THE ECONOMIC TIMES | Industry
English Edition ▾ | 16 May, 2023, 10:50 AM IST | Today's Paper

India ripe target for EV companies but domestic take up slow: Report

PTI Last Updated: May 15, 2023, 05:30 PM IST

Synopsis
Despite being the third-largest auto market in the world, no Indian company is likely to achieve a meaningful global share of electric vehicles in the near future, warns a report by S&P Global Ratings. According to the study, India's slow takeup of EVs means it remains a ripe target for electric vehicle firms. Furthermore, the report states that the country will require a greater focus on charging infrastructure to achieve growth beyond the two- and three-wheeler segment.

India is a ripe target for electric vehicle firms as the third-largest auto market in the world but due to slow domestic takeup, no Indian company is likely to have a meaningful global share of electric vehicles in the foreseeable future, according to a report by S&P Global Ratings. Asia is set to keep its place as the world's biggest producer of, and market for electric vehicles (EVs), EV batteries, and EV battery materials and the continent will be at the centre of the EV era, it said.

"As the world's third-largest auto market, India is a ripe target for EV firms. Sales of EVs more than doubled last year in the country. This was, however, off a low base. EV sales represented less than 2% of the total light-vehicle sales in the last 12 months," the report said.

Moreover, it said 90 per cent of the EVs in India are in the two- and three-wheeler segment.

"While there is strong growth potential, the development of adequate charging infrastructure will be key to EV adoption. Given the slow take-up of EV domestically, no Indian company is likely to have a meaningful global share of EVs in the foreseeable future," it added.

S&P Global Ratings pointed out that in India Tata Motors has taken the lead in the EV segment with a more than 80 per cent share of the market.

"We expect the company to maintain its strong position despite rising competition from other players, including SAIC Motor Corp. Ltd. and Hyundai, as well as domestic companies such as Mahindra & Mahindra Ltd," it said.

However, Tata Motors's UK subsidiary, Jaguar Land Rover Automotive PLC, "trails many peers in the move to EVs. This could hurt its competitiveness", the report said.

"With EVs representing just about 10 per cent of Tata Motors' expected passenger vehicle sales in fiscal 2023, we expect the margin and earnings impact to be manageable. There is no major funding requirement either given shared manufacturing infrastructure with the ICE segment," the rating agency said.

Tata Motors also raised about USD 1 billion through the sale of convertible instruments.

The securities are mandatorily convertible into an 11 per cent-15 per cent stake in its Indian EV business.

"The funding has significantly reduced its debt at the India level. We believe Tata's Indian EV business has potential for further monetisation," S&P Global Ratings said.

The report said Asia will be at the centre of the EV era.

"The region has much of the resources needed for the sector (Indonesia in nickel), highly supportive policies (China), and industry-leading technology (Korea, China, Japan). A batch of Asian firms are eclipsing entrenched players, not least in China, which has a larger EV market than the rest of the world combined," the report said.

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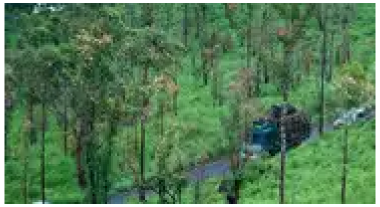

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