The next frontier of automotive competitiveness

How India's evolving regulations are reshaping strategy, supply chains and enterprise value

August 2026

Fuel-efficiency credits, battery recycling certificates and End-of-Life Vehicle (ELV) obligations now hit the same balance sheet. The question isn't whether compliance is required — it's how it shapes product, sourcing, data, governance and capital.

Why act now

Compressed timelines: The compliance window is already open — **Corporate Average Fuel Efficiency** (CAFE) is in force today and battery/ELV obligations kick in from FY27, escalating sharply to 2035.

Retrospective reach: Past sales already create future liabilities under CAFE credits, **Battery Waste Management Rules** (BWMR) and ELV— the clock started before the rules fully landed.

First-mover advantage: Early movers lock in verified recycled supply, monetise surplus credits and secure incentives before markets tighten.

Three regulations, one lifecycle

Three distinct but interlinked regulations now govern the automotive lifecycle in India:

	Regulation	What it requires
1	CAFE	Achieve a fleet-average carbon dioxide figure across vehicles sold or buy credits to close the gap.
2	BWMR and Battery Aadhaar	Collect end-of-life batteries, maximise second-life value and ensure responsible recycling. Each battery to carry a digital identity for traceability.
3	ELV rules	Ensure a set quantity of old vehicles is formally scrapped and steel is recovered.

What does the Board need to focus on?

- **How do you really see CAFE, BWMR, ELV —** a compliance burden or a strategic opportunity?
- **Do you have a single owner responsible for compliance —** or is it quietly spread across functions?
- **Where does it hurt most —** CAFE reporting, BWMR and ELV scrapping, or the overall governance to tie it all?
- **Do you know your cumulative producer responsibility through 2035 —** not a rough guess?

1 CAFE

CAFE sets a fleet-average carbon dioxide target across the vehicles manufactured/imported for sales in India. Manufacturers must either meet the target through their product mix or purchase credits to close the gap.

Timelines →	In force since 2017; a further phase is currently in consultation.
Regulators →	Bureau of Energy Efficiency (BEE), Ministry of Power, Ministry of Road Transport and Highways
Vehicle segments →	Strictly governs passenger cars and light passenger vehicles (M1 category).

Business consequences

Dimension	What it means for the business
Product strategy	Product mix becomes the compliance lever; cleaner, efficient models, with approved carbon dioxide-reducing technologies earn derogation benefits lowering certified emissions, improving fleet performance and strengthening an Original Equipment Manufacturer's CAFE compliance position.
Financial exposure	Past sales create future obligations; credits add tax, accounting and settlement risk.
Market volatility	Shifting credit prices turn powertrain and launch timing into an ongoing business call.

How Grant Thornton Bharat can help

CAFE and portfolio modelling

- Model-wise CAFE surplus / deficit analysis
- Cost to close vs credit purchase
- Scenario modelling by powertrain and sales-mix
- Model-level approval risk mapping
- Portal, certificate and passbook process support

Tax and accounting solutions

- Certificate and credit exposure quantified
- Tax, accounting and settlement treatment of credits
- Ind AS positions and audit-ready disclosures

2 BWMR and Battery Aadhar

BWMR mandate requires producers to collect end-of-life batteries, maximise second-life value and ensure responsible recycling. Battery Aadhaar assigns each battery a unique identity to enable lifecycle traceability.

Timelines →	EPR mandate started; collection targets begin FY27 for e-2Ws and FY30 for e-4Ws.
Regulators →	Ministry of Environment, Forest and Climate Change (MoEFCC) / Central Pollution Control Board (CPCB); MoRTH
Vehicle segments →	All segments — hardest in 2W/3W due to fragmented ownership and small packs.

Business consequences

Dimension	What it means for the business
Materials and sourcing	Recycled-content mandates make battery material a sourcing and compliance decision, requiring a recycled-content sourcing roadmap.
Data and traceability	Certificates depend on verified capacity and audit-ready evidence per battery, backed by battery and vehicle-level traceability.
Segment complexity	Fragmented 2W/3W ownership complicates collection and EPR fulfilment, making recycler and second-life partnerships essential.

How Grant Thornton Bharat can help

Battery BWMR and passport readiness

- Recycled-content sourcing roadmap
- Battery data model and traceability
- Recycler and second-life ecosystem assessment
- Registered recycler and bulk-consumer partnerships

Digital governance (DigiGov)

- Battery Aadhaar / passport data architecture
- Data security and Digital Personal Data Protection (DPDP) obligations
- Consent, access and audit controls

3 ELV rules and EPR

Producers must ensure old vehicles are formally scrapped and steel recovered, with rising obligations over time.

Timelines → Live since April 2025; obligations rise steadily to 2035.

Regulators → MoEFCC / CPCB

Vehicle segments → All segments - Commercial vehicles hit hardest due to size and steel weight.

Plastic packaging, waste tyre and used oil obligations also attach to automotive producers and route through a single CPCB sign-on. Most organisations still lack one owner for the aggregate regulatory obligations.

Business consequences

Dimension	What it means for the business
Materials	Recovered steel and recycled-content rules make material choice a compliance decision, aligned to recycled-content deadlines and verified domestic supply.
Provisioning	Historical sales convert into a rising scrappage liability through 2035.
Segment impact	Commercial vehicles carry the highest exposure due to vehicle size and steel weight, requiring a robust collection and scrappage network.

How Grant Thornton Bharat can help

ELV and EPR provisioning

- Historical sales and steel-weight model
- Ind AS 37 position support
- Disclosure and audit evidence pack
- Registered vehicle scrapping facility, recycler and bulk-consumer partnerships

ESG, circularity and sourcing

- Environmental, Social and Governance (ESG) guidelines and circularity role
- Procurement and sourcing model for recovered material
- Reverse logistics and incentive framework design
- Commercial model for recovery and second life

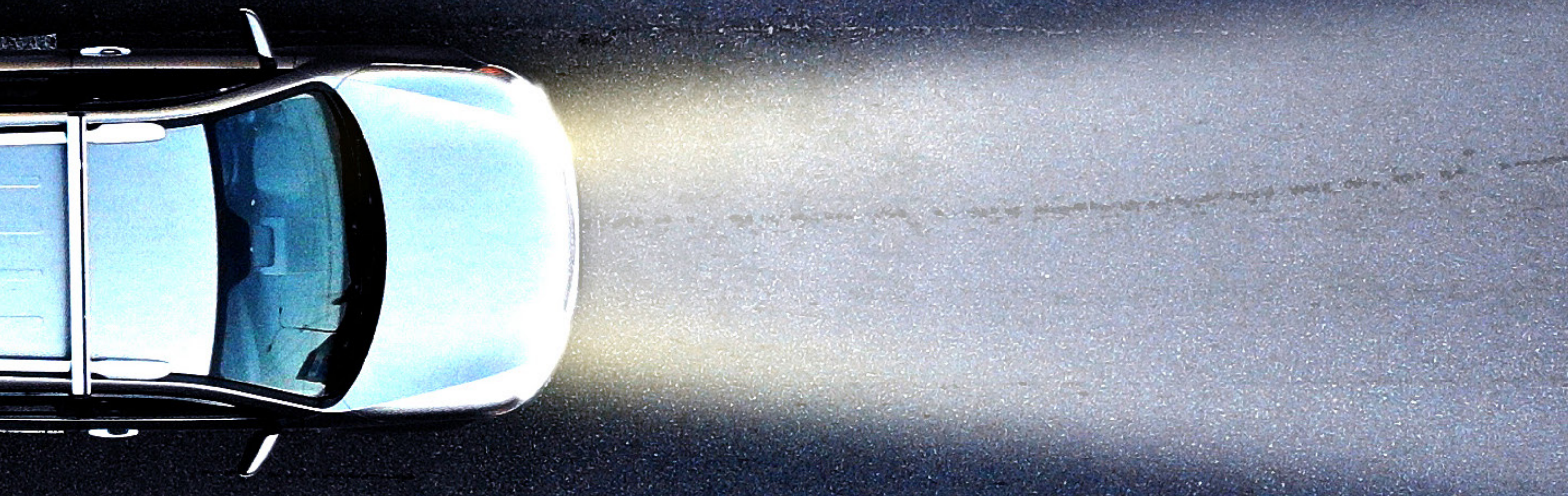
An integrated solution across all obligation streams

Map every obligation stream across CAFE, BWMR and ELV into a single line of sight

Build audit-ready confidence through robust evidence trails and control frameworks

Expose the gaps in ownership, governance and accountability before regulators do

Operationalise compliance with end-to-end portal, certificate and passbook support



Scan the QR code to check your organisation's readiness →

> Compliance is no longer a standalone obligation. It is a strategic business enabler.

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