

'Vehicle scrappage network running at 25% capacity'

Amit Vijay Mohile

Mumbai

The country's vehicle scrapping infrastructure is operating at about a quarter of its installed capacity, with 134 authorised facilities capable of dismantling 1.3-1.6 million vehicles annually, but only 2,79,792 vehicles have been scrapped so far in FY26, according to data shared by Road Transport and Highways Minister Nitin Gadkari in a written reply to the Rajya Sabha.

"The existing RVSF infrastructure is... sufficient to support the transition towards an organised and environmentally-compliant vehicle scrapping ecosystem," Gadkari said in response to a question on the operational efficiency of scrapping centres.

The data indicate that while capacity has been created, utilisation remains low due to the limited inflow of vehicles into the authorised centres.

"A significant number of vehicle owners prefer annual fitness tests instead of scrapping their ageing vehicles, allowing them to extend operational life," a senior Ministry of Road Transport and Highways official said.

At the current pace of around 2,80,000 vehicles being scrapped annually, it could take over 15 years to clear the backlog, even as another five-six lakh vehicles cross the 15-year threshold every two years, according to analysts.

VEHICLE INFLUX

The gradual rollout of Automated Testing Stations (ATS), meant to identify unfit vehicles and direct them to scrapping facilities, has slowed the pace of scrappage. Industry data suggest actual scrappage remains below 3 per cent of the eligible vehicles, pointing to deeper structural issues.



"There is a clear mismatch between scrap value and resale value... the resale value of an ageing M&HCV is often in multiples of scrap value, which discourages scrappage," said Hemal Thakkar, Director, Crisil Intelligence.

"The lack of sufficient incentives to persuade vehicle owners to scrap their older vehicles remains a key bottleneck," said Kinjal Shah, Senior Vice-President & Co-Group Head, Corporate Ratings, ICRA.

SYSTEM GAPS

The dominance of the informal recycling ecosystem continues to undercut authorised facilities.

"From the customer's point of view, it is easier and more beneficial to sell the vehicle to a second-hand dealer," said Anurag Singh, Managing Director at Primus Partners.

Experts stated that improving liquidity and ease of transactions will be critical. Suggested measures include direct cash incentives, digital and time-bound payouts, market-linked scrap pricing, integration with OEM exchange programmes and stricter enforcement against unauthorised recycling.

Industry observers said the core issue is not infrastructure capacity, but the limited inflow of end-of-life vehicles into the formal scrappage ecosystem, a gap likely to persist unless scrappage becomes financially viable.