

INDIAN TWO-WHEELER INDUSTRY

GST rate cut to support demand; domestic industry volumes to grow at 7-9% in FY2026

SEPTEMBER 2025



What's Inside...















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Highlights





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ICRA estimates two-wheeler domestic wholesale volumes to register a growth of 6-9% YoY in FY2026.

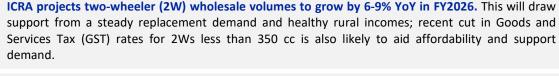
Retail sales remain steady; recent cut in GST rates expected to support demand.

The OEMs are expected to maintain strong credit profiles, despite investments planned for EV platforms.









Retails continue to grow at a steady pace. Retail sales had grown by 7% in FY2025, aided by expansion in rural demand and a supportive festive season. In addition to the above drivers, the GST rate cut will be an additional factor to drive retail volume growth in FY2026.









ICRA's channel check of 2W dealers indicates that most dealers anticipate moderate volume growth in FY2026 and are optimistic of a sustained recovery in demand, going forward. Even as high vehicle prices remain a constraining factor, the recent cut in GST rates (leading to 7-8% reduction in on-road prices) is a positive.

Electric vehicle (EV) adoption to increase steadily. Even as the quantum of incentives available per vehicle is being gradually lowered, a softening in battery prices over the recent past is likely to support EV adoption, going forward. Given the recent imposition of export curbs by China, the availability of rare earth magnets remains monitorable, even as the industry has managed to develop and deploy motors that do not use rare earth magnets but substitute materials.

Export volumes to register a moderate growth. Shortage of forex and inflationary pressures in key African markets constrained exports in FY2024. Aided by a low base and a recovery in demand across most markets, export volumes recovered in FY2025 and are likely to near an all-time peak (4.4 million units) in FY2026. Impact of geopolitical tensions on export prospects remains to be seen.



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