



# INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

---

**In the slow lane: Moderate growth  
in volumes expected in FY2026**

**MARCH 2025**



## 1 Industry Outlook



## 2 Key Recent Trends in PV Industry



## 3 Capacity Expansion



## 4 Macroeconomic Environment



## 5 Segment-wise Analysis



## 6 Market Share Analysis



## 7 Operational & Financial Comparison of PV OEMs



## 8 Credit Rating Trends in PV Sector



## 9 Annexures





[Click to see full report](#)

*Wholesale volumes remained stable in 11M FY2025 led by steady production by automobile manufacturers. Dealer inventory holding has moderated following the festive season of November; nonetheless the inventory continues to be elevated to an extent.*

*Credit profile of PV OEMs is expected to remain healthy, supported by improved profitability, low leverage, adequate liquidity and/or strong parentage.*



**ICRA expects wholesale volumes to grow at 4-7% in FY2026** on an elevated base of FY2025 aided by new model launches by the original equipment manufacturers (OEMs). The industry is likely to close FY2025 with marginal growth (**~2% in April-February FY2025**). Elevated inventory levels have constrained industry wholesale volumes to an extent, even though the volumes have remained stable.



**Retail sales remain steady**, aided by stable demand and high discounts by the OEMs to promote sales. The same are expected to remain stable in the upcoming financial year, aided to an extent by higher disposable income due to change in income tax rates. The inventory at dealer levels moderated to 50-52 days at the end of February 2025 (as per the Federation of Automotive Dealers Association, or FADA).



**The utility vehicle (UV) segment continues to expand its share in overall industry sales**, led by a shift in customer preferences and a slew of new model launches. Demand for the entry-car segment on the other hand remains muted. The penetration of alternative fuels, such as compressed natural gas (CNG) and electricity, is steadily rising aided by the introduction of new models and an improving charging/fueling network.



**The capex outlay for OEMs is estimated to remain high at ~Rs. 250-300 billion per annum** (about 5-6% of revenues) over the next few fiscals, with OEMs budgeting for substantial outlay towards new product development, including enhancement of capabilities/platforms for electric vehicles (EVs).



**Healthy operating leverage, coupled with softening commodity prices**, is expected to help OEMs maintain healthy margins. The credit profile of PV OEMs is likely to remain healthy, supported by low leverage, robust liquidity and/or strong parentage.



ICRA

# Analytical Contact Details

Name	Designation	Email	Contact Number
Shamsher Dewan	Senior Vice President & Group Head	<a href="mailto:shamsherd@icraindia.com">shamsherd@icraindia.com</a>	0124 – 4545 328
K. Srikumar	Senior Vice President & Co-Group Head	<a href="mailto:ksrikumar@icraindia.com">ksrikumar@icraindia.com</a>	044 – 4596 4318
Rohan Gupta	Vice President & Sector Head	<a href="mailto:rohan.kanwar@icraindia.com">rohan.kanwar@icraindia.com</a>	0124 – 4545 808
Akshay Dangi	Analyst	<a href="mailto:akshay.dangi@icraindia.com">akshay.dangi@icraindia.com</a>	0124 – 4545 396





ICRA

# Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	<a href="mailto:shivakumar@icraindia.com">shivakumar@icraindia.com</a>	022-61693304
Neha Agarwal	Head – Research Sales	<a href="mailto:neha.agarwal@icraindia.com">neha.agarwal@icraindia.com</a>	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	<a href="mailto:rohitg@icraindia.com">rohitg@icraindia.com</a>	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	<a href="mailto:vivek.bhalla@icraindia.com">vivek.bhalla@icraindia.com</a>	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	<a href="mailto:vinita.baid@icraindia.com">vinita.baid@icraindia.com</a>	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	<a href="mailto:shivam.bhatia@icraindia.com">shivam.bhatia@icraindia.com</a>	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	<a href="mailto:communications@icraindia.com">communications@icraindia.com</a>	0124-4545860





***© Copyright, 2025 ICRA Limited. All Rights Reserved.***

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

**Thank You!**