One target or five: Siam opposes BEE's CAFE 3 reset

DEEPAK PATEL
New Delhi, 22 February

- At February 10 meeting, BEE proposed separate yearly CAFE-3 emission targets
- BEE revealed that targets would gradually drop from 92.5 g/km in FY28 to 77.08 g/km in FY32
- BEE said main compliance formula would be revised once more
- On February 19, SIAM told BEE it prefers single 89.6 g/km target for FY28-FY32 period
- Multiple CAFE-3 drafts since 2024 have widened industry divide

The Society of Indian Automobile Manufacturers (Siam) has opposed the Bureau of Energy Efficiency's (BEE's) latest proposal to prescribe separate, tightening industry-wide carbon dioxide (CO_2) emission targets for each year from 2027-28 (FY28) to 2031-32 (FY32) under the upcoming Corporate Average Fuel Efficiency 3 (CAFE 3) norms, *Business Standard* has learnt.

The revised framework was unveiled by BEE at a February 10 meeting at the Ministry of Heavy Industries (MHI), catching several automotive (auto) industry executives off guard as it marked a clear departure from earlier discussions on the third phase of CAFE norms.

At the meeting, BEE told carmakers and government officials that industry-wide emission targets under CAFE 3 would tighten every year, dropping from 92.5 grams per kilometre (g/km) in FY28 to 77.08 g/km in FY32.

However, Siam had, in November 2025, said that CAFE 3 should retain a single industry-wide CO_2 target of 89.6 g/km for the entire five-year period from FY28 to FY32. This would mirror the structure used under CAFE 1 and the current CAFE 2 regime, which prescribes one headline target per five-year block.

Under CAFE 2, the government notified a single industry-wide target of 113 g/km for the period between 2022-23 and 2026-27. This figure represented the average emission level the passenger vehicle industry was expected to achieve, from which individual carmaker targets were mathematically derived using a formula linked to the average weight of vehicles sold.

Following the February 10 meeting, Siam emailed BEE on February 19, flagging the shifting goalposts. "The first CAFE 3 draft was shared on June 9, 2024, followed by a substantially revised second proposal on September 25, 2025. At the February 10, 2026, meeting, a third revised proposal was presented for the first time, reflecting significant variations from the previous two versions," the industry body said.

The September 2025 draft proposed the following principal formula for CAFE 3: $[a \times (W - b) + c] \times 23.7135$, where "a" was fixed at 0.002, "W" denoted vehicle weight, "b" represented the industry's average car weight of 1,170 kilogram (kg), and "c" was designed to decline from 3.7264 in FY28 to 3.0139 in FY32.

At the February 10 meeting, however, BEE indicated that "a" would no longer remain constant and would instead decline annually, from 0.00154 in FY28 to 0.00128 by FY32. It also revised "b" upwards to 1,229 kg and altered the trajectory for "c", which would now fall from 3.9008 in FY28 to 3.2504 in FY32.

In a February 19 email, Siam said this version of the draft was being seen for the first time, making it difficult to offer an immediate response. "At first glance, members felt the revised proposal shown by BEE, particularly the change in average weight, annual targets, and modified parameters, appears far more challenging," it added.

The industry body reiterated that its unified submission on November 8, 2025, should be treated as a "packaged deal", comprising a single five-year target along with allied elements such as slope, super credits, biogenic factors, and off-cycle credits. "Addressing these parameters in isolation may not lead to a workable outcome," Siam said. Siam was referring to its November 8 letter, which argued for a single 89.6 g/km target for FY28–FY32. Neither Siam nor BEE responded to *Business Standard's* queries.

Since 2024, the CAFE 3 norms have triggered a prolonged tussle within the auto industry, alongside long-drawn-out negotiations with BEE. The BEE released the first draft in June 2024, with Siam submitting comments in December that year. Months later, Maruti Suzuki India independently sought a weight-based exemption for small cars, splitting industry opinion.

In September 2025, BEE revised the draft and introduced weight-based relief, proposing an additional 3 g/km deduction for petrol cars weighing under 909 kg. Two months later, Siam said its members could not reach a consensus on the exemption.

BEE is now expected to drop this provision in the final notification. Instead, it plans to modify the core equation itself to deliver more lenient targets for vehicles below 1,229 kg and tougher ones above that threshold.

Embraer CEO looks to make India global manufacturing base for KC-390 aircraft

PRESS TRUST OF INDIA
New Delhi, 22 February

Brazilian aerospace giant Embraer on Sunday signalled its readiness to set up a major production hub for its KC-390 Millennium aircraft to support the broader Asia-Pacific market if it wins the Indian Air Force's contract for up to 80 transport planes.

In an exclusive interview with *PTI*, Embraer's President and CEO Francisco Gomes Neto pitched KC-390 Millennium as the "best" option for India, leveraging a wave of Nato acquisitions to position the plane as the new "global benchmark" for tactical airlift. By choosing our aircraft, the Indian Air Force will have an alignment with a rapidly expanding, interoperable alliance of modern air forces, he said as the force intensifies its hunt for a versatile tactical airlifter.

Describing the KC-390 as a much superior multi-mission workhorse, Neto said if awarded the Indian contract, the company will turn India into its primary production hub for aircraft to support the Asia-Pacific market.

The Embraer CEO said the company is eyeing to set up an exclusive regional MRO (Maintenance, Repair, and Overhaul) hub for KC-390 operators in India while looking at a long-term symbiotic relationship with the country in both defence and civilian aerospace sectors.

The top executive, highlighting the acquisition of KC-390 by several high-profile NATO member nations, including Sweden, the Netherlands and Portugal, projected the plane as a strategic counter to the legacy dominance of Lockheed Martin's C-130J.

Neto said the KC-390 Millennium is a better fit for the future needs of modern air forces as it is a new generation multi-mission transport and aerial refuelling aircraft.

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Škoda rides Kylaq wave; to sharpen focus on EV, CNG

SOHINI DAS
Mumbai, 22 February

Škoda Auto India is sharpening its focus on cleaner fuel technologies, such as compressed natural gas (CNG) and electric vehicles (EV), even as the compact SUV Kylaq emerges as the brand's primary growth engine in one of India's most competitive segments.

While electrification remains part of Škoda's long-term road map, the company is more advanced in its thinking on CNG.

With around 20 per cent of the compact SUV segment already running on CNG, Brand Director Ashish Gupta said Škoda Auto India was actively working on a factory-fitted CNG option for Kylaq. "This is a clear opportunity," he said, adding that multiple technical routes are being evaluated, including in-house and group solutions. He stressed that Škoda is not considering third-party retrofits and that any CNG offering would be factory-engineered. While timelines remain undisclosed, CNG is clearly the near-term execution.

The push towards cleaner technologies comes as the Kylaq has fundamentally altered Škoda's position in India and as the upcoming Corporate Average Fuel Efficiency Phase 3 norms will sharply tighten fleet-level emission targets, making expansion into CNG and EVs less a choice and more a compliance necessity as volumes rise in mass-market segments.

The compact SUV accounts for over 60 per cent of Škoda's volumes and 40 per cent of the Škoda Auto Volkswagen India's total. "Today, Kylaq contributes close to 60 per cent of our overall volumes," Gupta said, adding that entry into the segment was critical for visibility, awareness and relevance. "It made the brand more accessible, helped us enter territories where we were not present earlier, and allowed us to operate at price points where customers are actually buying cars."

Launched in early 2025, Kylaq sold over 50,000 units in a year. Gupta said maintaining that run rate would sustain into 2026, supported by segment growth following GST changes and the rampup of 77 new touch points added over the past year. Kylaq is expanding Škoda's buyer funnel. Around 65 per cent of customers are first-time Škoda buyers and nearly half are first-time car owners. Female buyers registering vehicles in their names account for 10-12 per cent of Kylaq sales, up from 3-4 per cent earlier.

Škoda believes it is well positioned to support growth without aggressive capacity expansion. Its installed capacity in India stands at about 225,000 units annually, including sister brands and exports, with Škoda accounting for roughly 80,000 units. Production bottlenecks seen at the Kylaq's launch have been resolved, and Gupta said the company has sufficient flexibility to meet higher demand without adding new lines. From about 245 touch points in January 2025, Škoda ended the year with 325 outlets across 183 cities. In 2026, it aims to reach 200 cities and about 350 touch points, covering close to 90 per cent of India's addressable market. "Beyond that, expansion is not economically viable," Gupta said, noting that average throughput of about 300 cars per outlet aligns with industry norms. All of this feeds into Škoda's longer-term ambition of reaching a 3 per cent share of India's passenger vehicle market. Gupta acknowledged this would require a broader product portfolio, not just Kylaq-led growth, pointing to refreshes of Škoda Kushaq and Škoda Slavia, new variants across price points, performance models such as Škoda Kodiaq RSand Škoda Octavia RS, and festive editions.

Brand Director Ashish Gupta said Škoda Auto India had flexibility to meet higher demand without adding new lines

TVS Mobility, Palfinger to jointly set up ₹350 cr plant

ANJALI SINGH
Mumbai, 22 February

Austrian lifting solutions major Palfinger has entered into a strategic partnership with TVS Mobility Group to strengthen its India presence, committing an initial investment of €30 million (around ₹350 crore) to set up a manufacturing facility in Pune.

The plant, expected to be operational by 2027-end, marks Palfinger's most significant localisation move in the country since it entered India in 2007.

Under the agreement, TVS Mobility Group will act as Palfinger's end-to-end mobility partner in India. It would provide integrated support across supply chain, logistics, sales, service, spare parts distribution and aftermarket operations.

The partnership goes beyond a conventional distributor model, with a strong focus on uptime, service responsiveness and operating solutions for customers in remote and infrastructure-heavy locations.

"This partnership is about coming closer to the customer," said Andreas Klauser, chief executive officer (CEO) of Palfinger, adding that India has emerged as the company's single-largest growth opportunity under its new 'Strategy 2030 plus'.

Palfinger, which reported global revenues of about €2.5 billion, expects India to eventually contribute a double-digit share of its global revenues.

The Pune facility would have an initial annual capacity of over 1,000 units, primarily truck-mounted cranes, along with key steel components. These will cater not only to domestic demand but also export markets across Asia-Pacific and other regions. The first phase of the project is expected to generate employment for around 200 people, with scope for capacity expansion built into the site.

India's infrastructure push — spanning railways, metros, highways, housing, solid waste management and defence — has been a key driver behind the investment decision.

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