



Wheelwatch | Deloitte's Auto Sector Tracker

July 2025

Executive summary

India's automotive sector is witnessing a structural realignment. It is set against the backdrop of an economy navigating uneven rural recovery, fiscal consolidation and a services-driven urban consumption cycle. Entry-level demand remains under pressure, while premium, hybrid and electric segments continue to gain traction, reflecting rising aspirations and shifting mobility preferences in urban India.

To decode these evolving dynamics, Deloitte India presents *Wheelwatch | Auto Sector Tracker*. It is a concise, insight-led quarterly publication that integrates market performance, regulatory developments and consumer sentiment into a cohesive narrative.

In our first edition, we focus on Q1 FY2026. Two-wheeler sales declined, however electric two-wheeler registrations rose. We saw a growing penetration in southern Indian and urban markets. Passenger vehicle (PV) sales remained flat, while electric PV registrations surged, signalling a more profound shift towards sustainable mobility among value-conscious and aspirational buyers.

As demand patterns fragment across incomes and geographies, the first edition of *Wheelwatch* provides a regionally nuanced, evidence-backed view of what is driving India's auto sector today and the trends fuelling its future.



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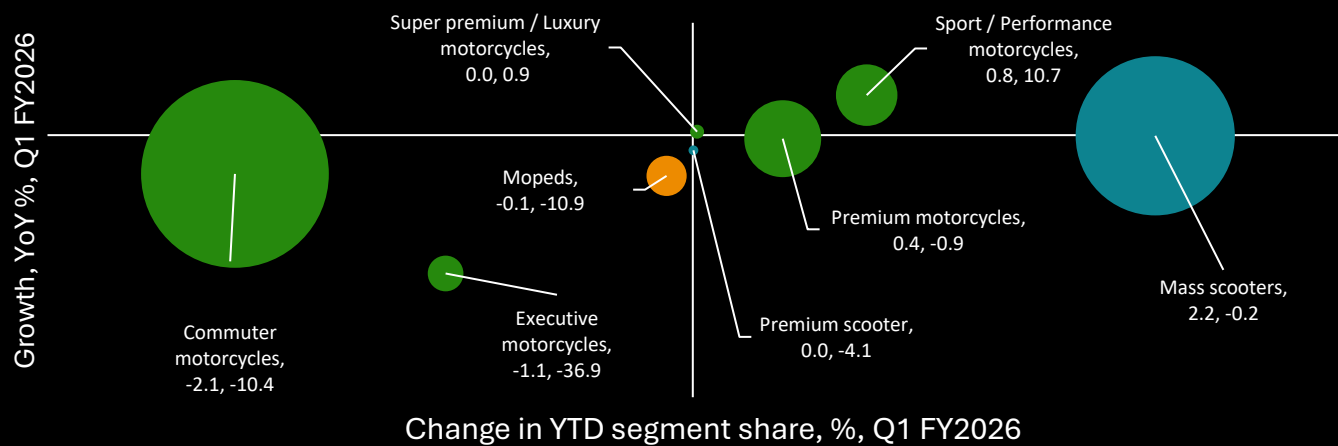


Two Wheeler Industry



Cracks at the base, momentum on the surface: Decoding India's two-wheeler segment

Segment-wise performance of the two wheeler industry



Note: Bubbles represent the segment volume as on Q1FY2026.
Total domestic sales of two-wheelers in Q1FY2026 were 4.7 million units

Source: CMIE, SIAM

-6.2%

YoY growth of domestic sales of two-wheelers in Q1 FY2026



**Motorcycles contracted
-9.2% YoY in Q1 FY2026**



**Scooters fell by -0.2%
YoY in Q1 FY2026**



**Mopeds contracted
-10.9% YoY in Q1
FY2026**

2-wheeler segment definition:

Commuter motorcycles is up to 125cc; Executive motorcycles is 125-150cc; Premium motorcycles is 150-250cc; Sport/performance motorcycles is 250-500cc; Super premium/luxury is above 500cc; Mass scooters is below 125 cc; Premium scooters is above 125 cc

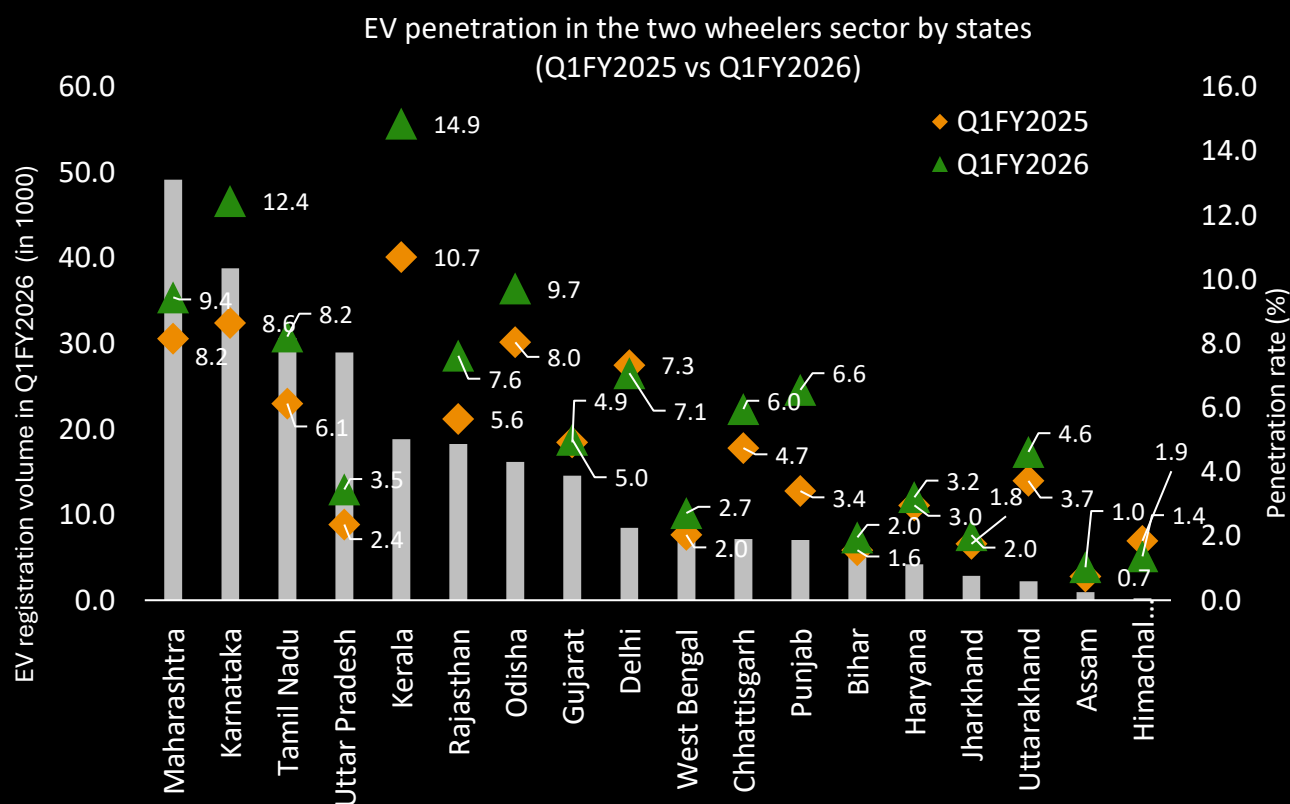
Leaders and laggards in India's two-wheeler Electric Vehicle (EV) transition: A state-wise snapshot

34%

YoY growth of electric 2W registration in Q1 FY2026

6.2%

Penetration rate of India in Q1 FY2026 vs 4.9% in Q1 FY2025



Source: VAHAN

Note: Electric (BOV) and pure EV is taken as EV, as defined in Vahan

Penetration rate is calculated as the share of electric two-wheeler registrations in total two-wheeler registrations.

The penetration rate of India includes all states except Telangana

Key Insights

Domestic two-wheeler (2W) sales declined by 6.2 percent YoY in Q1 FY2026, even as EV registrations rose by 34 percent during the same period. EV penetration in the segment increased to 6.2 percent from 4.9 percent in Q1 FY2025.



What the numbers say:

- Motorcycle sales dropped 9.2 percent, with commuter bikes down 10.4 percent while losing share, indicating affordability pressures in lower-income households.
- The executive segment weakened, hinting at a broader squeeze on the aspiring middle class.

Premium and urban demand:

- Sport /performance bikes grew 10.7 percent, and luxury bikes rose 0.9 percent, indicating demand at the top remains intact.
- Scooter sales were flat (-0.2 percent), but mass scooters gained 2.2pp in segment share suggesting changing urban mobility choices and possible substitution from motorcycles.

Uneven yet deepening EV penetration:

- Kerala leads at 14.9 percent EV penetration, more than double the national average, driven by rising awareness and infrastructure.
- Karnataka continues steady growth, supported by original equipment manufacturers (OEMs) and urban demand.

The two-wheeler market is fragmenting across income and geography. Core rural segments are under pressure, while premium and urban demand remain resilient. EV adoption is advancing selectively, led by states with consumer pull, infrastructure and consistent execution. The quarter signals a structural churn in the market, where value-driven consumers are pausing, but aspiration and sustainability narratives are gaining ground.



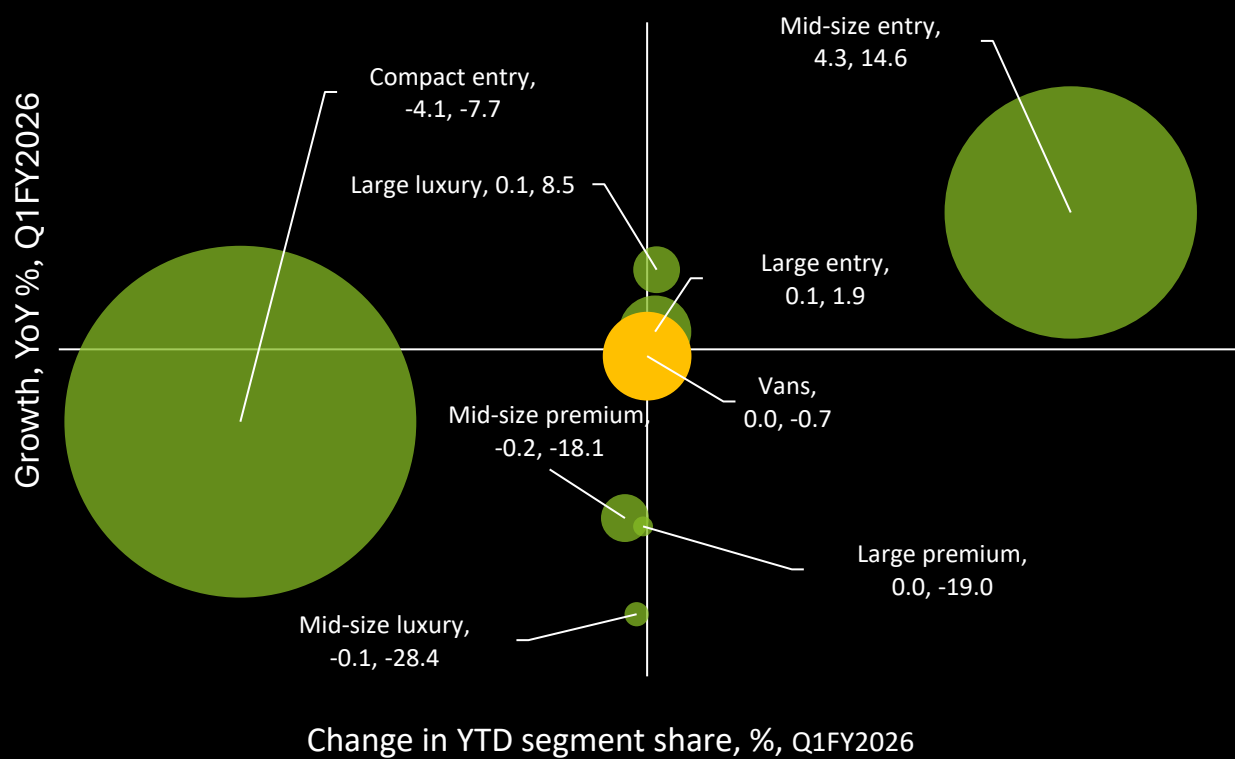
Passenger Vehicle Industry

Aspirations rise, gaps widen: Trends in India's passenger vehicle market

-1.4%

YoY growth of domestic sales of passenger vehicles in Q1 FY2026

Segment-wise performance of the passenger vehicle industry



Source: CMIE, SIAM

Note: Bubbles represent the segment volume as Q1FY2026.
Total domestic sales of passenger vehicles in Q1FY2026 were 1.0 million units

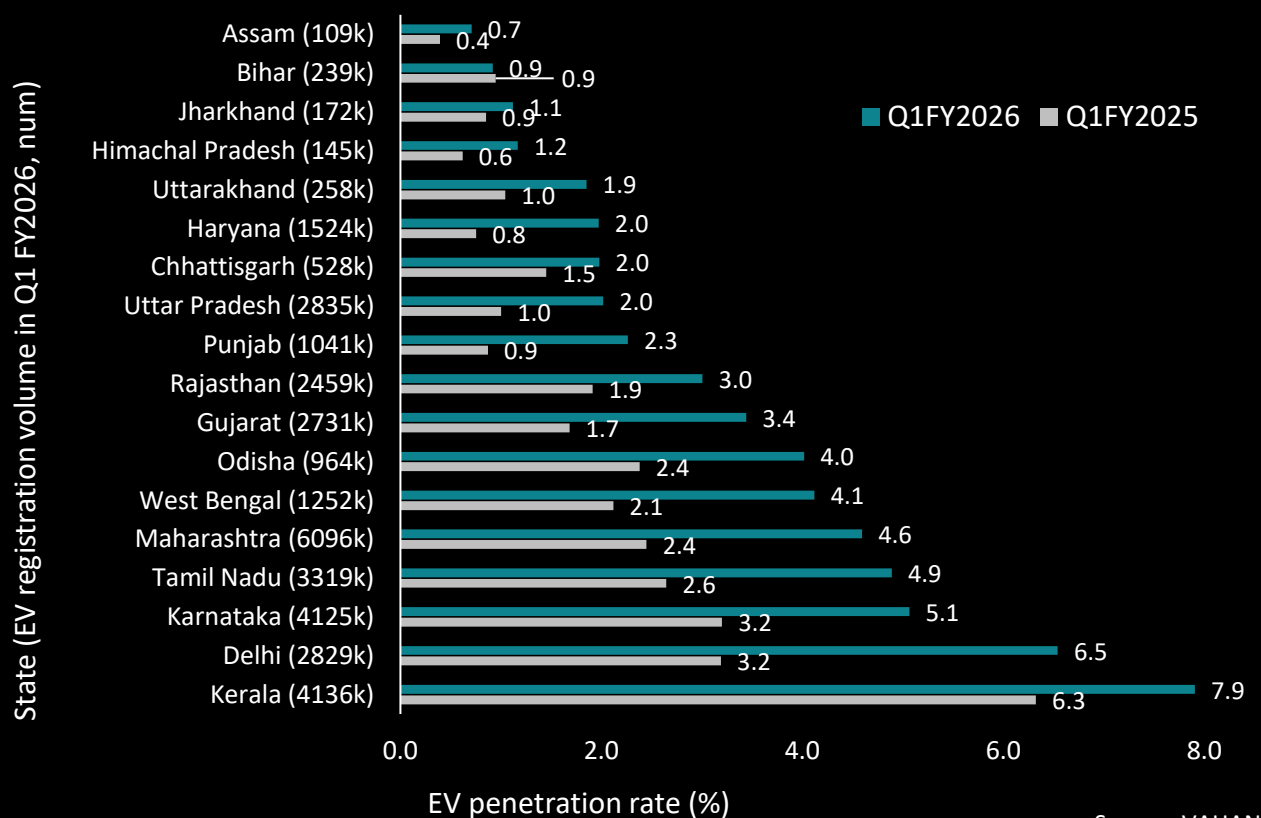
Passenger vehicle segment definition:

Compact entry is up to 4m and below 20 lakh; Mid-size entry is 4m-4.7m and below 20 lakh; Mid-size premium is 4m - 4.7m & between 20-30 lakh; Mid-size luxury is 4m-4.7m and above 30 lakh; Large entry is above 4.7m and below 20 lakh; Large premium is above 4.7m and between 20-30 lakh; Large luxury is above 4.7m and above 30 lakh

Mapping India's passenger vehicle EV adoption: Who's driving the shift?

75% YoY growth of E-passenger vehicle registration in Q1 FY2026

EV penetration in passenger vehicle by states (Q1FY2025 vs Q1FY2026)

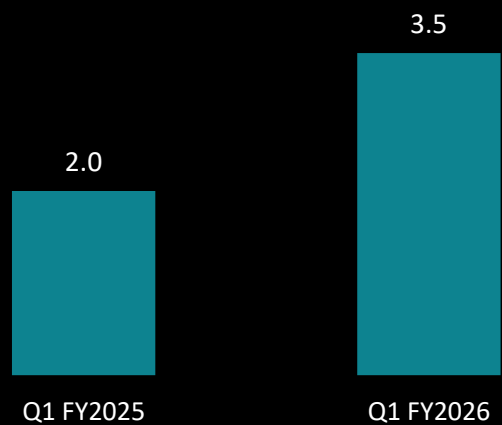


Source: VAHAN

Note:

- Electric (BOV) and pure EV is taken as EV, as defined in Vahan.
- Penetration rate is calculated as the share of electric PV registrations in total PV registrations.
- The penetration rate of India includes all states except Telangana.

India's penetration rate (%) of E passenger vehicle



Key Insights

India's passenger vehicle (PV) market saw a -1.4% contraction in Q1 FY2026. However, electric PV registrations surged by 75 percent during the same period, pushing the EV penetration rate to 3.5 percent, up from 2 percent in Q1 FY2025



Key insights:

- Mid-size entry cars led the market with 14.6 percent growth, gaining share, pointing to rising demand for practical, value-upgraded vehicles.
- Growth of compact entry cars declined 7.7 percent, highlighting weak rural demand and a fading first-time buyer base.
- Large cars, both entry-level and luxury models, saw increased traction, indicating that consumers with purchasing power are gravitating towards presence and premium features.
- Mid-size premium and mid-size luxury cars underperformed, suggesting a direct jump from budget to top-end SUVs, bypassing the middle sector.



EV trends: Emerging regional divide

- Kerala leads with the highest EV penetration rate (7.9 percent), supported by high awareness and local ecosystem readiness.
- Delhi, Karnataka, Tamil Nadu, Maharashtra, Gujarat, West Bengal and Odisha (each > 3.5%) are driving national momentum with urban demand and state policy support.
- Bihar, Jharkhand and Chhattisgarh lag on affordability and infrastructure.

Slip in largest segment i.e. compact entry-level cars, squeezed by affordability concerns and stagnant rural sentiment. Meanwhile, urban buyers are moving up the ladder faster, chasing aspiration, features and road presence. In EVs, growth is no longer just about early adoption; it's clustering in regions where infrastructure, policy and awareness converge, widening the gap between leaders and laggards.

Policy announcements for two-wheelers and passenger vehicles



Operational Guidelines notified for the Centre's Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI)

Concessional duty rate of 15 percent levied on import of completely built-in units (CBUs) of e-4W exceeding US\$35,000 in CIF value.

Eligible applicants are required to achieve a minimum Domestic Value Add (DVA) of 25 percent and 50 percent in a staggered manner.

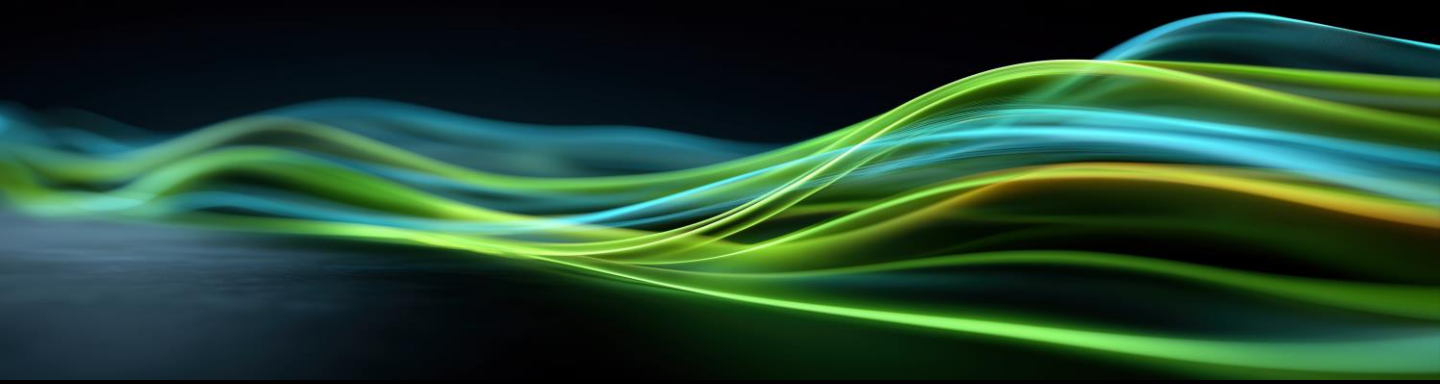
The recently launched portal now offers a three-month window until October 2025 for applying under the scheme.



The Government of Maharashtra has extended the Maharashtra Electric Vehicle Policy 2021, effective from April 2025 to March 2030, with an aim to achieve 30 per cent EV penetration by 2030, enhance charging infrastructure and strengthen the state's EV manufacturing ecosystem.

The policy offers an exemption from payment of toll taxes within the state to passenger vehicles.

The recently launched portal now offers a three-month window until October 2025 for applying under the scheme.





On 29 March, 2025, The Government of Madhya Pradesh, notified the Madhya Pradesh Electric Vehicle Policy 2025

The policy aims to accelerate EV adoption by offering financial incentives, tax exemptions and support for charging infrastructure.

Buyers will receive 100 percent exemption on road tax and registration fees while charging stations will be strategically developed along highways and urban areas to ensure seamless EV operations.

The policy shall remain active for a duration of five years from the date of notification (or) until replaced by an updated/revised policy.



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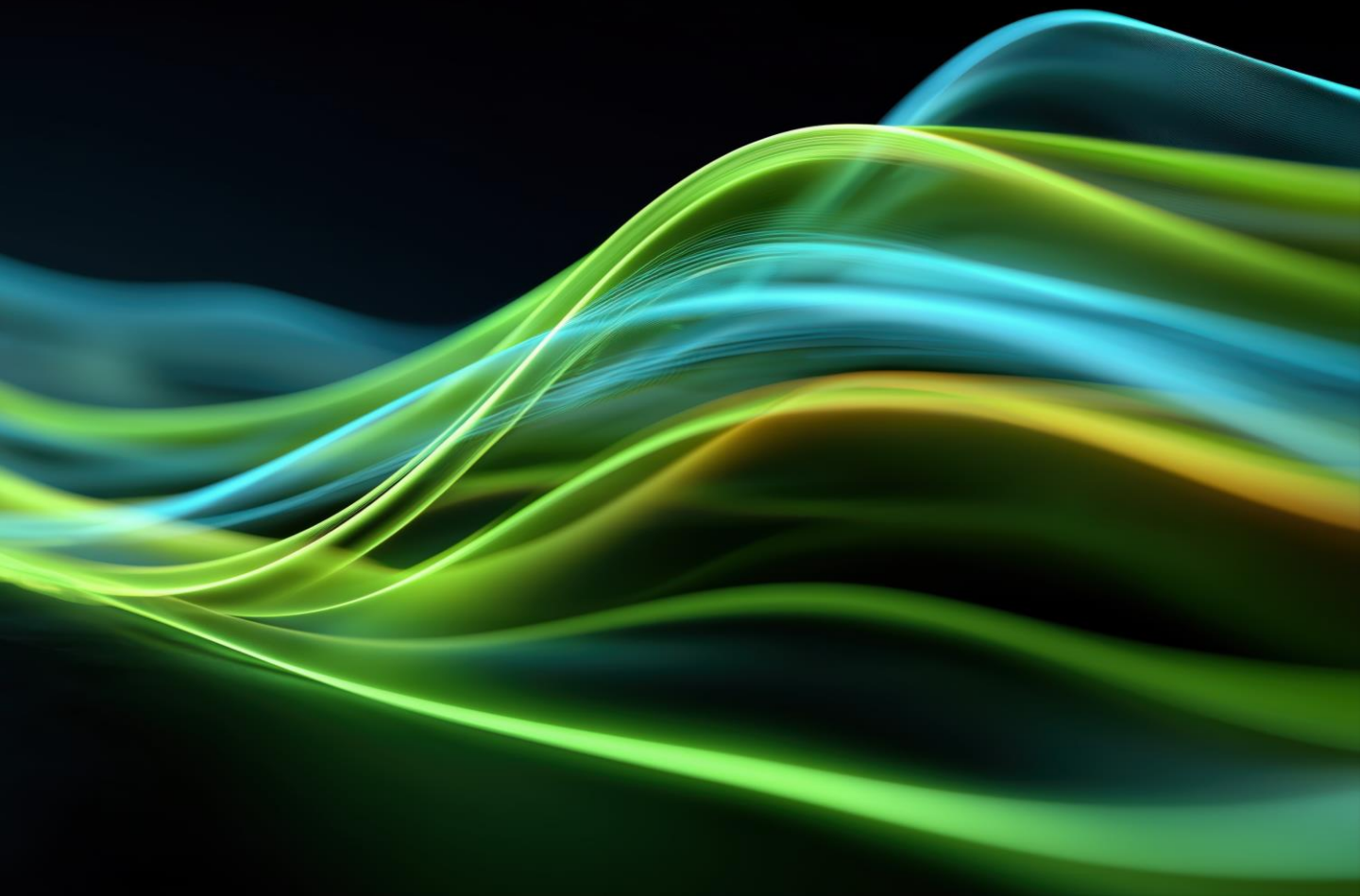
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