

INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

Industry growth rate to moderate in
FY2027 on an elevated base

APRIL 2026





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Wholesale and retail volumes rose at a strong pace in March 2026, with demand continuing to be supported by GST rate cuts and new model launches.

ICRA expects industry volumes to expand by 4-6% in FY2027 (against wholesale volume growth of 8.6% YoY in FY2026), led by the likelihood of sustained demand momentum. The moderation in growth considers the elevated base of FY2026 and the weak monsoon outlook.



Wholesale volumes rose by 16% year-on-year (YoY) to 4.4 lakh units in March 2026, as original equipment manufacturers (OEMs) continued steady production to cater to the robust domestic demand. On a sequential basis, wholesale dispatches improved by 6%. **Retail sales recorded a strong YoY growth of 21% in March 2026**, supported by the steady traction of new model launches and the sustained positive impact of the revised Goods and Services Tax (GST) rates. Wholesale volumes grew by 8.6% YoY to an all-time high of 4.7 million units in FY2026. Wholesale volumes declined by 0.2% in H1 FY2026 while it rose considerably by 17% in H2 FY2026, following the change in GST rates. Retail volumes also expanded by 11% to an all-time high of 4.6 million units.



Inventory levels further reduced to around 28 days by March 2026 from 52-53 days at the end of March 2025 and 60 days as of September 2025, as per the Federation of Automobile Dealers Association (FADA), aided by stronger retail offtake. In FY2026, utility vehicles (UVs) accounted for 68% of the overall passenger vehicle (PV) volumes. While UVs continue to drive most of the volumes, volumes in the mini, compact and super-compact segments have recovered slightly after the GST rate cuts. The UV segment is likely to remain the key volume driver, though demand for passenger cars is also expected to go up.



Export volumes rose by a healthy 18% in FY2026, albeit on a relatively moderate base. The growth indicates the increasing supply push from Indian OEMs. The upward trend continued with Maruti Suzuki India Limited maintaining its lead as the top exporter (49% market share in exports), followed by Hyundai Motor India Limited.



ICRA expects wholesale volume growth of 4-6% in FY2027 (against 8.6% in FY2026) amid the anticipation of steady demand, aided by GST rate cuts and new model launches by the OEMs, partly offset by the elevated base of FY2026 and the weak monsoon outlook. The impact of the ongoing West Asia crisis on inflation and, in turn, demand sentiment remains a key monitorable.



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