



ELECTRIC VEHICLE INDUSTRY

Momentum strong, but a few speed bumps ahead

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Penetration across segments to gradually ramp up over the next few years; a material decline in battery prices has aided in lowering the upfront cost and helped offset a gradual reduction in subsidies offered.

Significant investments being incurred towards development of electric vehicle platforms; even as funding environment for start-ups has cooled off a bit, investors remain bullish on the growth prospects of EV sector.



Aided by Government support in the form of subsidies, enhanced awareness and product launches, the electric vehicle (EV) segment saw a significant upturn in prospects since FY2022. Even as the pace of growth has slowed down a bit in the current fiscal, a confluence of factors such as improving product portfolio, charging infrastructure and financing availability as well as a gradual decline in battery prices would aid in acceleration of EV penetration across segments over the medium term.



The Government has adopted a multi-pronged strategy to promote the development of an EV ecosystem. The latest government scheme (PM e-Drive) entails healthy investment outlays for electrifying mass mobility and creation of charging and testing infrastructure, while continuing to provide demand incentives across select automotive segments. Even as the demand incentives available are being gradually lowered, the continuation of incentives under the scheme is a timely boost for the EV sector.



Entities across the value chain are incurring material investments in the development of ground-up EV platforms, as electrification gathers pace. The funding environment has cooled off a bit over the recent past, with funds raised by startups materially declining from the high of CY2022 (~\$2 billion in funds raised); nonetheless, investors continue to remain bullish on the growth of the EV sector in the country, with entities across the EV ecosystem continuing to garner healthy interest.



The industry remains focused on enhancing the domestic value addition with a view to building capabilities; given that battery remains the key component, and creation of a local battery cell manufacturing ecosystem remains the key to enable India to achieve its electrification targets. The road to profitability for the industry remains long; and thus, a timely fund-raising to support the capital structure/competitiveness of start-up players would be key.



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