

'Luxury car market to remain flat in 2026'

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New Delhi

Mercedes-Benz India, the leader in the luxury car segment, announced on Wednesday that the industry is expected to remain flat this year. Despite a 6 per cent reduction in GST, a top official noted that economic headwinds, particularly foreign exchange (forex) depreciation, continue to weigh on growth. The company has already done price adjustments up to 2 per cent effective January, across its model range on ex-showroom prices, driven by increased material costs, inflationary pressures, and logistics expenses, leading to higher operational costs.

As per industry estimates, the luxury car market in India grew by around 2 per cent in calendar year (CY) 2025 to around 52,100 units as compared with around 51,200



Santosh Iyer, Managing Director and Chief Executive Officer, Mercedes-Benz India

units in CY 2024. The market had crossed 50,000 units for the first time in CY 2024. Recently, the BMW Group India had declared its sales numbers that grew by 14.4 per cent on year in CY 2025 to 18,001 units as compared with 15,723 units in CY 2024.

However, 'Q8' maker, Audi India reported a decline of 22.4 per cent on year to 4,510 units last year as compared with 5,816 units in CY 2024.

"Major factor is sentiment driven... because of all the geopolitical reasons, the sentiment has been on and off in terms of purchase, and that makes it a more flattish kind of luxury cars growth in 2026," Santosh Iyer, Managing Director and Chief Executive Officer, Mercedes-Benz India, told *businessline*.

Having said that, he added that while on one side there is a strong headwind because of currency and geopolitics, on the other side, there is a strong positive tailwind from policy, too. For instance, the overall GDP is strong, he noted.

"The government has been very active last year. Three things — they actually reduced the tax slabs or changed the tax slabs favourably, the interest rate reductions from RBI, and we saw GST reduction. So I think the government is also riding on the growth CAGR, and they will be proactive to do more

stimulus even in 2026," Iyer said.

POSITIVE SENTIMENT

"Also, the free trade agreement (FTA) talks, like the one with the European Union, in the background, provide a strong positive sentiment. So, there are enough headwinds," he added. Meanwhile, the company on Wednesday said its CY 2025 sales declined by 3 per cent on year to 19,007 units as compared with 19,565 units in CY 2024. Iyer said the firm has decided to focus on growing its top-end vehicles (TEVs) and core segment and not participate in the pricing war in entry level luxury cars. Sales of TEVs, which are priced above ₹1.5 crore, grew by 11 per cent and comprised 25 per cent of all Mercedes-Benz vehicles sold in India in 2025. The high-performance AMG portfolio also grew by 34 per cent on year.