

# Poised to lose momentum?



Lectrix EV's high speed electric two-wheeler, Lectrix LXS

## Stakeholders project an immediate slowdown in electric two-wheelers sales

In a statistical sense, year 2022 was quite remarkable in furthering the process of electric vehicle era (EV) initiation in the country. There has been no dearth of fresh initiatives and developments in all quarters – OEMs launching new models, stakeholders involved in putting up critical infra pieces were found to be more active, fresh policy push from the Union as well as some state governments (getting into a competitive mode) became a regular feature, etc.

To top it all, there were clear signals of increased sales (of course, on a low base) validating the efforts being made since 2014 to switch over to electric vehicles in a long-term. “Last year, the process of evolution of EV adoption had begun to attain maturity,” says an analyst. “It will still take two-three years before it slips in the anticipated revolution mode”.

In terms of macro-trends within the EV space, the adoption process is clearly being led by electric two-wheelers, which account for a hefty over 60 per cent of the total sales. And many OEMs, which have positioned themselves in the segment, reported sales taking a skyrocketing trajectory, rising in

three-digit percentage proportion, With India being an auto market which is still dominated by two-wheelers (accounting for 80 per cent of the total sales), its replica is slated to appear in the EV segment too.

Considering the galloping sales last year, two-wheeler OEMs would ideally have been cheering the arrival of the new year with more enthusiasm. But, some of the government's recent decisions, like withholding clearance of subsidy to the industry, have created some doubts about the electric two-wheeler segment picking up more pace this year.

The government's rigid stance stems from its realisation, following a barrage of complaints, that the subsidy offered to promote EVs are being mis-utilised and not helping in creating a 'Make in India' driven show. And hence, there is a larger fear within a section of two-wheeler EV manufacturers that the momentum witnessed during the last year would not be maintained. “There could well be a considerable shortfall in the production of EV two-wheelers projected for this financial year,” says Sohinder Gill, director general, Society of Manufacturers of Electric Vehicles (SMEV) and CEO, Hero Electric.



Gill: government should be more flexible

### 2022: a springboard

The performance of 2022 has undoubtedly triggered great expectations. The leading OEMs (particularly those in the two-wheeler space), which have been subtly positioning themselves in the EV space in the recent years, have probably seen the first windfall spell in sales in 2022. The yearly sales figure comfortably crossed half a million mark for the first time reaching close to 615,000 units. This marked a spectacular over 300 per cent rise in sales



over the previous calendar year figure of 152,000 units.

According to an industry paper, the top 10 OEMs specialising in two-wheelers (such as Ola Electric, Okinawa Auto-tech, Hero Electric, Ampere Vehicles, Ather Energy, TVS Motor Co, Bajaj Auto, Pur Energy, Revolt Intellicorp and Being India Energy) accounted for an overwhelming over 85 per cent of the total EV sales. "As far as electric two-wheelers are concerned, there are clear quarters comprising extension of established ICE (internal combustion engine) players, well-known start-ups like Ola, which have already reached to a point of prominence because of other ventures and the lesser known start-ups, which have sprung up in the recent times, considering the potential in the business," points out an analyst.

Late in December, after Ola and Okinawa, Hero Electric also reported touching 100,000 unit annual sales mark (in the calendar year). In its December sales release, two-wheeler major TVS also indicated major momentum coming in, with its iQube electric registering sales of 11,071 units in December 2022, as against 1,212 units in the corresponding month in the previous year. WardWizard, which is emerging fast on electric two-wheeler landscape with its 'Joy e-bike' model, saw a spike of 131.6 per cent in sales in CY22 (January-December 2022). The company sold a huge lot of 43,914 units of electric two-wheelers during the year, as against 18,963 electric two-wheelers during January-December 2021.

"CY22 has been an important year in which the company achieved new sales milestones, entered into new segments and expanded its presence across global markets," acknowledges Yatin Gupte, chairman & managing director, WardWizard Innovations & Mobility. "Our strong product portfolio and cutting-edge technologies have successfully met the aspirations of the buyers, resulting in triple-digit growth in CY22".

According to an industry insider, the electric two-wheeler ecosystem now has more than 60 players on the OEM side, who are expecting this windfall to become much bigger in the coming years. "The change to electric mobility is inevitable for India, which is one of the largest markets in the world," says K. Vijaya Kumar, MD,



Agrawal: the government wants quality

Lectrix EV, which has sprung from the SAR group, a leading player in the energy storage segment.

"The Indian EV industry is likely to grow at a CAGR of 36 per cent, going by the India Energy Storage Alliance (IESA) figures. This transition presents a sea of opportunities for new players to help develop an ecosystem that can drive the change from ICE to EVs". The company has invested about ₹300 crore in developing India's largest EV Technology centre near Manesar and has drawn up plans to take its high speed electric two-wheeler, Lectrix LXS to over 150 markets by March this year.

The year 2023 is expected to get more action in terms of new launches and capacity building by the established players, as well as arrival of a fresh league of start-ups. Hero Electric, for instance, is planning to touch sales figure of 5 million EVs in three years, with increased investment in production capacity enhancement, expansion in dealerships and training PGOs to build an ecosystem. The company is also committed to install up to 20,000 charging stations through partnerships.

Ola, the current market leader, has similar ambitious plans. Ola Electric is aiming to leverage its manufacturing capacity and technology to make India a major exporting hub for markets like South East Asia, Latin America, Europe,

and Africa. "We have sold almost 150,000 EVs this year and are working towards the Mission Electric – all 2W sold in India by the end of 2025 to be electric, and all cars sold in India by 2030 to be electric," Bhavish Aggarwal, founder & chief executive officer, Ola Electric, wrote in a blog post in the last week of December. "In 2023 and 2024, we will launch many more 2W EV products – a mass-market scooter, a mass-market motorcycle, and multiple premium motorcycles (sports, cruisers, adventure, and road bikes)," he further added.

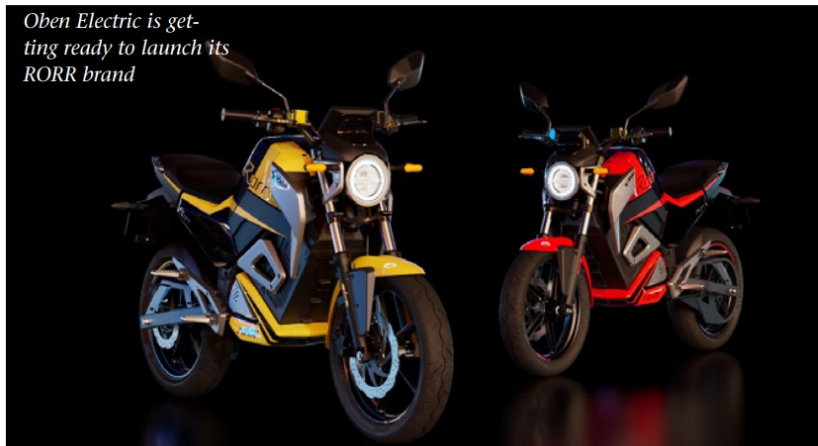
Other major players like Ather, TVS, etc, also have major plans to scale up their operations and expand the portfolio. And there could be some serious surprises coming from the lesser known start-up quarters, which will get into the market with defining products. Bengaluru-headquartered Oben Electric (founded in 2020), for instance, is getting ready to commercially launch its RORR brand of motorcycles in the coming months. "We are starting with a production capacity of 300,000 annually. Of course, production-wise, we will reach the optimal capacity level at a later stage," informs Madhumi Agrawal, CEO, Oben, which will be focussing solely on electric motorcycles. The company claims to have a well-developed R&D team, which is pioneering the use of advanced battery chemistry, such as LFP in E2Ws in the country. "The company also holds 18 patents for its proprietary technology and EV components," she adds.

#### Possible spoilers

However, even as the party seems to be poised to become more interesting from the demand side, as demonstrated by massive registration and sales jump in 2022, the recent rigidity in the stance of the government pertaining to the misuse of its subsidy dole-out is being viewed as a possible run-spoiler in some quarters – something that could seriously slacken the pace, if not exactly lead to a screeching halt. Following some serious complaints against the stakeholders that they are availing subsidy even without trying hard to maximise local production (a rider for those availing subsidy amounting as much as 40 per cent in the hands of consumers), the ministry of heavy industries had ordered a probe last year.



Oben Electric is getting ready to launch its RORR brand



“The ministry has received complaints regarding misappropriation of subsidies under the government’s FAME India Phase II scheme by some electric vehicles manufacturers.” Mahendra Nath Pandey, minister for heavy industries, told the Lok Sabha during the winter session. In his reply, he also named 12 OEMs for alleged misappropriation of funds under the ₹10,000 crore FAME (second phase to be applicable till 2024) scheme. The names included Hero Electric Vehicles, Okinawa Autotech, Benling India Energy & Technology, Okaya EV, Jitendra New EV Tech, Greaves Electric Mobility (formerly Ampere Vehicles), Revolt Intellicorp, Kinetic Green Energy & Power Solutions, Avon Cycles, Lohia Auto Industries, Thukral Electric Bikes and Victory Electric Vehicles International. “The processing of their pending claims has been stopped till they submit sufficient evidence to show their compliance to PMP timelines,” the minister further added in his reply.

### Working capital challenges

As per the government records, at the beginning of December 2022, as many as 64 original equipment manufacturers of electric vehicles have been registered and 747,000 EVs under FAME India Phase II have been sold. The subsidy withheld by the government amounts to over ₹1,100 crore and industry stakeholders are complaining of working capital challenges for many manufacturers.

According to Sohinder Gill, director general, SMEV, the surge witnessed in the previous calendar year had started weakening around the end of the year (total sales in December stood at 59,554



Kumar: change to electric mobility is inevitable

units, against 76,162 units in November 2022) due to working capital and other hurdles and this would impact achieving the 2023 target of going beyond 1 million units sales. “There could be more than 20 per cent shortfall in the projections made by NITI Aayog of 1 million units for the full 2022-23,” says he.

Another stringent measure, which the government has floated in recent months, pertains to battery safety standards following reports of a series of fire accidents across the country (particularly related with electric two-wheelers), which has lent credence to the theory that sub-standard components are being used. Amendments to the EV battery norms were made mandatory wherein two-wheeler manufacturers will have to use batteries with AIS-156 certifications, while batteries used in four-wheeler and passenger vehicles will have to be of AIS-038 certification by March end.

“It is certainly a major concern for small manufacturers, who are planning to make a splash. What happens to the batteries which they have ordered or are in their inventory?” asks COO of a start-up, which is getting ready to launch a series of scooty products, while admitting that 90 per cent of components used by OEMs are still being imported.

With these hurdles to deal with in the near run, stakeholders are projecting a slow-down in electric two-wheelers sales in the immediate run. But not everybody is complaining. “The Union government is trying to tighten the screw to ensure that sub-standard components are not used in the rush to scale up,” points out Madhumita. “With these recent actions, the government has given the indication that it wants its quality intent to be taken seriously. Not to forget, its ‘Make in India’ commitment which has to be the pillar of the EV era”. Adds Vijaya Kumar: “Amendments to the EV battery norms such as AIS-156 certifications will ensure battery safety that will warrant that customers get reliable electric vehicles. Similarly, the government is working on drafting battery swapping policy now. All these efforts by the government will help mature the Indian EV ecosystem and fuel the switch towards cleaner mobility”.

Meanwhile, according to Gill, considering the expanding base of the segment now, government should be more flexible in policy making. “It is important at this juncture that we focus on building a strong EV ecosystem that could make the EV industry self-sustainable. We believe that no policy can be cast in stone and must be dynamic to factor the on ground conditions during its implementation,” says he, while adding that the subsidy given under FAME II scheme should only be withdrawn after EV penetration has reached to 20 per cent of overall production. This, in fact, is a critical demand which SMEV has made to the finance ministry as part of its pre-budget memorandum. The other important demand is transferring subsidy directly to the consumers (not via dealers). But, considering the mistrust in the government quarters on the misuse of subsidy, the government is unlikely to respond positively to these propositions next month. ♦

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