Price cap, certificate crunch stall Centre's etruck drive

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The Centre's PM E-Drive scheme for electric trucks, notified this month for the N2 (weighing 3.5-12 tonnes) and N3 (weighing above 12 tonnes) categories, is proving to be a non-starter for makers of commercial vehicles (CVs) because it hinges on certificates of vehicle scrapping, which barely exist, *Business Standard* has learnt.

The scheme mandates that a buyer scrap an old vehicle to get a certificate of deposit (CD), which must then be used to claim the incentive on a new electric truck of the same or lower weight. But buyers without an old vehicle — who turn to the government's Digielv portal to purchase a CD — are likely to find none.

As of 6 pm Tuesday, *Business Standard* found just two CDs available in the N2 category and none in N3.

Industry executives and officials confirmed that this acute shortage of N2 and N3 CDs was a persistent issue.

Further, etrucks priced above ₹1.25 crore are ineligible for incentives. Industry executives say this knocks out several models under development, especially N3 trucks and specialised N2 tippers, which need larger battery packs, which raise the cost of the vehicle.

Along with the CD shortage and pricing cap, the scheme suffers from low incentives, impractical traction, and motor-localisation mandates amid a rare-earth crunch. And there is an approval process with no fixed timelines — even though it ends on March 31, 2026.

Government officials were aware of these concerns. In a May 23 meeting between the Ministry of Heavy Industries (MHI) and industry body Society of Indian Automobile Manufacturers (Siam), all these issues were raised.

The debate

The guidelines

- Scrappage certificate mandatory to claim incentive
- Etrucks above ₹1.25 crore not eligible for benefits
- Incentive capped at ₹9.3 lakh for N3 etrucks
- Localised traction motors mandatory from Sep 1 (N2)
- No fixed timeline for testing, MHI approvals

Industry speaks

- CDs unavailable for new buyers on government portal
- Many N3 trucks under development exceed cap due to larger batteries
- Ebuses get up to ₹35 lakh incentive, while etrucks cost more than e-buses
- No supply chain; rare-earths crunch makes deadline unviable
- Creates uncertainty over production as the scheme ends in March

The Ministry of Road Transport and Highways, which operates the Digielv portal, the MHI, and Siam did not respond to queries sent by *Business Standard*.

Incentives lower than ebuses

Under the norms set on July 10, demand incentives for etrucks have been capped at the lower of the two values: ₹5,000 per kWh of battery capacity or 10 per cent of the ex-factory price. This translates into ₹2.7-3.6 lakh for N2 trucks and ₹7.8-9.3 lakh for N3 trucks.

However, Siam had proposed higher incentives — ₹10,000 per kWh or 20 per cent of the ex-factory price — in line with ebuses and also sought the removal of the cap.

"Etrucks need batteries heavier than ebuses do and are more expensive. Yet, they get the same cap as etwo-wheelers and ethree-wheelers," a CV executive noted.

Ebuses are eligible for incentives of up to ₹10,000 per kWh and 20 per cent of the ex-factory price — the total capped at ₹35 lakh.

"If ebuses get up to ₹35 lakh, why should etrucks be capped at ₹9.3 lakh despite higher prices?" asked another CV executive. Government officials said Siam had flagged these issues in the May 23 meeting with the MHI.

Traction motor localisation amid rare earth crunch

The July 10 guidelines require that, starting September 1, N2 etrucks must use traction motors that meet localisation norms — meaning key components such as magnets, rotors, stators, shafts, bearings, and connectors must be assembled in India. However, executives said meeting the September 1 deadline was unrealistic, especially due to China's export restrictions on rare-earths like neodymium magnets, vital for traction motors. These restrictions, in place since April 4, have disrupted the supply chains of Indian automakers.

The government is aware of the issue. Prime Minister Narendra Modi, at the BRICS Summit earlier this month, said rare earths must not be used as "weapons" and urged greater global cooperation to secure supply chains.

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The July 10 norms stated that localisation for traction motors in N3 trucks were scheduled to begin from March 1 next year. But industry executives said that this timeline too was unviable.

They said India lacked a developed supply chain for traction motors in the 28-55 tonne N3 segment.

Siam had on May 23 told the government that localisation and homologation would need 15-21 months and significant investment, which is hard to justify, given the limited sales volumes in this segment.

Cumbersome approval process and no timelines

In order to get PM E-Drive incentives, a company must get its etruck tested by a designated agency, which issues the certificate. The MHI then verifies it before final approval.

But industry executives said no fixed timelines had been defined for either step. The scheme ends March 31, 2026, and aims to support 5,643 etrucks with ₹500 crore.

"What if the testing agency takes four months and the MHI another four? The scheme period could lapse," an executive said.

The July 10 norms say that trucks must be manufactured and registered within the scheme period. Until the certificate is issued, production cannot begin.

Officials said Siam, in the May 23 meeting, proposed that etrucks registered after April 1, 2025, be retrospectively eligible once certified, allowing production to start during the wait.

Lack of certificates on scrapping

Perhaps the biggest obstacle is the lack of CDs. The July 10 norms state that CDs must be issued by authorised facilities in India for scrapping ICE (internal combustion engine) trucks.

If a customer does not own an old ICE truck, they can purchase a CD on the Digielv.com portal. Dealers must verify these CDs before completing the sale, after which the incentive is passed on as an upfront discount and later reimbursed to the truck-maker.

A CD can be used only to purchase a vehicle in the same or lower-weight category. For example, a CD from an N1 vehicle cannot be used to buy an N2 or N3 truck.

₹1.25 crore price cap limits participation

The July 10 guidelines also disqualify any etruck with an ex-factory price above ₹1.25 crore from receiving incentives. This cap, according to several industry executives, rules out a large segment of e-trucks — particularly tippers and special application vehicles in the N2 and N3 categories — which are currently undergoing homologation and are priced above this threshold.

Executives also warned that the ₹1.25 crore limit left little room for manufacturers to introduce N3 trucks capable of long-range operations (250 km or more), which require more battery packs and consequently cost more.

Siam had told MHI in the May 23 meeting that such a price cap was unnecessary and would hinder broader adoption.