

# Indian Electric Vehicle segment might continue to draw investments

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The effects of COVID-19 have been quick and substantial. The pandemic has resulted in being a major disrupter; shifting global dynamics. Manufacturing companies around the world are now focusing on developing plans to minimise the aftershocks of this disease, automotive manufacturing being one such sector.

The pandemic has led to large-scale distress to supply bases, assembly plant closures and further downshift to the declining consumer demand. Dependency on imports from China, recent Bharat Stage VI Regulations (emission standards laid down by the Government to mainly regulate the output of air pollutants from petrol and diesel vehicles) regulations and restricted movement of migrant labourers has made it a challenging situation for the Indian automobile industry.

In addition to assessing the impact on current automobile industry, there is also a need to understand how this will impact the **newly emerging Indian Electric Vehicle (EV)** segment.

### The Indian EV industry (pre COVID-19)

**The EV industry in India is still at an incipient stage; however, the Indian Government had laid out ambitious plans for this segment.**

#### Pre COVID-19 EV segment

Electrification rate was **<1 percent** in two- and four- wheelers and **~ 39 percent** in three-wheelers (including e-rickshaws).



- Today, ~5,000 **electric autos** are estimated to be in the market.
- **Indian local manufacturers cover ~45 percent of supply for e-rickshaws, large Indian Companies serve ~10 percent and Chinese manufacturers control another ~45 percent market.** Chinese manufacturers control significant supplies of **two-wheelers**.

#### Projected targets based on Niti Aayog report

- **80 percent electrification** for two- and three-wheelers, 30 percent for four-wheelers and 45 percent for buses by 2030.
- By making India's mobility shared and electric, **energy consumption and carbon emissions to be reduced by 64 percent and 37 percent, respectively, by 2030.**
- Expand and improve the **charging infrastructure** and make it more accessible to public transit.
- **Minimise upfront costs** to make EVs more accessible to consumers.



#### Measures taken to support the projected EV targets



- Introduction of **Faster Adoption and Manufacturing of (Hybrid) and Electric Vehicles in India (FAME) - II:** A scheme that incentivises the purchase of EVs.
- **Goods and Services Tax (GST)** rate on EVs slashed to **5 percent** from a pre-existing rate of 12 percent.
- Additional **1.5 lakhs deduction** in income tax for interest paid on loans for purchase of EVs.
- **Exemption** from registration fees of vehicles, odd-even scheme, and provision of specific parking spots for EVs.

Source: NITI Aayog, Government websites, secondary research, media articles and Deloitte analysis

**Further, challenges owing to longer charging hours are being overcome through mobility (battery swapping) for commercial vehicles.**

### Pre COVID-19 investment scenario in the EV segment

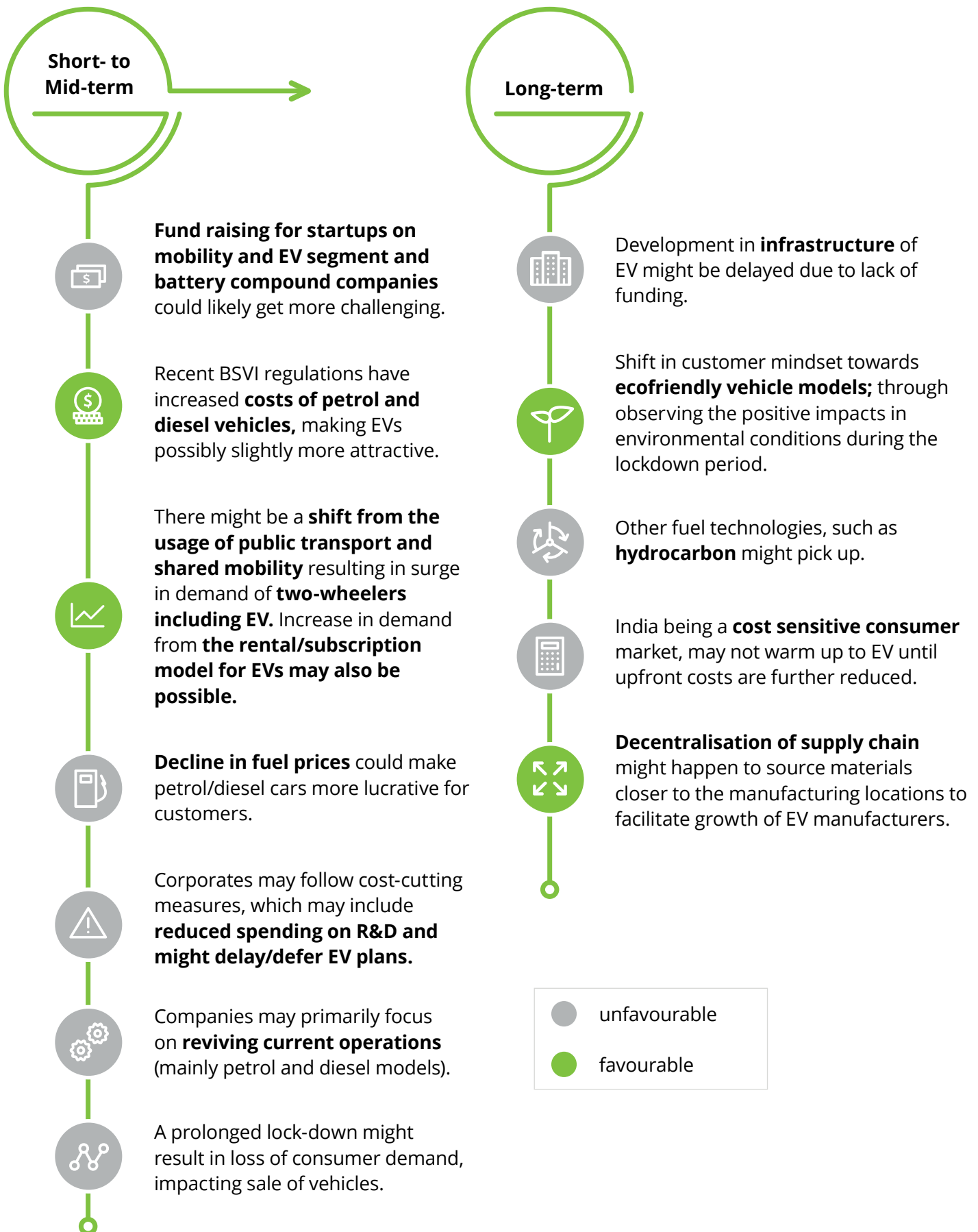
#### New investments/companies in EV segment

- Several major automotive companies launched new EV models. Further, some of the foremost players pledged millions of dollars for the EV segment.
- New start-ups have emerged in this sector in the recent years. These are primarily focused on two- and three-wheelers, e-bike renting and EV infrastructure such as battery, battery swapping, charging station and others.
- Original Equipment Manufacturers (OEMs) entered into strategic agreements with battery manufacturing companies/swapping companies to build charging stations.
- In the recent past, there were a number of transactions both in the EV start-ups, bike renting companies and battery/battery swapping and mobility companies. Investments in this sector were from both private equity as well as strategic players.
- Certain OEMs had entered into agreements with their group companies to install fast charging stations by the end of this financial year in five big cities. This might result in faster adoption of EVs in the market.



## Anticipated Indian EV industry (post COVID-19 stabilization)

COVID-19 could have both, favourable and unfavourable bearing on the EV segment.



### Post COVID-19 investment scenario in the EV segment

- During the short term, there could be difficulty in fund raising for startups in mobility and battery compound segment. However, M&A/fund raising activities are likely to pick up in medium and long term considering these startups are crucial for developing the EV sector in India.
- Further, the valuation of EV startups could become more attractive in the short term compared to pre COVID-19 era.
- Major auto players have announced increased spending on the EV segment. While COVID-19 might impact the lending capability of financial institutions in the short- to mid-term, funding from strategic tie ups and investments could possibly increase to achieve the pre-set goals and targets.
- To reduce dependence on China for imports, Indian auto firms are expected to set up local manufacturing facilities thus, leading to enhanced requirement of funds and opening up opportunities for investors.
- India could emerge as the preferred option for multinational automotive players. EV being a new technology with more connected features, proliferation of technologies, such as Radio-frequency Identifications (RFIDs) and Internet of Things (IoT) coupled with expanding communication technologies is expected to support adoption of connected cars globally as well as in India. India being a hub of tech individuals, becomes an understandable choice.



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