

End of the road for FAME-II drives up e2W, e3W demand

SHINE JACOB & SOHINI DAS

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There has been a significant increase in queries, bookings, and sales of electric vehicles in the country, particularly in the two- and three-wheeler segments, even as EV manufacturers are in a bind over the likely end to subsidies under the Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India (FAME-II) scheme after March 31.

The central government provides incentives for the sale of electric two-wheelers, three-wheelers, and four-wheelers under the FAME-II scheme, which is due to end in March. Subsidies under the scheme would be available for electric vehicles sold until March 31, 2024, or until funds are exhausted, according to officials from the Ministry of Heavy Industries.

The government has been reducing subsidies under the scheme; last June, the subsidy amount was reduced to ₹10,000 per kWh from ₹15,000 per kWh. The maximum subsidy cap of 40 per cent of the ex-factory price was also reduced to 15 per cent.

The Federation of Automobile Dealers

Associations (Fada) is anticipating that the penetration of electric three-wheelers will cross the 60 per cent mark in March, from around 53.3 per cent in February. Similarly, the penetration of electric two-wheelers may increase from 5.7 per cent in February to 7 per cent in March, primarily due to the phasing out of the FAME-II scheme and subsequent price reductions by companies to clear inventory. The current penetration of electric commercial vehicles is around 1 per cent, and that of electric passenger cars is around 2.2 per cent.

“We are seeing an uptick in sales, as original equipment manufacturers and dealers are successful in highlighting that this is the last month of subsidy. The major impact will be on electric three-wheelers, as their penetration will go up to 60 per cent, and electric two-wheelers, penetration of which will go up to 7 per cent,” said Manish Raj Singhania, president of Fada. He further said that if there is an immediate price rise after March, the industry may see some setbacks.

Sohinder Gill, CEO of Hero Electric, said: “It seems like the impending withdrawal of subsidies is causing manufacturers to rush and

UNDER SUBSIDY WITHDRAWAL CLOUD

■ FAME-II scheme for electric vehicles to end on March 31

■ Heavy industries ministry indicates that scheme will end by then or till the time funds are available

■ Govt has been reducing

the subsidy in phases already

■ Dealers see a surge in bookings, queries and sales in March before the scheme ends

■ Fada expects penetration of electric two-wheelers to rise to 7% in March-end, from 5.7% in February

■ Electric three-wheelers' penetration expected to touch 60% by March-end

clear their inventories before the deadline. This could lead to a sudden increase in prices once the subsidies are gone, revealing the true adoption level of electric two-wheelers.”

“There is an increase in sales, but it is not a sharp spike,” said Anirudh Ravi Narayanan,

CEO of BNC Motors, a Coimbatore-based EV company. “A major catalyst for this is the huge discounts lined up by companies and their push to clear inventory. The current lot of vehicles, if not sold (by March end), will not get the (FAME) subsidy.”



IPO-bound Ola Electric, Ather Energy, Okaya EV, and Bajaj Auto have already reduced the prices of their electric two-wheelers.

Based on industry estimates, 82,237 electric two-wheelers were sold in February and the sales figure for the current month (until March 4) was around 4,500 units, indicating that the majority of demand is still at the query stage.

“This urgency reflects the industry’s adaptation to the imminent subsidy withdrawal, highlighting a critical transition period for the EV market. Looking ahead into 2024-2025, the reduction in government subsidy allocation suggests a challenging landscape for EV adoption. However, this could also spur innovation and competitive pricing strategies among manufacturers, potentially maintaining the momentum in EV sales despite the subsidy cutback,” said Sushant Kumar, director of AMO Mobility.

“Even at Sokudo Electric, we have observed a fresh jump in queries from several cities, especially those in UP, Bihar, and Gujarat,” said Prashant Vashishtha, chairman and managing director, Sokudo Electric India, an electric two-wheeler company.

Turn to Page 6 ▶

▶ FROM PAGE 1

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“While the withdrawal of the subsidy has stirred demand in the short run, it is bound to pave the way for EV manufacturers to innovate their products and develop efficient and affordable models for quality-conscious consumers,” Vashishtha added.

Some OEMs, however, said that in the long run, they won't be dependent on FAME-like subsidies.

YatinGupte, CMD, Wardwizard Innovations and Mobility that sells Joy e-bikes, told Business Standard: “While there may be a temporary spike in sales of electric two-wheelers and electric three-wheelers due to consumers' anticipation of changes in subsidy, it's important to recognise that our products at Wardwizard Innovations are not dependent on FAME subsidies. Our approach emphasises reverse

engineering, local sourcing, and further manufacturing components to reduce import dependency.”

Some OEMs, however, said that they have not seen a very steep jump in demand thus far. For example, Ayush Lohia, CEO, Lohia Auto Industries, said there has been a rise in queries in March, but that is not very significant.

Tata Sons' net debt burden at 8-yr low

The Tata group has not commented on its initial public offering (IPO) plans, although analysts estimate the company's valuation to be as high as ₹11 trillion. A recent report by Spark Capital said that Tata Sons could potentially fetch a value of ₹7-8 trillion, taking into account the current market values of Tata group companies.

Tata Trusts owns a 66 per cent stake in Tata Sons, while the billionaire Mistry family owns an 18.5 per cent stake in the company. An IPO by Tata Sons would provide an exit for the Mistry family, which is currently facing liquidity issues due to high debt.

