



# INDIAN TWO-WHEELER INDUSTRY

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**GST reduction and festive season  
spark recovery in sales**

**DECEMBER 2025**



## 1 ICRA's Outlook on the Sector



## 2 Trends Shaping Domestic 2W Industry



## 3 Channel Check and Financing Environment Update



## 4 Trend in Macroeconomic Environment



## 5 Domestic Sales Trends



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## 7 Market Share Trends



## 8 Peer Comparison and ICRA Ratings in the Sector





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*ICRA estimates two-wheeler domestic wholesale volumes to register a growth of 6-9% YoY in FY2026 (around 3% growth in 8M FY2026 on YoY basis).*

*Retail sales have materially improved over October-November aided by GST reforms and festive season.*

*The OEMs are expected to maintain strong credit profiles, despite investments planned for EV platforms.*



**ICRA projects two-wheeler (2W) wholesale volumes to grow by 6-9% YoY in FY2026** – The industry demand is expected to continue to draw support from a steady replacement demand and healthy rural incomes; recent cut in Goods and Services Tax (GST) rates for 2Ws less than 350 cc is also likely to aid affordability and support demand.



**Retails continue to grow at a steady pace** – Retail sales had grown by 7% in FY2025, aided by expansion in rural demand and a supportive festive season. The GST rate cut drove retail volume growth to 9% in 8M FY2026 on YoY basis and is likely to support retails, going forward.



**ICRA's channel check of 2W dealers indicates that most dealers anticipate moderate volume growth** in FY2026 and are optimistic of a sustained recovery in demand, going forward. Even as high vehicle prices remain a constraining factor, the recent cut in GST rates (leading to 7-8% reduction in on-road prices) has provided relief.



**Electric vehicle (EV) adoption to increase steadily** – Even as the quantum of incentives available per vehicle is being gradually lowered, a softening in battery prices over the recent past is likely to support EV adoption, going forward. Availability of rare earth magnets remains monitorable, even as there has been a relaxation in export curbs imposed by China on the same.



**Export volumes to register a moderate growth** – Shortage of forex and inflationary pressures in key African markets constrained exports in FY2024. Aided by a low base and a recovery in demand across most markets, export volumes recovered in FY2025 and are likely to near an all-time peak (4.4 million units) in FY2026. Impact of geopolitical tensions on export prospects remains an ongoing risk factor.



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