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Centre's FAME-II scheme for EVs far away from its destination

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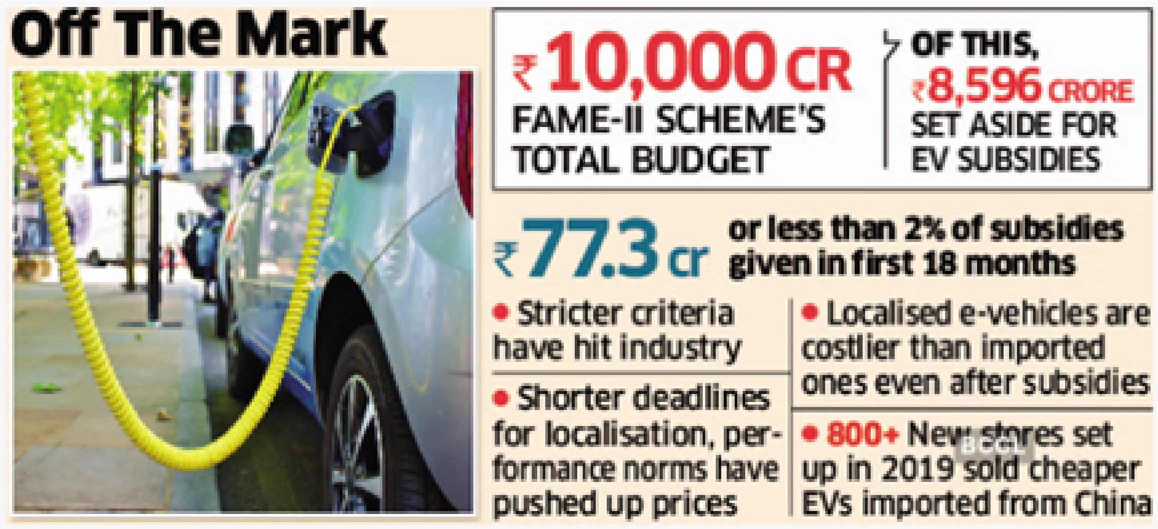
Mumbai: The central government's scheme to promote electric vehicles (EVs) through direct subsidies has attained just a tiny portion of its target half way through the three-year programme.

The number of vehicles subsidised from April 2019 till the end of last month was fewer than 2% of the target for the scheme period, government data showed. The Phase II of the Faster Adoption and Manufacturing of Electric Vehicles (FAME) in India scheme has a budget of Rs 8,596 crore for giving subsidies alone, but just Rs 77.3 crore, or less than 1%, of that was spent till the end of September.



Industry insiders blamed stringent conditions, including high localisation and performance criteria for vehicles to qualify for the subsidies, for the poor response towards the scheme. These regulations made the EVs pricier than imported vehicles even after the subsidies, they said. The scheme has a total budget allocation of Rs 10,000 crore, including towards developing charging infrastructure and administrative expenses besides subsidies on the vehicles.

Quicker localisation also pushed up costs, as manufacturers paid a relatively higher price to locally source components like motors and electronic parts. According to them, there was still not sufficient demand for EVs in India to make a business case for component makers to invest millions of dollars into building production facilities.

"Perhaps the logic was right, but the timing was grossly wrong," Gill said. Had the localisation criterion been more relaxed and implemented over a longer period, EVs would have been more affordable leading to more buyers, naturally making a business case for localisation, he said.

The short deadlines for localisation "look good on paper but are not feasible if we are to develop world-class batteries, management systems and power electronics. So, a longer deadline for localisation should have been foreseen", consultancy firm Expereal's cofounder, Avik Chattopadhyay said.

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Meanwhile, the high price of localised EVs offered an opportunity to cheap imported vehicles, which lack on performance and reliability but still deliver benefits like low price and operating cost — some of the most important metrics in a price-sensitive market like India.

In 2019, some 800-900 new stores were selling cheap electric two-wheelers imported from China opened across Mumbai, Pune, Bengaluru and Delhi, said Vishal Sanghavi, the sector lead (automotive and mobility) at business research firm Aranca.

"As they struggle to meet the stringent terms and conditions for authorised dealerships of larger brands such as Ampere and Hero, some companies have set up stores to sell low-speed, low-cost Chinese electric two-wheelers which are easier to source," he said. "Some brands sold in this format are Blix, Go-Go A1, Raft, and Miracle 5."

These vehicles cost Rs 20,000-30,000 for the importers and are sold to customers for about Rs 50,000.

Cheap imported electric three-wheelers have also flooded several north Indian cities, offering last-mile connectivity.