



INDIAN PASSENGER VEHICLE INDUSTRY

**CNG to remain the most preferred
alternative powertrain even as EV
adoption gradually picks up**

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Favourable Total Cost of Ownership (TCO) aided by materially lower running costs for CNG- powered vehicles coupled with improving fueling infrastructure aiding adoption.

EV penetration in passenger vehicle (PV) industry expected to remain at modest levels over the medium term (~7-8% by FY2028); lack of adequate charging infrastructure remains a key bottleneck.



- The powertrain mix in the PV industry has seen material evolution over the recent past, driven by technological advancements, regulatory guidelines and changing consumer preferences. Leading car manufacturers have been launching various powertrain variants for their popular models with a view to enhancing their product profile and gaining a bigger share of the market.

- Improving CNG availability and favourable operating economics, aided by its superior mileage, have aided the increase in adoption pace of the powertrain over the past few years (~17% in H1 CY2024). The launch of various variants by leading OEMs has enhanced the options available to the buyers and has in turn further aided demand for CNG vehicles.

- A decline in battery prices over the recent past has aided a lowering of the cost of production for EVs and helped OEMs price products more competitively. Notwithstanding the same, the TCO for EVs still remains higher vis-à-vis other powertrains. In addition, given the range of anxiety concerns and lack of variants, EV adoption is expected to only gain pace gradually.

- Stricter emission norms and restrictions on polluting vehicles are expected to result in a general shift towards cleaner vehicles over the medium term. Given the range anxiety concerns, hybrids are expected to see increased adoption as an intermediate step towards acceptance of EVs. Even as the pace of growth in EV and hybrid adoption is expected to be the highest aided by launch of new models and government incentives, CNG powertrain penetration is expected to remain higher than the combined penetration of EV/hybrid over the next few years.



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