

EV-makers in a bind over subsidies as FAME-II expires on March 31

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Electric two/three-wheeler manufacturers are sitting on a stockpile of unsold vehicles for which they will not be able to claim subsidy under the FAME-II (Faster Adoption & Manufacturing of Electric Vehicles) scheme, which ends on March 31. They have been offering steep discounts in the hope of exhausting inventories before the March 31.

At a recent meeting the Original Equipment Manufacturers (OEMs) had with the Ministry of Heavy Industries (MHI), it was evident that neither FAME-II scheme would be extended nor any decision had been made on FAME-III.

UNSOLD VEHICLES

Multiple sources told *businessline* that there are unsold vehicles lying in warehouses and some are in transit. The payment of FAME subsidy is only for vehicles sold. If they do not sell the vehicles by March 31, the OEMs will have to bear the losses. In any case, payments for March will not arrive until June.

At the MHI meeting on February 20, leading manu-



facturers, including Hero MotoCorp, Ather Energy, Bajaj Auto, TVS Motor Company, Ola Electric, and Mahindra & Mahindra, conveyed their concerns to the government officials.

“It has been made very clear that there will be no extension of the FAME-II scheme,” sources told *businessline*. The meeting was chaired by Hanif Qureshi, Additional Secretary, MHI.

A source privy to the meeting said: “Concerns were shared. There is inventory of at least 15 days at present and FAME-II certificates are expiring on March 31. The government has given a clarity that FAME-II will not be extended, nor announced any retrospective effect for the vehicles now being sold to customers.”

Desperate to clear their inventories, companies have announced huge discounts on their electric two-wheelers. For instance, Bengaluru-based Bounce Infinity and Ola Electric cut the prices of their products by ₹24,000 and ₹25,000, respectively, in the last two weeks.

ALLOCATION REDUCED

Sources said the government has ₹1,500 crore right now for disbursement from the Revised Estimate of nearly ₹4,807 crore allocated in FY24 for FAME schemes. The government has reduced the allocation by around 44 per cent to ₹2,671 crore for FY25.

According to analysts, because of this cut, a slowdown is expected in the adoption of EVs in FY25. Last year, too, the government slashed the incentive from ₹15,000 per kWh of battery to ₹10,000 per kWh from June 1, 2023.

“The FAME subsidy is likely going to end on March 31. While the subsidy should be incentive enough for customers, OEMs are throwing in some more discounts to swing the fence-sitters. Also, dealer stocks may have to be liquidated,” Amitabh Saran, Founder & CEO, Altigreen, told *businessline*.