

Electric two-wheeler registrations weaken

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Five of the top eight companies making electric two-wheelers (E2Ws) saw a decline in registrations in July over June, according to data from the Vahan portal, as E2W registration fell 5 per cent to 32,450. Ola Electric, Ather Energy, Ampere, Revolt and Pure EV saw their numbers fall.

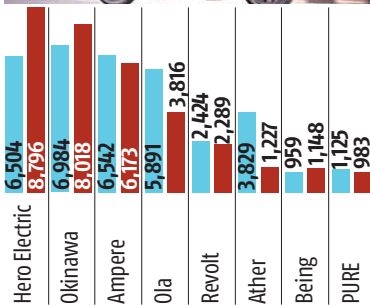
At first glance, that might appear to be encouraging, considering overall two-wheeler registrations in the month, including traditional two-wheelers running on internal combustion engines (ICE), fell 7.8 per cent. However, the relatively smaller decline in E2W registrations comes as a dampener because of two reasons.

First, it belies expectations. The conversion of ICE two-wheeler consumers to electric is taking longer than what E2W makers had anticipated.

CHANGE IN MOMENTUM

E-scooter registrations in

■ June ■ July



passed on to buyers. “If anything, auto companies will use festivals —when demand is strong and the sentiment is buoyant — to go for another round of price hike.”

Electric...

Bhavish Aggarwal of Ola Electric believes all two wheelers will go electric by 2025. The analysts at Nomura, however, are more circumspect, saying 30 per cent of all two-wheelers would be electric by 2030. Secondly, incumbent two-wheeler makers, such as Pune-based Bajaj Auto and TVS Motors of Chennai, are seen to be making inroads into what has been a largely open field so far for new-gen E2W players.

In January, E2Ws accounted for 2.6 per cent of the total two-wheeler market. Their share rose to 3.63 per cent in April, one of the best months for E2Ws, when Ola sold a record 12,702 and the overall E2W registrations shot up to 43,098. But the figure fell to 2.81 per cent in May, before recovering marginally to 3.3 per cent in June. And in July, was again at 3.1 per cent. E2W makers had hoped to sell 750,000 in 2022. However, in the first seven months, they have sold only a cumulative 250,000 to 260,000. To meet their projections for the calendar year, they need to sell 100,000 every month.

In July, Ola Electric saw a sharp reduction in its registrations fall 35 per cent from June, hitting a low of 3,816 units, as of Sunday evening. This is the third consecutive month Ola has seen its registrations fall month on month. The registrations in July account for about four days’ production at the company’s installed capacity of 1,000 per day. A spokesperson for Ola declined to comment “on plant maintenance” when asked the number of days the factory was closed in July the company said “production has resumed”. “Ola is probably try-

ing to manage two fronts, internal and external. In order to achieve economies of scale, it might want to expand its product portfolio and SKUs towards affordable segments,” said Harshvardhan Sharma, the head of Nomura’s auto retail consulting practice.

Ola executives, speaking off-the-record, say they will soon launch affordable electric scooters without revealing when. They also point out they control 50 per cent of the revenue market share with just one model, as their average MRP (without state subsidies) is ₹1.5 lakh. Most other electric two-wheelers in the market are in the price range of ₹60,000 to ₹70,000.

Ather Energy, despite launching new model, saw its registrations fall 68 per cent in July to a mere 1,227 units. Ather, too, operates in the premium segment priced above ₹1 lakh. “Our production line was shut for a couple of weeks to facilitate a transfer to the new-generation product. So, most of the sales are for the last 10 days. Otherwise, our weekly numbers are almost 2X. If there was no closure, we should have hit 5,000 scooters this month,” said Tarun Mehta, Ather’s co-founder.

Meanwhile, Bajaj Auto and TVS are on the move, investing in capacities and products. According to their own sales numbers and analyst estimates, the two have already sold 15,200 e-scooters during April-June. Together, (assuming sales and registration numbers don’t vary much), they already have a market share of more than 5 per cent. Vahan data does not show E2W registrations for the two companies separately.

TVS, which launched its e-scooter at ₹70,000, sold 4,667 units in June, its highest EV numbers representing a growth of 77 per cent over May. The company is doubling its monthly capacity to 20,000 e-scooters a month. Bajaj Auto is

setting up an EV plant with a capacity of 500,000 a year, 41,000 a month though. Its e-scooter, Chetak, is priced above ₹1 lakh.

Rate hike...

“While inflation could come down below 7 per cent in the next few prints, the RBI is likely to continue with its front-loading of interest rate hikes as inflationary risks still remain. The terminal rate in this policy cycle is likely to be close to 5.75-6 per cent,” said HDFC Bank’s Principal Economist Sakshi Gupta. Gupta predicted a rate hike of 35-50 bps in the upcoming policy statement.

Members of the MPC and RBI officials have recently spoken about the need for front-loading rate hikes in the current cycle. This is happening at a time when the Federal Reserve is aggressively raising interest rates to rein in 40-year high inflation in the US.

So far in 2022, the US central bank has raised interest rates by 225 basis points. The rapid pace of the Fed’s rate hikes has led to large outflows of overseas funds from Indian equities in 2022 as global investors have preferred improved returns in the world’s largest economy.

Consequently, the rupee has weakened against the US dollar, touching a record low of 80.06 on July 19. Some economists feel that while the inflation risks in the US are much higher than those prevailing in India, the Fed’s rate hikes exert pressure on the RBI to raise rates at home and make returns on domestic debt instruments attractive. While the RBI is not seen following the Fed’s path when it comes to the magnitude of rate hikes, economists expect it to decisively signal a shift towards tighter financial conditions by not only raising the repo rate but also changing its liquidity stance.

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