

FAME SUBSIDY IMPASSE

Centre to return ₹800 crore to ex-factory price defaulters

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With electric two-wheeler (E2W) manufacturers agreeing to reimburse consumers for the “off-board chargers”, for which the latter have paid, the government is planning to release the halted subsidy under the Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India (FAME) II to them.

Of the ₹1,110 crore under suspension since the Ministry of Heavy Industries (MHI) started its probe into the matter in February, ₹823 crore will be released to four defaulters — Ather Energy, Ola Electric, TVS, and Hero MotoCorp’s Vida — within days, government sources told *Business Standard*.

Ola, which will receive ₹367 crore, is in line to get the highest payout from the MHI. It will be followed by around ₹275 crore for Ather. TVS is likely to get ₹153 crore, while the subsidy bill to be settled for Hero MotoCorp will be ₹28 crore.

The remaining ₹287 crore will be released once the companies submit the details of the requirements, sources said.

“As all the companies have expressed their willingness to return the cost of the off-board charger, we are planning to disburse their dues. But we will freeze ₹287 crore from their claims of ₹1,100 crore till the time they return this money to customers,” an official said.

Ather has the highest amount of reimbursement to make — ₹140 crore to 95,000 consumers of its 450X model of E2W. Ola has to pay ₹130 crore to 100,000 consumers who purchased the Ola S1Pro until March 30 this year. Hero MotoCorp will pay ₹2.23 crore to 1,100 consumers who purchased VIDA V1 Plus and VIDA V1 Pro models of e-2W until March 2023. TVS, on the other hand, will refund ₹15.61 crore to 87,000 people who bought its iQube S model between May 2022 and March 2023.

The move will help the companies to get upfront working capital and not impact the production schedule — a challenge that many were facing.

According to government sources, the ministry has asked the E2W manufacturers to submit a detailed timeline on how they will reimburse the customers.

So far, Hero MotoCorp is the only company to give a deadline, June 30, to the ministry. Others are likely to do so soon.

The ministry will conclude ex-factory price investigation after the completion of the reimbursement process.

The ministry initiated investigation after receiving complaints of ex-factory price breaches. According to norms under FAME, the subsidy given to E2W makers is linked to their adherence to a maximum ex-factory price of ₹1.5 lakh.

The ex-factory price norm was added to the FAME scheme to make E2Ws affordable.

The FAME scheme provides a subsidy of ₹15,000 per kWh for two-wheelers with a cap of 40 per cent of the vehicle’s cost with a maximum ex-factory price limit of ₹1.5 lakh. The subsidy for EV makers ranges between ₹17,000 and ₹66,000 per electric two-wheeler.

The Society of Manufacturers of Electric Vehicles (SMEV) last week had welcomed the move by the ministry to start settling pending issues.

“The beginning of resolution of disputed issues for OEMs augurs well for the sector,” said Sohinder Gill, director general, SMEV, adding, “It is time the sector was allowed to stand on its feet again and efforts to revive e-mobility can begin”.

Terming the ministry’s clean chit to various companies as a move in the right direction, Gill said the sector was desperate for a resolution to the blocking of subsidy, which had all but choked companies for the past 15 months.

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