


Delhi plans incentives for hybrid cars, drives domestic carmakers into panic

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Summary

A draft of the policy—Delhi Electric Vehicles Policy 2.0—shared with automakers for their comments on Tuesday mentions that the National Capital Territory of Delhi will waive the road tax and registration fees on electric cars priced up to ₹20 lakh ex-showroom.



New Delhi/Mumbai: A draft policy from the Delhi government proposing to grant hybrid cars the same benefits as fully electric cars has generated waves of concern among homegrown carmakers. Most such automakers have committed billions to BEV (battery electric vehicles) technology, and their development roadmap does not include hybrids.

A draft of the policy—Delhi Electric Vehicles Policy 2.0—shared with automakers for their comments on Tuesday mentions that the National Capital Territory of Delhi will waive the road tax and registration fees on electric cars priced up to ₹20 lakh ex-showroom.

This waiver has also been extended to strong hybrid EVs (SHEVs) and plug-in hybrid EVs (PHEVs) with a similar price cap "acknowledging their contribution to reducing vehicular emissions and supporting cleaner mobility," the draft policy read. This would translate to savings of about ₹2 lakh on a car with an ex-factory price of ₹20 lakh.

The waiver of these charges is expected to encourage adoption of hybrid cars among consumers, as per the policy draft, a copy of which *Mint* has seen.

Uttar Pradesh was the first state to waive these charges for hybrid vehicles in July last year. The move was strongly opposed by several automakers.

Domestic automakers fear that Delhi's decision could set a precedent for other state governments. "The problem is, if Delhi equates hybrids with BEVs, it sends a symbolic message," said one executive who works at a domestic automaker, requesting anonymity. "Once Delhi does it, everyone will do it. Then why would we invest in BEVs? It is sending shockwaves for the entire folks who are doing BEVs."

To be sure, this is just a draft and the policy is yet to be notified. Alongside, the draft policy has mentioned that the incentives to hybrid vehicles will only be applicable once a competent authority within the Union government defines SHEV and PHEV.

For context, an SHEV is typically a car in which an electric motor gives significant assistance to the combustion engine in moving the car forward. PHEVs, as the name suggest, come with a charging port for the battery that drives the motor. These vehicles typically can run exclusively on the electric motor without assistance from the combustion engine when required.

Deep divide

Homegrown Indian automakers Tata Motors and Mahindra and Mahindra, along with Korea's Hyundai Motor, have been lobbying the Indian government to keep all incentives limited to EVs, a technology where they are heavily invested. While the domestic automakers do not have the know-how to make hybrid vehicles, Hyundai has hybrids in its global portfolio.

On the other hand, Japanese carmakers Maruti Suzuki and Toyota Motor, who are way behind in the BEV race but have mastered hybrid technology, have been lobbying the Indian government for tax breaks on hybrid vehicles to boost their sales. They have pitched hybrid vehicles as an intermediate solution in the shift to electric mobility, as it causes lower emissions than conventional cars while also being more practical and viable than electric cars.

The transport department of the government of NCT of Delhi did not comment till press time Wednesday. Queries sent to Mahindra, Hyundai, Maruti Suzuki and Toyota Kirloskar Motor did not elicit a response. Tata Motors declined to comment.

"This move is completely antithetical to Delhi EV Policy 1.0, where there was no mention of hybrids. In the second iteration, you should be more aggressive, but instead you are going one step back and bringing in hybrids," said the executive cited above. "The addition of hybrids seems like an afterthought at the insistence of the hybrid lobby."

Abhishek Saxena, a former public policy expert at government think-tank NITI Aayog, agreed that pure electric vehicles and hybrid electric vehicles should not be treated equally in terms of government incentives. "This move can be a big policy signal of softening stance for hybrid electric vehicles," he said, adding that this softening could be a consideration to reduce GST for hybrids as well in the future.

Hybrid cars combine the power of a traditional internal combustion engine with an electric motor, improving fuel efficiency while cutting down on emissions and fuel usage. However, they tend to be more expensive than standard combustion engine vehicles due to added components such as the electric motor, battery, and related electronics.

In FY25, about 6,800 hybrid cars were sold in Delhi, amounting to more than 8% of the total 80,400 such vehicles sold in the country, as per vehicle registration data from government portal Vahan. In terms of EVs, Delhi's sales in FY25 of 6,092 units was 6% of the total sales of 100,667 units in India, data from Vahan showed.

Overall, with over 187,000 units, the national capital accounted for 4% of all cars registered in India during the year.

Favouring hybrids

However, experts on the other side of the debate feel that hybrid vehicles are a good option to whittle down vehicular emissions considering EV adoption will be much slower.

"If implemented, this will be a good move as it is reacting to the reality that the infrastructure to push pure EVs completely is not there," said Nikhil Dhaka, policy lead at Primus Partners. "As a result of this move, if it goes ahead, we will definitely see preference for hybrid vehicles increase as compared to ICE equivalents. The stance of Delhi can also inspire other cities and states to consider granting waivers to hybrid vehicles."

Deloitte's recently released '2025 Global Automotive Consumer Study' said that Indian consumers are strongly inclined towards hybrid electric vehicles compared to pure electric vehicles. As per the study, 33% of consumers wanted to buy hybrid cars as compared to just 8% preferring pure electric vehicles.

The diesel angle

Internally, domestic players are also concerned that any incentives given to hybrid vehicles will dent into the sale of their high-end diesel cars, which are their biggest margin centres. With the removal of road tax and registration fees on hybrid cars, they would be priced closer to large diesel cars, making these diesel vehicles uncompetitive in the market.

For instance, Maruti Suzuki Grand Vitara's hybrid variants, which have an on-road price of ₹21-23 lakh on-road in Delhi could cost ₹19.5-21 lakh with the waiver of road tax and registration fees. At this price, it undercuts all but the most affordable five trims of Tata Motors Harrier, which is a comparable car with a diesel engine. Similarly, it undercuts many diesel variants of Mahindra's XUV 700. Maruti Suzuki does not sell diesel cars.