

GOING ELECTRIC

The budgetary measures can speed up India's plans to switch to electric vehicles

The Union Budget has announced a bold move to make a transition to electric vehicles, and offered a tax incentive for the early adopters. Its stated vision to leapfrog into an era of electric mobility and domestic vehicle manufacturing, led by public transport and commercial vehicles, is forward-looking. It is also inevitable because poor air quality and noise pollution have sharply affected the quality of life, and pose a serious public health challenge. As the NITI Aayog has stated, the goal of shifting to electric vehicles cannot make progress without deadlines, and a market-driven approach sought by some sections of the automotive industry will leave India's capabilities and infrastructure for e-mobility trailing others, notably China. With 2030 as the outer limit, the imperative is to fix a realistic time-frame by which scooters, motorcycles, three-wheel carriages and, later, all new vehicles will be battery powered. An additional income tax deduction of Rs.1.5 lakh is now offered on interest paid on loans to purchase electric vehicles, and the GST Council has been moved to cut the tax on e-vehicles to 5% from 12%. Both demands were made by the industry earlier. There is a significant outlay under the second iteration of the Faster Adoption and Manufacturing (of Hybrid and) Electric Vehicles (FAME) plan of Rs. 10,000 crore, to give a fillip to commercial vehicles and to set up charging stations.

The budgetary measures will have an immediate impact on the pricing of electric vehicles and bring in more models, but it will take a sustained effort by the Centre, in partnership with State governments, to enable a fast rollout of charging infrastructure. The Ministry of Power issued guidelines and standards for this in December last year, setting technical parameters for public charging stations that can enable normal and fast charging. With price competition, a speedy spread of electric two-wheelers can be expected, given that over 80% of conventional vehicles sold in India come under that category. Affordable charging will make these vehicles and commercial three-wheelers attractive because operating costs are a fraction of petrol and diesel equivalents. Yet, longer range travel will require more than a charge-at-home facility, and this would have to be in the form of fast charging at parking lots, retrofitted fuel outlets, new public charging stations, hotels, offices and so on. Swapping the battery at convenient locations with one that is pre-charged, especially for commercial vehicles that run longer and need a quick

turnaround, is worth considering. A longer-term policy priority has to be the setting up of lithium battery production and solar charging infrastructure of a scale that matches the ambition. The Centre has accepted some of the demands of the auto industry to popularise EVs.

<u>Words</u>	<u>Kind</u>	<u>Meaning</u>
Announce		Declare, aver, avow, proclaim, profess
Transition		Change, passage, more, transformation, conversion
Vision		Perception, view, apparition, manifestation
Leapfrog		Jump, vault, spring, bound, hop
Era		Epoch, age, period, aeon
Inevitable		Indispensable, essential, necessary
Challenge		Gauntlet, confirmation
Trail		Track, trace, spoor
Imperative		Vitally important, vital, crucial, critical
Fix		Repair, overhaul
Outlay		Expenses, expenditure
Iteration		Repetition, reiteration, recapitulating
Adoption		Rearing, taking on
Fillip		Encouragement, incentive, prodding, exhorting
Bring in		Introduce, launch, inaugurate, initiate
Sustained		Continuous, perpetual, prolonged
Conventional		Traditional, orthodox, conformist
Turnaround (n)		The time we take to complete a task and return it

LOSING STEAM

Markets react negatively to the Budget's populism and inability to force reforms

Many investors who were hoping for business-friendly reforms were not too impressed by the maiden Budget of the second Narendra Modi government. After a moderate negative reaction when the Budget was presented in Parliament on Friday, both the Sensex and the Nifty witnessed

their biggest fall in over two years on Monday. The Sensex incurred a huge loss of 792.82 points while the Nifty shed about 250 points. Sectors such as banking, automobiles and power were the worst-hit, each witnessing a loss of over 3%. Investors were spooked by a variety of proposals made by Finance Minister Nirmala Sitharaman that are expected to increase the tax burden on them. These include the proposal to increase long term capital gains tax on foreign portfolio investors and to tax the buyback of shares by companies at 20%. The negative signal sent by the increased surcharge on people earning over ₹ 2 crore a year also weighed on markets. This tax on the “super-rich” is unlikely to make much of a difference to the government’s fiscal position. However, it does damage the image of the present government as a pro-business one and can affect fund flow into the country if the wealthy prefer to move to other countries. The proposal to raise minimum public shareholding in listed companies from 25% to 35% is also seen as an unnecessary intervention in markets. Global factors like strong jobs data coming from the United States which lowers the chances of an interest rate cut by the Federal Reserve, and the potential systemic risk posed by the troubles faced by Deutsche Bank may have also weighed on the markets. However, the losses experienced by western markets on Monday were nowhere as heavy as the losses faced by the Indian markets.

All these aside, the larger issue bothering the Indian investor may be the Budget’s supposed tilt towards populism as the government expands the size of its welfare projects instead of taking steps to revive private investment in the slowing economy. Apart from a few words from the Finance Minister on simplifying labour laws and relieving start-up investors from the regressive “angel tax”, the Budget was largely bereft of any major structural reforms that could instil confidence among investors. The trajectory of markets in the coming months will depend on the kind of reforms the government manages to push through, and on the actions of central banks across the globe. While the Reserve Bank of India looks to be easing its policy, any global liquidity tightening can affect foreign fund inflows. Despite lacklustre company earnings and other fundamental issues, markets in the past have been pushed up aggressively by the ample liquidity provided by central banks. But without enough reforms to strengthen the fundamentals that can back lofty valuations, it may be only a matter of time before markets begin to lose steam.

<u>Words</u>	<u>Kind</u>	<u>Meaning</u>
Maiden budget		First budget
Incur		Attract, invite, earn, arouse, sustain, experience
Spook		Frighten, intimidate, cow down, unnerve
Portfolio		The specific area of responsibility of a minister
Fiscal		Financial, economic
Intervention		Intercession, involvement, intrusion
Bother plague		Disturb, trouble, inconvenience, harass,
Tilt		Slope, slant, incline, cant
Revive		Get over, come round, resuscitate
Regressive		Slow, unadvanced
Bereft		Destitute, poor and dilapidated, indigent, penurious
Instil		Instigate, provoke, ignite, tempt, prod, exhort
Confidence		Morale
Trajectory		Curved path
Push through		To cause a plan / suggestion to be officially accepted
Ample		Plenty, plenitude, cornucopia, profuse, plethora
Lofty		Eminent, prominent, leading, distinguished