

Rural India pulled ahead of cities in '25 car sales growth

Auto sector saw record annual retail volume at 2.82 mn units

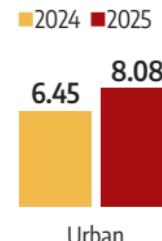
SHINE JACOB

Chennai, 6 January

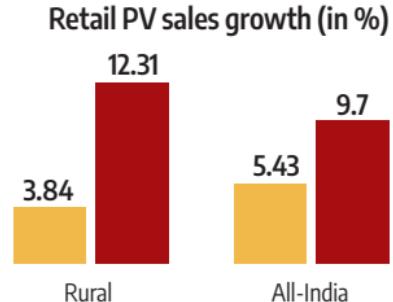
Rural markets outpaced urban centres in India's passenger vehicle sales in 2025, recording growth of 12 per cent compared with 8 per cent in cities, according to data released by the Federation of Automobile Dealers Associations (Fada) on Tuesday. Total passenger vehicle sales rose to 4.47 million units from 4.1 million in 2024.

Furthermore, the entire auto sector recorded its best ever annual retail sales figure at nearly 2.82 million units, up 7.71 per cent year-on-year.

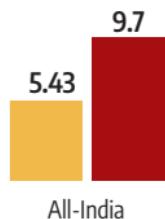
Stepping on the gas



Urban



Rural



All-India

Source: Fada

PAGE 2: Mahindra bets on XUV 7XO to reset premium SUV play

Nearly one-third of all passenger vehicle (PV) sales last year came from alternative fuel options such as compressed natural gas

(CNG), hybrids and electric vehicles, underscoring a widening shift in India's mobility mix.

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The share of CNG vehicles in total PV sales rose to 21 per cent from 18 per cent, while electric vehicles doubled their share to 4 per cent from 2.4 per cent. Hybrid vehicles, however, slipped to 8.2 per cent from 8.7 per cent a year earlier. Petrol vehicles accounted for 49 per cent of sales, down from 52 per cent in 2024, while the diesel segment's share remained unchanged at 18 per cent.

Momentum carried into December, when PV sales rose 26.64 per cent year-on-year. Rural growth of 32.40 per cent again outstripped urban demand, pointing to expanding vehicle adoption beyond metropolitan areas. Retail PV sales stood at 379,671 units during that month, compared with 299,799 units in December 2024.

"The harvest season was good, followed by a good monsoon. The minimum support price by the government also helped rural buying. Along with this, goods and services tax (GST) rationalisation, revised income tax slabs, and four rate cuts by the Reserve Bank of India added to the rise in rural sales," said C S Vigneshwar, president, Fada.

Across categories in 2025, two-wheeler sales increased 7.24 per cent, passenger vehicles rose 9.70 per cent, commercial vehicles expanded 6.71 per cent, and tractor sales grew 11.52 per cent. "The year saw broad-based participation — urban retail grew 8.20 per cent and rural 7.31 per cent — and within PVs, rural demand was a stand-

Speeding up

All-India vehicle retail sales in 2025

Category	2025	Y-o-Y chg (%)
Two-wheelers	2,02,95,650	7.24
Three-wheelers	13,09,953	7.21
Passenger vehicles	44,75,309	9.70
Tractors	9,96,633	11.52
Construction equipments	74,029	-6.67
Commercial vehicles	10,09,654	6.71
Total	2,81,61,228	7.31

Source: Fada

out, growing 12.31 per cent versus 8.08 per cent in urban markets, underlining the strengthening spread of personal mobility beyond metros," said Vigneshwar. Fada defines rural markets as regions where more than 40 per cent of the population depends on agriculture.

India's auto retail sector ended the year on a strong note, posting its highest annual retail volumes. "The year, however, was a tale of two halves — January to August remained subdued despite supportive macro cues such as direct-tax relief in the Union Budget and the RBI's cumulative rate easing through 2025. During this phase, customers stayed value-conscious and financier approvals remained selective in pockets, resulting in uneven conversations across markets," Vigneshwar said.

A turnaround emerged from September, following the rollout of GST 2.0

rate rationalisation. Meaningful tax reductions for mass-market segments — including small cars, two-wheelers up to 350cc, three-wheelers and key commercial vehicle categories — improved affordability and boosted sentiment, driving a clear pickup from September through December.

December 2025 marked a strong close to the calendar year, with auto retail volumes reaching 2.03 million units, up 14.63 per cent year-on-year. The month benefited from sustained post-GST 2.0 optimism, year-end discounts and pre-buying ahead of anticipated price increases in January, enabling dealers to convert enquiries and pending bookings within a short window.

Two-wheeler retail sales rose 9.50 per cent year-on-year in December. "While demand stayed steady, the month was also shaped by select supply constraints and model-wise availability, with many customers advancing their purchase decisions due to impending price increases. It is encouraging to see the transition continue — EV share in two-wheelers improved to 7.40 per cent from 6.13 per cent last year — reflecting rising acceptance, especially in urban markets where growth remained stronger than rural on the back of better liquidity flow," said Vigneshwar. Commercial vehicles recorded a robust month as well, registering 24.60 per cent year-on-year growth.