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INDIAN TWO-WHEELER INDUSTRY

Industry volumes touch a new peak in FY2026 after seven years; growth to moderate to 3-5% in FY2027

MARCH 2026

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What's Inside...

Highlights

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ICRA estimates two-wheeler domestic wholesale volumes to grow by 3-5% YoY in FY2027, after recording a growth of around 9% in FY2026.

Retail sales growth materially improved in H2 FY2026, aided by GST reforms and the festive season.

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

ICRA projects two-wheeler (2W) wholesale volumes to grow by 3-5% year over year (YoY) in FY2027 – The industry demand growth is expected to moderate in FY2027, even as the industry is expected to continue to draw support from a steady replacement demand and healthy rural incomes; the recent cut in Goods and Services Tax (GST) rates for 2Ws less than 350 cc is also likely to aid affordability and support demand, even as a prolonged West Asian conflict could cause inflationary pressure.

Retail volumes continues to grow at a steady pace – The GST rate cut has driven retail volume growth to 11.5% in 11M FY2026 on a YoY basis, strengthening consumer sentiment and supporting steady offtake. This policy-led boost is expected to continue aiding retail volumes. Retail sales grew by 7% in FY2025, supported by improving rural demand conditions and a favourable festive season, which provided a strong base for the subsequent uptick.

Electric vehicle (EV) adoption to increase steadily – Even as the incentive per vehicle has been progressively reduced under the policy framework, the moderation in battery prices over the recent past is expected to cushion the impact on consumer affordability and support continued EV adoption. In parallel, the availability of rare earth magnets remains a key monitorable for the industry, despite the recent relaxation in export curbs by China, given the sector's dependence on these critical inputs and the associated supply-chain vulnerabilities.

Export volumes to register a moderate growth – Export volumes are expected to sustain their recovery and could approach the all-time peak of 4.4 million units in FY2026, supported by improved demand across most key markets. However, geopolitical tensions continue to pose a downside risk to export prospects through FY2027. This follows a rebound in FY2025, aided by a low base and gradual demand revival, after exports had been constrained in FY2024 due to forex shortages and inflationary pressures in major African markets.

Analytical Contact Details

Name	Designation	Email	Contact Number
Jitin Makkar	Senior Vice President & Group Head	jitinm@icraindia.com	0124-4545 368
K. Srikumar	Senior Vice President & Co-Group Head	ksrikumar@icraindia.com	044-4596 4318
Rohan Gupta	Vice President & Sector Head	rohan.kanwar@icraindia.com	0124-4545 808
Aman Agarwal	Lead Analyst	aman.agarwal@icraindia.com	0124-4545 807
Akshit Goel	Senior Analyst	akshit.goel@icraindia.com	0124-4545 857

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!

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