

# Subsidy cut fallout: e2W firms may rejig prices, features

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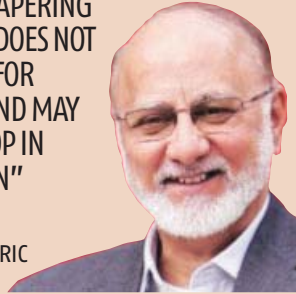
As the government's decision to reduce subsidies on electric vehicles comes into effect Thursday, makers of electric two-wheelers (e2Ws) are planning a slew of measures to reduce costs, such as increasing prices, changing the size of the batteries, and doing away with some of the features.

The latest tweak to the Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles, or FAME-II, reduces the incentive for e2Ws to a maximum of ₹22,500 apiece, from ₹60,000, resulting in an increase of around 20 per cent in the average price of an e2W, which ranges from ₹80,000 to

## THREAT VS OPPORTUNITY

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**SOHINDER GILL,**  
CEO, HERO ELECTRIC



₹1,50,000. Industry estimates say sales of registered e2Ws may clock only half of the 2.3 million target for this financial year.

The industry is also urging the government to extend the FAMEII subsidies beyond the current



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**RAVNEET PHOKELA**  
CHIEF BUSINESS OFFICER,  
ATHER ENERGY

financial year.

"In addition to prices going up, features and battery compositions might undergo modifications to optimize costs and offer competitive pricing to consumers," says Tushar

Chhabhaya, director, Aarya Automobiles, an e2W manufacturer.

Hero Electric believes the subsidy reduction will affect demand. "The sharp tapering of subsidies does not augur well for

customers and may lead to a drop in e2W adoption," says Sohinder Gill, the CEO of Hero Electric.

Nitin Kapoor, managing director of Saera Electric Auto, says the subsidy reduction could lead to OEMs enlarging their product portfolio. "The price-sensitive customers, in the short run, may opt for vehicles with fewer features," he says.

OEMs, or original equipment manufacturers, is the industry term for makers of fully-built vehicles, whose components may have been bought from other outfits.

Some companies, while admitting the reduction in subsidy came earlier than expected, say the industry will grow faster in its aftermath.

Turn to Page 6 ▶



# e2W firms...

“This is a great opportunity for OEMs to re-look at consumer pricing and bring it closer to what it would eventually be in a post-subsidy world,” says Ravneet S Phokela, chief business officer of Ather Energy, though he does fear a financial hit in the short term. Some OEMs believe the government’s move will create a level playing field by helping those that were not a beneficiary of the FAME incentives. Of the 300-odd e2W makers in India, 28 were registered on the FAME portal. A level playing field is good news for component suppliers, since batteries constitute a large part -- and cost -- of the vehicle.

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