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INDIAN AUTOMOBILE INDUSTRY

FAME-II Scheme amended; higher demand incentive sweetens the deal for e2W buyers

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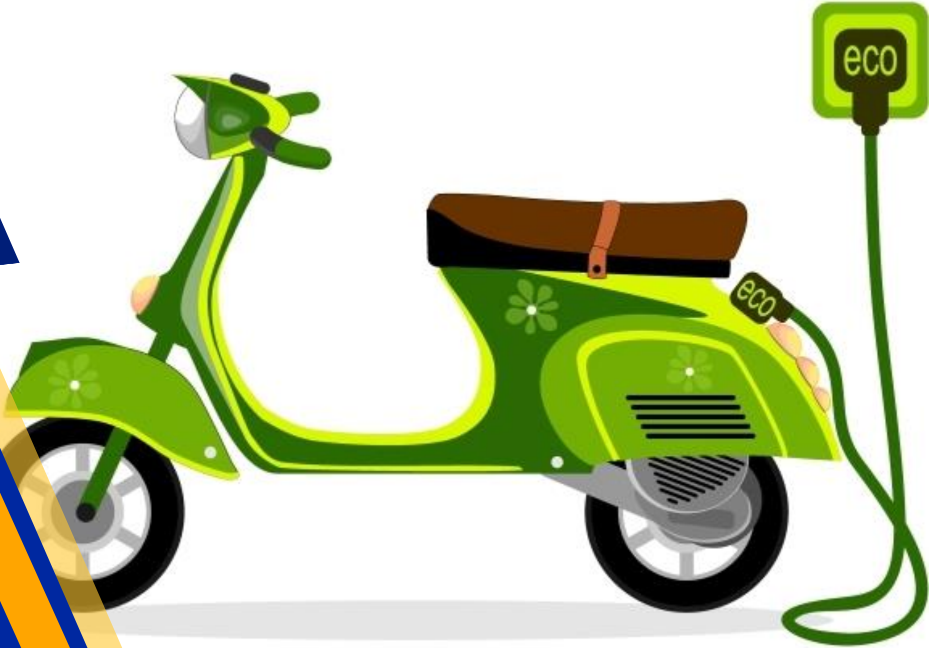

Highlights

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A 50% increase in demand incentives for e2W buyers under the amended FAME-II Scheme will lower the upfront price differential with ICE counterparts and boost their prospective demand

- On June 11, 20211, the Government of India (GoI) announced certain amendments to its flagship scheme for electric vehicle (EV) adoption - the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) – in a bid to push adoption of electric two-wheeler (e2W) , electric three wheelers (3W) and e-buses.
- The phase two of the scheme had crossed the two-third mark of its three-year tenure (FY2020-FY2022), on March 31, 2021. However, the progress under the scheme had remained tepid, at ~5% achievement vis-à-vis targets set, necessitating some intervention/modification.
- The major changes in the Scheme include – increase in demand incentives for e-2W from Rs. 10k/kWh to Rs. 15k/kwh; increase in subsidy cap for incentives on e2W from 20% to 40% of vehicles cost; and aggregation of demand for e3Ws (up to 3 lakh units) and e-buses through EESL.
- The increase in upfront incentive will incrementally reduce the upfront price for high-speed e-2Ws by minimum 10-12% per vehicle, thereby reducing the pay-back period by up to one year to around 3 years.
- The modalities for demand aggregation for e3W by EESL are yet to be announced; however, the Government's intension of accelerating EV penetration is visible from the recent changes.
- In the e-bus segment, ICRA expects the Public Private Partnership (PPP) model under the Gross Cost Contract (GCC) route will most likely remain the preferred route to reduce financial burden on the State Road Transport Undertakings (SRTUs).
- ICRA estimated that e2Ws and e-buses (SRTUs) will achieve 8-10% and e3Ws will have a >30% penetration in India, in terms of new vehicle registrations, by FY2025. The recent changes in the FAME Scheme will help in achieving these targets.

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Thank You!