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Electric 2-wheeler cos await surge in warranty claim

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India's top two-wheeler manufacturers are setting aside significantly larger sums to cover their warranty costs. A key reason: The rising share of electric vehicles in their overall sales.

TVS Motor Co. Ltd, Bajaj Auto Ltd and Hero MotoCorp Ltd increased warranty provisions by 51-107% in FY25. Provisions for warranties are sums allocated for potential defects in vehicles, based on past trends and analysis of customer claims.

Electric mobility is relatively new, and early products are more likely to carry defects, industry executives and analysts said, requiring companies to increase allocations to cover warranty claims.

Queries emailed to the three companies on the reasons behind higher allocations remained unanswered.

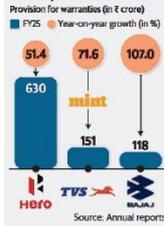
Warranty provision numbers for Ather Energy Ltd were not available. Put together, Ola Electric, TVS, Bajaj and Hero constitute about 75% of the country's EV market.

Ola Electric, India's largest two-wheeler EV maker in FY25, had also informed shareholders after the release of January-March results that it has increased the warranty provision by ₹250 crore in the quarter. While its full-year warranty funds are not available, the company provisioned ₹159 crore at the end of FY24 for warranties, according to its Red Herring Prospectus.

"As a one-time activity, we have increased our warranty provisions... At a headline level, our Gen 1 and Gen 2 products, especially Gen 1 products, had higher warranty costs because that was the first generation of our platform,"

Caution warranted

Provisions for warranties are sums allocated for potential vehicle defects, based on trends and analysis of customer claims.



Bhavish Aggarwal, chairperson and managing director at Ola Electric, had said then, adding that new generation of models have lower warranty costs as development has advanced.

As per an industry executive, EVs are still stabilizing and the companies have a learning curve which they had with ICE (internal combustion engine) vehicles as well. "Moreover, the increasing geographic footprint also means allocation of funds has to be done according to requirements of different markets," this executive said on the condition of anonymity.

TVS saw total provisions for such warranties go up from ₹88 crore to ₹151 crore in FY25, a jump of 72%. Bajaj Auto Ltd saw a growth of 107% in allocation for provisions to ₹118 crore, while Hero saw a 51% rise in allocation for warranties to ₹630 crore.

"Provision is made for estimated warranty claims in respect of vehicles sold which are still under warranty at the end of the reporting period. These claims are expected to

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be settled from the next financial year," reads the TVS annual report, with a similar description in other companies' annual reports as well.

Although such an allocation makes up for less than 1% of the company's total revenue, a sharp jump in warranty expenses can impact operating profit margins, as per analysts.

This jump in warranty provisions comes despite efforts by the companies to improve production quality and deploy AI-assisted warranty claim systems, Anurag Singh, advisor at Primus Partners, a consultancy, said.

"The primary reason for the increase is the growing share of electric two-wheelers in their portfolios. These EVs typically come with longer warranty periods and show higher claim ratios, particularly in their early production cycles," he said, adding that as electric two-wheelers are still relatively new, initial batches often see more warranty



EV two-wheelers often have a longer warranty period. ANURAG

issues, even as production techniques and quality continue to improve.

Puneet Gupta, director at S&P Global Mobility, says electric two-wheelers are facing challenges with batteries and electronic parts, which companies are actively working to fix. This is pushing up warranty costs.

"The EV supply chain is still settling, and disruptions are common. Unlike ICE vehicles, where companies have decades of experience, EVs are

new and need special warranty support to build consumer trust," Gupta said.

In FY25, legacy companies saw a strong growth in sales of electric vehicles and exports.

TVS saw a 29% rise in its electric two-wheeler sales to 237,576 scooters, while Bajaj saw a more than 100% surge to 230,806 scooter sales. Hero MotoCorp saw a 173% increase in EV sales to 48,674 units, according to data from Federation of Automobile Dealers Associations (Fada).

On the exports front, the companies saw growth in double digits. Bajaj Auto sales in international markets grew by 13% to 1.67 million units. Hero MotoCorp saw a 44% increase in exports to 289,668 units while TVS MotoCorp saw a 23% increase to 1.08 million units.

All the legacy companies have ramped up launches of new electric vehicle products. TVS, Bajaj and Hero have lined up new EV models such as new versions of iQube, Chetak and Vida, respectively, over the last one year.

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