

EV targets remain steep; pickup for 3-wheelers

Only three-wheelers likely to meet NITI Aayog's FY26 volume target

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India's electric vehicle (EV) journey has so far been a mixed bag. Electric two-wheelers (E2Ws) are faltering and the penetration of electric buses is slowing down, while the jury is still out on whether the target for passenger cars can be met. But three-wheelers (excluding e-rickshaws) are likely to meet NITI Aayog's target for FY26 both in terms of penetration and volume.

For the industry, the key factor in future growth is the new subsidy regime that is expected to replace the second phase of Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India (FAME-II), which ends in April 2024.

Three years ago, it was E2Ws, which kicked off the EV revolution. But they have a penetration of only 5 per cent in FY24 so far, up marginally from 4.4 per cent in FY23 (electric as a percentage of overall two-wheelers).

This is a long way from NITI Aayog's FY26 target of 13-15 per cent penetration and sales of 2.5-3 million.

E2W registrations slowed in the first eight months of FY24 owing to the sudden sharp drop in the subsidy and regulatory battles with the government. Based on VAHAN data, total registrations failed to even reach the target's halfway mark of one million (0.44 million).

In fact, most E2W companies estimate that a best-case scenario for the end of the financial year will be one million registrations. In simple terms, the industry has to sell three times more in the next two years to reach the government's target.

In the three-wheeler (non-e-rickshaw) segment, manufacturers are closing in on NITI Aayog's FY target of 18-20 per cent penetration. In FY24, the penetration figure has jumped to 13.6 per cent from only 7.5 per cent in FY23.

With three-wheeler makers such as Bajaj Auto, Greaves Electric Mobility, and Mahindra & Mahindra pressing the accelerator, the segment could well meet, if not surpass, the government's goal.

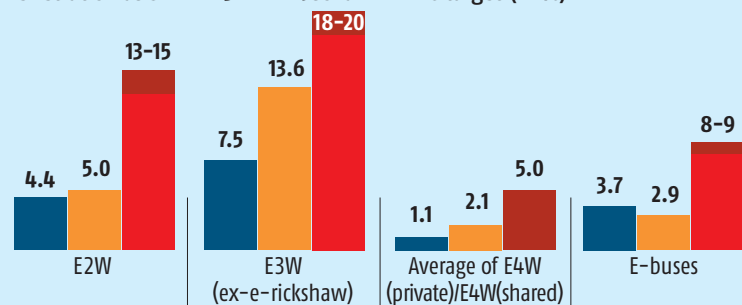
In passenger vehicles, NITI Aayog has a target of 3-4 per cent in FY26 for private electric four-wheelers (E4Ws) and 6-7 per cent for shared E4Ws (like



LONG ROAD

NITI Aayog EV targets and current numbers

Penetration as of ■ FY23 ■ FY24 so far ■ FY26 target (in %)



Note: NITI Aayog's penetration target for private E4W is 3-4% and E4W (shared) is 6-7%
Source: VAHAN, NITI Aayog

the Ola and Uber fleets), or an average of 5 per cent.

VAHAN's passenger car penetration in FY24 has doubled to 2.1 per cent from 1.1 in FY23. With a dozen or so new models coming up in the next 18-26 months, many auto companies say the target is achievable.

The industry, though, is divided. Sceptics say that with registrations of over 45,000 logged in FY24 so far, the figure could rise to around 70,000-75,000 by the end of the financial year.

But to reach NITI Aayog's target, the auto companies will have to sell 180,000-210,000 electric cars (nearly thrice the current numbers) over the

next two years.

In buses, EV embrace is dependent on demand from state governments and subsidies. Other big buyers such as educational institutions are showing very slow adoption. Demand is expected to pick up only in the mid to long term.

The penetration of e-buses has in fact fallen from 3.7 per cent in FY23 to 2.9 per cent in FY24. Only 1,500 buses have been sold in the eight months of this financial year. NITI Aayog hopes this will go up to between 5,000 and 10,000 annually by FY26.

In short, NITI Aayog's target of 8-9 per cent e-bus penetration by FY26 looks pretty challenging.