

POLICYWATCH |

Interim relief for India's e2w and e3w industry

The Electric Mobility Promotion Scheme 2024 is expected to help the sector tide over the next few months till a fresh policy is announced, writes **Amit Vijay M.**



File photo of Bajaj Auto's e-Chetak assembly unit in Akurdi. The plant has an annual production capacity of 500,000 units.

Settling some of the uncertainties around the future of subsidies for EVs in the country, the Ministry of Heavy Industries has unveiled a new scheme to continue aid for electric two- and three-wheelers. The Electric Mobility Promotion Scheme 2024 comes with an outlay of Rs 500 crore and is valid for four months from April 1 to July 31. The pending policy decisions are likely to be tabled in the first week of July, after the Lok Sabha elections and the appointment of a new government.

"With greater emphasis on providing affordable and environment-friendly public transportation options for the masses, the (new) scheme will be applicable mainly to those e-2w and e-3ws registered for commercial purposes," the ministry said. "In addition to commercial use, private or corporate-owned e-2ws will also be eligible under the scheme," it added.

New relief

The policy at least for the time being, assures incentives for electric two- and three-wheelers sold after the expiry of the second phase of the Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicle (FAME) Scheme on March 31. FAME II was rolled out in 2019 with

an outlay of Rs 10,000 crore for three years ending in 2022; this was extended to March 2024.

The budget for FAME II was also enhanced by an additional Rs 1,500 crore. The government had said the subsidies would be applicable for vehicles sold till March 31, or till the time funds are available, whichever is earlier. So far, the scheme has provided subsidies to around 1.47 million EVs, including 1.30 million two-wheelers, 150,613 three-wheelers and 18,794 four-wheelers.

Now, the Electric Mobility Promotion Scheme targets 3.72 lakh EVs, including 3.33 lakh two-wheelers and 38,828 three-wheelers. The targeted three-wheelers include 13,590 rickshaws and e-carts, and 25,238 electric three-wheelers in the L5 category.

Uncertainties abated

Electric two-wheelers will get a subsidy of Rs 5,000 per kWh with a maximum limit of Rs 10,000 per vehicle under the new scheme, and the segment has a total outlay of Rs 333.39 crore.

Rickshaws will get a subsidy of Rs 5,000 per kWh with a limit of Rs 25,000 per vehicle, and the segment's total outlay is Rs 33.97 crore. The per-kWh subsidy for L5 e3ws is also set at Rs 5,000 but is capped at Rs 50,000 per vehicle with a total outlay of Rs 126.19 crore.

With the expiry of the FAME II Scheme in March, there was widespread uncertainty in the industry regarding the future of the incentives. Evidently, subsidies have been instrumental in the early-stage adoption of EVs in India, particularly for two and three-wheelers.

Original equipment makers, particularly the new-age ones, and industry bodies have been pushing the government for clarity and predictability on the subsidies tenure. The companies said their product

development, production and sales plans depend on the clarity around the timeline of subsidies.

"With the launch of this Rs 500 crore scheme, the Ministry of Heavy Industries, once again, reiterates its commitment to electric mobility and its continued support of the EV space at all levels," said Mahendra Nath Pandey, Minister of Heavy Industries.



'Softening of battery cell prices (which account for almost 40% of vehicle costs) will also help them offset the impact of lower subsidies to some extent'

Shamsheer Dewan
SVP, Group Head,
Corporate Ratings, ICRA

ICRA reckons price rise

Shamsheer Dewan, Senior Vice President and Group Head, Corporate Ratings, ICRA, has lauded the new incentive, saying they "will continue to provide a disruption-free environment for e2w OEMs" just before the expiry of the FAME II Scheme.

"Although the reduction in the subsidy benefit is a short-term impediment and may impact demand to some extent, OEMs will continue to strive to offer competitive products by leveraging their cost structure through localisation of key components and value engineering capabilities," he added. "Softening in battery cell prices (which account for almost 40% of vehicle costs) will also help them offset the impact of lower subsidies to some extent." ■