

# Electric 2-wheeler firms push for 12-18 months' breather

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The Society of Manufacturers of Electric Vehicles (SMEV) — the association for electric vehicle makers — is petitioning the government to extend the deadline for reaching localisation requirements by another 12-18 months.

According to the association, the supply chain for electric two-wheelers has started to come into its own, but it will take 12-18 months for the capacity and capability of vendors to match the exponential growth of electric two-wheelers.

The government had fixed a localisation of 51 per cent of the cost of production of an electric two-wheeler as a key requirement for companies to be eligible under the Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicles in India II (FAME II) subsidy scheme by April 2021.

The association has also suggested that rather than having a time frame for subsidies under the proposed FAME III, the government may consider linking subsidies to the volumes of electric two-wheelers. Analyses show that the growth trajectory of electric two-wheelers can be sustained with tapered subsidies after they reach a conversion rate from internal combustion engine (ICE) to electric of around 20 per cent (currently, it is 5 per cent for two-wheelers). Since the outlay will be far higher than FAME II, it has suggested generating enough resources through the 'green tax' or the 'polluters pay' principle.

Sohinder Gill, director-general of SMEV, and global chief executive officer of Hero Electric, says, "Earlier volumes were so low that building a local supply chain was a challenge. Most suppliers were not interested. Now with volumes going up and economies of scale, electric two-wheeler companies and vendors are making investments. We

## WHAT MANUFACTURERS ARE SAYING



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It can be done

simultaneously with the launch of FAME III

Hero Electric and Okinawa have been asked not to upload their vehicle sale data for eligibility under the subsidy scheme

The problem has arisen as there was not enough data on the cost of production of electric two-wheelers

are asking for around 12-18 months to reach the localisation norms. It can be done simultaneously with the launch of FAME III, for instance."

The move is significant as the government has pulled up many electric two-wheeler makers for alleged violation of localisation norms and started withdrawing their subsidy, ranging between a substantial ₹30,000 and ₹50,000 per vehicle.

SMEV executives say at least two companies, Hero Electric and Okinawa, have been asked not to upload their vehicle sale data for eligibility under the subsidy scheme. This could adversely impact their sales in the months ahead if the matter is not settled soon.

According to SMEV, at least six of their

members are being scrutinised and been asked for details. SMEV executives say that the problem has arisen as there was not enough data on the cost of production of electric two-wheelers. The government has had to reverse calculate the cost, based on its ex-factory price to arrive at a number. But calculating variables like profits is easier said than done. It has also earmarked the level of localisation from various components, making it even more onerous. The FAME II scheme had reserved ₹8,596 crore as subsidy for the industry, which would be for a maximum of 1 million vehicles, and offering ₹20,000 for every 1 kilowatt-hour of battery.

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## Ather, Greaves Cotton dump EV association SMEV, choose Siam

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Leading electric two-wheeler manufacturers — Ather Energy and Ampere EV by Greaves — have shifted allegiance to the Society of Indian Automobile Manufacturers (Siam), dominated by internal combustion engine (ICE) vehicle makers. The two companies were earlier key members of the association of electric vehicle makers — Society of Manufacturers of Electric Vehicles (SMEV). The two companies have confirmed the move.

With incumbent players like Bajaj Auto, TVS Motor, and Hero MotoCorp already members of Siam and the largest player in the space — Ola Electric — choosing to stay away from any association, this collective group accounted for over 60 per cent of all registrations of electric two-wheelers in November.

The big guns in SMEV include Hero Electric and Okinawa (which is also a member of Siam), apart from

other medium and smaller players that include Tork Motors, Okaya, Lohia Auto, among others.

SMEV was set up primarily for electric two-wheeler players and start-ups in this space. Its membership restricts the entry of companies that have ICE operations and use petrol.

Two-wheeler companies outside SMEV hold views which do not align with the association. For instance, the localisation level in Ather Energy makes its battery packs higher than 75 per cent. So any extension demanded by SMEV for companies to reach 51 per cent localisation to be eligible for subsidy is irrelevant.

Ola, for instance, is agnostic on the extension of the subsidy scheme. As one of the largest research and development (R&D) investors in the two-wheeler industry, which are in high double-digit numbers of its

revenue, it is ready for any withdrawal of subsidy.

For a company that makes its own battery packs, it hopes to control the technology and the manufacturing of cells by the end of next year.

Electric two-wheeler players outside SMEV say they have invested in R&D at the very outset. They argue that with a little bit of re-engineering, manufacturing frames in-house, and efficient control of

investors, one can easily bridge the ₹40,000-50,000 subsidy per vehicle offered by the government. Incumbent operators have a contrarian view.

A senior executive of an incumbent two-wheeler company says subsidies merely encourage assemblers masquerading as manufacturers to make poor-quality products in the market by taking advantage of the government handout.

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**ELECTRIC TWO-WHEELER PLAYERS OUTSIDE SMEV SAY THEY HAVE INVESTED IN R&D AT THE VERY OUTSET**