

INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

Anticipation of GST rate cuts led to
deferred purchases in August 2025

SEPTEMBER 2025





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Wholesale and retail volumes declined on sequential and YoY basis in August 2025 due to deferred buying with anticipation of benefits arising from GST rate cuts.

Despite a 2.7% YoY wholesale volume contraction in 5M FY2026, ICRA expects industry volumes to grow by 1-4% in FY2026 with a likely recovery in demand aided by GST rate cuts.



In August 2025, retail sales declined 1.6% sequentially as the demand for passenger vehicles (PVs) was partly deferred by customers owing to an anticipation in the Goods & Service tax (GST) rate cuts, which would potentially improve affordability. **The wholesale volumes also declined by 8.8% YoY** to 3.2 lakh units as the original equipment manufacturers (OEMs) reduced dispatches to dealers. In 5M FY2026, wholesale volumes contracted by 2.7% on a YoY basis, while retail volumes remained flat with 0.2% growth.



Inventory levels remained elevated at around 56 days by the end of August 2025, as per the Federation of Automobile Dealers Association (FADA). Sport utility vehicles (SUVs) continued to be the most preferred segment in the PV industry, generating 65-66% of the overall PV volumes. Utility vehicles (UVs) are likely to remain the key volume drivers; however, with GST rate cuts, demand for the passenger cars segment is likely to revive, going forward.



Export volumes recorded a strong YoY growth of 25% in August 2025, albeit on a relatively low base. The upward trend continued with Maruti Suzuki India Limited maintaining its lead as the top exporter, followed by Hyundai Motor India Limited. In 5M FY2026, export volumes improved by a healthy 15% on a YoY basis indicating improving demand for Indian manufactured vehicles.



ICRA expects wholesale volume growth of 1-4% in FY2026 despite a 2.7% contraction in 5M FY2026 with an anticipation of demand revival aided by GST rate cuts across segments. Continued new model launches by OEMs and an expectation of healthy demand pickup in the forthcoming festive season is anticipated to support volumes for the industry.



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