

Auto sales up 5% on rural demand boost, PVs disappoint

Car sales down 3% in May amid tensions with Pak

SHINE JACOB
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Automobile retail sales grew 5 per cent in May from the year before, helped by weddings, harvest and rural demand, said a group representing dealers on Friday.

Passenger vehicle (PV) sales dipped 3 per cent to 302,214 units due to tensions over India's military clash with Pakistan in May, said the Federation of Automobile Dealers Associations (Fada) in a statement. People in border states of Jammu & Kashmir, Punjab, Rajasthan, and Gujarat delayed purchases. Sales of entry-level PVs slowed down most due to constrained financing and subdued consumer sentiment. Construction equipment vehicles dipped 6.3 per cent, and commercial vehicles (CV) declined 3.7 per cent. Fada estimates that global supply chain headwinds like scarce availability of rare earth elements for electric vehicle components and geopolitical tensions may affect urban consumer sentiment in June as well.

Two-wheelers (2W) sales increased 7.3 per cent, three-wheelers 6.2 per cent and tractors 2.7 per cent in May from the year before.

"In the 2W category, retail volumes fell 2.02 per cent month-on-month but still posted a robust 7.31 per cent year-on-year increase. Dealers attribute this resilience to a higher number of auspicious marriage days, a strong rabi harvest, and pre-monsoon demand — especially in semi-urban and rural markets. That said, financing constraints in the economy segment capped full upside potential. Looking ahead, stakeholders should continue to monitor liquidity access and model availability to preserve momentum," said CS Vigneshwar, president of Fada.

PV sales contracted 3.1 per cent year-on-year (Y-o-Y) and 13.6 per cent from month-on-month (M-o-M) as inventory edged up to 52-53 days from around 50 days.

"Although bookings remained fairly healthy, retail conversions lagged on margin-money challenges and deferred decisions. OEMs must adopt a cautious, ground-reality-aligned approach to production planning and channel incentives so that dealers are not burdened by rising carrying costs or forced into excessive discounting," said Vigneshwar.

Maruti Suzuki's sales dipped 5 per cent, Hyundai Motor around 16 per cent and Tata Motors around 13 per cent. Mahindra and Mahindra, which recently became India's number two automaker in terms of sales, gained by 26 per cent in May.

CV sales declined 3.71 per cent Y-o-Y and 11.25 per cent M-o-M amid muted freight cycles, tight liquidity and adverse geopolitical sentiment, said Fada. While bus sales offered some relief, passenger carriers and commodity-linked segments (cement, coal) saw "sharp de-growth" in sales. Wholesales accelerated as original equipment manufacturers (OEM) and dealers built



Mixed bag

Retail sales (in numbers)

	May'25	M-o-M (%)	Y-o-Y (%)
Two-wheelers	1,652,637	-2.02	7.31
Three-wheelers	104,448	4.69	6.28
Passenger vehicles	302,214	-13.64	-3.11
Commercial vehicles	75,615	-11.25	-3.71
Tractors	71,992	18.18	2.75
Construction equipment	5,903	-7.84	-6.32
Total	2,212,809	-3.33	5.11

Source: Fada

Automakers see rate cut spurring demand in entry, mid segments

Auto majors welcomed the 50 basis point rate cut by RBI to 5.5 per cent saying that increased accessibility to finance will create a positive sentiment. Shailesh Chandra, president, Siam and managing director of Tata Passenger Vehicles Ltd & Tata Passenger Electric Mobility said, "Such reduction in repo rates would have a positive impact on the Auto sector since it would lead to increased accessibility to finance at reduced costs, thereby creating a positive sentiment amongst the consumers in the market." Venkatram Mamillapalle, country CEO and MD, Renault India said, "This translates directly into improved access to affordable vehicle financing, especially in the entry and mid-level segments." Reduction in CPI inflation forecast to 3.7 per cent for FY26 will likely increase real disposable income, supporting consumer sentiment, he added.

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inventory ahead of the June 2025 mandatory A/C driver-cabin regulation.

Fada said it is cautious about demand in June. "Monsoon-driven rural traction and festival pull through should sustain 2W activity, yet persistent financing constraints and selective OEM price adjustments may temper incremental gains," said Vigneshwar.