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INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

GST rate cuts, festive fervour drive growth in wholesale and retail volumes

OCTOBER 2025

Highlights

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Wholesale and retail volumes gain positive traction from GST rate cuts and the festive season.

Despite a 1.5% YoY wholesale volume contraction in H1 FY2026, ICRA expects industry volumes to grow by 1-4% in FY2026 with a likely recovery in demand aided by GST rate cuts and a favourable festive season.

In September 2025, retail sales grew by 5.8% on YoY basis with demand for passenger vehicles (PVs) improving post Goods & Service tax (GST) rate cuts, which led to improved affordability. However, due to the *Navratras* being towards the end of the month, the overall retails were deferred to an extent to October. **The wholesale volumes grew by 4.5% YoY and 15.7% sequentially** to 3.7 lakh units in Sep 2025 as the original equipment manufactures (OEMs) increased dispatches to dealers for the festive season. In H1 FY2026, wholesale volumes contracted by 1.5% on a YoY basis, while retail volumes witnessed a marginal 1.0% growth.

Inventory levels remained elevated at around 60 days by the end of September 2025, as per the Federation of Automobile Dealers Association (FADA) as the OEMs increased supplies to meet the anticipated festive demand surge. Utility vehicles (UVs) continue to drive 65-66% of the overall PV industry volumes. These vehicles 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 30% in September 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 H1 FY2026, export volumes improved by a healthy 17% on a YoY basis indicating improving demand for Indian manufactured vehicles.

ICRA expects wholesale volume growth of 1-4% in FY2026 despite a 1.5% contraction in H1 FY2026 with an anticipation of continuous demand revival aided by GST rate cuts across segments. Continued new model launches by the OEMs and an expectation of healthy demand in the festive month of October is anticipated to support volumes for the industry.

Analytical Contact Details

Name	Designation	Email	Contact Number
Jitin Makkar	Senior Vice President and Group Head	jitinm@icraindia.com	0124 – 4545 368
K. Srikumar	Senior Vice President and Co-Group Head	ksrikumar@icraindia.com	044 – 4596 4318
Rohan Gupta	Vice President and Sector Head	rohan.kanwar@icraindia.com	0124 – 4545 808
Akshay Dangi	Senior Analyst	akshay.dangi@icraindia.com	0124 – 4545 396

ICRA Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head – Research Sales and Investor connect	Sai.krishna1@icraindia.com	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

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Thank You!