

E2W makers gun for direct subsidy transfer to buyers

SURAJEET DAS GUPTA

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Electric vehicle (EV) makers, most of them in the two-wheeler space, are planning to request the government to provide subsidies to consumers through direct benefit transfer (DBT) under the forthcoming FAME-III subsidy scheme. Currently, subsidies under the Faster Adoption and Manufacturing of (Hybrid & Electric Vehicles (FAME) scheme are passed on to consumers by EV makers and the latter are reimbursed by the government at a later date.

Sources say that this is one of the proposals under discussion among members of the Society of Indian Automobile Manufacturers (SIAM), but so far there has been no consensus on the issue.

The proposal has been supported by four to five electric two-wheeler players, including some that are not members of SIAM, but were a part of Society of Manufacturers of Electric Vehicles (SMEV) before it was disbanded. These EV companies say that while DBT of the subsidy will result in the price of vehicles going up and, consequently, sales will slow down initially, it will be more than offset by the fact that they do not have to face blocks in their working capital due to delays in the reimbursement by the government. "With 3-6 months of delays in payments by the government for disbursement of subsidies (electric two-wheeler firms have recently received the March subsidy), the working capital is getting choked. Even banks are no longer accounting the entire subsidy for the month from the government while disbursing working capital loans, thus stifling us further," said a senior executive of an electric two-wheeler company.

Electric two-wheeler players also



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DRIVING AT A SOLUTION

- Electric 2W firms say working capital getting choked up due to delays in government subsidy reimbursement
- Direct subsidy transfer to consumers will lead to sales falling initially, but it will be better than the delay in the reimbursement process
- Building a consensus on the proposal will be challenging as subsidy continues to be large for other EVs

point out that the subsidy for two-wheelers has been reduced to ₹22,500 (for 3 Kwh battery) from over ₹55,000-60,000, and that it could be even less under FAME-III. So it makes sense for the government to pass on the subsidy directly to consumers.

They say, moreover, that with the government cutting back on the subsidy, companies are in any case working to reduce their cost of production through re-engineering, as well as increasing prices. Most point out that the sharp cut in the subsidy in June this year did slow down sales for two months. However, sales are picking up now and are expected to become normal by the time the festival season comes around. That is because demand for EVs has not

waned. Electric two-wheeler companies admit that it will not be easy to have a consensus on the future of subsidies, since it has to cut across all segments of the industry — electric two-wheelers, three-wheelers, passenger cars, electric commercial vehicles, and even buses. "All stakeholders have to agree and its impact on the price could be substantial. Also, the government has to build a mechanism to transfer money to consumers which it currently does not have," says the senior executive.

For instance, in the case of electric cars, the subsidy in cash terms is still fairly high and this might dissuade manufacturers from supporting a DBT scheme, as it would make their vehicles more expensive.