

INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

Growth spurt continues in December,
channel inventory down too

JANUARY 2026

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Wholesale and retail volumes saw a strong year-over-year (YoY) growth in December 2025, aided by the recent GST rate cuts and winter wedding season.

For FY2026, ICRA expects industry volumes to grow by 5-7% (5.9% YoY wholesale volume growth in 9M FY2026) led by a sustenance in demand momentum.



In December 2025, passenger vehicle (PV) retail sales recorded a strong 27% YoY growth, supported by sustenance of demand due to the Goods & Services Tax (GST) rate cuts and the winter wedding season. The volumes, however, reduced by 4% sequentially after the high offtake in November 2025. **The wholesale volumes also grew by 27% YoY** to 4.0 lakh units in December 2025, which induced select original equipment manufacturers (OEMs) to cut short the periodic maintenance shutdown period to keep production lines humming. Overall wholesale volume growth in 9M FY2026 has been 5.9% YoY, while retail volumes grew 8.1%.



Inventory levels reduced to 37-39 days by December 2025 from 60 days at the end of September 2025, as per the Federation of Automobile Dealers Association (FADA), aided by stronger retail offtake. In December 2025, utility vehicles (UVs) accounted for 65% (69% in October 2025) of the overall PV industry volumes, while the mini, compact and super-compact segments have seen some revival in volumes after the GST rate cuts. The UVs are likely to remain the key volume drivers; however, demand for the passenger cars segment is also expected to revive to an extent.



Export volumes reduced by 12% on YoY basis in December 2025 owing to more domestic focused supplies. Maruti Suzuki India Limited maintained its lead as the top exporter with market share of about 46%, followed by Hyundai Motor India Limited. In 9M FY2026, export volumes expanded by a healthy 16% on a YoY basis, indicating an increased supply push from Indian OEMs.



ICRA expects wholesale volume growth of 5-7% in FY2026 (5.9% YoY growth in 9M FY2026) with an anticipation of continuous steady demand aided by the GST rate cuts across segments. Continued new model launches by the OEMs and an expectation of sustained demand is likely to support volume growth for the industry.



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