

INDIAN AUTOMOBILE INDUSTRY

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

JUNE 2021





Click to Provide Feedback

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, 2021, 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.



[Click to Provide Feedback](#)

Analyst Team Contacts

Analysts	E-mail ID	Contact Number
Mumbai		
Kinjal Shah	kinjal.shah@icraindia.com	022 – 6114 3442
Pune		
Ashish Modani	ashish.modani@icraindia.com	020 – 6606 9912
Gurgaon		
Shamsher Dewan	shamsherd@icraindia.com	0124 – 4545 328
Rohan Gupta	rohan.kanwar@icraindia.com	0124 – 4545 808
Sruthi Thomas	sruthi.thomas@icraindia.com	0124 – 4545 822
Ritu Goswami	ritu.goswami@icraindia.com	0124 – 4545 826
Chennai		
K. Srikumar	ksrikumar@icraindia.com	044 – 4596 4318
Vinutaa S	vinutaa.s@icraindia.com	044 – 4596 4305



ICRA

Business Development/Media Contact Details



L. Shivakumar

Executive Vice-President

Jayanta Chatterjee

Executive Vice-President

Naznin Prodhani

Head Media & Communications



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





© Copyright, 2021 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!