Wheelwatch | Deloitte India's auto sector tracker

Edition 5

July 2026

Executive summary

FY2027 started strongly for the industry, with all sectors benefiting from a favourable base and improving demand. Growth was broad-based, supported by low inflation, lower Goods and Services Tax (GST) rates and healthy consumer sentiment.

Two-wheelers led the recovery, with demand continuing to shift towards premium scooters and executive motorcycles. Consumers continued to prioritise features, technology and convenience, reinforcing the premiumisation trend. Scooters remained the primary growth driver.

Passenger vehicle demand remained robust, supported by new launches and lean inventory levels. Consumer preferences continued to shift toward larger, feature-rich vehicles, with buyers increasingly trading up within the mass-market segment.

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Commercial vehicles entered a freight-led upcycle, supported by infrastructure activity, mining demand and replacement purchases.

Electric Vehicle (EV) adoption accelerated across vehicle categories. While two-wheelers and passenger vehicles expanded penetration, commercial vehicle electrification remained concentrated in passenger and cargo applications. Adoption continued to vary across states, reflecting differences in economics, infrastructure readiness and policy support.

Policy developments and external factors are likely to influence the sector outlook over the coming quarters. An erratic monsoon could create uncertainty around rural demand recovery, while the opening of Corporate Average Fuel Efficiency (CAFÉ) III revisions for public consultation signals continued regulatory momentum. Additionally, the India–UK Free Trade Agreement (FTA) coming into effect is expected to improve trade linkages and enhance competitiveness across parts of the automotive and auto-component value chain.

Two-wheeler (2W) industry

Demand-led recovery strengthens, with growth shifting towards scooters and aspirational segments

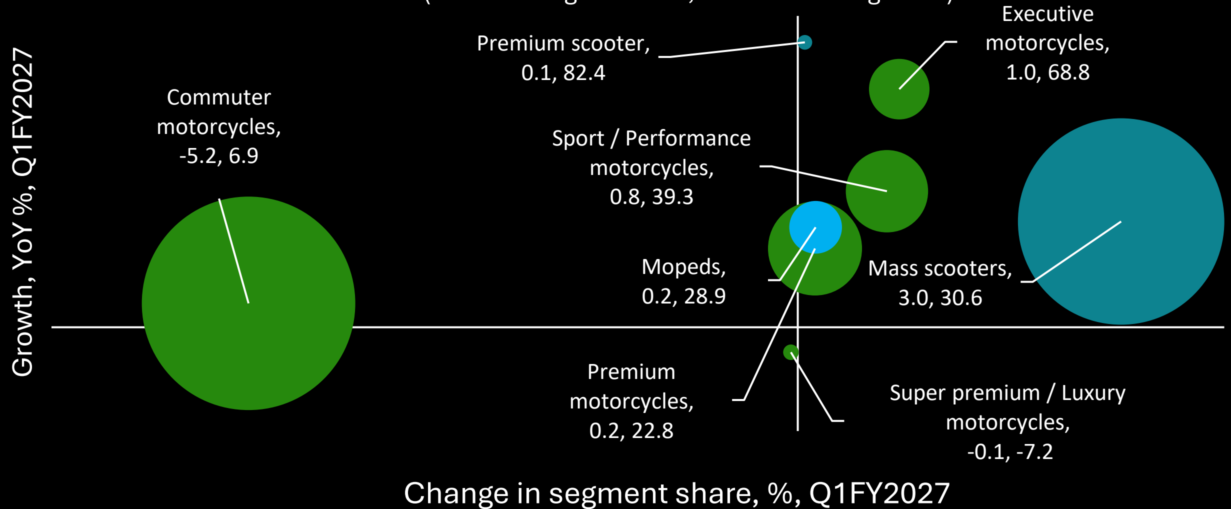
20.3% Wholesale domestic two-wheeler sales growth in Q1FY2027

YoY volume growth

	Motorcycle	Scooter	Moped
YoY volume growth	14.0%	30.8%	28.9%
Market share Q1FY27	58.8% ▽ 3.3%	38.7% △ 3.1%	2.5% △ 0.2%

Segment-wise performance

(% YoY change in share, % YoY volume growth)



2W segment definition

Segment	Commuter motorcycles	Executive motorcycles	Premium motorcycles	Sport / Performance motorcycles	Super premium / Luxury motorcycles	Mass scooters	Premium Scooters
Engine capacity (cc)	Up to 125 cc	> 125 and upto 150 cubic centimetres (cc)	> 150 and upto 250 cc	> 250 and upto 500 cc	> 500 cc	75 -125 cc	125 -250 cc

Note: Bubbles represent segment volume for Q1FY2027
Total domestic sales of wholesale two-wheelers in Q1FY2027 were 5.6 million units

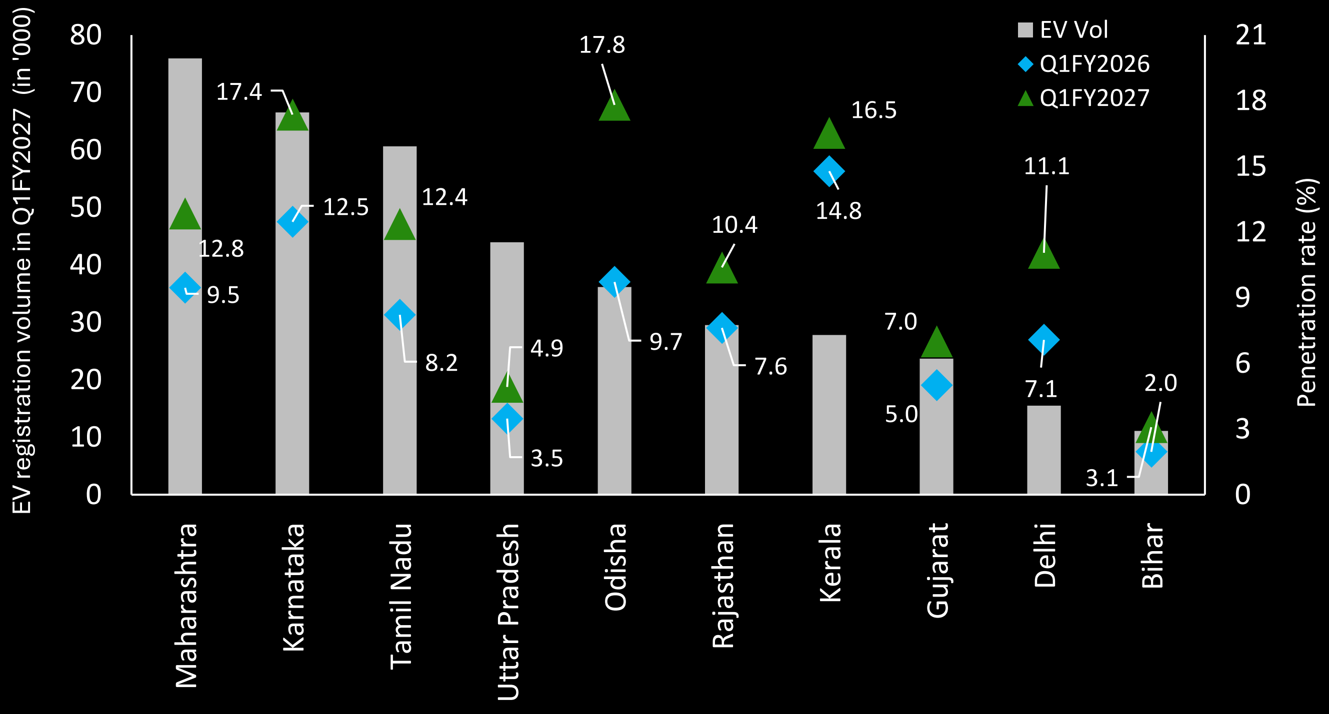
Source: https://industryoutlook.cmie.com/kommon/bin/sr.php?kall=wshowtab&icode=0101014502011500&&tabno=0005, Centre for Monitoring Indian Economy CMIE), 24th July 2026

EVs are transitioning from a niche segment to a key industry growth pillar

74.7% electric two-wheeler registered YoY growth in First Quarter of Financial Year 2027 **(Q1FY2027)**

9.2% penetration rate in India for Q1**FY2027**, up from 6.0 percent in Q1FY2026

Two wheeler EV penetration in the top 10 volume-contributing states (Q1FY2026 vs Q1FY2027)



Note: Battery Operated Vehicle (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
India totals exclude Telangana due to ongoing integration with the VAHAN portal
VAHAN data is used in aggregated and anonymised form in accordance with MoRTH data-sharing policy

Source: VAHAN; https://industryoutlook.cmie.com/kommon/bin/sr.php?kall=wshowtab&icode=0101014502011500&&tabno=0005, CMIE, 24th July 2026

Key insights

Demand-led recovery gains momentum: The year opened on a strong note, with wholesale two-wheeler volumes growing 20.3 percent YoY, alongside healthy retail growth of 13.6 percent YoY [1] in Q1FY2027, supported by a favourable base. Unlike previous cycles that were driven largely by replacement demand, the current recovery appears broader-based, reflecting genuine demand expansion across customer cohorts. Dealer channel checks indicated demand conditions were constructive despite modest pressure from fuel prices and weather. [2] This demand environment was further supported by low inflation (Consumer price index and 2 Wheeler producer prices inflation were 3.9 percent and 2.7 percent respectively in Q1FY2027)[3], improving affordability and supporting discretionary consumption. Lower GST rates also provided an additional tailwind to purchases.

The growth mix is shifting towards urban and aspirational segments: The strongest growth was concentrated in premium scooters and executive motorcycles, highlighting a continued premiumisation trend. Consumers are increasingly opting for offering better styling, technology, features and performance rather than restricting purchases to entry-level commuter motorcycles.

EVs are no longer a niche growth pocket: Electric two-wheelers grew 74.7 percent YoY, taking national penetration to 9.2 percent. Fuel-cost concerns, expanding model availability and growing consumer awareness continued to support EV adoption.

- Premium scooters (82.4 percent YoY) and executive motorcycles (68.8 percent YoY) emerged as the fastest-growing segments, while the super premium/luxury motorcycles were the only segment to degrow (7.2 percent YoY) this quarter. Despite growing 6.9 percent YoY, commuter motorcycles lost 5.2 percentage points segment share.

- **Scooters have become the primary driver of volume growth.** Mass scooters grew 30.6 percent YoY and increased their market share by 3.0 percentage points, reinforcing a long-term shift towards convenience-led mobility and expanding relevance across customer segments.

EV penetration is large enough to contribute to industry growth

- Odisha (17.8 percent), Karnataka (17.4 percent) and Kerala (16.5 percent) penetration rates almost double the national average (9.2 percent), supported by proactive state EV policies, robust charging infrastructure and higher consumer acceptance.

- Despite being the largest EV market by volume, Maharashtra's EV penetration rate (12.8 percent), while above the national average, lags other states, suggesting headroom for growth.

1. https://fada.in/images/press-release/16a4b2243edbfbFADA%20Releases%20June%202026%20Vehicle%20Retail%20Data.pdf
2. Yes Securities
3. Reserve Bank of India (RBI)

Passenger vehicle (PV) industry

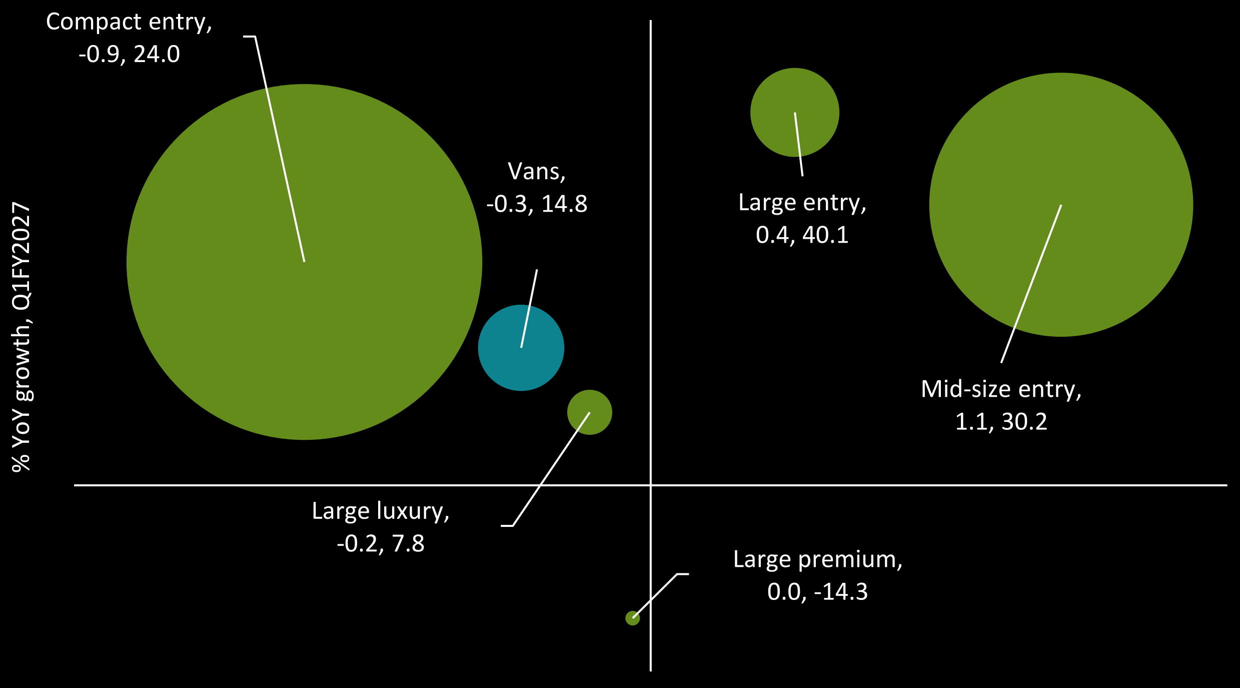
Premiumisation accelerates as mid-size and large entry segments gain share

25.9%

YoY growth of wholesale domestic sales of passenger vehicles during Q1FY2027.

Segment-wise performance

(% YoY change in share, % YoY volume growth)



% YoY change in segment share, Q1FY2027

PV segment definition

Segment	Compact entry	Mid-size entry	Large entry	Large premium	Large luxury
Vehicle length	Up to 4.0 m	4.0 m – 4.7 m	Above 4.7 m	Above 4.7 m	Above 4.7 m
Price range	≤ INR20 lakh	≤ INR20 lakh	≤ INR20 lakh	INR20–30 lakh	> INR30 lakh

Note:
Bubbles represent the segment volume as of Q1FY2027
Total domestic sales of passenger vehicles in Q1FY2027 were 1.3 million units

Source: https://industryoutlook.cmie.com/kommon/bin/sr.php?kall=wshowtab&icode=0101014502011000&&tabno=0005, CMIE, 24th July 2026

Penetration gains remain selective despite triple-digit EV growth

111.6% YoY growth of E-PV registration during Q1FY2027

5.9% penetration rate of E-passenger vehicle registration in Q1FY2027 up from 3.4 percent in Q1FY2026

Passenger vehicle EV penetration in the top 10 volume-contributing states (Q1FY2026 vs Q1FY2027)

Note:

- BOV and pure EV is taken as EV
- Penetration rate is calculated as the share of electric PV registrations in total PV registrations
- India totals exclude Telangana due to ongoing integration with the VAHAN portal

Source: VAHAN, https://industryoutlook.cmie.com/kommon/bin/sr.php?kall=wshowtab&icode=0101014502011000&&tabno=0005, CMIE, 24th July 2026

Key insights

Demand-led growth continues to drive the Passenger Vehicle (PV) market: PV wholesale volumes grew 25.9 percent YoY in Q1FY2027, outpacing retail sales growth of 22.6 percent[4], driven by a convergence of strong consumer demand, a robust pipeline of new model launches, lean opening inventory levels and a favourable base effect. While wholesale sales exceeded retail sales during the quarter, the gap largely reflects channel restocking, as dealer inventory levels remained comfortable.[5] Lower GST rates and favourable financing conditions also supported PV purchases.

Consumers are trading up within the mass-market segment: Demand in Q1 was broad-based, with the majority of segments registering strong double-digit growth. Notably, consumer preference appears to be shifting within the sub-INR20 lakh price band, where buyers are upgrading from smaller vehicles to larger, feature-rich models by stretching their budgets only marginally, rather than moving into significantly higher price brackets.

EVs are becoming a meaningful contributor to PV growth: EV passenger vehicle adoption continued to scale quickly, with registrations growing 111.6 percent YoY (on a low base) and penetration reaching 5.9 percent in Q1FY2027, supported mostly by Pure EV Light Motor Vehicles (LMVs). The growth was driven by an expanding model portfolio, improving consumer acceptance and strong traction for new launches from incumbent and emerging Original Equipment Manufacturers (OEMs).

- Large entry and mid-size segments continued to drive PV industry growth, expanding 40.1 percent and 30.2 percent YoY, respectively. Together, these segments gained 1.5 percentage points of market share.

- The compact entry segment grew 24 percent YoY, aided by a favourable base, but its share continued to decline as buyers increasingly gravitated toward large entry and mid-size segments, reflecting ongoing premiumisation within the mass-market PV segment.

- Demand in the large premium segment softened (-14.3 percent YoY), as buyer preference appears to be shifting toward either more affordable options or higher-end, feature-rich models

Maharashtra leads EV volumes while penetration gains broaden across states

- Maharashtra remained the largest EV market by registrations (12,000+ units), whereas Delhi continued to record the highest EV penetration ratio (12.6 percent).

- EV penetration in Odisha doubled YoY to 8.1 percent, making it one of the fastest-improving states, though it remained behind Delhi, where penetration rose another 6 percentage points.

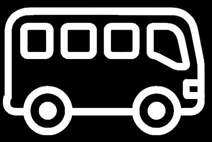
4. https://fada.in/images/press-release/16a4b2243edbfbFADA%20Releases%20June%202026%20Vehicle%20Retail%20Data.pdf
5. https://fada.in/images/press-release/16a4b2243edbfbFADA%20Releases%20June%202026%20Vehicle%20Retail%20Data.pdf

Commercial vehicle (CV) industry

Commercial vehicle growth accelerates, driven by goods transportation

18.3% YoY growth of domestic sales of commercial vehicles in Q1FY2027

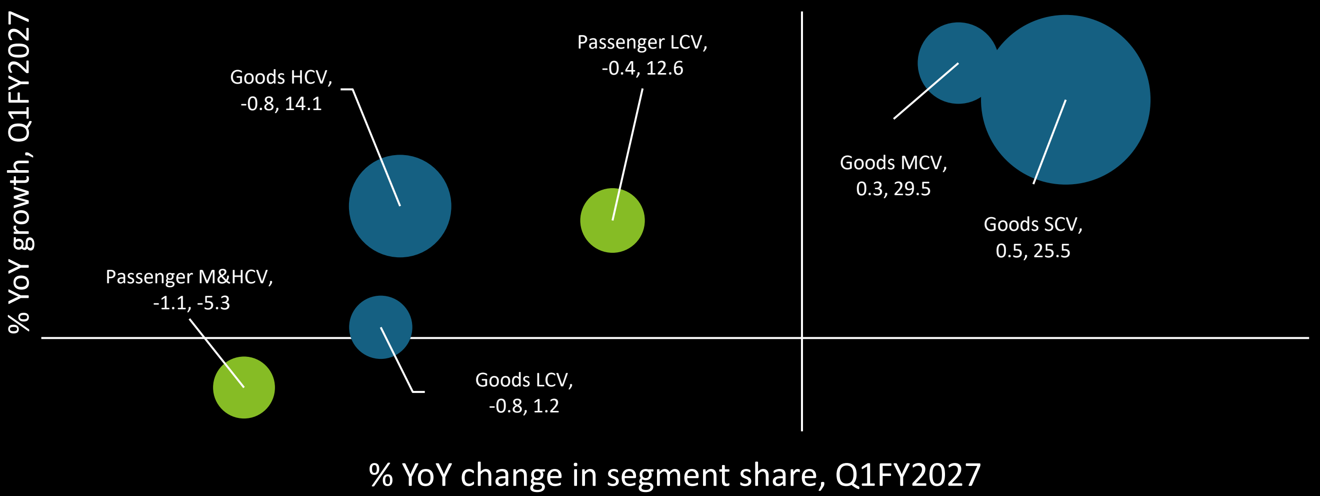
Goods carrier grew 21.1% YoY in Q1FY2027



Passenger carrier grew 3.2% YoY in Q1FY2027

Segment-wise performance

(% YoY change in share, % YoY volume growth)



CV segment definition

Segment	Goods Small Commercial Vehicle (SCV)	Goods Light Commercial Vehicle (LCV)	Goods Medium Commercial Vehicle (MCV)	Goods Heavy Commercial Vehicle (HCV)	Passenger LCV	Passenger Medium and Heavy Commercial Vehicle (M&HCV)
Gross Vehicle Weight (GVW)	Up to 3.5 tonnes	3.5 to 7.5 tonnes	7.5 to 18.5 tonnes	Above 18.5 tonnes	Up to 7.5 tonnes	Above 7.5 tonnes

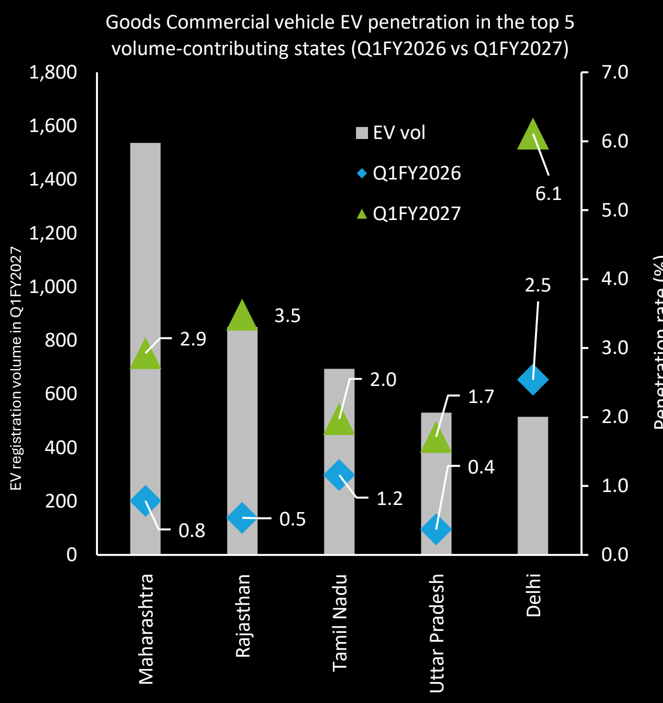
Note: Bubbles represent segment volume for Q1FY2027
Total domestic sales of CVs in Q1FY2027 were 0.3 million units

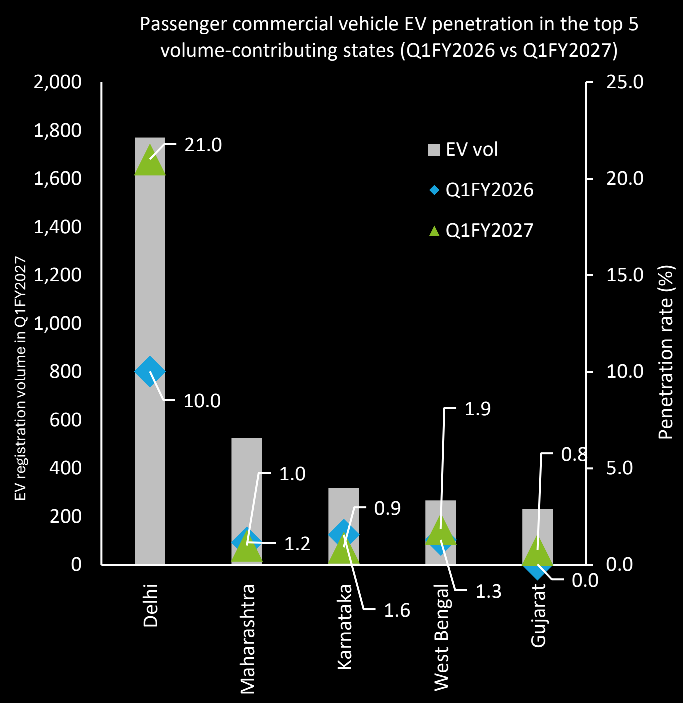
Source: https://industryoutlook.cmie.com/kommon/bin/sr.php?kall=wshowtab&icode=0101014502011000&&tabno=0005, CMIE, 24th July 2026

Electric Commercial Vehicle (E-CV) growth surges as electrification gathers pace

135.1% YoY growth of electric commercial vehicle (E-CV) in Q1FY2027

2.7% penetration rate of E-CV in India in Q1FY2027 vs 1.3 percent in Q1FY2026





Note: BOV and pure EV is taken as EV
Penetration rate is calculated as the share of electric commercial vehicle registrations in total commercial vehicle registrations
India totals exclude Telangana due to ongoing integration with the VAHAN portal

Source: VAHAN, https://industryoutlook.cmie.com/kommon/bin/sr.php?kall=wshowtab&icode=0101014502011000&&tabno=0005, CMIE, 24th July 2026

Key insights

- **Freight power CV growth:** CV demand remained robust in Q1FY2027, with domestic sales rising 18.3 percent YoY. Growth shifted decisively toward goods carriers, which grew 21.1 percent, supported by infrastructure-led freight demand, mining activity, and replacement purchases by fleet operators.[6] Passenger carriers, meanwhile, grew a modest 3.2 percent YoY, on a high base and as growth remained dependent on State Transport Undertaking (STU) procurement programs.
- **Economic activity boosts utilisation:** The strong performance of Goods MCVs and Goods SCVs indicates that freight movement and logistics activity benefited from improving economic conditions during the first quarter.
- **Electrification gains momentum:** E-CV adoption accelerated in Q1FY2027, with registrations growing 135.1 percent YoY and penetration increasing to 2.7 percent. EV penetration increased across several major commercial vehicle markets for goods and passenger vehicles.

- Goods MCVs and goods SCVs emerged as the fastest-growing CV sub-segments, recording growth of 29.5 percent and 25.5 percent YoY, respectively. Together, they gained 0.8 percentage points of market share.
- Passenger carriers lagged the broader CV recovery, with Passenger LCVs growing 12.6 percent YoY while Passenger M&HCVs declined 5.3 percent YoY, largely due to the lumpy nature of STU and institutional bus procurements following a high base last year. [7]

EV penetration diverges by state

- Goods E-CV penetration increased by 1.7 percentage points compared to Q1FY2026. Maharashtra led the market in volumes, while penetration in the state improved significantly from 0.8 percent to 2.9 percent.
- Passenger E-CV penetration, on the other hand, remained concentrated in few markets, with Delhi continuing to lead with 21.0 percent penetration, significantly ahead of all other states.

6: https://www.financialexpress.com/business/news/cv-industry-growth-to-ease-to-4-6-in-fy27-icra
7. https://businessexpressnews.com/tata-motors-posts-27-growth-in-q1-fy27-commercial-vehicle-sales/

Policy announcements for passenger and commercial vehicles

Progress on other State EV Policies

- The Andhra Pradesh Government has notified five e-mobility cities across the state to foster a sustainable, technology-driven urban mobility ecosystem and accelerate EV adoption[8]
- The Bihar Government has approved amendments to its EV Policy to increase EV registrations to 30 percent by 2030. The revised policy also introduces enhanced demand-side incentives for both passenger and commercial electric vehicles[9]
- The Uttarakhand Government has proposed a new EV Policy providing purchase and demand-side incentives for electric vehicles, along with measures to support the development of EV charging infrastructure[10]

Revised CAFÉ III norms ease emission targets[11]:

- The draft CAFÉ norms propose revised emission targets, with higher permissible emission limits linked to vehicle weight. Additional relaxations have also been proposed for hybrid and electric vehicles through changes to the super credit framework
- Based on current announcements and subject to policy finalization, the Government has reiterated that the CAFÉ III norms will be implemented from 1 April 2027

8: https://economictimes.indiatimes.com/industry/renewables/andhra-pradesh-govt-notifies-five-model-e-mobility-cities-under-ev-policy-4-0/articleshow/130679937.cms?from=mdr
9: https://timesofindia.indiatimes.com/city/patna/govt-targets-30-electric-vehicles-by-2030-to-reduce-fuel-use-in-bihar/articleshow/131539225.cms
10: https://www.etvbharat.com/en/state/uttarakhand-set-to-approve-comprehensive-ev-policy-includes-registration-fee-road-tax-exemptions-enn26060301439
11: https://www.autocarindia.com/car-news/draft-cafe-3-norms-ease-emission-targets-small-cars-benefit-more-439443

Policy announcements for passenger and commercial vehicles

Update on Production Linked Incentive (PLI) Scheme for Advanced Chemistry Cell (ACC) Battery Storage[12&13]

- Cumulative investments of INR5,180 crore have been made under the scheme, generating direct employment for 1,277 persons. No incentives have been disbursed under the scheme to date
- A cumulative battery manufacturing capacity of 40 GWh has been awarded across the state of Karnataka, Tamil Nadu and Gujarat
- The Ministry of Heavy Industries has initiated the bidding process through a global tender for allocation of an additional 10 GWh of ACC battery manufacturing capacity

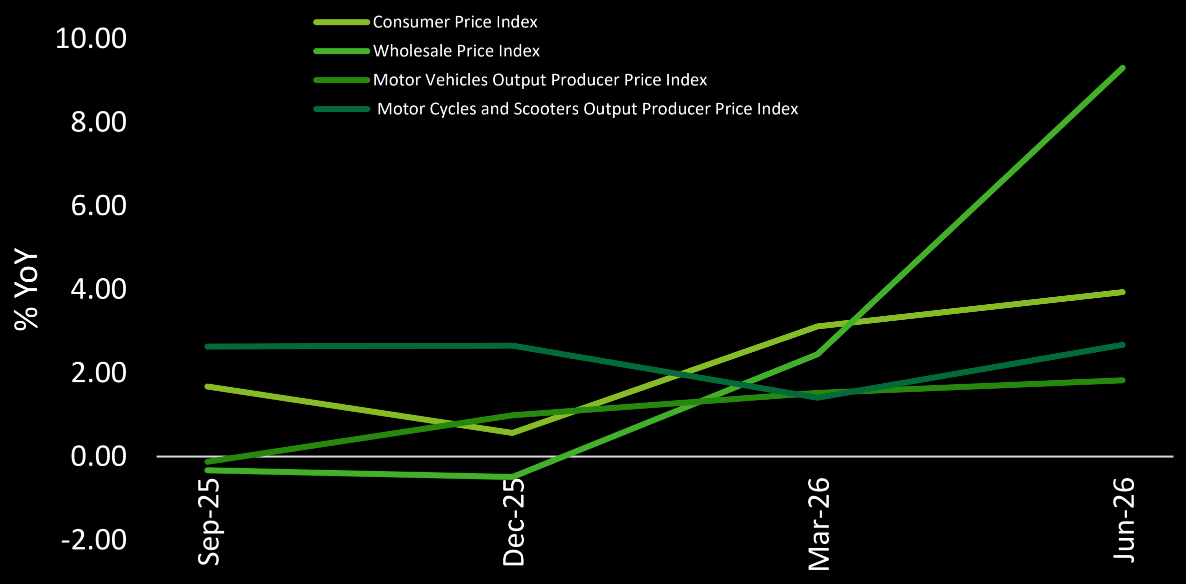
Other key announcements

- **PLI-Auto Scheme[14]**: Cumulative investments of INR44,326 crore have been made under the scheme, resulting in the creation of over 67,800 jobs. Incentives amounting to INR2,386 crore have been disbursed as of March 31, 2026
- **Semicon India Programme[15]**: Six semiconductor manufacturing projects with cumulative investments exceeding INR1.55 lakh crore are under implementation to strengthen India's domestic electronics and semiconductor manufacturing ecosystem
- **Foreign Trade Policy[16]**: The Government highlighted ongoing efforts to diversify export markets through the expansion of Free Trade Agreements (FTAs) and export promotion initiatives

12: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2287137&reg=48&lang=2
13: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2284916&reg=48&lang=2
14: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2287137&reg=48&lang=2
15: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2284806&reg=48&lang=2
16: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2287009&reg=48&lang=2

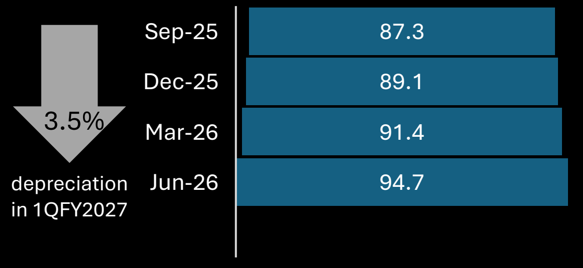
Macro watch: Affordability and competitiveness environment

Automotive pricing remains contained despite broader inflationary pressures



Source: RBI

Weaker rupee creates an export tailwind



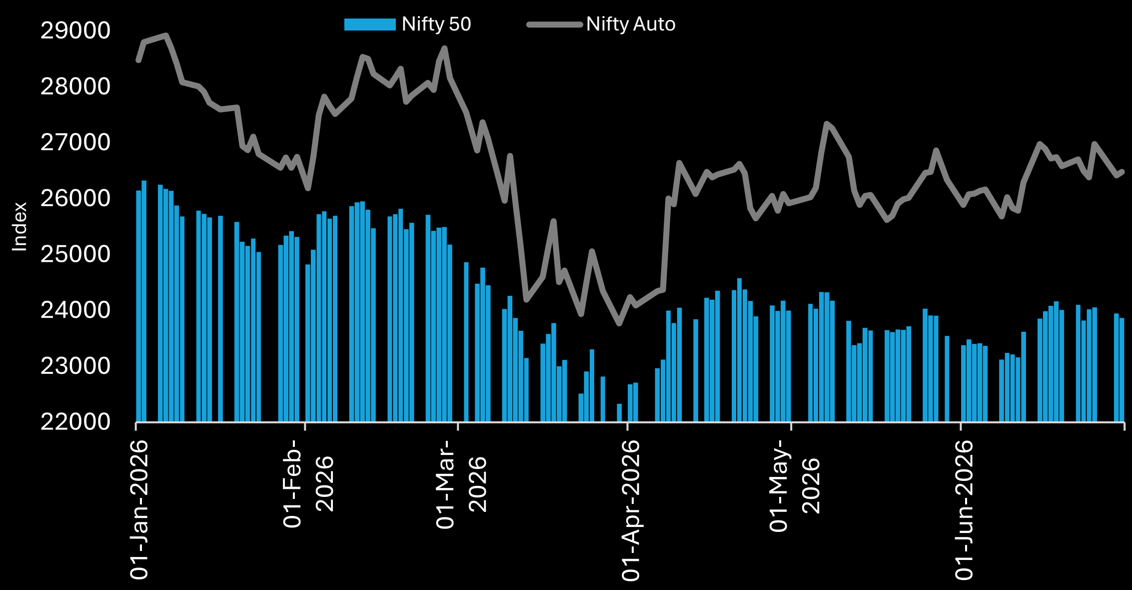
Source: RBI

- Vehicle affordability remains supported
- Automotive price inflation remains contained
- Weaker rupee improves export competitiveness

Automotive demand remains supported by moderate consumer inflation and contained vehicle price increases, while rupee depreciation enhances export competitiveness despite modest pressure on imported inputs.

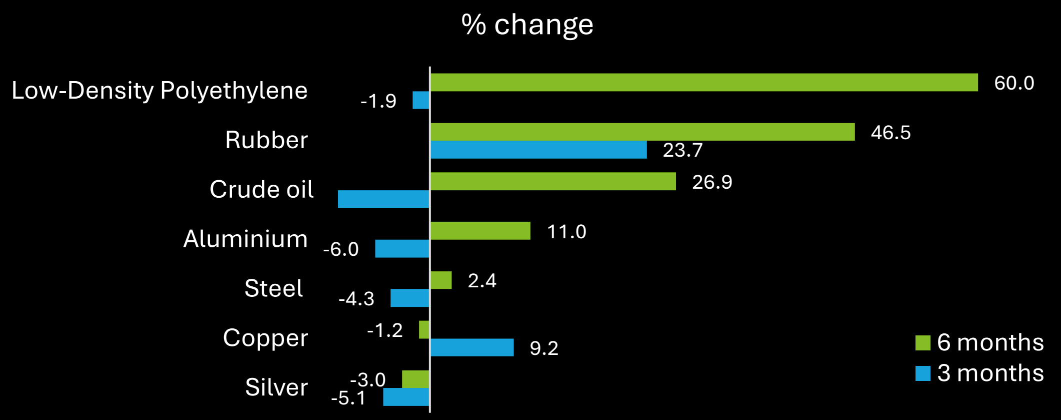
Industry watch: Market sentiment and input cost dynamics

Automotive sentiment remains resilient despite short-term market fluctuations



Source: National Stock Exchange

Commodity cost trends present a mixed margin outlook



Note: Prices represent end-of-month levels, except for rubber, which is reported as a monthly average.

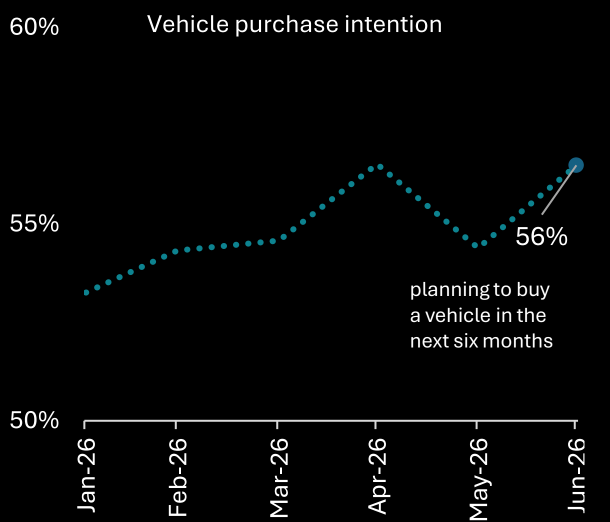
Source: MCX, NCDEX, Rubberboard, plastemart

- Automotive sentiment remains resilient
- Soft metal prices continue to support OEM margins
- Polymer and rubber costs are emerging as key cost pressures

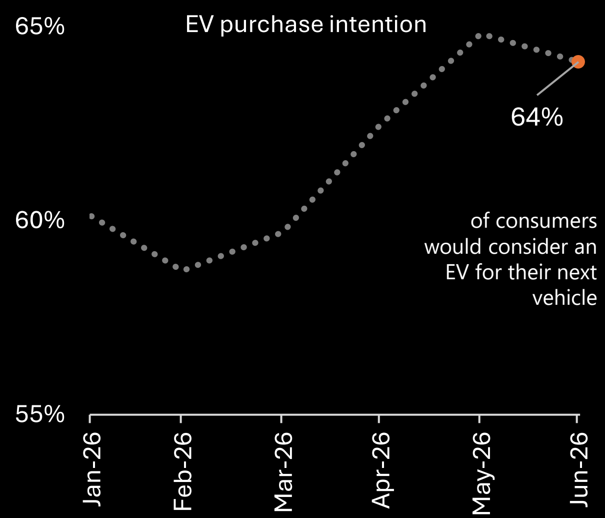
Automotive sentiment remains resilient, while margin pressures are increasingly concentrated in polymers and rubber, with softer metal prices continuing to provide cost support.

Consumer Watch: Innovation and electrification continue to shape vehicle demand

Vehicle purchase intent remains stable while EV consideration continues to trend upward



% of respondents planning to buy a new car in the next six months



Among all respondents, % of respondents prefer an EV for their next vehicle
Note: EV includes hybrid and full electric

Purchase driver

31% **new vehicles offer features consumers want**

17 percent seek a different vehicle experience

14 percent maintenance costs

Purchase barrier

43% **current vehicle still meets needs**

13 percent cannot afford replacement currently

10 percent vehicle prices

Consumers are increasingly motivated by product innovation and electrification, while replacement cycles, rather than affordability pressures, remain the primary constraint on vehicle demand.

Source: https://www.deloitte.com/us/en/insights/industry/retail-distribution/consumer-behavior-trends-state-of-the-consumer-tracker.html, Consumer Signals, Deloitte, 24th July 2026

Trending topics

Deals on wheels:

- **KPIT Technologies –** The company announced the acquisition of majority stake (subject to achievement of specific milestones) in Israel-based Cymotive Technologies Limited, with a total transaction value of up to US$120 million. [17]

- **Rapido –** Rapido raised US$240 million in a funding round led by Prosus, valuing the company at approximately US$3 billion. [18]

- **JBM Ecolife Mobility Private Limited –** JBM Ecolife Mobility secured an investment of INR750 crore (approximately US$80 million) from Motilal Oswal Alternates. The company stated that the funds will be used to support the deployment of approximately 2,000 electric buses across India. [19]

- **Tata Motors –** Tata Motors announced an arrangement to utilise the Freelander EV platform, developed through the Chery-Jaguar Land Rover partnership, for its premium Avinya electric vehicle range. [20]

- **JSW Green** – JSW Green announced a strategic investment in Lithium Urban Technologies, an electric mobility platform company. [21]

- **Ola Electric –** Ola Electric raised approximately INR780 crore through a Qualified Institutional Placement (QIP) by issuing 21.76 crore equity shares at an issue price of INR35.86 per share. [22]

17: https://www.kpit.com/news/kpit-to-acquire-strategic-stake-in-cymotive-strengthening-ai-led-automotive-cybersecurity-capabilities/
18: https://economictimes.indiatimes.com/tech/funding/rapido-raises-240-million-from-prosus-westbridge-accel-at-3-billion-valuation/articleshow/131111200.cms
19: https://www.sustainable-bus.com/news/jbm-investment-support-electric-bus-deployment-india/1
20: https://www.reuters.com/world/china/indias-tata-taps-chinas-chery-premium-ev-push-sources-say-2026-06-03/
21: https://www.jsw.in/newsroom/press-releases/jsw-green-mobility-invests-in-lithium-urban-tech/
22: https://www.moneycontrol.com/news/business/startup/ola-electric-raises-rs-780-crores-via-qip-13941421.html

Trending topics

Deals on Wheels:

- **Dana - Eaton Mobility Merger** – Dana announced a definitive agreement to combine with Eaton's Mobility Business in a transaction valued at approximately US$5.1 billion. The combined entity is expected to have an enterprise value exceeding US$10 billion. [23]

- **Exponent Energy Private Limited –** Exponent Energy raised ₹200 crore (US$21.1 million) in a funding round co-led by 360 ONE Asset and TDK Ventures, with participation from Hitachi Ventures and existing investors. [24]

- **Netradyne Technology Private Limited** – Netradyne Technology announced the acquisition of Moove Connected Mobility BV, a Europe-based fleet intelligence and connected mobility company. [25]

23: https://www.dana.com/newsroom/press-releases/dana-incorporated-announces-agreement-to-combine-with-eatons-mobility-business-strengthens-danas-position-as-a-leading-global-powertrain-systems-provider/
24: https://www.autocarpro.in/news/exponent-energy-raises-rs-200-crore-in-new-funding-round-133015
25: https://www.netradyne.com/news/netradyne-acquires-moove-press-release

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