

Voluntary Report – Voluntary - Public Distribution

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Report Name: The Rise of Electric Vehicles in India

Country: India

Post: New Delhi

Report Category: Biofuels and Electric Vehicles

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Report Highlights:

India's Ministry of Heavy Industries and Ministry of Road Transport & Highways reduced the producer per-unit subsidy electric vehicles (EVs) from 40 percent to 15 percent of the manufacturer's price. It created a momentary financial challenge to the EV manufacturers as the government reimbursement for manufacturing costs were reduced, leading to a slight increase in the unit cost of EVs for consumers. The decline in subsidy led to an initial drop in EV sales by 32 percent in June 2023. However, the Indian festive season from August to November coupled with the implementation of a low-cost EV model initiative by firms, helped to increase demand for EVs from August onwards. To continue to boost the production of EVs, a legislative committee has advocated for the extension of the Faster Adoption and Manufacturing of Electric Vehicles (FAME) and Hybrid Vehicles program until March 31, 2027.

DISCLAIMER: The information contained in this report was retrieved from the Ministry of Heavy Industries and the Ministry of Road Transport and Highways. The Foreign Agricultural Service (FAS) Office of Agricultural Affairs at the U.S. Embassy in New Delhi, USDA and/or the U.S. government make no claim of accuracy or authenticity. The Government of India has not officially endorsed this report. Import approval for any product is subject to local rules and regulations as interpreted by Indian officials at the time of product entry. [Note: Use Google Chrome to access the links that do not open in Microsoft Edge. Indian government host sites will geo-block site access on a rolling basis].

General Information

On April 1, 2019, the Ministry of Heavy Industries implemented the Faster Adoption and Manufacturing of Electric Vehicles (FAME) and the Hybrid Vehicles India Scheme (Phase-II) to promote the production and use of electric vehicles in India. The programs are scheduled for five years with a budgetary allotment of INR 10,000 crore or INR 100 billion (USD 1.2 billion) to encourage electrification of vehicles.¹ Additionally on December 14, 2021, the Ministry of Road Transport & Highways (MoRTH) reduced the goods and service tax (GST) on EV charging stations and EVs to 5 percent from 18 percent and 12 percent respectively, to facilitate the promotion of FAME.² The collective action of the Indian government has increased the demand for and sale of EVs in India.

Subsidy on EVs reduced to 15 percent:

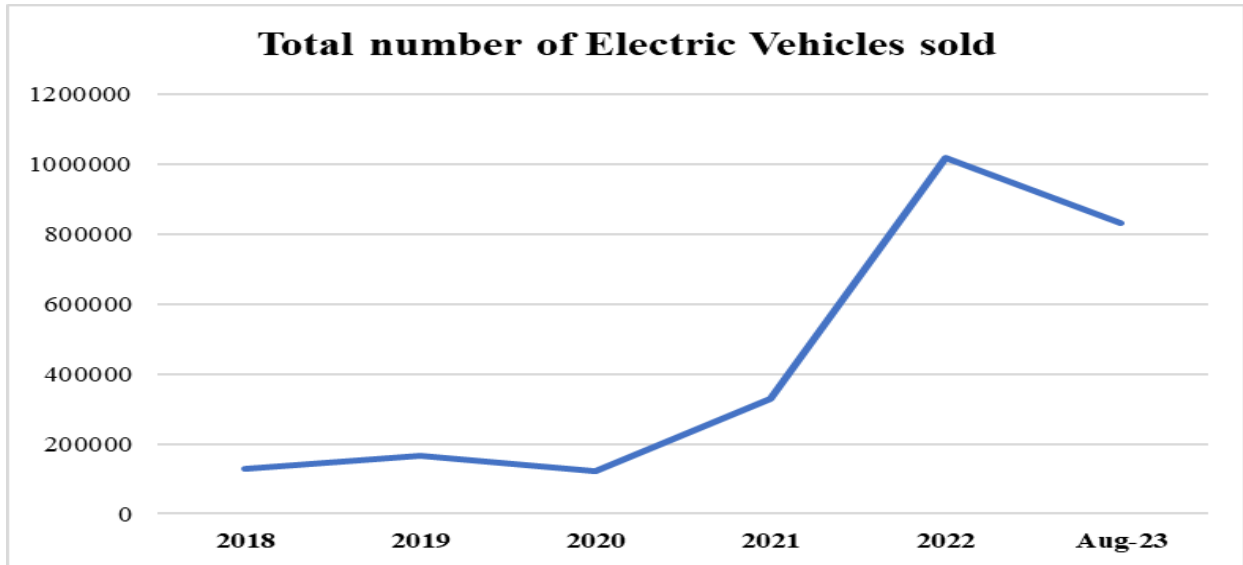
More recently, this summer, India's Ministry of Heavy Industries reduced the subsidy to manufacturers of electric vehicles from 40 percent to 15 percent. This reduction is under the second phase of the FAME India scheme and impacts the per unit factory price.³ Consequently, the supply of EVs declined by almost 32 percent in June 2023, which increased the prices of EVs.⁴ To mitigate the impact of reduced demand, firms are taking advantage of the festive season in India from August to November and are launching low-cost models to encourage more sales.

¹[Ministry of Heavy Industries](#)

²See: Ministry of Heavy Industries, [Press Information Bureau](#). "Reducing the Cost of Electric Vehicles." Published on December 14, 2021.

³Source: [Economic Times](#), "Sudden reduction of subsidy of electric two-wheelers may lead to major decline in EV adoption: SMEV," published on May 23, 2023.

⁴Source: [Live Mint](#), "Electric 2-wheeler sales on upswing after subsidy shock," published on October 2, 2023.



Source: Ministry of Heavy Industries

According to the Ministry of Road Transport & Highway’s vehicle registration database ([Vahan](#)), the number of EVs sold already picked up from August onwards by 20 percent, and the number of EV registration rose to 127,793 in September, a 25 percent increase compared to August 2023. The total number of registered EV sales as of August 2023 increased by more than 40 percent compared to the corresponding period in 2022.⁵ To maintain the cost-effectiveness of EVs, a legislative committee in August recommended that the government extend Phase II of the FAME and Hybrid Vehicles programs for another three years from March 31, 2024, to March 31, 2027.⁶

⁵See: Ministry of Heavy Industries, [Press Information Bureau](#). “Electric Vehicles.” Published on August 4, 2023.

⁶Source: [Mercom India](#), “Parliament Panel Wants Extension of FAME Program Until 2027,” published on August 9, 2023.

Attachments:

No Attachments.