

2023 LOOKS PROMISING FOR INDIA'S EV MARKET



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In India, over one million electric vehicles (EVs) were sold in 2022. The EV transition has been swift, marked by an 8X growth in unit sales from two years ago in 2020. And with this, the world's third-largest automobile market has become a major contributor to the transition, with ~12 per cent share of EV sales recorded worldwide. A market with much space for increasing vehicle penetration and a national commitment towards cleaner transportation now shines brighter than ever. If 2022 was proof that the Indian auto market was ready to electrify, 2023 is the year to solidify commitments and grow this space.

As seen over the years, the Council on Energy, Environment and Water (CEEW) expects electric two-wheelers (e-2W), a category that dominates traditional auto sales, to continue to lead the sales chart in 2023. And while it sees the presence of nearly 100 manufacturers, the segment frequently reports instances of overbooking and delayed delivery of products. A growing segment that is expected only to grow faster and bigger must hold onto consumers' excitement by accounting for projected growth volumes. Increased manufacturing capacity to ramp up EV production along with a conscious strategy to account for supply chain interruptions will avoid a demand-supply mismatch and help retain the consumer's enthusiasm.

And while electric three-wheelers (e-3W), primarily led by e-rickshaws, are the second-most successful category within EVs, electric four-wheelers may be the category to watch out for. This segment has shown a 10X growth over the last two years, with all major players such as Tata, Hyundai, Kia, and MG and even newer ones such as BYD committing to an exciting range of new products at the 2022 Indian Auto Expo held in Delhi. The promise of a larger range of products, and the introduction of sub-segments such as electric SUVs, infuses much promise into it. However, the market may need an affordable electric car that mirrors the utility of the now-retired Mahindra Rewa to grow this segment over the next few months.

With the increased tightening of the Faster Adoption and Manufacturing of Electric Vehicles (FAME) II policy, one may expect three things in 2023. First, this increases the importance of state policies providing EV buyers subsidies. The year 2022 saw six states and UTs – Haryana, Rajasthan, Chhattisgarh, Ladakh, Chandigarh and Uttar Pradesh – launch EV policies that provided this. This year may see more states launch or extend their EV subsidy limits. Second, affordable consumer financing for personal and commercial EVs is critical for broader adoption, whether through policies like interest subventions or others. Third, and perhaps most importantly, the sector will be seen turning inwards to domesticate its supply chain over the next few years. The same may lead to short-term headwinds for some players and, in turn, may lead to a change of market order.

The continued success of electric vehicles in 2023 depends mainly on the gaps it manages to fill. Increased international prominence may also inject a much-needed new finance stream and experience in 2023. With the right policies to support EVs and disincentivise traditional vehicles, the mainstreaming of this emerging segment may no longer be a distant dream.



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