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INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

Marginal wholesale growth in FY2025; export volumes saw healthy improvement on a low base

APRIL 2025

Highlights

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Wholesale volumes improved marginally on a sequential basis in March 2025; retail volumes saw a healthy revival owing to end-of-the-year discounts by OEMs.

ICRA estimates the PV industry to grow at 4-7% in FY2026 after a flattish FY2025.

In FY2025, domestic wholesale sales volumes improved marginally on a YoY basis to 4.3 million units. The wholesale volumes for original equipment manufacturers (OEMs) remained steady, reporting a growth of ~2% YoY. Retail sales saw a growth of ~3.5% in FY2025 owing to new model launches and various discounting offers from OEMs, which led to some moderation in inventory levels at dealerships.

Inventory levels remained elevated at 50-55 days at the end of March 2025, as per the Federation of Automobile Dealers Association (FADA). Sport utility vehicles (SUVs) continued to be the most preferred segment in the passenger vehicle (PV) industry, driving 64-65% of the overall PV volumes. Utility vehicles (UVs) are likely to remain the key volume drivers in the near term. Sustaining the demand after the recently concluded wedding season remains key in keeping inventory levels under check and providing liquidity cushion to dealers.

Export volumes saw a healthy improvement of 15% in FY2025 albeit on a smaller base. Maruti Suzuki remains the key exporter with ~43% market share in overall exports, followed by Hyundai. The shortage of forex availability in certain African markets and inflationary pressures may constrain demand.

ICRA estimates domestic industry volumes to grow by 4-7% for FY2026 after a marginal 2% improvement in FY2025, with the expectation of demand revival aided by higher disposable income on the back of changes in the income tax structure. However, the production and wholesale volumes might be impacted by high elevated inventory levels at dealerships.

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Thank You!