

# EVWOKE

**I**t is said that ‘the expectation makes the blessing sweet’. The EV industry is keeping expectations alive, especially with the Union Budget 2023-24 going to be announced today. Though not in haste, and knowing well that expecting too much too soon may not be advisable, the buzzing sector is hoping for some areas to be considered by the government for the upcoming year.

While GST Uniformity, FAME Subsidy, Inclusion of LCV and M&HCV on a project-mode basis, Incentive / Grants for Battery R&D, CAFÉ II Norms among others are the main focus area which Society of Manufacturers of Electric Vehicle (SMEV) has listed out in their suggestions before the Union Budget 2023-2024.

EVStory asks industry stalwarts about their expectations and what they wish should be addressed in the budget which can bring relief to the promising sector of the future. Maybe, some of them might evoke actions of remedy.

# EV STORY

ELECTRIC MOBILITY IN INDIA

The Government has been extremely receptive to the automobile and component industries. We are pleased with the government for announcing PLIs for Advanced Cell Battery (ACC) batteries and the Automobile & Component industry. As far as budget recommendations are concerned, we don't have much to ask from the government. However, we are hopeful that the government will listen to the industry's demand for a uniform GST of 18% because the industry's large aftermarket processes are plagued by grey operations & counterfeits, a uniform GST rate will not only resolve this issue but will also increase tax revenue through better compliance.

Sunjay Kapur, President,  
Automotive Component Manufacturers Association of India (ACMA)



With an emphasis on the manufacture of EVs and their components, the EV industry is anticipated to experience a significant increase in the 2023 Union Budget. To stimulate investment and promote the manufacturing of EVs, the government is anticipated to announce tax incentives, subsidies, and infrastructural development. To guarantee the robust growth of the EV industry, the government may also enhance the FAME II scheme budget to 10,000 crore. Additionally, the budget may include new regulations to guarantee the availability of cutting-edge parts and supplies required for the manufacture of EVs as well as to upgrade the nation's charging infrastructure. This is anticipated to lower ownership costs and increase general EV accessibility.

- Tushar Chhabhaya, Director, Aarya Automobiles Ltd.



The past financial year has witnessed optimistic growth in the EV industry. Apart from a rise in the willingness to opt for EVs, there was also an urge to necessitate standards to ensure reliable EV products for Indian consumers. We acknowledge the efforts and structure laid down that warrant quality products only, for Indian consumers. With the upcoming 'Budget 2023', we urge the Government to also consider allocating resources that will parallelly strengthen the surrounding EV ecosystem. Support is required across the supply chain, quality of EV components, incentivising R&D to localize the critical components, 100% conversion of power through power grids, subsidies for production & manufacturing EVs, and a larger platform for ease of raising investments.

- Dinkar Agrawal, Founder & COO, Oben Electric



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Delta firmly believes that the Union Budget 2023-24, which will be unveiled at a pivotal time of geopolitical unpredictability, high inflation, and sluggish global economic growth, will aid the EV industry in moving forward and accelerating the adoption of EVs. The government has encouraged the use of charging stations by setting the GST at 5% on the sale of charging stations, but the GST rate is 18% when using the infrastructure. Given that many people utilize these charging stations and do not qualify for an input tax credit, the government must reduce this GST to 0%, just like it does with the sale of energy.

- Amit Gupta, Head- Energy Infrastructure Solutions, Delta Electronics India

In addition to calling for a #MakeinIndia circular economy, the prime minister correctly highlighted that India needs to create energy security self-reliance. The circular economy of battery raw materials will improve India's manufacturing and energy security by leaps and bounds. This transformation may be substantially accelerated by government support, which we hope to see in the budget this year.

- V G Anil, Head of Operations, ARENQ



The government has been supportive of the EV industries with the constant policy push in the last few years. As the ambit of EVs expands, we hope that the upcoming Union Budget considers increasing the FAME-II subsidy for the e-auto (L5M) segment to Rs. 15000 per kWh or 40% of the ex-showroom cost, whichever is lower in line with EV two-wheelers. The e-auto segment has undergone rapid electrification transformation and will prove to be a major source of enhancing last-mile connectivity. This will lead to improving affordability and accelerate EV adoption further in the country.

- Hyder Khan, CEO, Godawari Electric Motors

Battery-swapping technology has the potential to create massive growth in the EV industry, and it will be imperative for the government to provide incentives for swappable batteries as well. The GST rate for swappable batteries, which is currently at 18%, must be lowered to 5% (the current rate for fixed batteries). As the cost of the battery is removed from the total vehicle cost for the users, lower tax rates will push more end-users to invest in the technology.

- Arun Sreyas, CEO & Co-Founder, RACEnergy



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To facilitate the expansion of enterprises specialising in green mobility, the industry still needs a unified strategy to encourage the EV sector across the country.

Incentives for infrastructure development, policies, and regulations to encourage battery swapping, including the FAME subsidy, should be given. In order to manage better costs and benefit customers, the tax (GST) regime on batteries and other components used in the production of electric vehicles should be 5% instead of 18%. Additional tax breaks for indigenous EV producers who create their products from the ground up will advance the "Make in India" movement. To boost the adoption rate, the retail financing of electric vehicles should come under priority lending. Electric 3-wheeler should also get Rs,15,000 per kwh incentive like electric 2-wheeler as cost is one of the biggest hurdles and it can help smoothen the road by increasing penetration for electric 3-wheeler in India.

Ayush Lohia, CEO, Lohia Auto



The EV industry in India has been achieving remarkable feats in the last few years, thanks to several government initiatives. The industry looks forward to favourable policies for charging infrastructure and the adoption of more green vehicles.

We hope to see equal distribution of central and state subsidies by the Government pertaining to charging infrastructure to end customers by enabling OEM-agnostic charging and swapping technology platforms, helping end customers directly claim the full subsidy benefits provided by the Government.

Additionally, clarification in GST regarding availing EV charging services by end consumers is required. Currently, there are two aspects, one being 18% if charging is considered a service and another being 5% if it's viewed as a sale of goods.

- Avinash Sharma, CEO & Co-Founder, ElectricPe

With India increasingly embracing electrification and EV adoption continuing to receive major focus, it's important to now bridge the gap between the GST on swappable batteries (currently at 18%) and the GST on fixed batteries (currently at 5%). Equalizing the tax rates will be extremely beneficial as it will incentivize manufacturers to reduce their costs – leading to increased affordability and hence, more EVs on our roads.

We also hope to see swappable batteries being brought under the umbrella of the FAME subsidy. Getting Li-ion batteries under these subsidies will enhance buyer confidence and do away with EV users' apprehensions regarding the recurring investment involved in batteries.

- Pulkit Khurana, Co-Founder, Battery Smart



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**“The Indian automotive landscape is growing from strength to strength, with auto components market playing a pivotal role in the progression. While, the industry is witnessing a paradigm shift towards electric mobility, auto components industry is witnessing a disruptive phase due to these novel advancements. One of the key expectations from the budget is reduction in the GST rate, from 28% to 18%. It will greatly support the home-grown players to invest in newer technologies for enhanced mobility offerings, even at the global level. While, the government has been supporting the automotive industry through various schemes and incentives, the change in GST will offer huge assistance and boost to the fast-growing market.**

- Sanjeev Vasdev, Managing Director, FLASH Electronics



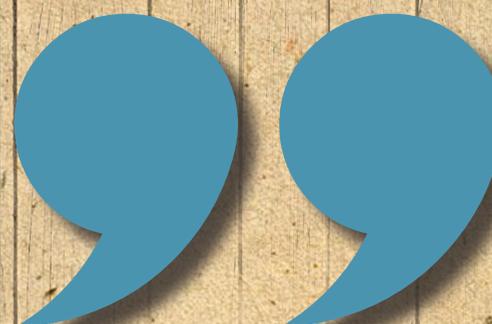
**There has been a huge surge in used car sales over the past 4-5 years, owing to the increased preference for personal mobility and the stigma of owning a used car going away as the market is becoming more and more organized. The used car market has been traditionally dominated by the unorganized sector. However, over the past few years, the share of organized players has increased from 8% to 19%. Considering this, a reduction in GST rates will encourage efforts to bring transparency to the segment dominated by variables.**

-Niraj Singh, Founder & CEO, Spinny

**Indians are beginning to understand the value proposition of cycles and e-cycles and are willing to switch from their existing modes of commute. This is a positive sign for the sector given that around 20 Mn bicycles are made and sold in the country.**

**With the upcoming Union Budget 2023-24, we are hoping for the inclusion of cycles and e-cycles in the existing schemes and policies such as PLI and FAME-II, that would help transform the bicycle industry in the country. There is a huge potential within India for the cycling industry and by taking adequate measures such as providing subsidies and lowering interest rates on the purchase of an e-cycle would help in increasing adoption, contributing to the socio-economic needs of the consumer.**

- Aditya Munjal, Director, Hero Cycles



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There are two changes that we think would benefit the sector as a whole. The first is bringing about uniformity of GST for battery swapping. Though EVs are in the 5% category, battery swapping service is at 18%. Bringing about this uniformity would ensure a level playing field for the technology as well as quicken the rollout of EVs.

Secondly, as with PLI on Advanced Chemistry Cell (ACC), there could be a similar one on manufacturing of electronic components for EVs in India. Currently, a lot of these components are being sourced from outside the country and this increases costs while leaving the supply chain vulnerable to shocks. For India's EV sector to establish itself for the future, ensuring localization of components is key.

- Ankit Mittal, CEO, Sheru

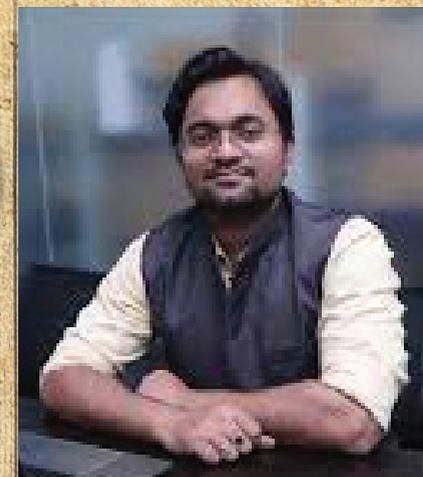


We feel that the EV sector didn't get many reforms as expected in last year's budget. So this year the expectations are higher. One of the lesser known challenges for today's EVs according to me is that, that the supply ecosystem is not getting built as the capital expenditure required for building supply houses or entities is not supported under current demand and supply incentives. The policy change that we are expecting this year is that the government may announce incentives on batteries, rather than on vehicles. I also expect the government to benefit from a battery-swapping network in some capacity. Apart from this FDI norms need to be revisited so that capital from the western and middle east world can be mobilized in the country easily under climate tech space.

- Sumedh Battewar, Co-founder and CBO, EMotorad

It is noteworthy that Govt's subsidy schemes like FAME supported EV development. Electric three wheelers, which are the backbone of mass public transportation across India, are leading this transformation. We want Govt to take cognizance and expect an extension of the FAME-II scheme similar to the one given to two wheelers. The Indian e-commerce space is booming, providing the tailwinds for rising demand in EVs for last-mile delivery. Commercial banks need to be pushed to step in with financing support, and reduce the interest rates. We also look forward to rationalisation of GST rates. Currently, 5% GST is levied on EV sales but OEMs pay 28% GST for spare parts. Bringing them under the 5% bracket can lead to price reduction and an uptick in EV adoption (lower service costs). We also hope the government will provide more CAPEX subsidy (upto 40-50%) to install/setup charging infrastructure across India.

- Dr Amitabh Saran, Founder and CEO, Altigreen Propulsion Labs



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**In this budget we expect streamlining of the PLI scheme, FAME II scheme also needs to be defined with more clarity and inclusive to ensure innovation in product development and enhance EV adoption. There should be a level playing field between established players and start-ups in the segment. The applicable GST levied needs to be reformed and rationalised - anticipating a curtailment in the current GST on lithium-ion battery packs and cells from 18% to 5%. Further, boost in the charging infrastructure development. We also need to promote the universal battery charging and swapping infrastructure for ease of use.**

- Ketan Mehta, Founder & CEO, HOP Electric Mobility



**As the country looks towards Budget 2023, we trust that the electric vehicle sector has the potential to play a major role in driving economic growth and development. We are expecting the \*policy makers\* to take steps to make EVs more affordable and accessible to the public, such as by lowering GST rates on EV spare parts and reducing input GST on EV OEMs. We also hope that the government will continue to extend support for the development of the EV sector. We believe that these measures will help \*to\* drive the widespread adoption of this clean and sustainable mode of transportation.**

- Anshul Gupta, Managing Director, Okaya Electric Vehicles

- Rajat Verma, CEO & Founder, Lohum Cleantech



**India is making an intense push for faster adoption of electric buses, and the segment has seen exponential growth over the years. Given this scenario, one of the key expectations from the budget is continuation of FAME subsidy, for at least few years and a reasonable EV penetration in the commercial vehicle segment. In order to democratise sustainable mobility, priority and access to funds, with payment guarantee by STU's is a pragmatic solution for EV bus adoption.**

- Mahesh Babu, Chief Executive Officer, Switch Mobility Ltd.