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Wheelwatch | Deloitte India's auto sector tracker

Edition 4

April 2026

Executive summary

FY2026 marked an inflexion point for India's automotive sector. It was characterised by a demand-led but differentiated recovery alongside a structural realignment in growth drivers. The year unfolded amid uneven rural recovery and a services-driven urban consumption cycle. Entry-level demand remained under pressure, while urban markets anchored growth through premiumisation and feature-led upgrades.

Two-wheelers recorded strong momentum supported by GST-led affordability gains and rising urban mobility, alongside a shift towards better-equipped models.

Passenger vehicles (PV) saw a disciplined wholesale recovery with strong retail growth, as consumers traded up within familiar price bands.

Commercial vehicles (CV) entered a goods-led upcycle, underpinned by improving freight movement and credit normalisation, with replacement demand supporting volumes.

Electric vehicle (EV) adoption scaled across segments, amid new launches. Recent surge in EV interest is visible due to fossil fuel supply disruptions. Penetration gains remained measured and uneven, shaped by operating economics. The Deloitte Global Automotive Consumer Study (GACS) highlights a pragmatic transition, with rising EV interest alongside continued reliance on Internal Combustion Engine (ICE) and hybrids where ecosystem readiness lags.

As demand polarises by income segment, use-case and region, *Wheelwatch* integrates market performance, policy signals and consumer perspectives to deliver a concise, evidence-based view of India's automotive landscape.



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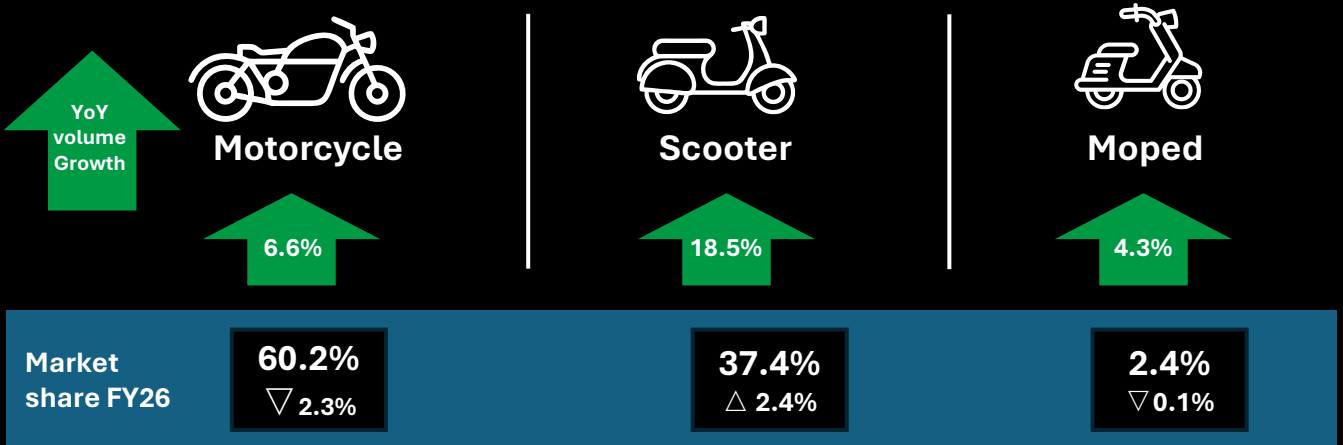


Two-wheeler
industry

GST reset unlocks a demand-led recovery, accelerating upgrades towards premium motorcycles

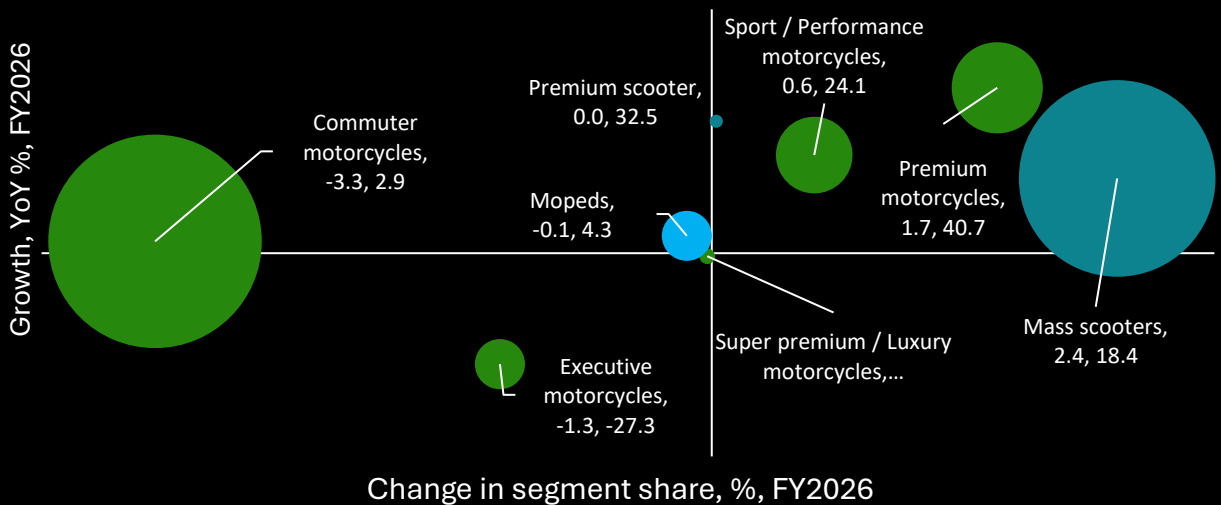
10.7%

domestic two-wheeler sales growth YoY in FY2026



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	125-150 cc	150-250 cc	250-500 cc	Above 500 cc	Below 125 cc	Above 125 cc

Note: Bubbles represent segment volume for FY2026
Total domestic sales of two-wheelers in FY2026 were 21.7 million units

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

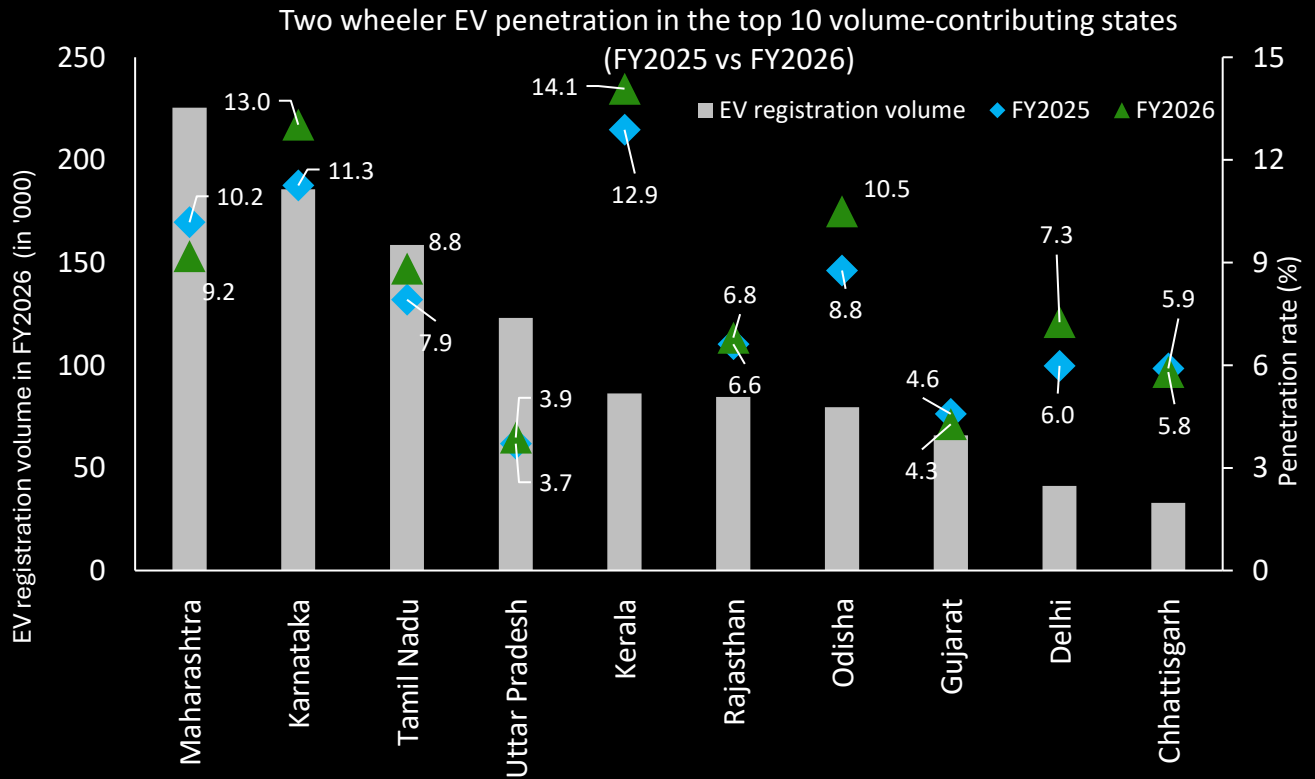
Electric two-wheelers grow faster than the market, but adoption remains uneven

21.8%

electric two-wheeler registered YoY growth in **FY2026**

6.5%

penetration rate in India for **FY2026**, up from 6.1 percent in FY2025



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 April 2026

Key insights

Demand-led cyclical recovery: FY2026 marked an acceleration for the two-wheeler industry, with wholesale volumes up 10.7 percent YoY and retail sales rising 13.4 percent, reflecting genuine demand and healthier inventories.¹ Growth was driven by rising urban mobility and a favourable post-GST 2.0 environment. Scooters grew 18.5 percent, outpacing motorcycles at 6.6 percent, signalling a continued shift towards convenience and city-centric formats.

GST-driven affordability unlocked mass upgrades: Following pricing resets and effective GST rationalisation in H2 FY2026, affordability in the sub-350cc motorcycles reduced prices meaningfully, collapsing long-standing price gaps with commuter bikes. This triggered large-scale upgrades, with value shifting positively towards better-equipped, aspirational motorcycles.

EV growth strong, penetration moderates: Electric two-wheelers grew 21.8 percent YoY, but penetration rose only modestly to 6.5 percent, as Internal Combustion Engine (ICE) price resets following GST 2.0 narrowed the EV-ICE price gap. Strong EV registrations were offset by a faster rebound in ICE demand, keeping overall penetration gains contained.



Premium motorcycles recorded the fastest growth at 40.7 percent YoY, supported by GST-led affordability gains. This also boosted demand for sport/performance motorcycles within the sub-350cc category. Together, these segments have emerged as strong upgrade destinations for both commuter and executive motorcycle owners.

The executive motorcycles segment saw the steepest decline (-27.3 percent YoY), caught between cheaper commuter motorcycles at the bottom and similarly priced, but higher-cc models offering superior performance and features, indicating a structural squeeze.

Premium scooters (32.5 percent YoY) surged on rising urban incomes and demand for feature-rich, higher-performance models, while mass scooters (18.4 percent YoY) grew on strong city-centric commuting needs and convenience-led adoption.

EV adoption diverges sharply by state

- Kerala remained the highest-penetration market (14.1 percent), reflecting strong economics and policy support. Karnataka and Odisha also showed deepening adoption.
- Maharashtra's penetration (9.2 percent) declined despite higher EV volumes, as faster ICE growth and reduced EV-ICE savings tempered share gains.

¹ <https://fada.in/images/press-release/169d329fc83770FADA%20releases%20FY%202026%20and%20March%202026%20Vehicle%20Retail%20Data.pdf>



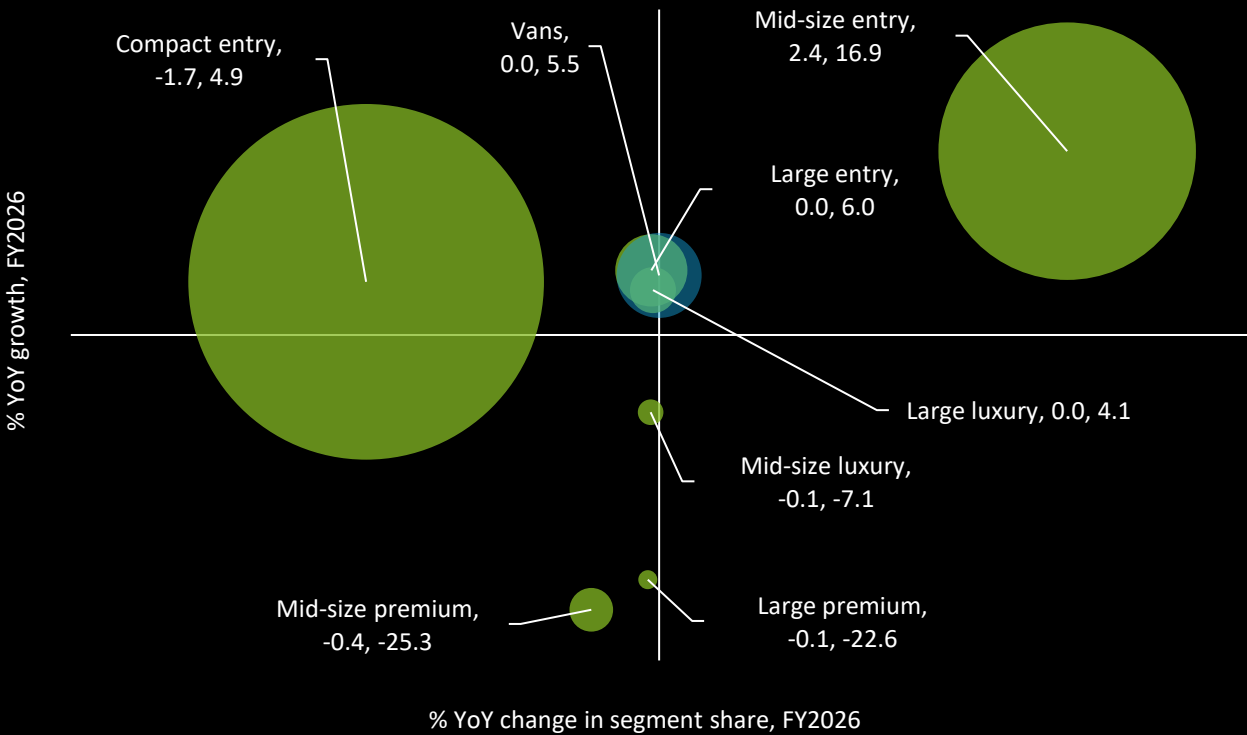
Passenger vehicle
industry

Passenger vehicle (PV) growth continues shift from volume as trade-ups and premiumisation drive demand

7.9%

YoY growth of domestic sales of passenger vehicles during FY2026.

Segment-wise performance (% YoY change in share, % YoY volume growth)



PV segment definition

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

Note:
Bubbles represent the segment volume as of FY2026
Total domestic sales of passenger vehicles in FY2026 were 4.6 million

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

EV passenger vehicle growth scales, but penetration remains state-selective

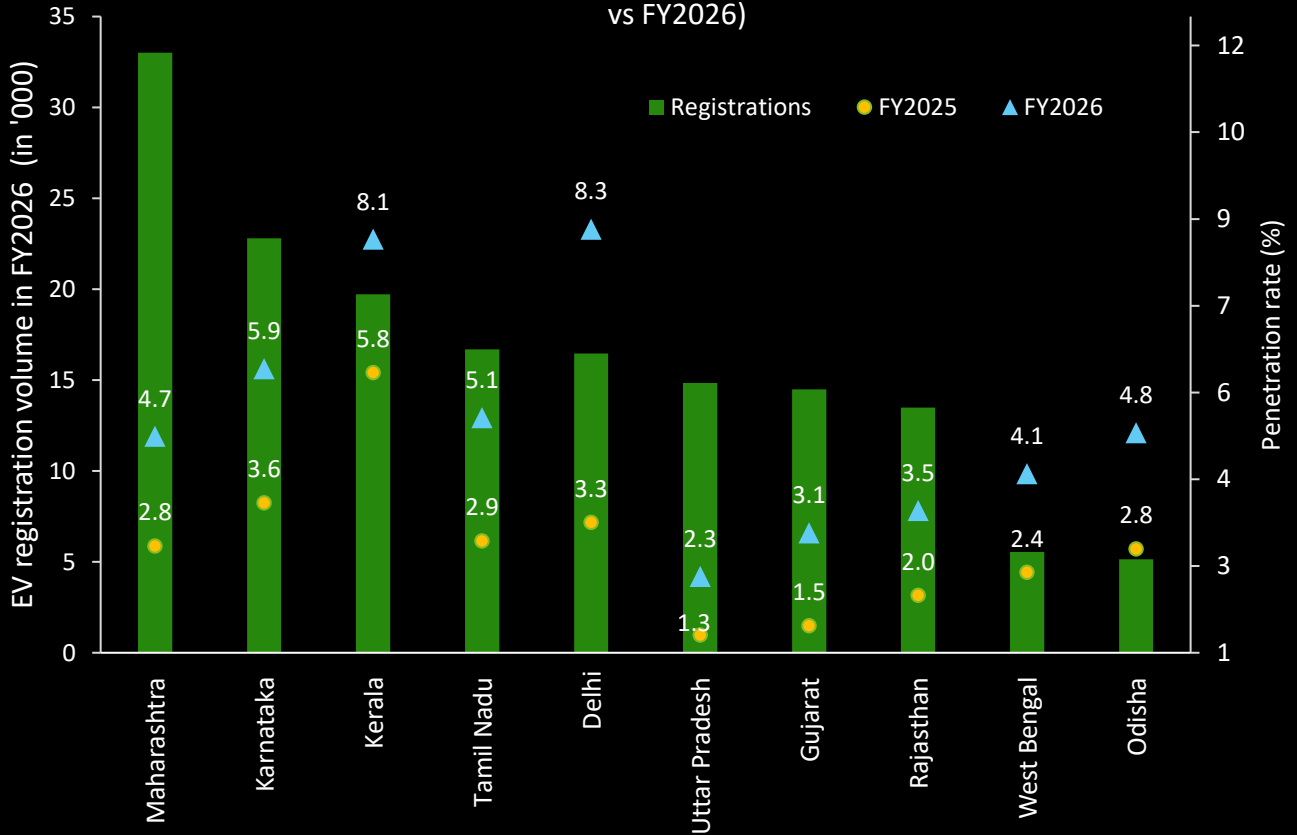
91.7%

YoY growth of E-passenger vehicle registration during FY2026

3.6%

penetration rate of E-passenger vehicle registration in FY2026 up from 2.1 percent in FY2025

Passenger vehicle EV penetration in the top 10 volume-contributing states (FY2025 vs FY2026)



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

Key insights

PV wholesales recovered with improved discipline in FY2026, growing 7.9 percent YoY after a weak FY2025.

- Urban demand remained relatively stable, supported by a rising preference for better-equipped vehicles, while rural demand was uneven amid inflationary pressures and income uncertainty, with consumers increasingly willing to pay for features, performance and ownership experience within familiar price bands.²
- PV retail sales grew 13.0 percent YoY, indicating that wholesale moderation supported cleaner inventory absorption and demand-aligned dispatches.

Based on Vahan registrations, EV PV sales grew 91.7 percent YoY in FY2026, supported by new launches and strengthening OEM pipelines. Penetration gains remained limited, however, as adoption continued to be OEM- and state-selective, shaped by policy economics, charging readiness and model availability. Constraints around charging access and charging time continue to keep EV adoption incremental rather than broad-based.²



Growth was anchored by mid-size entry cars (+16.9 percent), now accounting for ~one-third of the market, as consumers traded up to better-equipped vehicles. The compact entry segment, despite a modest recovery (+4.9 percent vs -1.5 percent last year), continued to lose share due to uneven rural demand.

Mid-size premium (-25.3 percent) and mid-size luxury (-16.8 percent) declined for the third consecutive year, highlighting a structural squeeze as well-equipped mid-size entry vehicles erode their value proposition.

Large entry cars recorded moderate growth, with large luxury rebounding (+4.1 percent after contraction), indicating resilience at the top end even as growth in the large entry segment slowed.

EV adoption concentrates in key states

- Delhi led EV adoption, with registrations increasing 2.7x YoY and penetration reaching 8.3 percent in FY2026.
- Maharashtra, Gujarat and Tamil Nadu accounted for the bulk of EV volume growth, while Kerala and Karnataka continued to report the highest penetration rates across states.



Commercial
vehicle industry

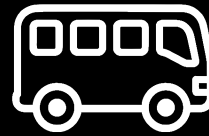
Goods-led recovery drives commercial vehicle (CV) growth in FY2026

12.6%

YoY growth of domestic sales of commercial vehicles in FY2026

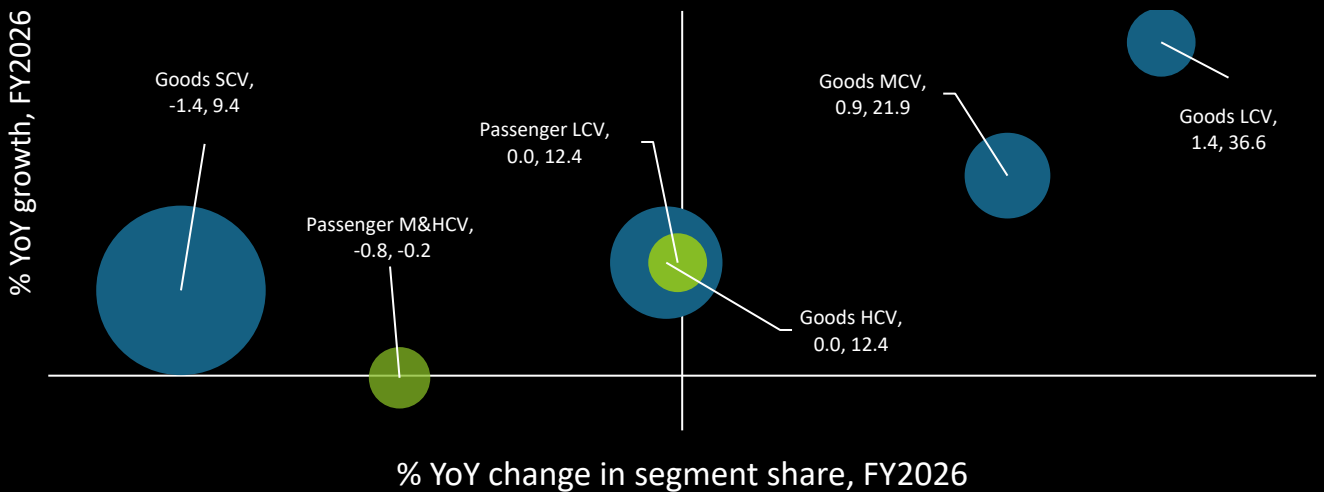


Goods carrier grew 13.7% YoY in FY2026



Passenger carrier grew 5.4% YoY in FY2026

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 & 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 FY2026
Total domestic sales of CVs in FY2026 were 1.1 million units

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

Electric CVs scale quickly, but penetration remains uneven across states

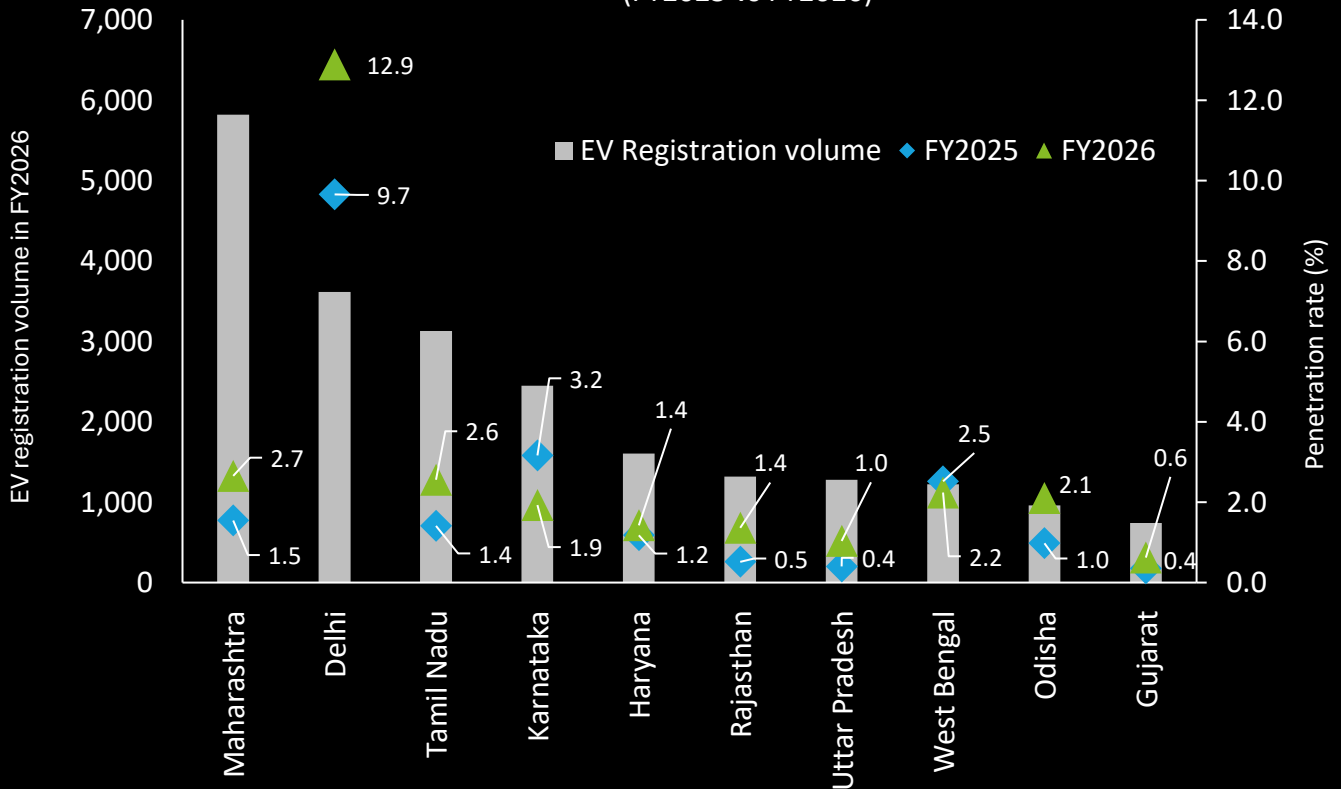
56.2%

YoY growth of electric commercial vehicle (E CV) in FY2026

1.7%

penetration rate of E CV in India in FY2026 vs 1.2 percent in FY2025

Commercial vehicle EV penetration in the top 10 volume-contributing states (FY2025 vs FY2026)



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 April 2026

Key insights

Goods-led cyclical recovery defines FY2026: The year marked a turnaround for the CV industry, with volumes growing 12.6 percent YoY after a 1 percent contraction in FY2025. The recovery was goods-led (+13.7 percent), reflecting a broad-based revival in freight movement, infrastructure execution, and replacement demand. Passenger CVs moderated (+5.4 percent) after a strong last year.

Credit normalisation unlocked mass-segment demand: Improved NBFC lending appetite, lower delinquencies versus FY2025 and selective easing in interest rates and Loan-to-value (LTVs) revived purchases by credit-sensitive buyers such as small road transport operators³ and driver-owners, disproportionately benefiting lower and mid-tonnage segments.

EV growth strong, penetration sensitive: Electric CV registrations grew +56.2 percent YoY off a low base, lifting penetration to 1.7 percent (vs 1.2 percent). However, penetration remained sensitive to ICE volume recovery and state-level policy economics, driving divergence across states.



The goods SCV segment rebounded (9.4 percent) after contracting last year, driven by intra-city logistics, last-mile distribution, construction-linked demand, and improved credit access.

Goods MCVs delivered the highest growth (21.9 percent), while goods HCVs saw strong Q4FY2026 outperformance. Industry estimates suggest momentum was driven by the release of infrastructure funds, activation of deferred replacement demand, an ageing fleet profile (~42 percent aged 8.5–10 years), rising fleet utilisation (~70 percent), collectively amplifying dispatches.⁴

EV penetration diverges by state

- Delhi retained the highest EV penetration (12.9 percent), while Maharashtra moved to second, supported by higher absolute registrations; Odisha and Tamil Nadu continued to lift the national average.
- Based on Vahan registration, Karnataka's E CV penetration declined from 3.2 percent to 1.9 percent, reflecting 33 percent YoY de-growth in volumes, coinciding with the introduction of a lifetime road tax on electric four-wheelers, while ICE CV registrations rebounded.

3. <https://www.financialexpress.com/market/stock-insights/indias-nbfc-powerhouses-4-lenders-leading-the-next-wave-of-formal-credit-growth/4067476/>

4. <https://yesinvest.in/research-report/cv-sector-update-apr-26>

Policy announcements for passenger and commercial vehicles



India-EU Free Trade Agreement (FTA)⁵

- India and European Union have announced the conclusion of FTA aimed at enabling trade through preferential tariff and non-tariff benefits
- The FTA proposes phased duty reduction on a quota of 250,000 cars imported into India annually over a seven year period. Cars imported beyond the quota will continue to attract standard duties
- Tariffs on auto components are also proposed to be phased out over a five to ten year period, with an aim of driving deeper integration into the automotive value chain



Draft Delhi EV Policy issued for industry and public consultation⁶

- The latest draft outlines a comprehensive overhaul of the EV policy to fast-track large-scale adoption across PV and CV segments
- Demand-side incentives comprise of road tax and registration fee waivers, upfront purchase rebates, and scrappage benefits. The policy also seeks to incentivise the development of charging and battery-swapping infrastructure
- The draft further outlines ecosystem development measures, including a battery recycling framework and electrification mandates for government and private fleets, and is proposed to remain in force until 31 March 2030

5. <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2219065®=3&lang=2>

6. https://transport.delhi.gov.in/sites/default/files/Transport/marquee-files/ev_policy.pdf

Policy announcements for PV and CV



Revamp of Karnataka Motor Vehicles Taxation (Amendment) Bill, 2026⁷

The Karnataka Government has introduced a lifetime road tax on EVs (excluding two-wheelers) at registration, marking a shift from its earlier tax exemption regime

The new structure levies 5 percent (up to INR10 lakh), 8 percent (INR10–25 lakh), and 10 percent (>INR25 lakh) at the time of registration, thereby increasing upfront ownership costs



Updates to PM E-DRIVE and PMP Schemes

PM E-DRIVE⁸: Dates for claiming incentives under the PM E-Drive scheme have been extended for registered e-2W and e-3W until 31 July 2026 and 31 March 2028 respectively

PMP Scheme⁹: Coverage under Phased Manufacturing Programme ('PMP') scheme has been modified in respect of e-buses (M2/ M3) and e-Trucks (N2/ N3) for specific products such as Traction Motor and assemblies has been amended. This amended will be effective from 1 September 2026



CAFÉ III norms¹⁰

SIAM endorses CAFÉ III norms, which are likely to be implemented from 1 April 2027. Official notification is expected to be issued shortly

7. https://prsindia.org/files/bills_acts/bills_states/karnataka/2026/Bill12of2026KA.pdf

8. https://pmedrive.heavyindustries.gov.in/docs/policy_document/2026-03-27%20e-rickshaw%20%20e-2w%20extension%20notification.pdf

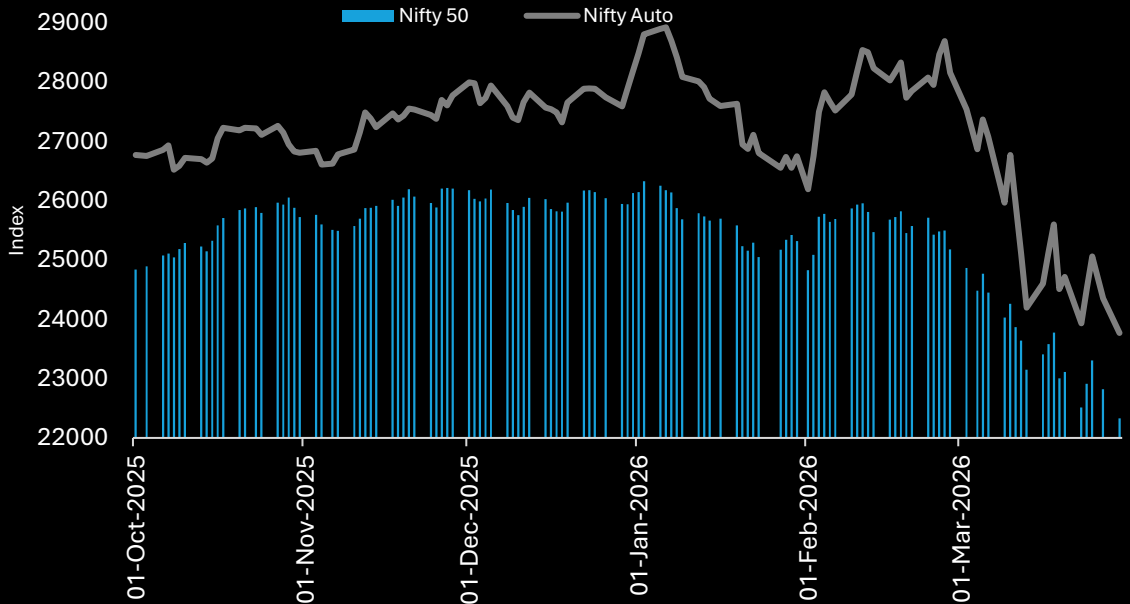
9. https://pmedrive.heavyindustries.gov.in/docs/policy_document/Amendment%20to%20PMP%20for%20e-buses%20M2%20M3%20under%20PM%20E%20DRIVE%20Scheme%2013%2003%202026.pdf

10. <https://economictimes.indiatimes.com/industry/auto/auto-news/automakers-give-the-green-light-to-cafe-iii-proposals-norms-to-come-into-effect-from-april-2027/articleshow/130317490.cms>

Auto sector: Index movement and input cost trends



Auto vs Nifty relative movement

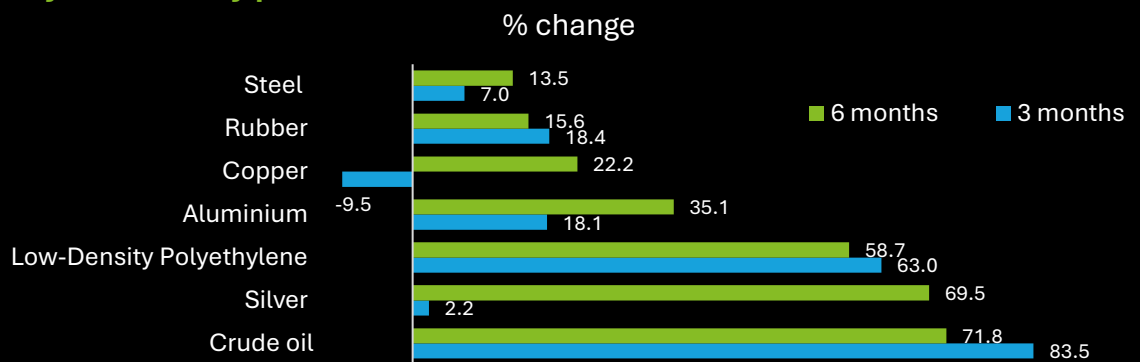


Source: National Stock Exchange

The Nifty Auto Index shows a shift from relative stability to heightened volatility, culminating in a drawdown toward the later period (Q4), indicating a change in trend dynamics within the index



Key commodity price movement



Energy-linked inputs show stronger recent movement compared with metals, while aluminium and rubber trend moderately higher. Steel remains relatively stable and copper reflects mixed movement across timeframes.

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

Source: MCX, NCDEX, Rubberboard, plastemart

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