# Auto retail sales slow to 6.5% in FY25, may face headwinds

## Dealers concerned about ongoing tariff war and its potential impact on sales in India

**SHINE JACOB**
Chennai, 7 April

Automobile retail sales grew 6.5 per cent in financial year 2024–25 (FY25), driven primarily by a 5 per cent rise in passenger vehicle (PV) sales, an 8 per cent increase in two-wheeler numbers, and a 5 per cent uptick in commercial vehicle (CV) sales.

This compares to a growth of 10 per cent for the industry in the previous financial year (FY24).

However, concerns emerged in March, as retail sales declined for the second consecutive month — down 0.7 per cent compared to March 2024.

The fall was attributed to a 2 per cent slide in two-wheeler sales, a 6 per cent drop in three-wheeler sales, and a 6 per cent decline in tractor sales, according to data from the Federation of Automobile Dealers Associations (Fada).

The only silver lining in March's performance — which otherwise dragged down the financial year's momentum — was a 6 per cent year-on-year (Y-o-Y) growth compared to March of the previous year. This is largely due to incentives, festival-driven gains, and new launches.

In February, industry sales were down by 7 per cent, with all categories falling into the red.

### IN THE SLOW LANE
Auto retail sales (in mn)

| Category | FY25 | Y-o-Y change (in %) |
|---|---|---|
| 2W | 18.88 | 7.71 |
| 3W | 1.22 | 4.54 |
| PV | 4.15 | 4.87 |
| Tractor | 0.88 | -1.04 |
| CV | 1.01 | -0.17 |
| **Total** | **26.14** | **6.46** |

Source: Fada

In absolute numbers, the country saw sales of 26 million vehicles in FY25, versus 24.5 million in FY24.

"The first three weeks of March were notably weak, largely due to the Kharmas period, but sales accelerated significantly last week, driven by positive triggers such as Navratri, Gudi Padwa, Eid, and year-end purchasing influenced by depreciation benefits," said C. S. Vigneshwar, president, Fada.

Though passenger vehicles posted a good show in March, the dealers' body warned original equipment manufacturers (OEMs) about a higher inventory level of 50–55 days. "Unrealistic targets, liquidity challenges, and regional pockets of low demand are resulting in PV inventories rising to about 50–55 days. Incentives and festival-driven gains pushed overall results higher, but dealers remain cautious about high-stock levels and target pressures as the new financial year begins," Vigneshwar added.

Dealers expressed concern about the ongoing tariff war and its potential impact on sales in India.

"Adding to the uncertainty is the looming spectre of a global tariff war, which could trigger stock market turbulence and erode returns on mutual fund SIPs. If investors see their disposable incomes shrink alongside increased market volatility, discretionary spending — such as on auto purchases — may take a hit," said Vigneshwar.

Dealers across India are cautiously optimistic, looking ahead to FY26, with Fada projecting mid-to-high single-digit growth in the two-wheeler segment and low single-digit growth for both PVs and CVs.

Another cause for concern for the government and the industry is the static growth in the penetration level of electric vehicles (EVs). While EV penetration moved marginally up from 7.1 per cent in FY24 to 7.8 per cent in 2025, in March 2025 it came down to 9.9 per cent compared to 10.3 per cent last March.

In PVs, market leader Maruti Suzuki posted a 3 per cent rise in sales in March to 132,423 units.

However, a healthy competition is going on between three majors — Tata Motors, M&M, and Hyundai Motor — for the second slot.