Subsidy fuel running low, e2Ws race against time

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Electric two-wheeler (e2W) companies have expressed concerns that the budget allocated for the subsidy under the PM Electric Drive Revolution in Innovative Vehicle Enhancement (E-DRIVE) scheme, launched on October 1 for 2024-25 (FY25), may be exhausted by mid-February next year. This could force companies to either absorb the subsidy cost during the crucial end of the financial year, raise prices, or reduce production in the coming months — each of which would impact sales.

The companies are planning to raise the issue with the Ministry of Heavy Industries (MHI) and suggest adjusting the subsidy into March 2025, with the adjustment made from the second-year budget of the PM E-DRIVE scheme for 2Ws.

According to MHI, the target for electric vehicle subsidies in FY25 is 1.06 million vehicles (under both the previous Electric Mobility Promotion Scheme and the PM E-DRIVE). As of the November 5 notification, 571,441 e2Ws have already been sold.

Vahan data shows that registrations in the current financial year have reached 676,581, with sales expected to increase further. A senior executive of a 2W company said: "We expect the pick-up in sales, which exceeded 100,000 in November, to continue through the next four and a half months, allowing us to cross the MHI target by mid-February. If this happens, no subsidy will be available for March." The two-year PM E-DRIVE subsidy scheme has earmarked ₹1,772 crore of a total ₹10,900 crore for e2Ws. This is capped at 2.49 million vehicles over two years. Under the scheme, the subsidy for electric scooters is capped at ₹10,000 per vehicle in the first financial year, then reduced to ₹5,000 in the second year.

A similar situation has already occurred with electric three-wheelers (e3Ws), where the budget and cap for FY25 were exceeded. As a result, MHI has announced that new 3Ws will no longer be eligible for subsidies.

In a notification, MHI reported that 79,974 e3W (L5) vehicles had been sold by OEMs by November 7, 2024. A total of 80,546 e3W (L5) will be incentivised in FY25, and any vehicles sold or registered beyond this target will not be eligible for incentives in FY25. These vehicles will, however, be eligible for subsidies starting April 1, 2025, in the second year of the programme.

Category L5 is a segment above electric autorickshaws or electric carts (Category L3). It means a three-wheeled motor vehicle with a maximum speed exceeding 25 kilometres per hour or motor power exceeding 0.25 kilowatts.

RIDING THE SURGE

- e2W companies will seek an extension of the subsidy for vehicles sold in March 2025, adjusting it from the 2025-26 subsidy budget
- With sales surpassing 100,000 in October, companies expect the trend to continue until March 31, 2025
- No subsidy in March 2025 will impact sales, as companies will either have to increase prices or absorb the subsidy costs
- MHI has not provided relief to e3W manufacturers, who exhausted the 2024-25 subsidy budget as of November
- E3Ws will only be eligible for subsidies again starting April 1, 2025