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Wheelwatch | Deloitte India's auto sector tracker

Edition 2

December 2025

Executive summary

India's automotive sector is witnessing a structural realignment. It is set against the backdrop of an economy which is 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 an auto sector tracker, *Wheelwatch*. It is a concise, insight-led quarterly publication that integrates market performance, regulatory developments and consumer sentiment into a cohesive narrative.



Rajat Mahajan

Partner and Automotive Sector Leader
Deloitte India

In this second edition, we focus on the first seven months of FY2026 (April to October).

While two-wheeler (2W) wholesale experienced a modest increase driven by existing inventory, the registrations continued to rise, including for electric vehicles (EVs). Passenger vehicle (PV) sales experienced a slight decline, while electric PV registrations saw a significant increase, driven by high festive demand, an optimistic economic outlook and the benefits of a recent Goods and Services Tax (GST) rate reduction.

As demand patterns diversify across different income levels and regions, this edition of *Wheelwatch* provides a detailed, evidence-based perspective on the current drivers of India's auto sector and the trends shaping its future.

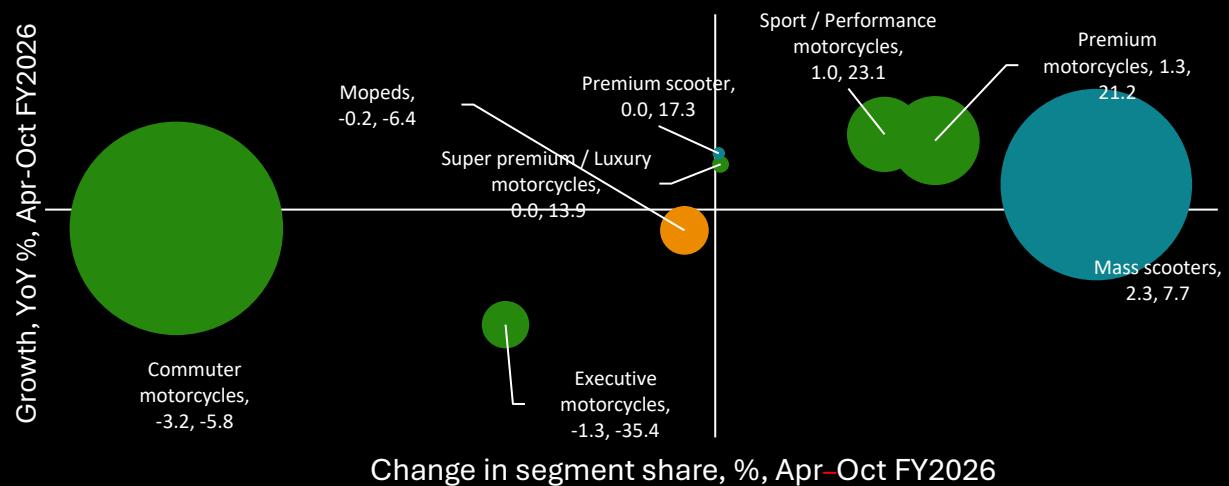




Two-wheeler industry

Cracks at the base, momentum on the surface: Decoding India's two-wheeler (2W) segment

Segment-wise performance of the two-wheeler industry



Note: Bubbles represent the segment volume as of Apr – Oct FY2026.

Total domestic sales of two-wheelers in Apr – Oct FY2026 were 12.5 million units

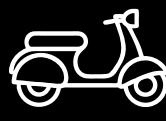
Source: CMIE, SIAM

1%

domestic two-wheeler sales growth YoY in
Apr-Oct FY2026



2.4%



7.8%



6.4%

2W 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

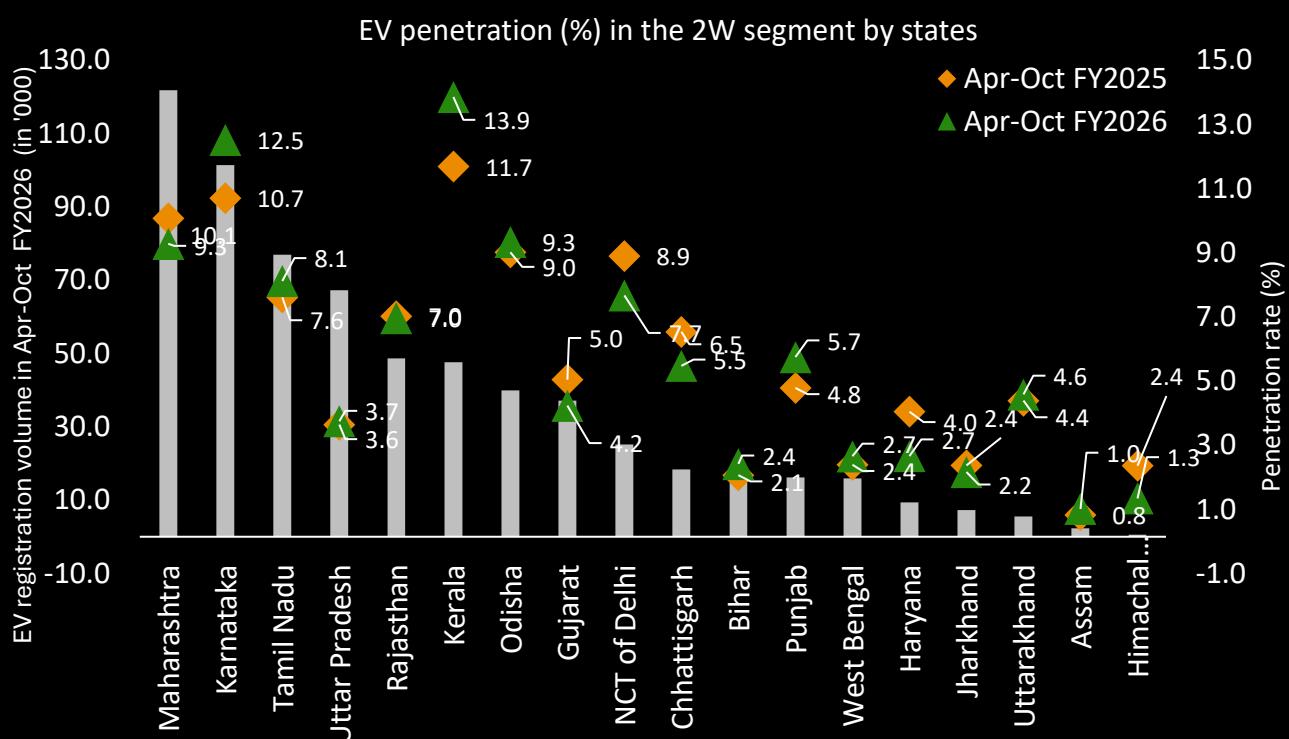
Leaders and laggards in India's two-wheeler electric vehicle (EV) transition: A state-wise snapshot

16.4%

Electric two-wheeler registered YoY growth in Apr–Oct FY2026

6.3%

Penetration rate in India for Apr–Oct FY2026, up from 6.1 percent in Apr – Oct 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 2W wholesale sales increased by 1 percent YoY, while retail sales grew 12.6 percent in FY26 YTD (Apr '25 – Oct '25), indicating that original equipment manufacturers (OEMs) have been cautious with dispatches, possibly due to weaker sales in earlier months and previous inventory build-up, which is now being sold to end-customers while fresh dispatches remain modest. The retail 2W sales were supported by rural demand, GST reductions and the festive rush.

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.

EV registrations rose by 16.4 percent during the same period. EV penetration in the segment increased to 6.3 percent, indicating a positive adoption trend.



A shrinking share of commuter and executive motorcycles:

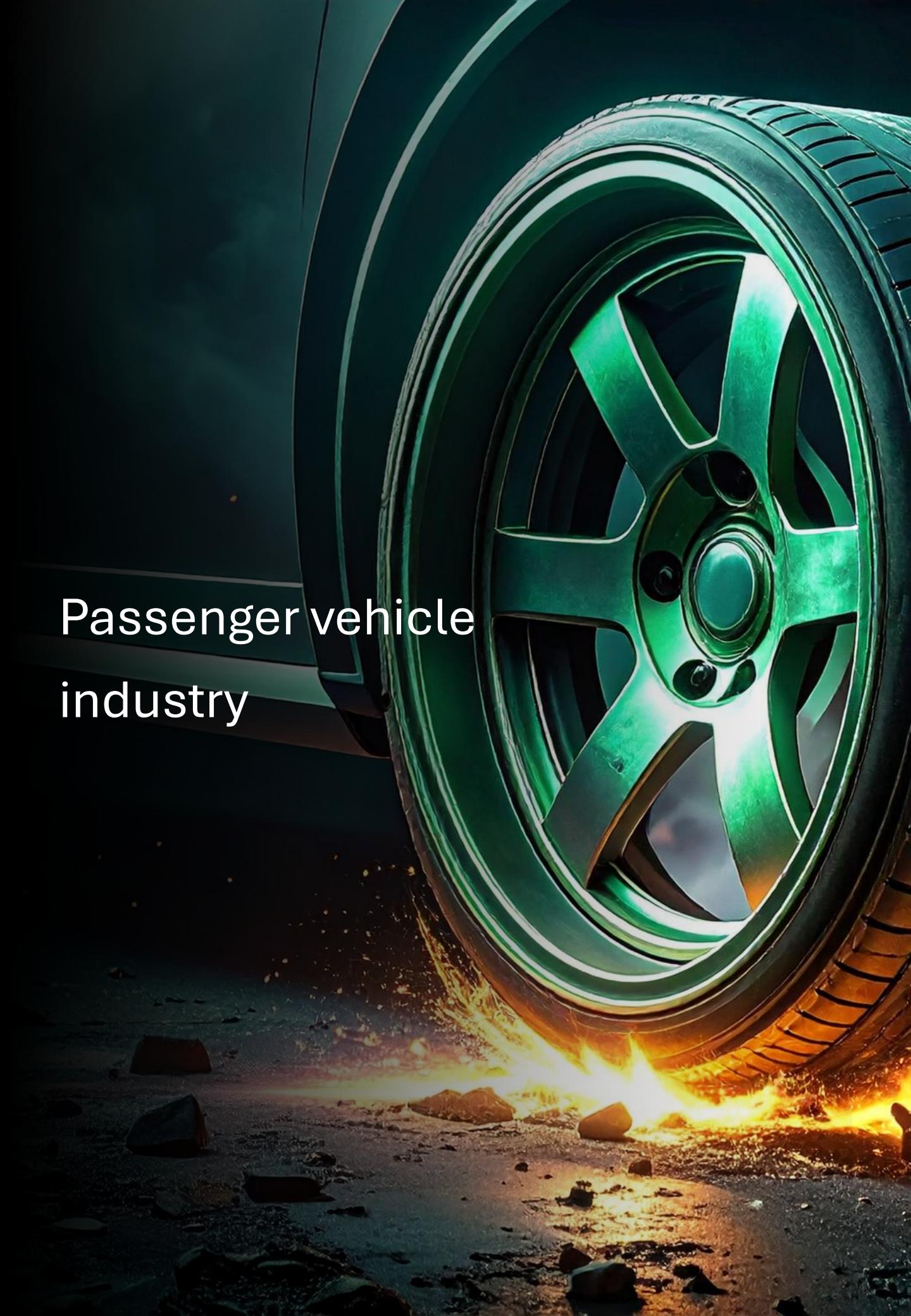
- Apr – Oct FY2026, motorcycle wholesales declined by 2.4 percent overall. This decline included a 5.8 percent decrease in commuter motorcycles and a significant 35.4 percent drop in executive motorcycles, indicating weak demand.

Aspiration drives growth in the premium segment:

- Sport/performance and luxury bike segments maintained strong momentum in Apr – Oct FY2026, posting growth of 23.1 percent and 13.9 percent, respectively, in wholesale dispatches.
- During the same period, scooter wholesales increased by 7.8 percent, with premium scooters leading the way (17.3 percent growth), indicating a shift in urban mobility preferences.

Uneven yet deepening EV penetration:

- Kerala continued to lead EV penetration in Apr – Oct FY2026 at 13.9 percent, more than double the national average, driven by rising awareness and infrastructure.
- Karnataka (12.5 percent) continues steady growth, supported by OEMs and urban demand.

A dramatic, low-angle shot of a car's front wheel in motion. The wheel is a multi-spoke alloy design, reflecting a bright, intense orange and yellow light from the point of contact with a wet, dark surface. The background is dark and out of focus, emphasizing the wheel and the light effect.

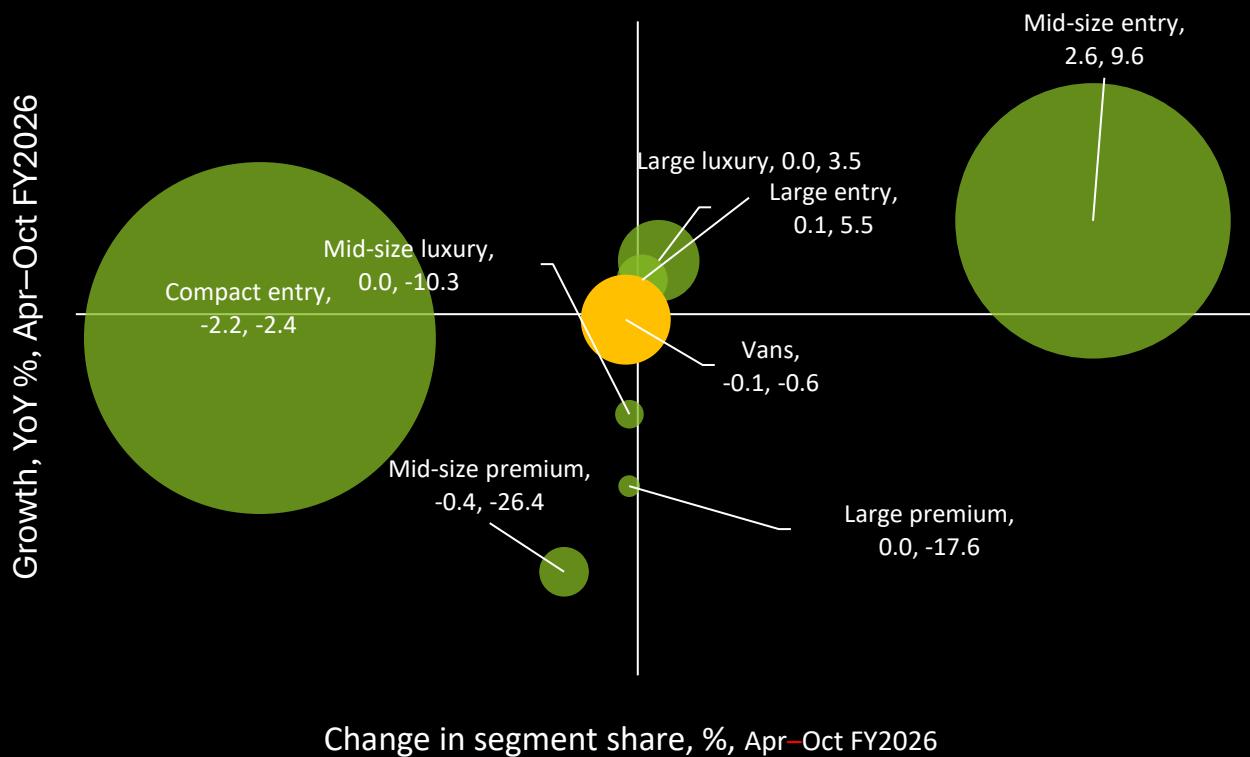
Passenger vehicle industry

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

1.3%

YoY growth of domestic sales of passenger vehicles during Apr–Oct FY2026.

Segment-wise



Note: Bubbles represent the segment volume as of Apr – Oct FY2026.
Total domestic sales of passenger vehicles in Apr – Oct FY2026 were 0.6 million units

Source: CMIE, SIAM

PV 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

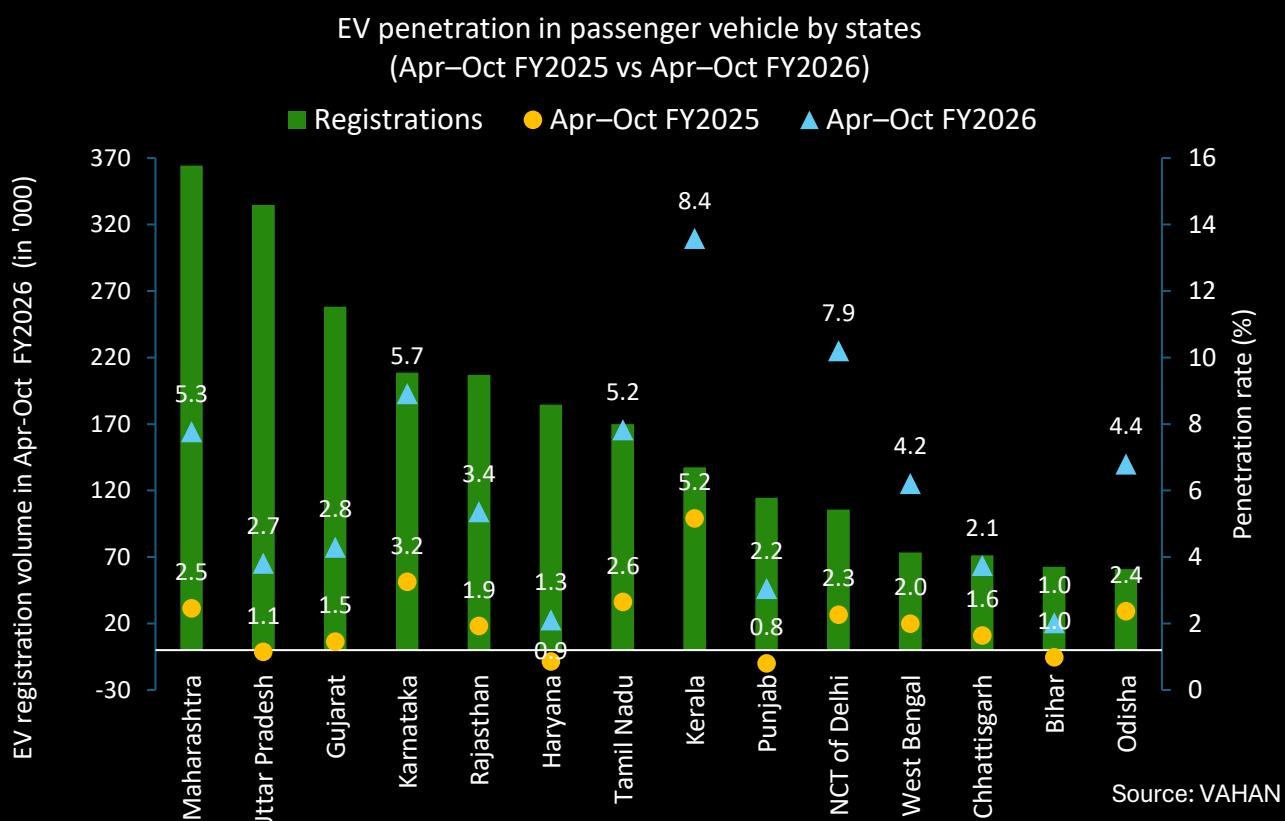
Mapping India's passenger vehicle EV adoption: Who is driving the shift?

108%

YoY growth of E-passenger vehicle registration
during Apr – Oct FY2026

3.8%

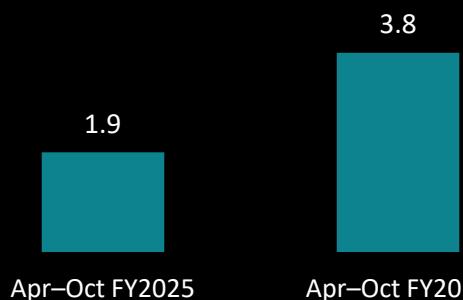
Penetration rate of E-passenger vehicle
registration in Apr– Oct FY2026



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 EV
passenger vehicle



Key insights

India's PV market recorded a 1.3 percent growth in wholesales during April – October FY2026, while retail sales increased by 5.8 percent, indicating that retail sales of cars outpaced OEM dispatches, with GST rate cuts boosting affordability and first-time buyers, leading dealers to report record enquiries and improved conversion rates.

However, electric PV registrations surged by a massive 108 percent during the same period, pushing the EV penetration rate to 3.8 percent, up from 1.9 percent during the same period the previous year.



Wholesale of mid-size entry cars increased by 9.6 percent in FY2026 YTD (Apr – Oct). This is a good sign, but partly due to the recent GST cut. We need to see a consistent long-term growth trend in the volume driver mid-size entry and compact entry segment.

Large cars, including both entry-level and luxury models, experienced increased popularity, indicating that consumers with purchasing power are drawn to premium features. The YoY wholesale sales growth recorded for both segments in FY2026 YTD (Apr – Oct) was 5.5 percent and 3.5 percent, respectively.

Mid-size luxury sales decreased by 10.3 percent, and Mid-size premium models also underperformed. This is suggesting a jump to top-end SUVs, and customers could be prioritising value-for-money, features, fuel efficiency, while taking advantage of the GST reduction in Internal Combustion Engine (ICE) vehicles



EV trends: Decoding India's diverse EV markets

Kerala leads with the highest EV penetration rate (8.4 percent) during Apr–Oct FY2026, supported by high awareness and local ecosystem readiness.

Delhi, Maharashtra, Karnataka, Tamil Nadu, Odisha and West Bengal (each > 4 percent) are driving national momentum with urban demand and state policy support.

Slip in the 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 about early adoption; it is about clustering in regions where infrastructure, policy and awareness converge, widening the gap between leaders and laggards.

Policy announcements for passenger and commercial vehicles



GST rate revisions: Effective 22 September 2025, the 56th GST Council meeting introduced a new tax structure to support the domestic auto industry and enhance affordability.

Recent GST reforms reduced tax on mass-market two-wheelers, small cars and public transport vehicles from 28 percent to 18 percent, lowering prices and boosting affordability. Electric Vehicles will continue to be taxed at 5 percent.

High-end cars now face up to 40 percent GST, however, with the removal of Compensation Cess, the overall tax incidence has been reduced. Meanwhile, motorcycles with engine capacity exceeding 350cc face a higher burden of GST at 40 percent, up from 28 percent previously.

GST rates on automotive parts and components have undergone a downward revision, with rates reduced to 18 percent from 28 percent previously.



Uttar Pradesh's EV subsidy revamp: Only 'Made In UP' vehicles eligible from 14 October 2025

Only EVs that are manufactured or assembled in Uttar Pradesh will qualify for road tax exemptions and registration fee waivers with effect from 14 October 2025.

This move aims to boost local EV manufacturing, generate employment and strengthen UP's position as an EV manufacturing hub.



PM E-DRIVE scheme revised in respect of commercial vehicles

Incentives can be claimed until 31 March 2028 (previously 31 March 2026) in respect of commercial vehicles (e-trucks and buses).

Coverage of incentives in the form of upfront discounts under the scheme extended to e-trucks.



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Rajat Mahajan

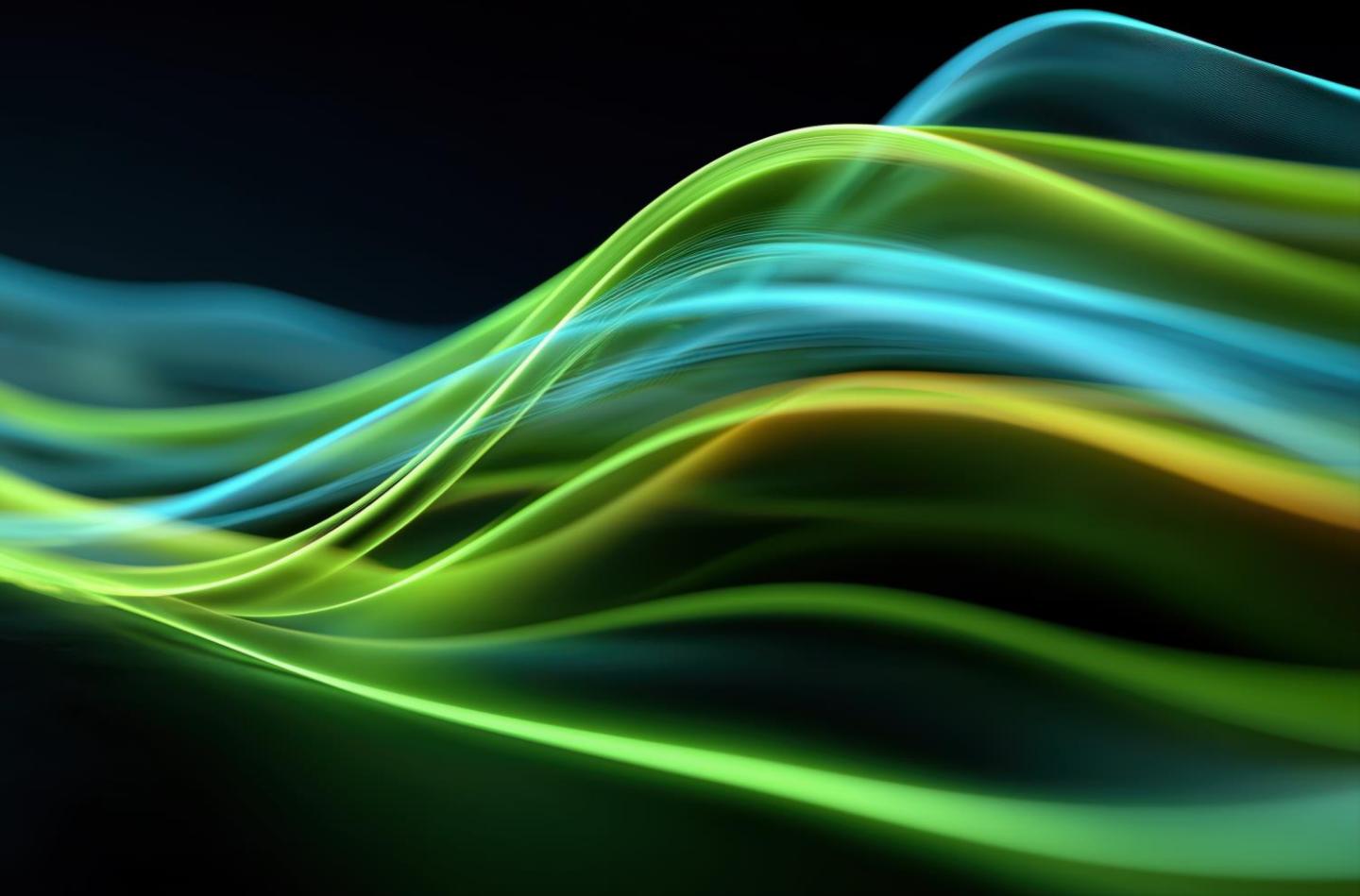
Partner and Automotive Sector
Leader, Deloitte India
rajatm@deloitte.com

Sheena Sareen

Partner, Deloitte India,
shesareen@deloitte.com

Atul Jairaj

Partner, Deloitte India
ajairaj@deloitte.com



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