



Achintya Securities Limited

India's \$1 Billion Push for EV

A Deep Dive into Master Plan for
Clean Commercial Transport



Introduction

A Pivotal Moment for India's Energy Security

India is on the cusp of a significant transformation in its commercial transport sector. The government is actively finalising an incentive scheme valued at over \$1 billion (approximately ₹8,500 crore) to accelerate the adoption of electric buses and trucks in the private sector. This 10-year program, expected to be formally announced in mid-2026 after consultations with the Prime Minister's Office and industry stakeholders, marks a strategic shift from the earlier focus on public transport electrification (such as the PM E Bus Sewa Scheme) to the privately owned commercial fleet which constitutes over 95% of India's bus and truck network.

The urgency is clear. India imports nearly 90% of its crude oil requirements, making the economy acutely vulnerable to global price shocks. The transport sector alone accounts for ~40% of diesel consumption in the country, with trucks responsible for the lion's share. By electrifying commercial vehicles, India aims to reduce its oil import bill (currently ~\$120 billion annually), improve energy security, and simultaneously combat urban air pollution a public health crisis that costs the Indian economy an estimated \$36 billion per year in premature deaths and lost productivity.



The Scale of the Challenge: Why Buses and Trucks Matter Most

The Diesel Dominance in Commercial Transport

India has a registered fleet of approximately 2.2 million buses and 9 million trucks (as of FY25). However, the vast majority of these are diesel-powered. According to the Ministry of Road Transport and Highways, less than 1% of trucks and about 5% of buses are electric and those are largely on government rolls.

- **Bus Sector:** Of the 2.2 million buses, only about 1.1 lakh (5%) are operated by state transport undertakings (STUs). The remaining 95% are privately owned used for school transport, employee shuttles, inter-city travel, and tourism. This private segment is the target of the new scheme.
- **Truck Sector:** Nearly 100% of India's truck fleet is privately owned. Trucks consume ~72% of all diesel used in road transport and travel an average of 300-400 km per day. Their electrification is far more challenging due to range, payload, and charging infrastructure constraints.

Pollution and Health Costs

The International Council on Clean Transportation (ICCT) estimates that vehicle emissions contribute ~40% of PM2.5 pollution in Delhi during winter months. A recent study published in The Lancet Planetary Health attributed over 1.6 million premature deaths in India to air pollution in 2023, with transport being a major contributor. Electrifying buses and trucks especially in high-density corridors could reduce NOx and particulate emissions by 70–90% per vehicle.

The Proposed Incentive Structure: What's on the Table?

The government's plan, as gathered from recent reports and industry consultations, includes:

- **Direct Subsidy:** A capital subsidy of up to ₹15 lakh per bus/truck for the initial 10,000–20,000 vehicles, gradually tapering down over the 10-year period.
- **Interest Subvention:** An interest rate reduction of 3–5% on loans for electric commercial vehicles, effectively lowering financing costs.
- **Credit Guarantee Scheme:** A partial credit guarantee mechanism (similar to the FAME II framework) to help small fleet operators access loans without collateral, addressing the biggest barrier – high upfront costs (an electric bus costs ₹1.5–2 crore vs. ₹20–30 lakh for a diesel bus).
- **Additional Perks (under discussion):** Toll concessions, reduced electricity tariffs for charging parks, and GST reduction on EV components (currently 5% for EVs but 18% for chargers and batteries in some cases).

Targets :

Phase	Target Number	Timeframe	Budget Outlay (est.)
Phase 1	10,000 e-buses + 5,000 e-trucks	FY26–FY28	₹3,000–4,000 crore
Phase 2	40,000–50,000 total vehicles	FY26–FY36	₹8,500–10,000 crore

Source: Business Standard, ET Auto, ICCT briefings (2025–26)

Global Context: How India Compares

China: The Undisputed Leader

China has deployed over 500,000 electric buses (more than half the global total) and 200,000 electric trucks as of 2025. Its success is driven by:

- Central government subsidies covering 30–50% of vehicle cost in early years.
- Mandates for city bus fleets to be 100% electric by 2030.
- A mature domestic battery supply chain (CATL, BYD).

United States and Europe: Gaining Momentum

- **USA:** The Inflation Reduction Act provides tax credits of up to \$40,000 per heavy duty EV and \$1 billion for clean school buses. However, adoption remains slow due to range concerns.
- **EU:** The Alternative Fuels Infrastructure Regulation mandates charging points every 60 km on major highways by 2030. Germany offers subsidies up to €80,000 per e-truck.

India's proposed ₹15 lakh (~\$18,000) per vehicle is modest by global standards, but combined with lower manufacturing costs and domestic battery production (thanks to PLI schemes), it could be sufficient to drive early adoption.



Barriers to Adoption: Why the Private Sector Has Lagged

Despite the clear benefits (lower operating cost electricity is ₹1–2/km vs diesel at ₹6–8/km for buses), adoption has been slow due to:

- **High Capital Cost:** An electric truck costs 2.5–3x more than its diesel counterpart.
- **Range Anxiety:** Most e-trucks offer 200–300 km range, insufficient for long-haul routes (e.g., Delhi–Mumbai, 1,400 km).
- **Charging Infrastructure:** India has only ~12,000 public EV chargers (as of March 2026), with very few suited for heavy vehicles (150+ kW). The government’s National Electric Bus Charging Corridor Plan aims to add 1,000 charging stations on highways by 2028.
- **Financing Hurdles:** Banks are reluctant to lend to small operators for EVs due to uncertain resale value and battery technology risks. The credit guarantee scheme is designed to address this.



The Road Ahead: What Needs to Happen Next

For the scheme to succeed, several complementary actions are needed:

- **Standardisation of Battery Sizes:** To enable battery swapping (especially for trucks), BIS (Bureau of Indian Standards) must finalise specifications by 2027.
- **Charging Corridors:** Dedicated electric truck lanes and charging plazas on national highways (Delhi–Mumbai, Chennai–Kolkata) are essential.
- **Scrappage Policy Incentives:** A higher scrappage value for old diesel buses/trucks could reduce the net cost of upgrading.
- **State-Level Support:** Some states (Maharashtra, Gujarat, Karnataka) are offering additional subsidies; a unified national framework would reduce complexity.



Conclusion:

A Decisive Step Towards Net Zero by 2070

India's \$1 billion+ incentive for electric buses and trucks is not just a transport policy. It is a critical component of the country's energy independence and climate commitments (Net Zero by 2070). By targeting the private commercial fleet (which accounts for the vast majority of diesel consumption), the government is aiming to make a tangible dent in oil imports and urban pollution.

The success of this scheme will depend on execution: ensuring financing reaches small operators, building charging infrastructure in advance of vehicle deployment, and offering a stable policy environment for manufacturers. If India can replicate China's model of total cost of ownership parity through subsidies and domestic manufacturing, the commercial EV sector could be the next great growth story for the Indian economy, potentially creating 500,000+ new jobs in manufacturing, charging, and maintenance by 2030.

For investors, the next 2–3 years will be a crucial window to identify the winners: companies with strong balance sheets, partnerships with global battery leaders, and a presence in the inter-city bus and intra-city truck segments. The electrification of India's commercial transport has begun and the pace is about to accelerate.





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