* (EMPS), and *PM Electric Drive Revolution in Innovative Vehicle Enhancement* (PM EDRIVE) have provided a foundation, but state-level EV policies have proven critical in scaling up adoption. In the previous issue brief, we found that states that offered direct purchase incentives saw up to ~2X market growth than those without. Moreover, those with higher per-kWh incentives saw up to ~5X greater market growth compared to those offering lower per-kWh incentives (Nair and Minocha 2023). Market data suggests adoption is still concentrated in specific states and categories. Meanwhile, barriers like high upfront costs, limited financing options, and unclear residual value continue to constrain growth.

This brief provides a data-driven analysis of India's electric vehicle market, including subnational and categorical trends. It also assesses the design architecture, performance, and progress (so far) of key national-level policy frameworks.

Figure 1. 15 states/UTs outline both targets & purchase incentives in EV policies

	Incentives present	Incentives absent
Targets present	**15** Assam, Bihar, Chandigarh, Chhattisgarh, Delhi, Goa, Haryana, Jharkhand, Kerala, Maharashtra, Manipur, Meghalaya, Odisha, Punjab, and Rajasthan	**6** Andhra Pradesh, Himachal Pradesh, Madhya Pradesh, Mizoram, Tripura, and West Bengal
Targets absent	**4** Gujarat, Ladakh, Tamil Nadu, and Uttar Pradesh	**3** Karnataka, Telengana, and Uttarakhand

Source: Authors' analysis based on state/UT policy documents

2. Data sources

All automobile sales figures referenced in this issue brief are derived from the Vahan Sewa portal of the Ministry of Road Transport and Highways (MoRTH), which aggregates vehicle registration data across 1,378 RTOs in 35 states and union territories (UTs). Data for Telangana is currently unavailable and has therefore been excluded from the analysis. Vehicle registrations have been used as a proxy for actual sales volumes, with the terms used interchangeably.

For EV data specifically, we have used the **CEEW Green Finance Centre's Electric Mobility Dashboard** (CEEW-GFC, n.d.), which draws directly from Vahan (Ministry of Heavy Industries, n.d.-c) and provides an easy-to-use, clean, and structured interface for tracking EV adoption trends.

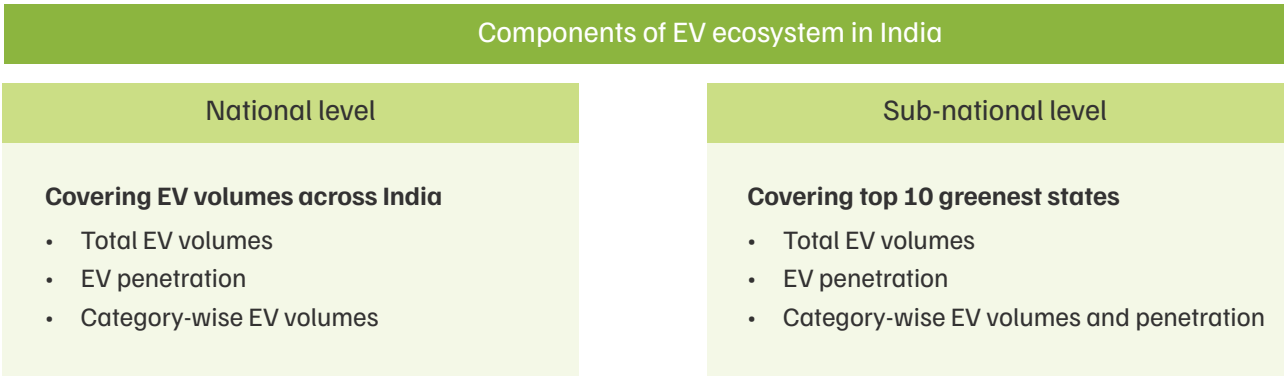
Information on national EV policy schemes—FAME II, EMPS, and PM EDRIVE—has been sourced from their respective official Ministry of Heavy Industries (MHI) web portals, as accessed on 1 April 2025 (Ministry of Heavy Industries 2024). All data cited in this brief were compiled in the first week of April 2025 and may be subject to minor updates. For simplicity, vehicles have been grouped into two broad categories: internal combustion engine vehicles (ICEVs) and electric vehicles (EVs). All variations, such as hybrid technologies, have been included under the former. These segments are further categorised as follows:

- Two-wheelers (2W)
- Three-wheelers (3W)
- E-rickshaws (not applicable for ICEVs)
- Four-wheelers (4W)
  - Personal 4Ws
  - Commercial 4Ws
- Buses
- All other vehicles

3. Indian EV market

India's EV market registered an impressive 5-year CAGR of 62.5 per cent between FY20 and FY25— 48 times higher than the CAGR of the overall automotive sector during the same period. The EV segment has seen a sharp upward trajectory, with particularly remarkable growth in the past financial year (FY25), during which EV registrations surpassed 1.9 million units. Notably, October 2024 marked a milestone in monthly EV sales, reaching 219,708 units, the highest ever recorded in the country.

Figure 2. States to the India picture: Focus areas of this report

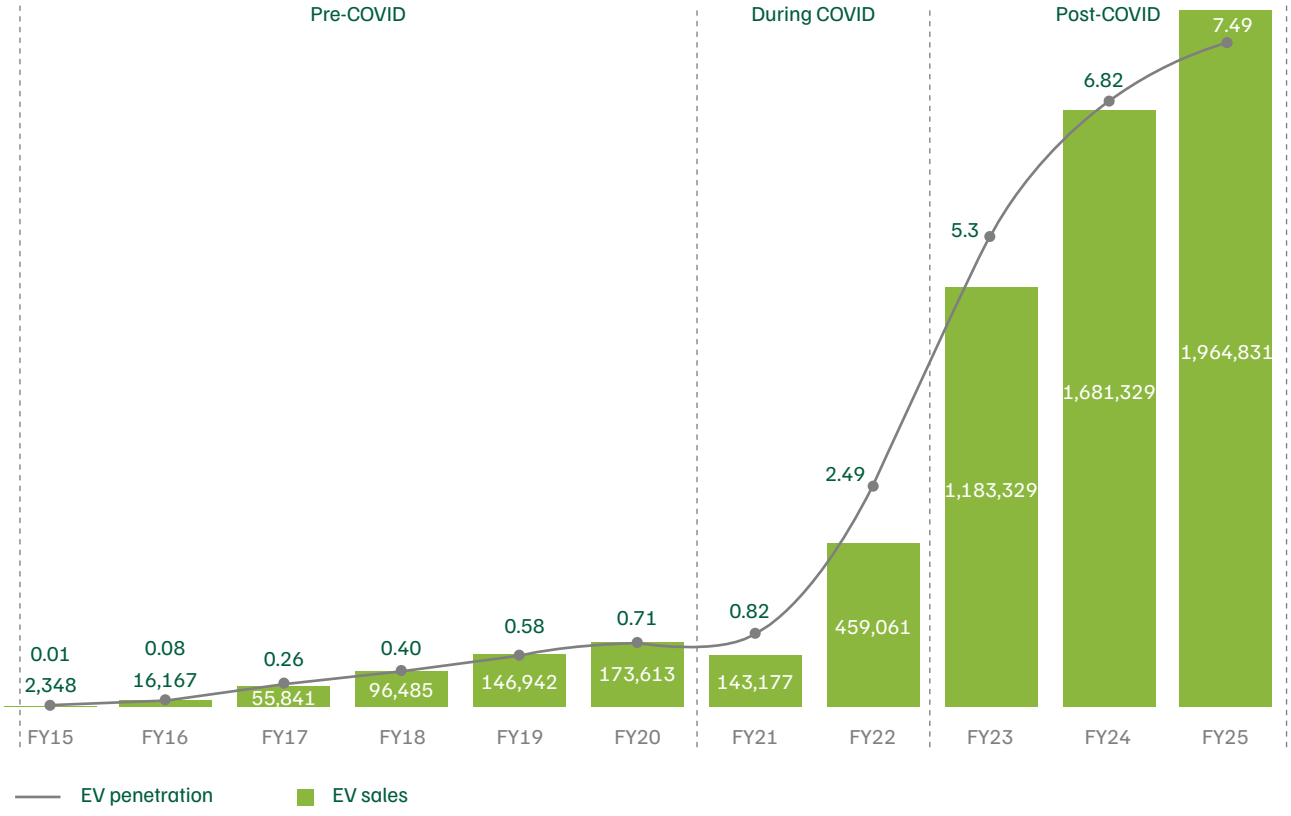


Source: Authors' compilation

A. National-level trends

India's EV market has seen a dramatic shift over the last decade, with sales rising from just 2,348 units in FY15 to ~1.96 million units in FY25. Until FY20, growth was steady but modest, with EV penetration staying below 1 per cent due to limited models, high costs, and poor infrastructure at the time. FY22 marked an inflexion point, with a threefold jump in both sales and penetration, driven by policy incentives (like FAME II), markets inching towards normalcy in a post-COVID world, increased adoption of E2Ws and E3Ws, and emerging startups. In the post-COVID situation between FY23 and FY25, sales continued to grow rapidly, though the EV penetration curve is showing a comparably lower delta increase, rising from 5.30 per cent to 7.49 per cent.

Figure 3. From early adoption to mass uptake: India's EV sales enter a high-growth phase



Source: Authors' analysis based on CEEW-GFC Electric Mobility Dashboard and MoRTH's Vahan dashboard

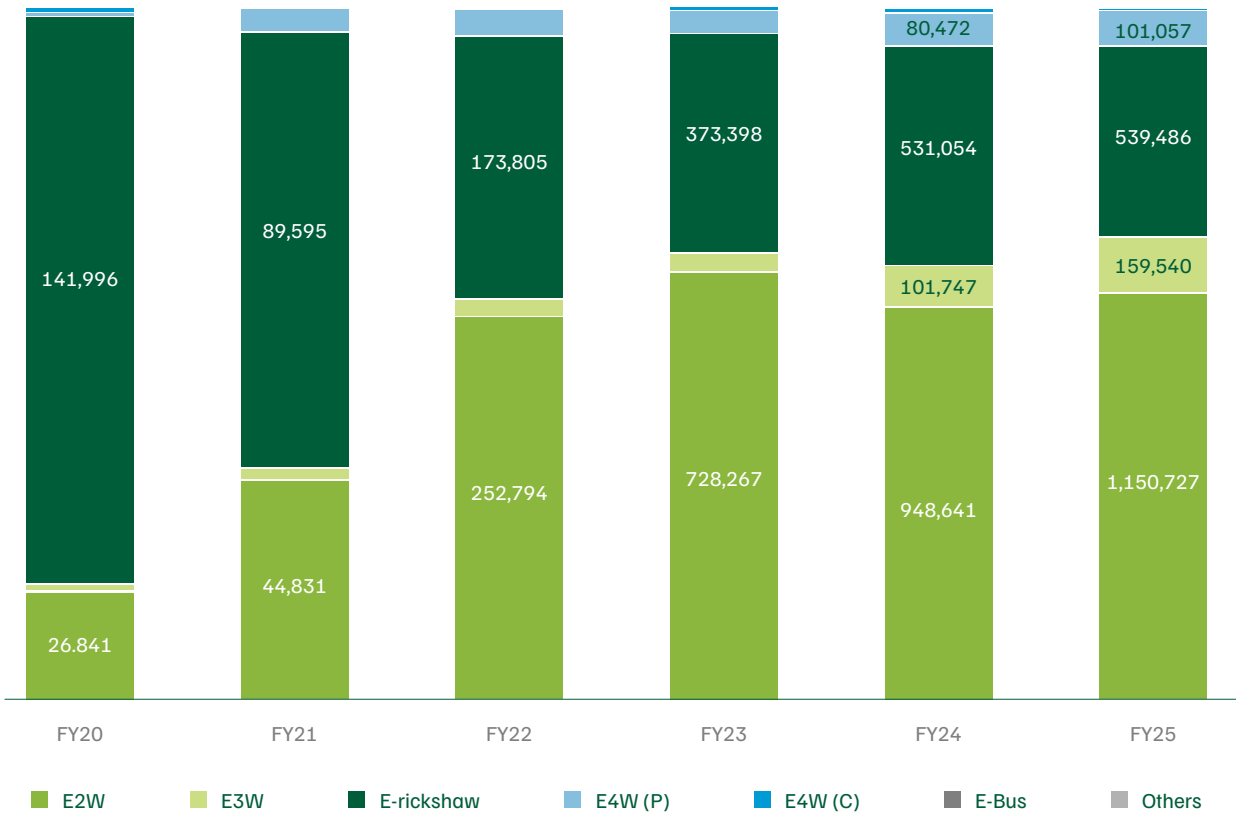
B. Category-wise trends

Building on the earlier trends in yearly EV growth, the category-wise data from FY20 to FY25 in Figure 4 highlights a crucial dimension of India's EV transition: the dominance of two- and three-wheeled electric vehicles, and the gradual diversification of the EV market. In the early years (FY20–FY21), E-rickshaws overwhelmingly led the market, accounting for the bulk of sales, while E2Ws (electric two-wheelers) had a relatively lower presence. However, starting FY22, the trend shifts dramatically as E2W sales begin to surge, overtaking E-rickshaws and becoming the largest contributor to overall EV sales by the year and beyond. In FY25, E2Ws accounted for over 1.15 million units sold, reflecting strong consumer adoption, improved model availability, and increased affordability.

Meanwhile, the presence of E3Ws (electric autos), E4Ws (private and commercial) and E-buses also grew steadily, though from a smaller base. The commercial E4W segment in particular saw a noticeable uptick by FY25, suggesting rising fleet electrification in urban logistics and shared mobility. Electric buses, while still a small fraction of total EVs, show consistent growth, hinting at early institutional uptake. This evolving mix indicates a broadening of the EV ecosystem—from being largely driven by low-cost informal mobility solutions like E-rickshaws, to a more diverse market that includes private consumers, logistics fleets, and public transport operators.

Together, these trends reflect not just rising EV adoption in absolute terms, but also a structural transformation in the nature of demand. Sustaining this momentum will likely require segment-specific policies, expanded charging infrastructure, and continued innovation to support adoption beyond early movers. (GIZ 2023; IIT Bombay 2023).

Figure 4. 2-wheeler EVs sales began to surge in FY22 as the split diversifies



Source: Authors' analysis based on CEEW-GFC Electric Mobility Dashboard and MoRTH's Vahan dashboard

C. State-wise trends

Electric vehicle adoption across Indian states/UTs varies widely, reflecting differences in income levels, population density, and underlying mobility needs. States and union territories with higher Gross State Domestic Product (GSDP) per capita, such as Goa, Chandigarh, and Delhi, recorded a higher overall EV penetration than those with lower GSDP per capita, such as Uttar Pradesh and Bihar. We found that EV adoption in the states/UTs with higher GSDP per capita is more evenly distributed across E2W, E3W, and E4W categories, while those with lower GSDP per capita exhibit concentration in a single segment with limited uptake of personal vehicle categories such as E2Ws and E4Ws (P).

To analyse these variations more systematically, we arranged the ten greenest states/UTs—those with the highest EV penetration, which together account for more than half of the total national EV sales—in decreasing order of their GSDP per capita. We then divided them into two income-based groups using INR 100,000 as the threshold. **Group A** included Goa, Chandigarh, Delhi, Karnataka, Maharashtra, and Kerala (each with a GSDP per capita above INR 100,000), while Group B comprised Tripura, Assam, Uttar Pradesh, and Bihar (with a GSDP per capita below INR 100,000). For each group, we compared category-wise EV penetration across all categories, including E2Ws, E3Ws, E4Ws (P), E4Ws (C), and E-buses, to understand how the GSDP per capita influences EV adoption patterns.

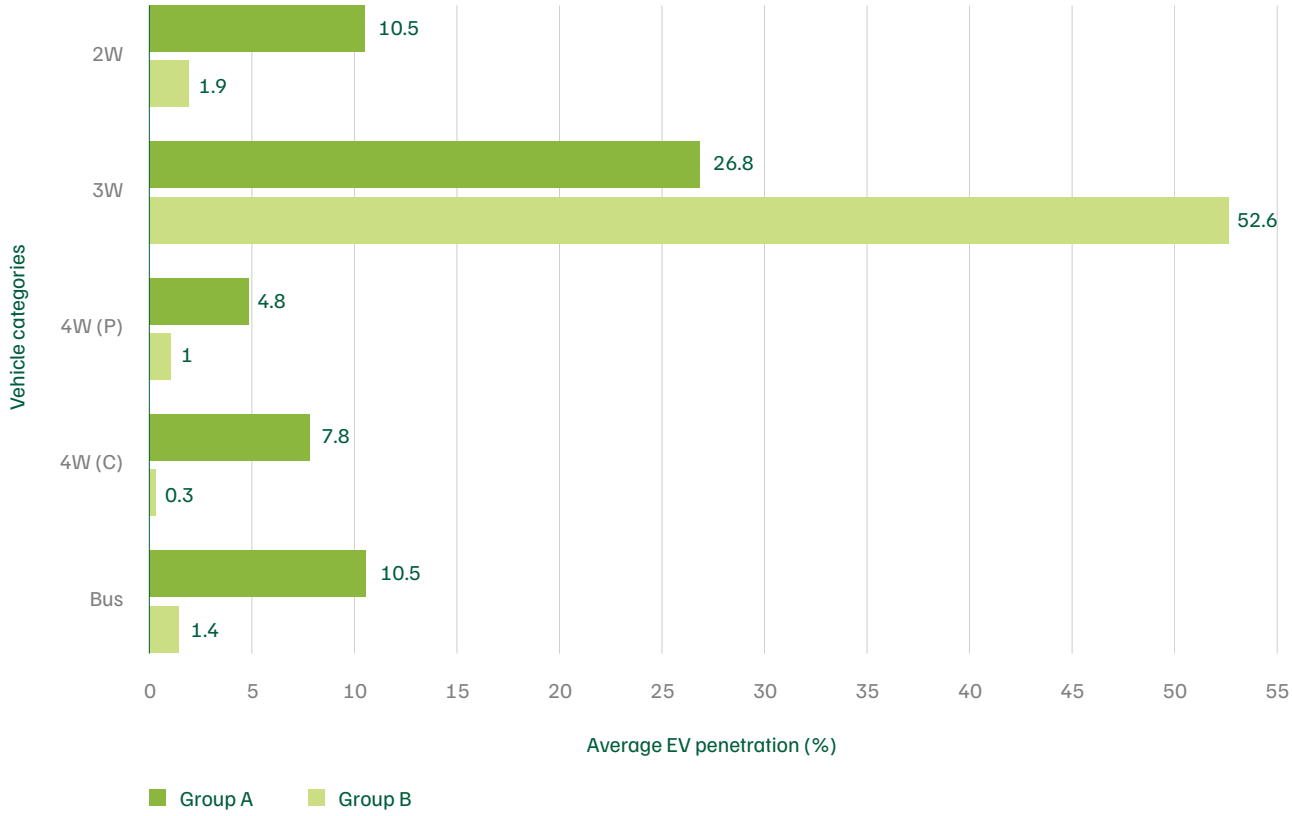
Table 1. India's greenest states reveal how economic capacity shapes the breadth of EV adoption (FY25)

					Category-wise EV penetration (%)				
Groups	State	EV volume (FY25)	EV penetration (FY25) (%)	GSDP / Capita (FY25)	2W	3W	4W(P)	4W(C)	Bus
Group A	Goa	10,088	11.9	295,114*	15.6	13.8	5.8	0.5	7.1
	Chandigarh	5,714	12.1	244,233*	7.5	56.2	6.3	17.9	0.0
	Delhi	83,423	11.6	273,687	6.0	52.7	3.3	18.3	39.9
	Karnataka	173,588	9.3	186,038	11.2	12.7	4.4	6.8	7.3
	Maharashtra	256,991	8.2	163,820	10.0	10.3	3.4	1.6	7.7
	Kerala	82,279	10.6	161,957	12.9	15.1	5.8	1.5	0.7
Group B	Tripura	9,837	15.9	98,166	1.1	65.5	0.7	0.0	0.0
	Assam	67,967	10.9	80,440	0.8	61.6	0.5	0.5	5.3
	Uttar Pradesh	377,212	10	50,875	3.7	52.9	1.7	0.7	0.4
	Bihar	113,609	8.1	32,174	2.1	30.5	1.2	0.1	0.0

Source: Author's analysis based on CEEW-GFC Electric Mobility Dashboard, MoRTH's Vahan dashboard, and RBI Handbook. (RBI 2024)

Note: *Available only for FY24

Figure 5. Two distinct paths to electrification—diverse uptake in Group A vs E3W-led growth in Group B (FY25)



Source: Authors' analysis based on CEEW-GFC Electric Mobility Dashboard and MoRTH's Vahan dashboard

Figure 5 reveals a clear distinction between the two groups. States in Group A exhibit broader adoption across categories and higher penetration in most segments. The average penetration of E2Ws in Group A was around 10.5 per cent, almost five times higher than Group B's 1.9 per cent, indicating a wider spread of adoption across personal mobility categories. For E4W (P), E4W (C), and E-buses as well, penetration levels in Group A were four to five times higher, indicating that higher-income states have made measurable progress across multiple vehicle types. In contrast, Group B states recorded higher E3W penetration, averaging around 52 per cent compared to 26 per cent in Group A. This indicates that in states with lower GDP per capita, E3Ws continue to account for the majority of EVs electrification, reflecting their accessibility and prevalence in local transportation.

Together, these findings highlight two key takeaways:

- **Higher-income states/UTs are adopting EVs across more vehicle categories**: States/UTs with higher GSDP per capita (above INR 100,000) show nearly twice the average EV penetration of states with lower GSDP per capita (below INR 100,000), with adoption spread more evenly across E2Ws, E3Ws, and E4Ws, and E-buses.

- **Lower-income states/UTs are driving electrification mainly through E3Ws**: Average E3W penetration in Group B is about 52 per cent, almost twice that of Group A, showing that E3W continues to anchor EV growth where adoption remains concentrated in a single category.

These contrasts underline the uneven but accelerating nature of India's EV transition across income groups.

4. National-level policy: An analysis

India's electric mobility transition has been significantly shaped by a mix of national-and state-level policy interventions. Over the past decade, the central government has introduced targeted schemes such as FAME I, FAME II, EMPS, and, most recently, PM EDRIVE, each aiming to address key barriers to EV adoption. These policies feature cost incentives as well as charging infrastructure and localisation mandates. These policies have evolved in scope and ambition, reflecting both market learning and shifting national priorities. This section analyses the architecture and design of these national EV policies (FAME II, EMPS and PM EDRIVE), evaluates their implementation progress, and examines how performance varies across vehicle categories.

A. Policy scheme architecture

India's electric-mobility journey has unfolded in distinct waves of policy support, each building on lessons from its predecessor. The *National Electric Mobility Mission Plan* (NEMMP) *2020* laid the foundation in 2013, followed by the *Faster Adoption and Manufacturing of Electric Vehicles* (FAME-I) *Scheme* in 2015. As the market matured, the government launched FAME II in April 2019 with a three-year horizon, which was later extended by another two years, and an outlay of INR 115 billion. With FAME II concluding in March 2024, the six-month *Electric Mobility Promotion Scheme* (EMPS) was introduced for April–September 2024 to avoid a policy vacuum and sustain market momentum. Looking further ahead, the recently announced *Prime Minister's Electric-Drive Vehicle Incentive* (PM EDRIVE) will steer the sector from October 2024 to March 2028 with an allocation of INR 109 billion. Consequently, the EMPS was subsumed under the PM EDRIVE scheme. These schemes taken together map a decade-long continuum of fiscal incentives that guide manufacturers, investors, and consumers towards electric mobility.

A comparative analysis of the two schemes—FAME II and PM EDRIVE—has been conducted in Table 2. The rationale behind the parameters chosen for the comparison is detailed in Annexure 1.

Table 2. From outlay to vehicles supported—how FAME and PM EDRIVE compare

Parameters		FAME II		PM EDRIVE[2]	
Total outlay		INR 115 billion (INR 11,500 crore)		INR 109 billion (INR 10,900 crore)	
Time period		5 years (FY19-FY24)		1.5 years (October 2024–March 2026), later extended to March 2028[3]	
Vehicle categories covered		E2W, E3W, E4W, E-buses		E2W, E3W, E-buses, E-ambulances, E-trucks	
Maximum number of vehicles supported and category-wise outlay					
Category		Vehicles supported	Outlay (INR billion)	Vehicles supported	Outlay (INR billion)
E2W		1 million	53.1	2.5 million	17.7
E3W	E-rickshaws and E-carts	0.5 million[4]	9.9	39,034[5]	1.9
	L5			0.3 million	7.2
E4W		55,000	7.5	N/A	
E-buses		7,000	32.1	14,028	43.9
Others				INR 5 billion each for E-ambulances and E-trucks	

2. EMPS subsumed under PM EDRIVE.
3. The tenure for PM EDRIVE was extended in August 2025 by two years. However, the terminal date for E2W, registered E-rickshaws and E-carts, and E3W (L5) category remains March 31, 2026, as per the original policy. (Ministry of Heavy Industries 2025)
4. For three wheelers, FAME II consisted of a single E3W category, while PM EDRIVE bifurcates it into two–E-rickshaws and E-carts, and L5 categories.
5. Initially, 110,596 units were to be supported under this category. However, per a recent amendment, this has been revised downwards (Ministry of Heavy Industries 2025b).

Per unit incentives (INR/kWh)				
			FY25	FY26
E2W		10,000[6]	5,000	2,500
E3W	E-rickshaws and E-carts	10,000	5,000	2,500
	L5		5,000	2,500
E4W		10,000	N/A	N/A
E-buses		20,000	10,000	
Maximum incentives capped at				
			FY25	FY26
E2W		15% of the ex-factory price	10,000	5,000
E3W	E-rickshaws and E-carts	20% of the ex-showroom price	25,000	12,500
	L5		50,000	25,000
E4W		20% of the ex-showroom price	N/A	N/A
E-buses		40% of the ex-showroom price		

Charging infrastructure		
Outlay	INR 8.4 billion	INR 20 billion
Localisation mandate		
Details	Under the Phased Manufacturing Programme (PMP), FAME II mandated a minimum of 50% domestic value addition (DVA). The policy lacked robust mechanisms for ensuring compliance and enforcement, resulting in inconsistent localisation outcomes.	PM EDRIVE retained the 50% DVA requirement under PMP. It significantly strengthened enforcement by deploying Aadhaar-enabled E-voucher systems, conducting randomised strip-down tests, and establishing tracking protocols at both pre- and post-certification stages.
Circularity and scrappage		
Details	No provisions for scrappage or circularity mechanisms.	Scrappage provisions introduced for E-truck/bus through MoRTH-authorised scrapping facilities (RVSF); warranty-based lifecycle norms
Additional incentives		Vehicle testing infrastructure: INR 7.8 billion E-voucher for OEMs to claim reimbursement for demand incentives

Source: Authors' compilation based on policy documents (Ministry of Heavy Industries 2019; 2024b; n.d.-b; n.d.-a)

6. Initially, this was set at INR 10,000/kWh, which was later revised to INR 15,000/kWh in June 2021, and then revised down to INR 10,000/kWh in May 2023.

The comparison between FAME II and PM EDRIVE highlights a clear evolution in India's electric mobility policy from broad-based market stimulation to more targeted, system-level support. While both schemes maintain substantial fiscal commitments, PM EDRIVE marks a strategic recalibration—shifting focus from widespread demand incentives to deepening market maturity and ecosystem readiness through further push on charging infrastructure, scrappage provisions, circularity provisions for end-of-life vehicles and vehicle testing infrastructure carveouts. The scheme narrows its coverage to priority segments such as two-wheelers, three-wheelers, and buses, signalling a focus on mass and public transport electrification over private vehicle uptake. This aligns with the government's broader aim of maximising emissions reduction per rupee of subsidy. These steps move beyond adoption support towards building long-term industrial capability. Additionally, by tightening localisation enforcement mechanisms, the policy underscores a shift from subsidy-led expansion to manufacturing-led competitiveness. Overall, PM EDRIVE represents a maturing policy trajectory—from catalysing demand to consolidating supply chains, improving compliance, and integrating lifecycle and infrastructure dimensions into India's electric mobility strategy.

As the EV ecosystem matures, so too have the policy frameworks supporting it. While FAME II focused on mass adoption through broad-based subsidies, PM EDRIVE introduces a more structured and future-focused and balanced design. This shift is evident not only in updated incentive structures but also in how deeply the policy embeds systemic features, ranging from public transport electrification and localisation mandates to charging infrastructure and circularity.

Box 1. E-voucher incentive delivery system

The E-voucher incentive disbursal mechanism introduced under PM EDRIVE marks a clear shift towards a more streamlined and robust workflow than in the past. As shown in the figure below, this Aadhaar-authenticated, digitally signed process integrates all stakeholders—buyers, dealers, OEMs, and the government into a seamless, real-time flow.

By digitising KYC verification, subsidy claims, and reimbursement triggers, the system eliminates paperwork delays and reduces the risk of duplication or fraud. It also reflects India's broader shift towards integrating financial technology with public service delivery, leveraging existing digital public infrastructures like Aadhaar, KYC and e-Sign for real-time data validation to build a more transparent and scalable EV incentive disbursal mechanism.

E-voucher generation	Aadhar e-KYC authentication	E-voucher delivery and download	E-voucher signing and upload	OEM reimbursement
• When an individual purchases an electric vehicle, the dealer initiates the registration and subsidy process through the **PM E-DRIVE portal** • An **e-voucher** is generated and digitally linked to the specific vehicle, buyer, and OEM. It carries a **unique ID** and is applicable only for approved vehicle models.	• The dealer performs the **Aadhar-based e-KYC** of the buyer using **facial recognition** through the PM E-DRIVE app. • This step is mandatory and ensures **eligibility verification**, linking the buyer's identity to the transaction in real time.	• Upon successful KYC, a **download link for the e-voucher** is sent to the buyer's registered mobile number. • The buyer can access and verify the details of the voucher, which is now digitally associated with their Aadhar.	• The buyer **digitally signs** the voucher, confirming consent. • The dealer also signs the voucher and **uploads the jointly signed copy** to the PM E-DRIVE portal. Both parties receive an SMS confirmation and digital copies for reference.	• The signed e-voucher becomes the basis for the **OEM (Original Equipment Manufacturer)** to claim the demand incentive. • The system verifies the eligibility of the vehicle, buyer, and certification details before processing **reimbursement through the scheme's portal**.

Source: Authors' compilation based on PM EDRIVE operational guidelines by Ministry of Heavy Industries (MHI)

B. Policy performance

Policy intervention for India's evolving electric mobility ecosystem is visibly shifting from early-stage market creation towards more balanced and scale-oriented consolidation. Assessing how effective this shift has been, particularly in terms of consumer incentives and delivery outcomes, is therefore crucial.

To evaluate policy performance and how these changes have translated into real outcomes, we ask two key questions:

- **Question 1**: Did PM EDRIVE maintain similar efficiency (achievement-to-target) as FAME II, even with a threefold increase in annual targets?
- **Question 2**: Did PM EDRIVE achieve higher annual EV volumes even with lower per-unit incentives?

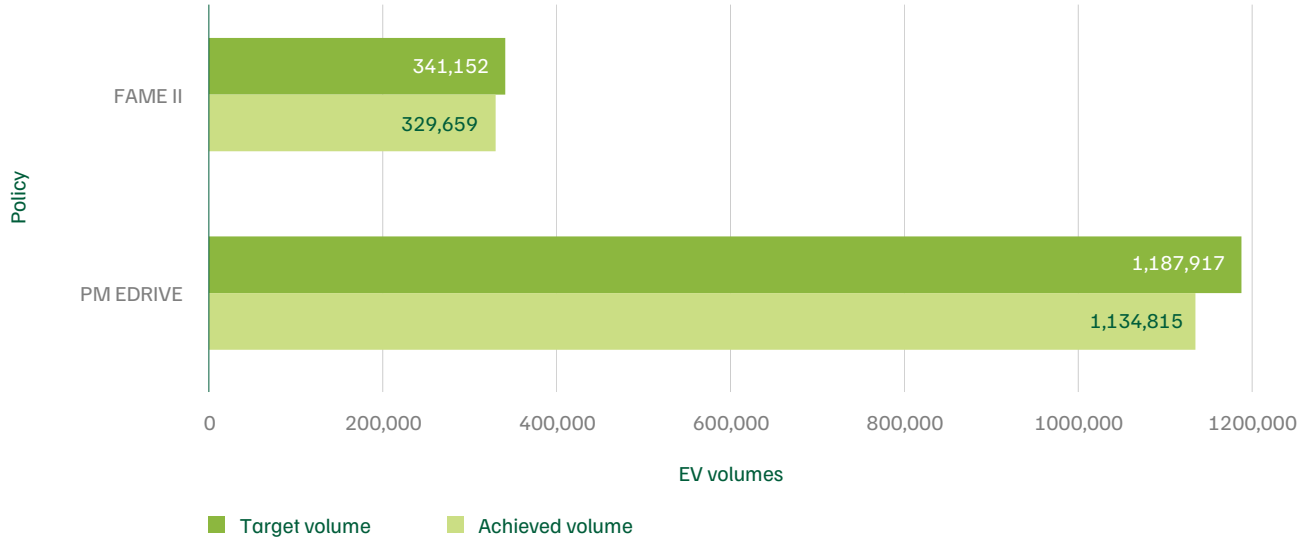
We focus our analysis on FAME II and its successor, PM EDRIVE, as these two national policies focus on consumer EV incentives and have the broadest mandates and highest budget allocations. Together, they represent the most visible strategic shift in India's EV policy approach. To ensure comparability, the scope of this analysis is confined to E2Ws and E3Ws, the most widely adopted EV categories and the core focus of both policies. Since the two policies differ in duration and PM EDRIVE is still ongoing, all values have been annualised to ensure a like-for-like comparison.

Both schemes were launched with specified durations, defined subsidy outlays, and explicit category-wise targets. FAME II, with a five-year horizon and broad coverage, sought to scale adoption across E2Ws, E3Ws, E4Ws, and buses. PM EDRIVE, originally designed as a shorter 1.5-year intervention (October 2024–March 2026), has since been formally extended till March 2028[7]. Importantly, PM EDRIVE set significantly higher annualised volume targets (number of vehicles eligible for subsidy support per year when annualised) for core categories like E2Ws and E3Ws, while also expanding coverage to freight vehicles and ambulances. The launch of PM EDRIVE marked a significant expansion in the scale of India's national EV policy mandate. Annualised target volumes for E2Ws and E3Ws rose from approximately 0.34 million under FAME II to 1.19 million under PM EDRIVE, a more than threefold increase in ambition. This raises the critical question of whether delivery systems were equipped to keep pace with this expanded mandate.

Question 1 - Did PM EDRIVE maintain similar efficiency (achievement-to-target) as FAME II, even with a threefold increase in annual targets?

Figure 6 compares the target and achieved volumes under both schemes for E2Ws and E3Ws, annualised to account for the difference in policy durations.

Figure 6. PM EDRIVE delivered on a 3.5X bigger ambition than FAME II



Source: Authors' compilation based on data from the Ministry of Heavy Industries (MHI)

7. As per a Ministry of Heavy Industries (MHI) notification dated 7 August 2025, PM EDRIVE has been formally extended till March 2028. However, the terminal date for registered E2W, registered E-rickshaws & E-carts, and registered E3W (L5) shall be 31 March 2026. Hence, the original category-wise volume targets remain unchanged. (Ministry of Heavy Industries 2025b)

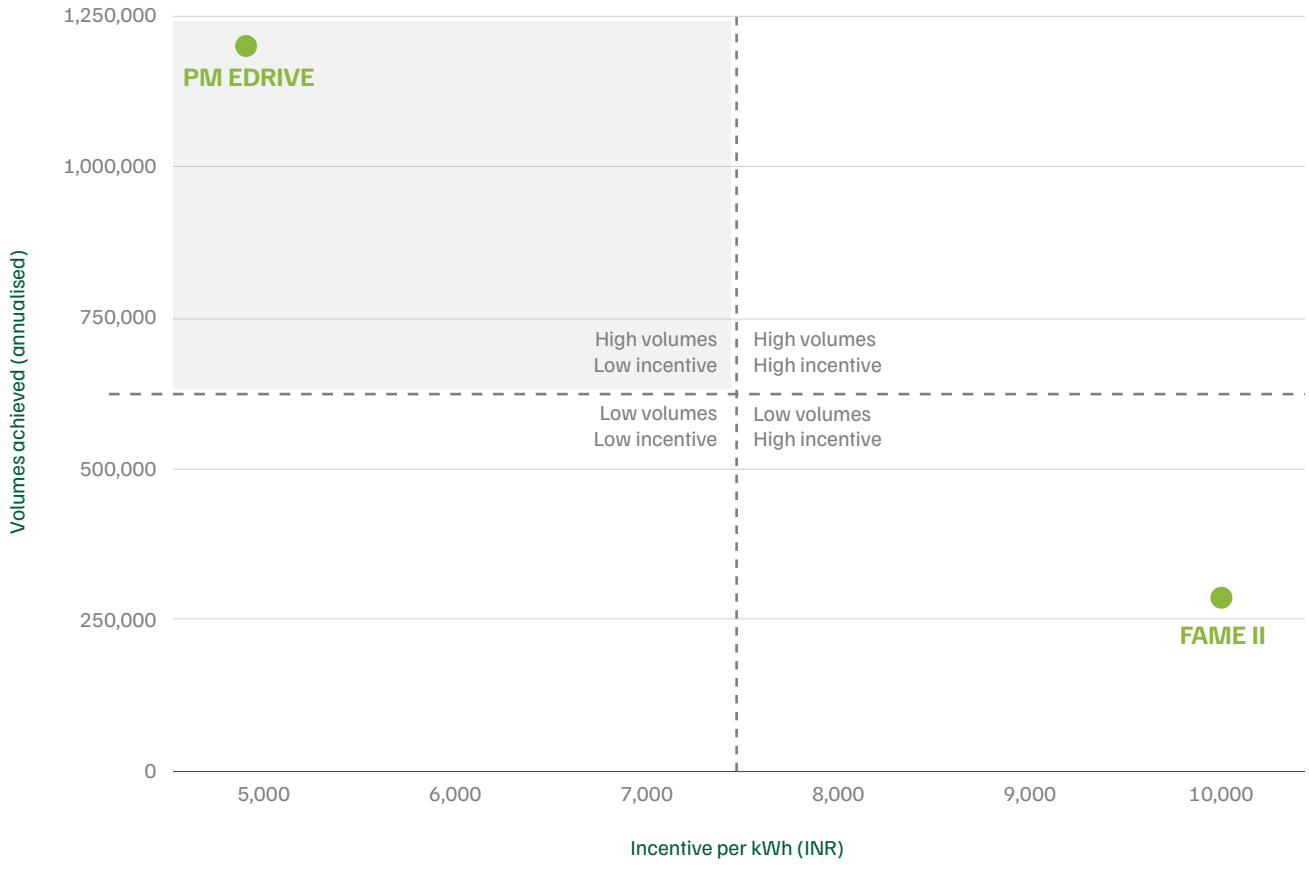
When normalised for duration, delivery performance under both schemes remained consistently high. FAME II had a cumulative five-year target of about 1.7 million vehicles, or roughly 0.34 million annually, and achieved 96.6 per cent of this target. PM EDRIVE, with an annual target of 1.19 million vehicles, achieved 95.5 per cent of it in its first year (FY25). Based solely on factual delivery outcomes data, both schemes recorded similar achievement-to-target ratios, even as PM EDRIVE operated at a much larger annual scale. Thus, PM EDRIVE maintained FAME-level efficiency (achievement-to-target) even with a threefold increase in annual targets.

Question 2 - Did PM EDRIVE achieve higher annual EV volumes even with lower per-unit incentives?

Figure 7 compares the per-kWh incentive levels with the annualised volumes achieved under FAME II and PM EDRIVE for E2Ws and E3Ws. This analysis is based solely on factual delivery outcomes data, comparing achievement-to-target ratios and normalised delivery volumes under both schemes to assess performance on a like-for-like basis. Compared to FAME II, which featured incentives of up to INR 10,000 per kWh, PM EDRIVE offered INR 5,000/kWh in its first year, with a stated plan to further reduce it to INR 2,500 in the second year. The reduction in per-unit incentives under PM EDRIVE forms part of a phased scheme design and is subject to year-wise capping, as outlined in the scheme's operational guidelines (Ministry of Heavy Industries 2024b). Despite operating with 50 per cent lower per-unit incentives, PM EDRIVE achieved an annualised volume of 1.13 million vehicles, compared to 0.33 million under FAME II. This places PM EDRIVE firmly in the top-left quadrant of the chart, where high adoption is achieved at relatively lower cost.

Rather than diminished adoption, lower incentives under PM EDRIVE coincided with a sharp rise in achieved volumes. As highlighted in the quadrant chart, PM EDRIVE occupies the most favourable performance quadrant, indicating high volumes achieved with lower incentive per unit. Despite halving the per-unit incentive, PM EDRIVE achieved more than three times the annual EV adoption seen under FAME II. The data highlights a strong inverse relationship between per-unit incentive and supported volumes across the two schemes, marking a clear shift towards greater cost-effectiveness in policy design. PM EDRIVE achieved higher annual EV volumes with lower per-unit incentives in its first year of implementation—effectively doing more with less.

Figure 7. Lower incentives, higher volumes—PM EDRIVE delivers more with less



Source: Authors' compilation based on data from the Ministry of Heavy Industries (MHI) (Ministry of Heavy Industries, n.d.) for E2Ws and E3Ws

C. Scheme progression

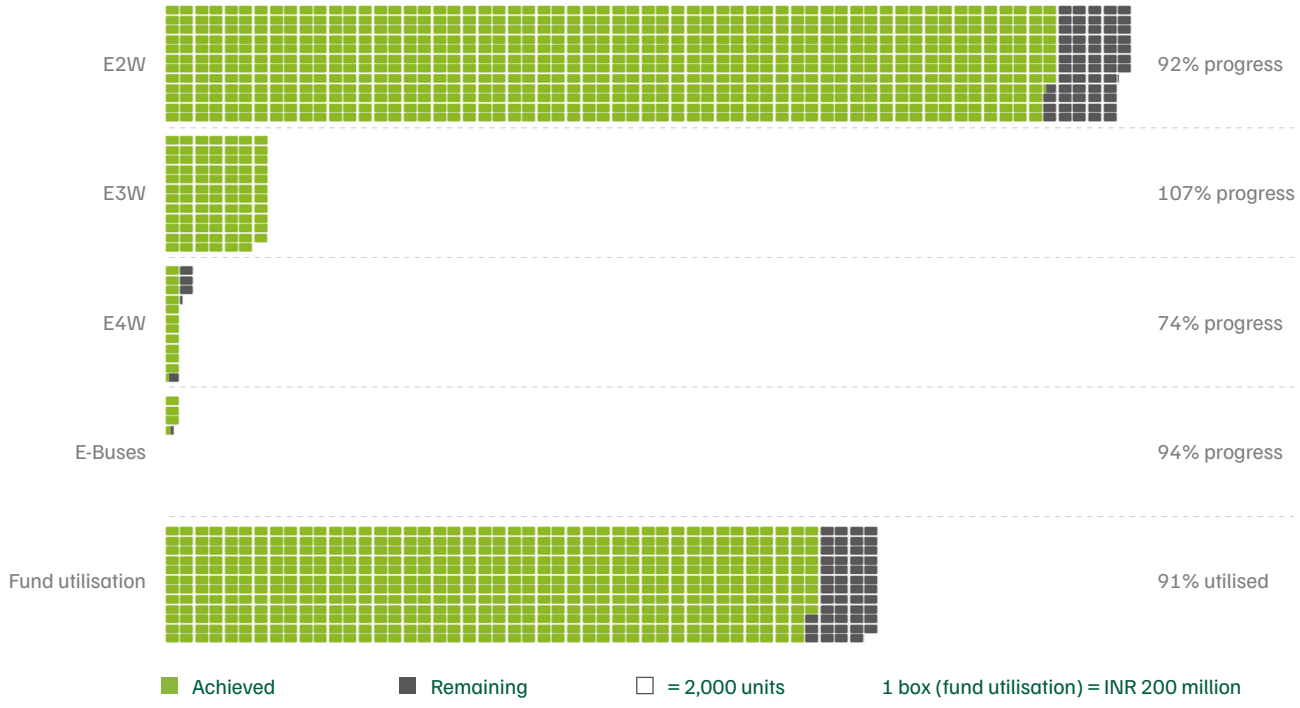
The second phase of India's *Faster Adoption and Manufacturing of Electric Vehicles* (FAME II) programme earmarked INR 115 billion in purchase incentives and charging-infrastructure grants, with explicit volume targets of ~1 million E2Ws, 0.5 million E3Ws, 55,000 E4Ws and 7,000 E-buses, as summarised in the policy comparison table. The policy progress chart in Figure 8 maps how much of each quota has actually been subsidised so far.

Three takeaways that tie back to the evolving market mix described earlier:

- **E3W success story**: Subsidised E3Ws have already exceeded their quota (107 per cent), confirming the surge we saw in FY23-25 category data and underscoring how last-mile cargo and shared-mobility fleets are leading commercial electrification.
- **E2Ws are almost there**: At 92 per cent utilisation, E2W incentives were close to exhaustion, mirroring the segment's rapid scale-up to 1.15 million units in FY25. Without a top-up or redesigned incentive, future growth will rely more on cost-parity gains and non-subsidy levers (bank financing, battery swap, etc.).
- **Lag in four-wheelers despite steady bus uptake**: Only 74 per cent of the E4W quota is filled, highlighting the price-sensitivity and limited model availability that continue to hold the segment back, even as E-bus deployment (94 per cent) progresses in line with state-transport tenders.

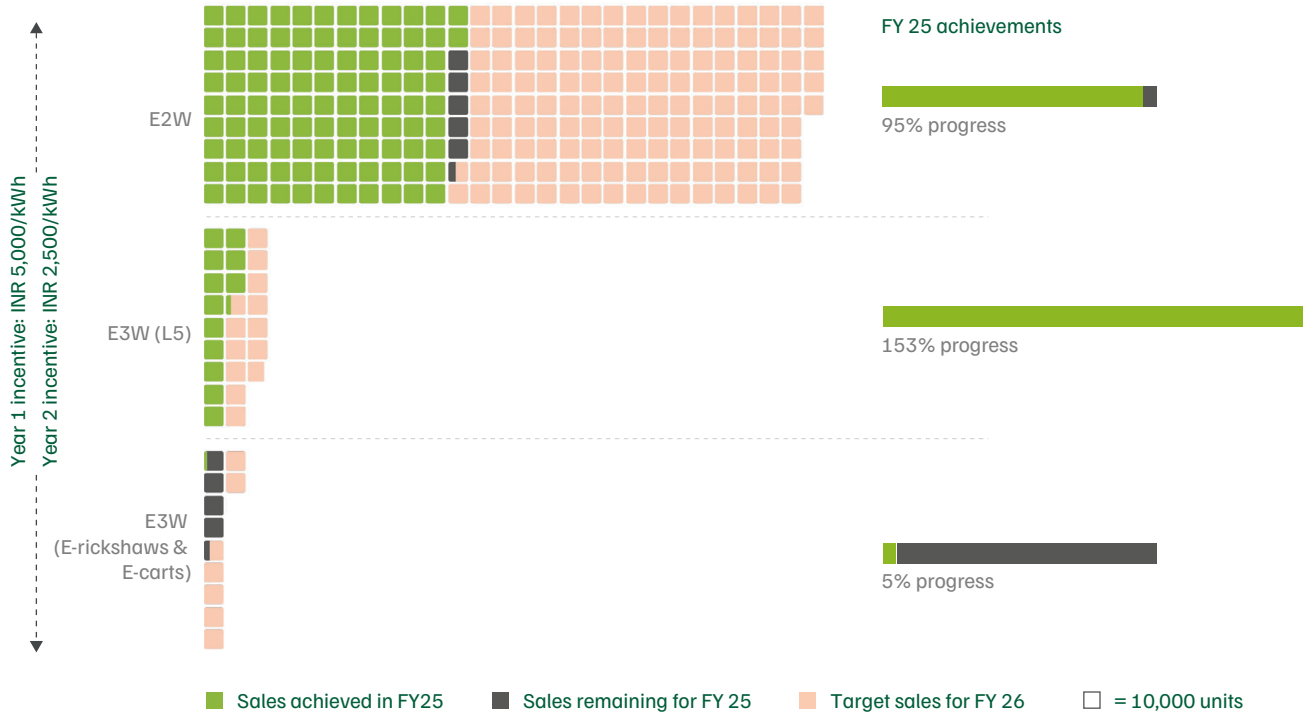
These trends suggest that FAME II has been most effective in catalysing segments that are already operationally and economically conducive to electrification. However, subsidy allocations nearly exhausted in key categories and gaps still evident in others. This is where the new policies—PM E-Bus Sewa and PM EDRIVE—are expected to build on FAME II's foundation, shifting from a purely demand-incentive model towards more integrated strategies. These include support for domestic manufacturing, ecosystem development, public transport electrification, and deeper supply chain localisation. Together, they signal an important policy evolution—one aimed at unlocking the next phase of EV growth across a wider range of vehicle categories. The policy progress chart in Figure 9 traces the performance of PM EDRIVE in its first financial year.

Figure 8. How FAME II performed across segments: E3Ws outpace E2Ws



Source: Authors' compilation based on data from the Ministry of Heavy Industries (MHI)

Figure 9. Boom for freight-led E3W, to resilient E2W: a view at first year of PM EDRIVE



Source: Authors' compilation based on data from the Ministry of Heavy Industries (MHI)

Figure 9 shows how the new two-year PM EDRIVE[8] scheme is landing on the ground. The scheme keeps the demand subsidy focus of FAME II but shifts to a shorter time-frame (FY25–26) and a declining battery-capacity incentive—INR 5,000 per kWh in year 1, falling to INR 2,500 in year 2 for all three categories. Key takeaways from the performance of PM EDRIVE in the first year are:

- Freight-led three-wheeler boom: The 153 per cent utilisation for E3W L5 cargo and passenger autos in just one year signals a pivot from passenger E-rickshaws to logistics-oriented vehicles—echoing the broader market data that showed rising E3W (L5) sales in FY24-25.

- E2Ws remain subsidy-hungry but resilient: With 95 per cent of FY25 targets already met, E2Ws will soon operate with a halved incentive (INR 2,500 per kWh). Observing how demand holds up in FY26 will be a litmus test for price-parity progress.

- Uneven early traction underscores the need for fine-tuning. The sluggish start in L3 E-rickshaws suggests that a one-size-fits-all incentive may miss segment-specific barriers— licensing, financing, or battery-swap compatibility.

This analysis highlights that while progress under PM EDRIVE has been impressive, significant skewness across vehicle categories persists. A clear imbalance emerges: the higher-speed E3W (L5) segment—comprising passenger and cargo three-wheelers with speeds above 25 km/h—has seen strong uptake, whereas adoption in the lower-speed E3W segment (E-rickshaws and E-carts) remains sluggish. The reduction in per-unit incentives under FAME II, along with the planned gradual tapering of incentives under PM EDRIVE, partly explains this slower adoption among lower-speed three-wheelers, which are highly price-sensitive segments. Where FAME II catalysed mass EV adoption in cost-sensitive, high-utilisation markets, PM EDRIVE is already reshaping the landscape—driving faster growth in the E3W (L5) category, sustaining momentum in the E2W segment, and creating dedicated support windows for E-buses and emerging segments such as E-trucks and E-ambulances. The contrasting trajectories underscore both the maturing of certain EV markets and the policy system's shift towards shorter, high-impact interventions that can be recalibrated annually as technology costs fall and user profiles evolve.

8. As per a Ministry of Heavy Industries (MHI) notification dated 7 August 2025, PM EDRIVE has been formally extended till March 2028. However, the terminal date for registered E2W, registered E-rickshaws & E-carts, and registered E3W (L5) shall be 31 March 2026. Hence, the original category-wise volume targets remain unchanged (Ministry of Heavy Industries 2025b).

7. Conclusion and recommendations

EV adoption in India has grown rapidly in recent years, driven by ambitious national targets, layered policy interventions, and rising consumer readiness. What began with E-rickshaws and early adopters has evolved into a broader ecosystem that now includes E2Ws, E3Ws, E-buses, and initial uptake of both personal and commercial E4Ws. This structural diversification across vehicle types and regions signals a maturing market. National schemes like FAME II, EMPS, and PM EDRIVE have played a key role in this transition, with PM EDRIVE highlighting how smart design and digital delivery can boost adoption at lower subsidy levels. These developments also reflect the growing institutional capacity to implement and scale complex EV programmes. However, challenges still persist. EV penetration remains uneven across states, with growth concentrated in specific segments. While E-buses show promise, segments like electric trucks and ambulances are still in early stages.

To ensure India's EV transition remains on track and inclusive, the upcoming focus for policymakers must shift from a volume-first approach to one that emphasises ecosystem depth, economic viability, and equitable adoption. Our recommendations are as follows:

1. **Strengthen the 30 per cent EV target through formal coordination**: India's 30 per cent EV adoption goal for 2030, currently articulated by NITI Aayog, provides an important directional signal. To improve coherence across policies, we recommend **integrating this goal into the national-level policy framework as a formalised EV penetration target**, accompanied by **category-wise sub-targets**. Since the other two primary emitting sectors, the power sector (renewable energy) and industry (green hydrogen), already operate under defined national targets and mission-led decarbonisation pathways, adopting a similarly formal and forward-looking mandate for road transport would also enhance alignment across the EV ecosystem. A roadmap notified by MHI and MoRTH (either individually or jointly) would provide greater confidence to the EV ecosystem, including OEMs, financiers, and investors.

2. **Encourage state-level EV targets to ensure equitable and broad-based adoption**: State EV policies vary widely in their design and ambition. More than 50 per cent of the 28 states/UTs with notified EV policies have outlined EV adoption targets with purchase incentives.

Several states, meanwhile, have lapsed policies without updated frameworks. Higher-income states/UTs also tend to demonstrate more diversified EV adoption, while their lower-income counterparts remain anchored largely in E3Ws. To support more consistent outcomes, we recommend encouraging **states to adopt measurable EV targets that align with the formal national target proposed above, and to periodically update their policies to maintain continuity**. Improved alignment between national- and state-level targets would help reduce regional disparities and support a more even EV transition across India.

3. **Improve transparency of EV adoption and charging-infrastructure data**: The PM EDRIVE portal currently reports scheme disbursement for the E2W and E3W (both E-rickshaws and E-Carts, and L5) categories, but important information gaps remain. Data for other supported categories such as E-trucks, E-buses and E-ambulances are not yet available on the portal. Furthermore, no consolidated public dataset exists on charging-infrastructure deployment or utilisation, despite a considerable budget allocation (40 per cent of the total budget) for it under the scheme. **We recommend expanding the PM EDRIVE dashboard to include all supported categories and establishing a unified national dataset on charging infrastructure**. This would facilitate more robust progress monitoring, support mid-course policy adjustments, and offer clearer signals to industry and state authorities.

> EV ecosystem maturity sets the stage for the next phase - one driven by clear targets, robust data, and equitable state alignment.

4. **Adjust PM EDRIVE budgets in line with market performance**: Early trends from FY25 reveal a growing mismatch between budget allocations and actual market uptake under PM EDRIVE. The higher speed E3W L5 category consisting of cargo and passenger autos, for instance, has already exceeded its FY25 target, while lower-speed E-rickshaws and E-carts have seen minimal adoption despite being priority segments for electrification. This divergence underscores the need for a more dynamic budgeting approach. By periodically recalibrating allocations based on real-time performance, the scheme can channel resources towards segments demonstrating strong demand and high utilisation, while reconsidering support mechanisms through increased per-unit incentive support for slower-moving categories. Such flexibility would prevent reliance on outdated assumptions, enhance the cost-effectiveness of public expenditure, and ensure that incentives remain aligned with evolving consumer behaviour, technology maturity, and state-level market conditions.

India's EV story is no longer a question of if, but *how fast and how fairly*. The last five years have proven that well-structured policy, digital infrastructure, and state-level incentives working in tandem with national policies can rapidly scale up adoption. For India to lead the Global South towards cleaner transportation, it must ensure that the transition is not only fast but also equitable—reaching rural consumers, MSMEs, public fleets, and informal operators. A successful EV transition will rest not just on selling more vehicles, but on building the institutional and financial systems that make electrified mobility accessible, affordable, and sustainable for all.

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Annexure 1: Parameters for policy comparison matrix (Table 2)

The comparison table captures these schemes along eight parameters that together define the breadth, depth, and focus of government support.

- Total outlay and time period reveal the scale and durability of public commitment, indicating how much "runway" industry can count on before recalibrating business plans.
- The vehicle categories covered show the strategic emphasis of each policy: while FAME II casts a wide net across two-wheelers, three-wheelers, four-wheelers, and E-buses, EMPS narrows its lens to mass-market two- and three-wheelers, and PM EDRIVE reintroduces buses to accelerate the decarbonisation of public transport.
- The maximum number of vehicles to be supported sets market-share targets in discrete volume terms, offering a transparent metric for investors to size future demand.
- The category-wise budget outlay clarifies where subsidy rupees are concentrated and signals the government's priority segments.
- Per-unit incentives (INR/kWh) are a critical lever that directly influences retail prices and hence consumer uptake; contrasting incentive levels across FY25 and FY26 which portray the intended glide path of subsidy tapering.
- The maximum incentive cap, expressed either as a percentage of ex-showroom price or an absolute rupee ceiling, safeguards against over-subsidisation while maintaining affordability.
- The charging-infrastructure outlay under FAME II and PM EDRIVE underscores that hardware deployment, not just vehicle demand, is essential for ecosystem health.

By juxtaposing these parameters, the table provides a holistic lens through which stakeholders can evaluate the evolving architecture of India's EV policy, anticipate shifts in demand drivers, and align investment or product strategies with the most relevant levers of government support.

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