

PRESS RELEASE
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Scrappage policy – significant potential with about 1.1 million medium & heavy commercial vehicles older than 15 years: ICRA

- **Implementation of Vehicle Scrappage Policy remains slow because of challenges such as limited network of registered vehicle scrapping facilities (RVSFs), inadequate incentives, lack of awareness etc.**
- **50-70 additional RVSFs likely to be commissioned in the next four-five years**

ICRA estimates that the population of medium and heavy commercial vehicles (M&HCVs), older than 15 years at around 1.1 million units as on March 31, 2024, offers a significant potential for scrappage. However, given the nature of usage of such vehicles, the actual scrappage could possibly be lower. Nevertheless, even if a proportion of these vehicles gets scrapped, it can support vehicle sales to some extent by spurring replacement demand.

ICRA projects an additional ~5.7 lakh vehicles to cross the 15-year age threshold in the next two fiscals (FY2025 and FY2026). Further, with over 9.0 lakh Government vehicles proposed to be mandatorily scrapped under the first phase, it offers a significant replacement demand potential for the automotive industry. Scrappage potential in other segments is limited, considering the limited usage of two-wheelers, passenger vehicles and light commercial vehicles (LCVs) beyond 15 years. However, as on August 31, 2024, the registered vehicle scrapping facilities (RVSFs) had received only 44,803 private scrap applications and 41,432 Government scrap applications (including defence/impound scrap applications)

The Voluntary Vehicle Fleet Modernisation Programme or the Scrappage Policy, announced in India in March 2021, is being implemented in phases, with effect from April 1, 2023. While the first phase of the policy proposed to mandatorily scrap Government vehicles older than 15 years, the second phase, which started from June 1, 2024, mandates scrapping on the basis of fitness of the vehicle rather than age, and as such, is more voluntary in nature.

According to **Kinjal Shah, Senior Vice President & Co-Group Head – Corporate Ratings, ICRA**: *“The Vehicle Scrappage Policy has the potential to drive multiple benefits over the long term. While it will aid in reducing air pollution as older polluting vehicles get scrapped, it will also drive fleet modernisation programmes, in turn, supporting the auto industry volumes. ICRA also expects a considerable reduction in scrap imports and raw material costs for automotive original equipment manufacturers (OEMs) through recycling of metals under the Scrappage Policy framework.”*

*“Implementation of the Vehicle Scrappage Policy, however, faces several challenges, which have slowed down its pace of implementation. The limited network of RVSFs at present, inadequate incentives, lack of awareness about this policy, particularly among private vehicle owners, and issues related to registration date criteria are a few factors that have hindered the rapid implementation of the policy. While several countries in North America and the Western European region have incentivised vehicle scrappages, mainly in the form of monetary compensations, India’s implementation of the Vehicular Scrappage Policy comprises voluntary incentives (such as discounts, road tax rebates, registration fee waivers, etc.) and mandatory dis-incentives (such as mandatory fitness tests, imposition of green tax, hike in renewal fees for older vehicles, etc.). As on August 31, 2024, the RVSFs had received only 44,803 private scrap applications and 41,432 Government scrap applications (including defence/impound scrap applications),” added **Shah**.*

In terms of scrappage infrastructure, India has 117 RVSFs across the country at present, with 50-70 additional RVSFs likely to be commissioned in the next four-five years. While the RVSFs are largely concentrated in metro and tier-1 cities at present, more scrappage facilities are expected to be set up in other parts of the country with increasing awareness about the Scrappage Policy and tighter implementation of the same by the Government. In addition to the RVSFs established by the auto OEMs, a network of scrapping centres run by unorganised players across the country will play a complementary role in scrapping and recycling of end-of-life (ELV) vehicles.

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