

Quote by Nikhil Dhaka, Vice President, Primus Partners

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EVs may become pricier on depreciating rupee

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EVs may become pricier on depreciating rupee

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The steep depreciation of the Indian Rupee against the US dollar in recent months has pushed up import costs for electric vehicle (EV) manufacturers in the country who are contemplating price increases to offset it. Original equipment manufacturers (OEMs) depend significantly on imports for key components required for EV manufacturing.

Companies manufacturing EVs in India have stated that they are monitoring the fluctuation in the rupee-US dollar exchange rate as well as other major currencies and will be undertaking pricing corrections to mitigate costs.

OEMs are dependent on imports of battery packs, traction motors and onboard chargers for the manufacturing of EVs. "In our EVs, there is an import content that will become dearer as the exchange rate goes against the Indian rupee. We will have to work harder, so that the team delivers consistently, which is the product cost-out that they've been driving," said Amarjyoti Barua, Group Financial Officer of the Mahindra Group.

Experts state that the currency fluctuations could lead to a medium-term price impact on the EV industry in the country.

"While the immediate impact on component costs may be limited due to import insurance and long-term contracts that shield manufacturers from currency fluctuations, this is not a sustainable long-term solution. Battery and BMS alone account for 50 per cent of an EV's cost, making the industry highly vulnerable to currency depreciation over time. A weaker rupee increases procurement costs, potentially impacting pricing," said Nikhil Dhaka,



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"EVs are already priced higher than petrol and diesel vehicles, even a small change in exchange rates can make it even more expensive for the consumer," Anshul Gupta, Managing Director, OPG Mobility.

BUDGET BOOST

As the Budget has announced the exemption of customs duty on raw materials including lithium and cobalt required to manufacture EV components, domestic production will be accelerated in the long term. With the expansion in localisation of EV battery manufacturing domestically, the costs would stabilise and reduce dependency on the volatile exchange rates, said Dhaka.

"Our integrated in-house manufacturing ecosystem ensures cost stability, supply chain resilience and reduced dependency on imports. We are investing in battery R&D to develop more cost-effective battery technologies to counterbalance the cost escalation due to global market trends. The research is focused on developing high-performance, pocket-friendly battery solutions that optimise energy efficiency and reduce long-term ownership costs for consumers," added Gupta.