



# INDIAN COMMERCIAL VEHICLE INDUSTRY

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**Scrapage policy – Implementation  
still work-in-progress**

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## 1 Scrappage Policy Implementation in the Global Context



## 2 Scrappage Policy Proposals in India



## 3 Potential for Scrappage in India



## 4 Scrappage Infrastructure in India





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*The Scrappage Policy is expected to help reduce vehicular pollution and drive fleet modernisation programmes, in turn, supporting the auto industry volumes. It will also aid in the reduction in raw material costs through metal recycling.*



The Voluntary Vehicle Fleet Modernisation Programme or the Scrappage Policy, as it is more popularly called, was announced in India in March 2021, and is being implemented in phases, with effect from April 1, 2023. In the first phase, it has been proposed to mandatorily scrap Government vehicles older than 15 years from April 1, 2023 - replacing over 9 lakh such vehicles.



The second phase of the policy mandates scrapping on the basis of fitness of the vehicle rather than age, and as such, is more voluntary in nature. Accordingly, heavy commercial vehicles (HCVs) older than 15 years and other vehicles older than 20 years need to undergo a mandatory fitness test from October 1, 2024. Vehicles deemed unfit are to be scrapped.



Although voluntary in nature, several measures have been proposed to disincentivise running of old vehicles - including hike in fitness certificate renewal fees and levy of green tax on older vehicles, thus increasing their cost of ownership. Further, there is a proposal to offer incentives for purchase of new vehicles upon submission of scrapping certificate, like discounts from the OEMs, road tax rebate and registration fee waiver.



ICRA estimates that the population of medium and heavy commercial vehicles (M&HCVs) older than 15 years at ~1.1 million units as on March 31, 2024, offer a significant potential for scrapping. However, given the nature of usage of such vehicles, the actual scrapping could possibly be lower. Nevertheless, even if a proportion of these vehicles gets scrapped, and with mandatory scrapping of the Government vehicles, it can support vehicle sales to some extent by spurring replacement demand. Scrappage potential in other segments is limited, considering limited usage of two-wheelers, passenger vehicles and light commercial vehicles (LCVs) beyond 15 years.

*With over 9 lakh Government vehicles proposed to be mandatorily scrapped under this phase, it offers a significant replacement demand potential for the automotive industry.*

*As of August 31, 2024, only around 41,432 Government vehicles have been scrapped under this policy.*



Limited network of registered vehicle-scrapping facilities (RVSFs) at present, inadequate incentives under the Scrappage Policy, lack of awareness about this policy, particularly among the private vehicle owners and issues related to registration date criteria are a few factors that have hindered the rapid implementation of the vehicle Scrappage Policy so far.



India at present has 117 RVSFs across the country, with 50-70 additional RVSFs likely to be commissioned in the next four-five years. 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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