

2-wheeler industry expects 6-9% growth in 2026

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The two-wheeler segment of the country's automobile industry is expected to grow 6-9 per cent this calendar year, supported by improved affordability following the cut in goods and services tax (GST) from 28 per cent to 18 per cent, and urban recovery in purchases for replacing vehicles.

However, the proposed mandate to make anti-lock braking systems (ABS) compulsory for sub-125cc two-wheelers is likely to push up prices and weigh on near-term volumes.

Analysts say the cost of adding an entry-level ABS system is estimated at ₹2,000-5,000 per vehicle.

Given the thin margins in the mass commuter segment, manufacturers are unlikely to absorb the entire increase, leading to price increases of up to 7 per cent in entry-level motorcycles and scooters.

"Once prices move up permanently, demand gets reset at a lower base," said Kumar Rakesh, analyst (information technology and auto), BNP Paribas.

"We will see the impact for about a year, as volumes adjust and the industry laps up a high base created by the GST benefit."

The risk has been amplified by the structure of the two-wheeler market, where sub-125cc models account for a dominant share of volumes. Motorcycles below 125cc contribute 74-75 per cent of sales in this sub-segment, while scooters are largely concentrated in lower-engine capacities.

On a monthly basis, sales of sub-125cc two-wheelers are estimated at around 900,000, based on the November data. Analysts expect the impact of price increases owing to the ABS to be most pronounced in these entry-level segments, where affordability remains the primary purchase trigger.

From a timing perspective, the immediate impact may be limited. The first half of CY26 is expected to benefit from a relatively low base of last year. However, pressure is likely to build in the second half as the base



becomes more demanding and the benefit of GST reduction fades.

"In the first half, we may not see a dramatic demand impact because the base is favourable," Rakesh said.

"But in the second half, reporting growth becomes more challenging as the GST benefit is already in the base."

There is also regulatory uncertainty around the timing and scope of the proposed ABS mandate. At a recent meeting with the government, two-wheeler manufacturers raised concern about the effectiveness of ABS in motorcycles and scooters up to 125cc, arguing that the safety benefits might be limited in lower-speed commuter segments.

Reports suggest the Centre is likely to defer the January 1 deadline, leaving the implementation timeline unclear.

Despite near-term headwinds, industry watchers' growth outlook is on account of improved affordability after GST, resilient rural demand, and strengthening urban replacement demand.

The industry closed CY25 with retail sales exceeding 20 million units, according to the data of the Federation of Automobile Distributors Associations. The momentum strengthened after the GST cut.

Rural markets, which account for 55-60 per cent of volumes, remained resilient on

The ABS challenge

- Cost of adding an entry-level anti-lock braking system is estimated at ₹2,000-5,000 per vehicle (sub-25cc)
- This may lead to price hikes of up to 7 per cent in entry-level motorcycles and scooters
- Motorcycles below 125cc contribute around 74-75 per cent to total motorcycle sales
- On a monthly basis, sales of sub-125cc two-wheelers are estimated at around 900,000 units

expectations of a healthy Rabi crop, while urban demand outpaced rural growth on improved affordability.

Electric two-wheelers are also expected to add incremental volumes as penetration continues to rise.

"We expect 6-8 per cent overall growth this year, with electric vehicles continuing their steady expansion, and penetration likely to reach around 7.5 per cent," said Subhabrata Sengupta, partner, Avalon Consulting.

Anurag Singh, advisor at Primus Partners, said: "Two-wheelers have benefited significantly from GST reduction, leading to a noticeable improvement in sales since October."

The sector can still see growth of 7-9 per cent this year if trends in demand sustain, even after factoring in regulatory changes, he said.

While the ABS mandate could disrupt volumes in the short term, analysts say it is structurally positive for the industry.

"ABS is a safety feature that has demonstrably helped save lives," Singh said, noting that the incremental cost was significantly lower than the benefit consumers received from the GST reduction.

Price elasticity would imply that growth in volumes will be impacted till the time the base gets reset," Rakesh said. "After one year