

Car price inflation may moderate 4.5% over 5 years as tech improves

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Car prices are likely to moderate over five years on the back of improved manufacturing and technology after rising sharply since 2019, according to analysts.

The average selling price (ASP) of automobiles increased 41 per cent between 2019 and 2024 (₹8.07 lakh to ₹11.64 lakh), according to data from market research firm Jato Dynamics. By 2029, ASP is likely to be ₹14.72 lakh. Prices have increased at a compound annual growth rate of 5.6 per cent since 2019 and are expected to clock 4.5 per cent CAGR over 2026 through 2029.

If one considers the period between 2019 and 2024, price growth in CAGR is even higher: 7.6 per cent, according to Jato data.

Prices have increased largely due to input cost inflation, with raw materials experiencing 15-25 per cent annual volatility. Steel, aluminium and copper prices shape manufacturing costs, while rare earth elements for electric vehicle (EV) batteries face over 30 per cent price swings due to supply constraint and demand. "Regulatory compliance added substantial costs through mandatory safety features (as ₹15,000-25,000 price impact per vehicle). BS VI emission standards (₹8,000-15,000), with anticipated BS VII and enhanced safety norms, may potentially add ₹20,000-30,000 (as price impact per vehicle) by 2028," said Ravi Bhatia, president of Jato Dynamics.

Consumer preference for SUVs



(20-30 per cent price premium) and feature-rich cars have also contributed to the price rise. Advanced driver-assist, infotainment and connectivity systems contribute ₹25,000-50,000 to vehicle costs, transforming luxury features into standard consumer expectations.

Hyundai Motor India has sold more than 1.1 million sunroof-equipped vehicles in India in five years and offers the feature in 12 out of its 14 models. Last year, more than 52 per cent of the company's sales in India featured sunroofs and the share reached 54 per cent from January to June 2025. "This milestone is a strong reflection of the modern Indian customer's aspiration for premium experiences in everyday mobility," said Tarun Garg, whole-time director and chief operating officer, Hyundai Motor India.

The growth of electric cars has introduced new cost structures, with lithium-ion batteries comprising 35-40 per cent of such vehicles' manufacturing costs at current \$120-150/kWh rates. The development of dual ICE-EV cars —

designed to accommodate both internal combustion engine and EV powertrains on the same platform — further increases research and development expenses.

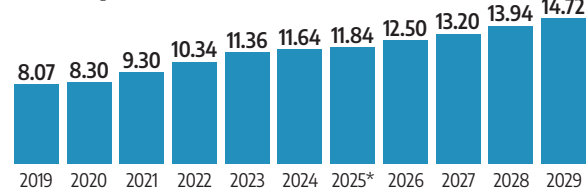
However, automobile price inflation is likely to moderate, according to industry experts.

"Current projections suggest continued increases to ₹14.72 lakh by 2029, though with moderating growth rates of 4.5 per cent CAGR (2026-2029) compared to 5.6 per cent CAGR (2022-2025), indicating the emergence of counter-force effects," said Bhatia. His prediction is in line with what other experts have pointed out. Kotak Institutional Equities, in a recent report, said that it expects a 4 per cent CAGR in ASP for Hyundai over FY25-28.

Bhatia explained that improved engineering will likely lead to vehicle weights reducing 15 per cent by 2025 and 20-25 per cent by 2035.

Advanced materials like high-strength steel and aluminum composites combined with optimised design reduce material costs while improving performance. Platform rationalisation enables 15-20 per

Steady climb Average retail price (₹ lakh)



Only Mass Market OEMs are considered; *YTD
Note: Prices 2026 onwards are projections

Source: Jato Dynamics

cent cost reduction as modular architectures share components across multiple vehicle segments. Leading original equipment manufacturers save money by leveraging global platforms adapted for Indian conditions.

Shailesh Chandra, managing director of EV market leader Tata Motors Passenger Vehicles and Tata Passenger Electric Mobility, said his company has for five years worked on costs. A new product is an opportunity to leverage common components and optimise costs, he said.

"There is continuous improvement in the app design which brings down cost structures. There is the benefit of cross-sharing components among all the portfolio products that we have created, plus we have worked with our suppliers for a high level of localisation, and we have been doing joint cost reduction," he said. "At the same time, there is further work we need to do on the entry side on cost reduction and come to a reasonable level of delivering value to the customer in terms of the right balance between features, range, and price," he said.