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FAME II scheme gets a Rs 10,000 crore clearance from the Union Cabinet

With a view to incentivize the electric vehicles (EV) manufacturing and usage in the country, the Union Cabinet has approved an allocation of Rs 10,000 crore to the Faster Adoption and Manufacturing of Electric Vehicles (FAME) II scheme on February 28, 2019. The scheme will be implemented from April 1, 2019 with the allocated amount being laid out over a period of 3 years and will support 10 lakh electric two wheelers, 5 lakh three wheelers, 55,000 passenger vehicles and 7,000 buses. The new scheme is in succession to FAME I, which was implemented in 2015 with an allocation of Rs 895 crore. **The scheme is expected to provide the much needed push to the green-fuel usage in India while addressing the environmental issues and fuel security.**

The main aim of the FAME II scheme is to speed up the development of EVs and the required infrastructure for 100% electrification in the country by 2030. Also, government's short term aim is to achieve a target of 15% electric vehicles in the total sales of automobiles in the country by 2023. **Currently, India stands at about 2,000 electric vehicles in the country as against an overall sales of over 26 million units** (including passenger vehicles, commercial vehicles and two & three wheelers) **in FY19 (Apr-Jan)**. This is largely also on account of lack of charging infrastructure in the country. **FAME II primarily aims encourage the buying of electric vehicles and establishing the requisite charging infrastructure where about 2,700 charging stations across metro cities other million-plus cities, smart cities and cities of hilly states of India will be set up.** The emphasis will, however, continue to be on the electrification of public transport vehicles and other shared mobility solutions like last mile connectivity solutions such as three wheelers (including e-rickshaws) and light commercial vehicles (LCVs) - both goods as well as passengers. While various incentives have been planned for the commercial three-wheelers and four-wheelers along with private two wheeler vehicles.



Along with the allocation to FAME II, the Centre has plans to provide subsidy of up to Rs 2.5 lakh to 60,000 electric cars and a benefit of Rs 20,000 for 20,000 hybrid cars bought during the next 3 year period. It is to be noted here that the government is also planning to cap the ex-factory cost of a vehicle, barring the buses, to avail the subsidy under the scheme at Rs 15 lakh. The subsidy for the vehicle will be calculated based on capacity of vehicle battery – Rs 10,000 per KWh for all vehicles and for buses, Rs 20,000 per KWh has been frozen as of yet. Major players such as Mahindra & Mahindra, Maruti Suzuki, Tata Motors, Hero Motocorp among others have planned various new launches in two & three wheelers and passenger car segments between FY19 and FY21.

CARE Ratings View:

- With the scheme being implemented on April 1, 2019, the adoption of electric vehicles in the country is expected to improve in the coming years.
- Also, with subsidies coming in, the demand for electric two wheelers and three wheelers is expected to pick up gradually between 2019 and 2023.

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