

CAFE-III norms locked, may make EVs cheaper

But industry flags costlier ICE vehicles, affordability constraints

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India's new fuel-efficiency norms could push carmakers to introduce smaller and cheaper electric vehicles (EVs), while potentially making larger, higher-emission petrol and diesel vehicles more expensive, as manufacturers rejig product and pricing strategies to meet tighter fleet-average targets.

The Corporate Average Fuel Economy (CAFE)-III framework, notified late on Tuesday, will apply from April 2027 to March 2032.

Industry executives said the framework strengthens the case for affordable EVs that can generate higher volumes. Battery EVs (BEVs) receive three times the sales weight-age in fleet-average compliance calculations, making EV volumes particularly valuable for manufacturers seeking to offset emissions from their internal-combustion engine (ICE) portfolios.

Affordable EVs could gain

Executives at two automakers said this could encourage manufacturers to look more closely at sub-₹10 lakh EVs, where lower prices could help drive volumes. Around 65 per cent of India's passenger vehicle market is below ₹12 lakh, but EV penetration in this segment is only around 1.5-2 per cent. Affordable options remain limited to models such as the Tata

Fresh road map for automakers

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- Small-car carve-out for CO₂ target calculations dropped
- Lighter cars get softer target, a key demand by Maruti Suzuki
- Heavier fleets face higher permitted fuel consumption
- EVs retain super-credits, giving additional compliance value to cleaner vehicles
- Credit trading allowed, to help carmakers meet targets

■ Revised emission targets for carmakers P2 ►

Tiago.ev and Punch.ev, and JSW MG Motor India's Comet EV. JATO Dynamics data for FY26 showed that sub-₹10 lakh models accounted for just 6 per cent of electric passenger-vehicle sales, against 35.7 per cent for the ₹20-30 lakh segment.

"Entry-level EVs are likely to receive particular attention, as their affordability could make them easier to sell in larger volumes and cross-subsidise," said Anurag Singh of Primus Partners.



Thumbs up from D Street

Date	Nifty Auto	Change in %
Sep 29, '26	26,173.4	0.5 ▲
Sep 30, '26	26,294.0	

Top gainers on Sep 30	CMP (₹)	% Chg 1-Day
Bosch	47,100.0	3.1
Samvardhana Motherson	163.3	3.0
Sona Comstar	830.0	1.8
Tata Motors PV	283.5	0.9
Maruti Suzuki India	11,967.0	0.8

Source: Bloomberg

Ravi Bhatia, president, JATO Dynamics, also pointed to the affordability constraint. "A regulation that assumes EVs are already the mass product is ahead of the showroom," he said. A harder rule, Bhatia argued, could have pushed up prices of small petrol cars, hurt first-time buyers and still not created cheap EVs "by decree".

The other side of the equation could be higher prices for some ICE vehicles. Turn to Page 16 ►

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Singh said manufacturers seeking to avoid penalties could reduce the number of high-emission vehicles, price them higher and cross-subsidise EVs. “Petrol and diesel enthusiasts may have to pay more for their preferred cars.”

Multiple routes to compliance

CAFE-III seeks a 16.7 per cent improvement in fleet fuel efficiency over five years. The fuel-consumption benchmark tightens from 3,996 litres per 100 km in 2027-28 to 3,327 litres per 100 km in 2031-32.

The framework provides multiple routes to compliance, including electrification, alternative fuels, fuel-saving technologies and compliance credits. EY-Parthenon partners Som Kapoor, Pratik Shah, and Aneesh Ajayan said manufacturers were likely to increase fuel-efficiency technologies in conventional ICE vehicles while expanding hybrid, flex-fuel and electric offerings. For predominantly ICE-led manufacturers, electrified and alternative-fuel powertrains would become increasingly important to their portfolio mix, they said. The broader industry welcomed the framework. Siam President Shenu Agarwal described the annual targets as “aggressive”, while saying the multiple technology pathways provided manufacturers greater predictability for investment and innovation.

Tata Motors Passenger Vehicles MD and CEO Shailesh Chandra said the recognition of zero-emission technologies reinforced the role of electrification in India’s long-term decarbonisation objectives. M&M’s Automotive Business President R Velusamy called the framework a “pragmatic balance” between environmental requirements and what the industry can achieve.

Maruti Suzuki stressed the technology-neutral approach. Rahul Bharti, senior executive officer, corporate affairs, said the regulation recognises multiple powertrains and fuels, encouraging “multi-faceted R&D and innovation”. Toyota Kirloskar Motor Country Head and Executive Vice-President Vikram Gulati similarly backed the multi-pathway approach.

For Škoda Auto Volkswagen India, CAFE-III will make fleet-

wide efficiency “an even sharper focus”, MD and CEO Piyush Arora said. Hyundai Motor India MD and CEO Tarun Garg said the company has already committed to having more than 50 per cent of its portfolio from greener technologies such as EVs, hybrids and CNG over the next four to five years.

Is the EV push enough?

The flexibility in the framework has also drawn criticism from those who believe the regulations should have pushed the industry more decisively towards EVs. Former NITI Aayog CEO Amitabh Kant called the final norms a “huge missed opportunity” and said they were “backward looking at worst and status quoist at best”.

“The regulation follows the industry instead of leading it. EVs become one option among many, when they should be the destination,” Kant said in a social media post. He argued that an 11 per cent electric-car target by 2032 lacked ambition when EVs were already close to 8 per cent of car sales this financial year. Kant also questioned the provision allowing the Bureau of Energy Efficiency to sell compliance credits, saying: “A regulator can’t be a player in the market it regulates.”

REEVs get a leg-up

The framework could also create an opening for technologies that have so far had little presence in India’s passenger vehicle market. BEVs and range-extended EVs (REEVs) receive a volume derogation factor, or super credit, of 3.0, while plug-in hybrids (PHEVs) and eligible strong hybrids receive 2.5. This gives manufacturers an incentive to deploy these technologies as they manage their fleet averages.

JSW Motors CEO Ranjan Nayak said the higher factor for BEVs and REEVs “appropriately recognises the greater contribution of battery-led technologies”. The regulatory support comes as the JSW group is already looking at range-extended technology. JSW MG Motor India Chairman Parth Jindal recently said: “EREV is definitely something that we would like to bring. We can bring it, and we want to bring it.” In a REEV, the wheels are driven by an electric motor,

while a smaller ICE acts as a generator to recharge the bat-

tery, addressing concerns around driving range.

NSE plans retail push for electronic gold receipts

While bullion vendors will convert their gold into EGRs and help build supply, the exchange is working to generate retail demand for smaller denominations, an exchange official said.

“The plan is to do a pilot for one or two weeks and then roll out in a bigger way — across another 50 or 100 centres. We may slowly increase the number of authorised collection centres to a few thousand in another one year — across cities. From October 15, retail traders and investors may also be able to buy and sell EGRs through NSE’s app,” said Sriram Krishnan, chief business development officer, NSE.

Under the pilot, people will be able to create EGRs by submitting their gold at authorised collection centres and trade them through their demat accounts on the NSE EGR segment. The centres will test the purity and weight of the gold. And if one agrees to submit it, the EGR will be reflected in the demat account within a couple of hours. The exchange will sign up refiners, assayers for quality checks, vault managers and depositories. These agreements have been completed. The exchange has a dual task at hand — increasing the number of people submitting gold for EGR creation and facilitating more buying and selling of

EGRs on its platform.

Industry players had earlier raised concerns around the goods and services tax (GST) on EGRs, which they said could limit adoption.

“The biggest hindrance to adoption right now is operational. Back-office and front-office vendors are still building and testing the required systems, so while EGRs are already live on the exchanges, we are currently unable to offer them to clients,” said Ajay Garg, director and CEO, SMC Group. He said there was an additional 3 per cent GST on EGRs, which could weigh on demand in the near term.

However, Garg said the convenience of being able to take physical delivery will outweigh the marginally higher cost for many clients, while sellers could reduce their margins to maintain competitive pricing.

“We also expect the exchanges to take up the GST issue with regulators to explore a way to avoid double taxation. Until that is resolved, demand could remain somewhat subdued,” he noted.

Industry experts added that once the offering gains traction, there is a possibility of brokers offering a systematic investment plan option in EGRs, which could help drive further participation.

Apple Pay in India, Axis Bank gets 1st-mover advantage

Axis Bank customers have an option for no-cost equated monthly instalments and cash-back on purchases of Apple products, including iPhones, MacBooks, Apple Watches, AirPods, and iPads. ICICI Bank and American Express are the other card issuers offering such discounts on Apple products in India. Apple previously had an exclusive tieup with HDFC Bank for such offers for five years, which ended around 2024.

“Apple had sought around 20 bps from issuers in India, but the final rate for Axis Bank is likely to be around 10 bps. The fee is paid from the interchange earned by the bank on credit

card transactions and is subject to negotiations with individual lenders,” a person with knowledge of the matter said.

“In most global markets, Apple has negotiated a fee of around 15 bps, even when its initial ask was higher. The same appears to be the case in India. A portion of the fee goes directly to Apple, and several large card issuers are still evaluating the economics, which is why only one bank has joined the platform at launch,” a second person said.

The MDR on credit card transactions typically ranges from 1.5 per cent to 2 per cent, although it can go up to 3 per cent for certain categories. For