

INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

Heightened geopolitical tensions
impacted retails in May 2025;
wholesale remained steady

JUNE 2025





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Moderation in retail volumes on sequential and YoY basis, owing to escalated geopolitical tensions in northern India due to the India-Pakistan conflict; wholesale volumes remain stable in May 2025.

ICRA lowers wholesale volume growth to 1-4% for FY2026 owing to concerns on supply shortages of rare earth magnets and high inventory holding.



Retail sales contracted by 13.6% in May 2025 impacted by the escalated geopolitical tensions in northern India due to the India-Pakistan conflict, which led to subdued consumer sentiments despite continued discounting offers from OEMs. **Wholesale sales volumes remained stable** at 3.4 lakh units in May 2025 on sequential and YoY basis. The availability of rare earth magnets (a key component for electric vehicles) is monitorable amid restrictions imposed by China.



Inventory levels increased slightly to 52-53 days by the end of May 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 amid changing geopolitical scenarios will remain key for growth in the near term.



Export volumes saw a healthy YoY improvement of 24% in May 2025, albeit on a smaller base. Export volumes continue to grow, with Maruti Suzuki remaining the key exporter followed by Hyundai. The shortage of forex availability in certain African markets and inflationary pressures may constrain demand.



ICRA has lowered the wholesale volume growth to 1-4% for FY2026 (as against earlier projected growth of 4-7% over FY2025) led by concerns regarding high inventory levels and supply shortage (of critical components such as rare earth magnets) induced production constraints (especially for electric vehicles). However, steady model launches from Original equipment manufacturers are expected to support the overall industry volumes to an extent in the current fiscal.



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