

Effect of subsidy cut? Daily e2W sales decline 62% in June, so far

Sales of electric 3-wheelers, cars witness uptick

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Against the backdrop of a reduction in incentives by the Centre, India's fast-growing electric mobility segment witnessed a slowdown in the first 15 days of June. Average daily sales volumes of electric two-wheelers (e2W) declined by over 62 per cent from May. But daily sales of electric three-wheelers and four-wheelers witnessed an uptick.

From 3,395 units sold per day in May, the volume slipped to 1,271 units in June, shows data on the VAHAN portal of the Ministry of Road Transport and Highways (MoRTH). Sales of e2W made 7.73 per cent of the overall 1,497,956 two-wheelers dispatched last month. They are now down to 2.65 per cent in June, so far.

Daily sales of petrol two-wheelers rose to 46,755 units in June from 44,926 units in May. Industry players say the decline in e2W sales is due to the reduction in incentives under the Faster Adoption and Manufacturing of (Hybrid & Electric Vehicles (FAME-II) scheme and the ongoing investigation into the alleged deviation from the phased manufacturing programme guidelines.

The Centre reduced the maximum subsidy for e2Ws to ₹22,500 from ₹60,000 earlier. The move led to an increase of over 20 per cent in the average

IN THE SLOW LANE

Category	May	Daily average	June (till June 15)	Daily average	Increase/decrease in daily sales (in %)
e2W	105,249	3,395	19,066	1,271	-62.56
Petrol 2W	1,392,707	44,926	701,337	46,756	4.07
Total 2W	1,497,956	48,321	720,403	48,027	-0.61

Accelerated sales

e3W	44,613	1,439	27,097	1,806	25.50
e4W (passenger)	7,889	254	4,420	295	16.14

Source: VAHAN

price of an e2W, which ranges from ₹80,000 to ₹1,50,000.

After the government decided to reduce the subsidy, most original equipment manufacturers (OEMs) raised the price of their vehicles in the first week of June, creating a huge gap between the prices of green vehicles and petrol-powered ones. "A non-premium petrol two-wheeler vehicle costs ₹80,000. Earlier prominent players of the e2W category were coming up with their products in the same range but now that price has gone up to ₹1 lakh per unit. This difference makes EVs less attractive for potential buyers," said Puneet Gupta, director, S&P Global.

Moreover, players like Hero Electric which have not increased their prices are not pushing their vehicles into the market due to the uncertainty in the wake of the investigation into the alleged violation of the phased manufacturing programme (PMP) guidelines.

In an interview with *Business Standard* last month, when asked about the significant decline in Hero Electric

sales, Sohinder Gill, chief executive officer, said that it is a planned absence from the market as the company is seeking clarity on the ongoing probe.

Gill, who is also director general of the electric vehicles industry body Society of Manufacturers of Electric Vehicles (SMEV), said the subsidy blockade, clawback notices, and embargo on future sales would hamper the NITI Aayog's target of 2.3 million e2w sales for this year.

SMEV has written to the finance ministry and the NITI Aayog, urging them to push the Ministry of Heavy Industries to reverse its move to reduce the subsidy and impose a green tax on internal combustion engine vehicles. "It is evident that the e-Mobility ambitions of the country have been impacted as the scheme could not make up even 50 per cent of its mandated target over five years, starting 2019," Gill said.

The decline in sales was only witnessed in the e2W segment, which suffered the subsidy cuts. Sales in the e3Ws and e4Ws categories saw an

increase. The daily average sales of e3W in June saw a marginal increase to 1,806 units from 1439 units during last month. The e4W segment also saw an increase in average sales to 295 units in June from 254 units in May.

Though industry players believe the subsidy cuts will help the sector stand on its feet in the longer run, e2W players, which have raised the prices of their vehicles, are worried about the near term. "Our bookings have dipped more than 80 per cent. The price difference between ICE and EV is making the competition tougher," said a spokesperson of a prominent e2W maker.

Gupta, however, feels EV sales will rise again with OEMs getting benefits under the production-linked incentive scheme for automobiles (PLI auto). A total of 85 OEMs were selected for the ₹25,938-crore PLI auto. "Players which will get benefits from PLI auto will be able to reduce the price but small players which are not part of the PLI will face the challenge," he added.