

Govt's plans to reduce subsidies on electric two-wheelers a retrograde step, say industry players

We feel this sharp reduction in the subsidy is going to hurt the market and the adoption of E2Ws (electric two-wheelers) may go down substantially," Society Of Manufacturers Of Electric Vehicles (SMEV) Director General Sohinder Gill said in a statement.

New Delhi: The government's plans to reduce subsidies on electric two-wheelers is a retrograde step that will hurt the market and hinder adoption of electric mobility, according to industry players. While the Heavy Industries Ministry is planning to increase the outlay for e-two-wheelers from the current level of INR 2,000 crore under its flagship FAME-II scheme, it is looking at reducing the subsidy per vehicle to 15 per cent of the ex-factory price from 40 per cent at present.

We feel this sharp reduction in the subsidy is going to hurt the market and the adoption of E2Ws (electric two-wheelers) may go down substantially," Society Of Manufacturers Of Electric Vehicles (SMEV) Director General Sohinder Gill said in a statement.

The ground reality is that the Indian market remains price-sensitive, and total cost of ownership is not firmly established in consumers' minds. With the majority of petrol two-wheelers costing less than INR 1 lakh, there are less chances of consumer spending upwards of INR 1.6 lakh factoring the total cost of ownership, he asserted.

A gradual transition with sustained subsidies would have been ideal to ensure market growth and reach the international benchmark of 20 per cent EV market share. However, the sudden massive reduction of subsidy will likely lead to a major decline in sales, impacting the entire industry for a considerable period of time," Gill said.

In the larger context, he said, "this may be a retrograde step leading to higher bills of crude oil imports and adding to the ever-increasing air pollution in most of the cities.

Lohia Auto Industries CEO Ayush Lohia expressed similar views and said while the government aims to create more room for two-wheelers in the market, this substantial reduction in subsidies poses a significant challenge for the nascent EV industry.

"It could potentially dent the sales of electric two-wheelers, hindering their growth and adoption in the country,"

Lohia further said, "While the government aims to encourage market growth, this move risks impeding the adoption of electric mobility. In these crucial early stages, sustained support is crucial to drive consumer confidence and ensure the success of the electric two-wheeler segment."

He asked the government to reconsider this step and "prioritise long-term sustainability over short-term gains".

Gill pointed out that if the subsidies are reduced, premium bikes might see the biggest decline as the reduction in their subsidy would also be the highest and companies could launch stripped down versions of their models to try and keep the market shares.

Published On May 19, 2023

ET auto