Car firms see sales growth crawling at 1-2% in FY26

2-wheeler sales may rise 8-10%

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Major Indian carmakers are bracing for sluggish domestic passenger vehicle (PV) sales growth of just 1-2 per cent in 2025-26, citing weak demand, affordability concerns, declining entry-level car sales, the fading post-pandemic surge, inflation, rupee depreciation against the dollar, and geopolitical uncertainties, *Business Standard* has learnt.

At an internal meeting on Wednesday, members of the Society of Indian Automobile Manufacturers (Siam) reached a consensus that PV sales could inch up just 0.07 per cent in the current financial year and grow only marginally by 1-2 per cent in the next. In FY24, domestic PV sales stood at 3.89 million units.

In contrast, two-wheeler manufacturers are more optimistic. Siam estimates two-wheeler volume sales to rise by 8-10 per cent in FY26, mirroring expected growth in FY25.

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Estimated sales volume growth (% Y-o-Y)

PVs	
2024-25	0.07
2025-26	1-2

■ **PV sales volume in FY24 was 3.89 mn units**

Two-wheelers	
2024-25	10.63
2025-26	8-10

■ **Two-wheeler sales volume in FY24 was 17.97 mn units**

Source: Siam

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Affordability among biggest concerns in PV segment

This momentum is set to be driven by strong rural demand, the income-tax (I-T) relief proposed in the FY26 Budget, seasonal uptick, increased replacement demand, and the PM E-drive scheme, the industry body noted. But price hikes due to OBD-II (On-Board Diagnostics 2) emission norms could pose a challenge

At the meeting, Partha Banerjee, head of marketing and sales at Maruti Suzuki India, said PV industry volume growth in FY26 is expected to be between 1 per cent and 1.5 per cent. He said that vehicle prices have risen nearly 70 per cent in recent years, largely due to the cost of meeting regulatory norms such as emission norms, while customer incomes have not kept pace. This, he said, has made affordability a key worry for buyers.

Banerjee highlighted that proposed duties and taxes imposed by foreign countries could add further challenges. He pointed out that car ownership in India remains low, at just 34 vehicles per 1,000 people. First-time car buyers have also declined, dropping from 47 per cent in 2018-19 to 40 per cent currently.

According to him, affordability is the biggest concern for this segment, making it crucial to strike a balance between cost and features.

Tapan Ghosh, national sales head at Hyundai Motor India, said pent-up demand had sustained PV sales until the first half of 2023, but macro headwinds — including rupee depreciation versus the greenback, inflation, and turbulence in the information technology sector — are now reshaping the car market. However, he pointed to encouraging signals from the Budget, particularly I-T relief, and expected rural sales to improve.

Ghosh projected PV industry volume growth of 1-1.5 per cent for 2025-26, with the sector's overall CAGR hovering around 4 per cent until 2030. He highlighted a shift in the market, where customer aspirations are rising and SUVs have taken the lead. Within Hyundai's portfolio, 45 per cent of first-time buyers now opt for SUVs, while even hatchback customers are increasingly choosing premium models.

Hardeep Brar, national head of sales and marketing at Kia India, stated that PV volume sales are expected to grow by 2-3 per cent in 2025-26. Speaking to *Business Standard* after the meeting, Brar explained: "The Indian auto market is navigating several challenges, including geopolitical uncertainties that may affect the cost of raw materials, components, and finished goods. Stock market volatility dampens investor confidence and consumer sentiment." However, he expressed optimism about FY26, predicting 2-3 per cent growth. Brar also said Kia India expects 15-20 per cent volume sales growth in the next financial year, driven by the launch of the Syros and an upcoming mass-segment electric vehicle.

Vivek Srivatsa, chief commercial officer at Tata Passenger Electric Mobility, projected PV volume sales growth of 2-4 per cent in FY26. Tata Motors, India's largest electric carmaker, stressed the need for greater focus on developing the EV ecosystem, particularly charging infrastructure.

A source at Tata Motors said that the industry has seen flat growth so far in the current financial year. "In the first nine months, we've recorded just 2 per cent growth, and that trend is likely to continue into FY25. Demand has been volatile, fluctuating sharply from month to month. This is more a reflection of the broader macroeconomy," the source said.

A senior executive at Mahindra & Mahindra stated that most platforms — electric, hybrid, and petrol — will continue to coexist in the future. He noted that EV battery technology is becoming more cost-efficient, with the price per kilowatt gradually declining. Despite these advancements, he said the overall industry is not expanding due to affordability concerns. Disposable incomes have not kept pace with rising vehicle prices, which is affecting demand. Looking ahead, he expects PV industry volume sales to grow by just 1-2 per cent in FY26, while the UV segment is likely to grow at a much higher rate of 8 per cent.

Meanwhile, two-wheeler companies expect sales to grow by 8-10 per cent in FY26, similar to the estimates for FY25, driven largely by rural demand supported by a strong rabi crop, according to Siam's consensus estimates. The income tax relief proposed in the FY26 Budget is expected to boost affordability, particularly in the entry-level segment. Seasonal demand during wedding and post-monsoon festival periods is also likely to contribute to sales. Additionally, replacement demand is strengthening, and the PM E-drive scheme could further accelerate growth.