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Wheelwatch | Deloitte India's auto sector tracker

Edition 3

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Executive summary

India's automotive sector is witnessing a structural realignment. This shift is set against the backdrop of an economy navigating an uneven rural recovery, fiscal consolidation and a services-driven urban consumption cycle. Entry-level demand remains volatile, 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 a quarterly 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

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While the two-wheeler (2W) wholesale experienced a modest increase, demand for higher-displacement, feature-rich and premium vehicles remained high, including for electric vehicles (EVs). The rural market has recovered and is supporting strong demand. Passenger vehicle (PV) sales witnessed a record quarterly (Oct–Dec 2025) driven by strong festive demand and policy support (GST cuts, tax relief), while electric PV registrations saw a significant increase. The industry entered 2026 with strong momentum, expecting continued growth due to policy support and stable economic conditions.

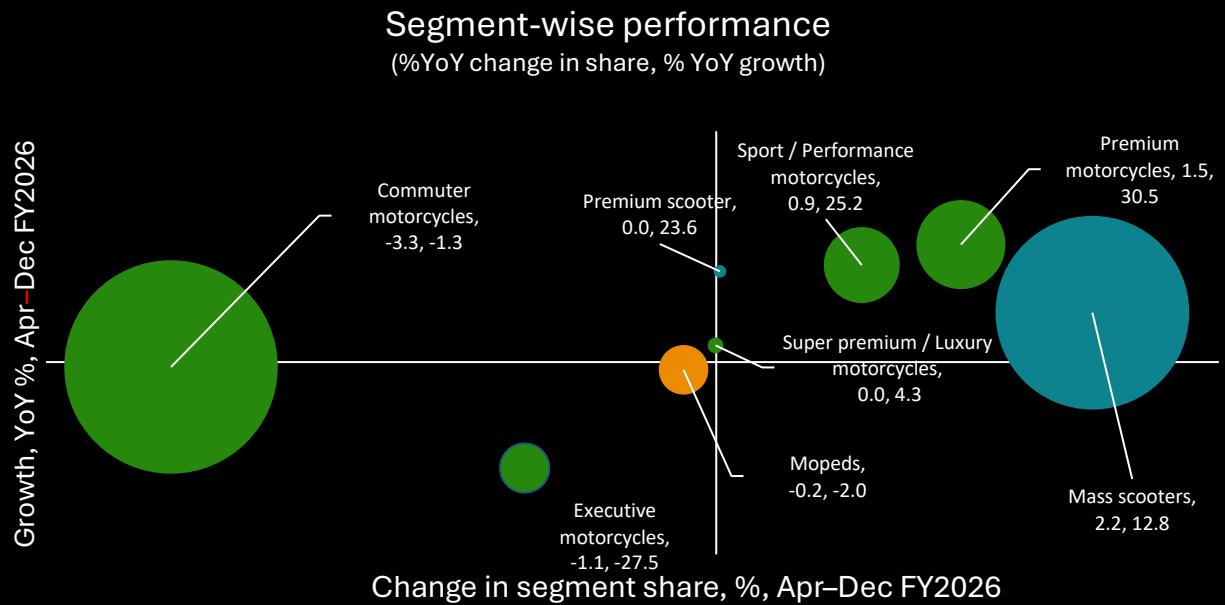
On the supply side, an increase in the cost of metals such as silver, copper and aluminium over the last three months may impact the cost of key components. We need to wait and watch to see if this eventually impacts end-consumer prices.

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

Gradual upswing amid improving demand: Decoding India's two-wheeler (2W) segment



Note: Bubbles represent segment volume for Apr – Dec FY2026.

Total domestic sales of two-wheeler in Apr Dec FY2026 were 15.9 million units

Source: CMIE, SIAM

5.9%

domestic two-wheeler sales growth YoY in
Apr – Dec FY2026



Motorcycle

2.4%



Scooter

12.9%



Moped

2%

Market share

60.7%

36.9%

2.4%

2W segment definition:

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

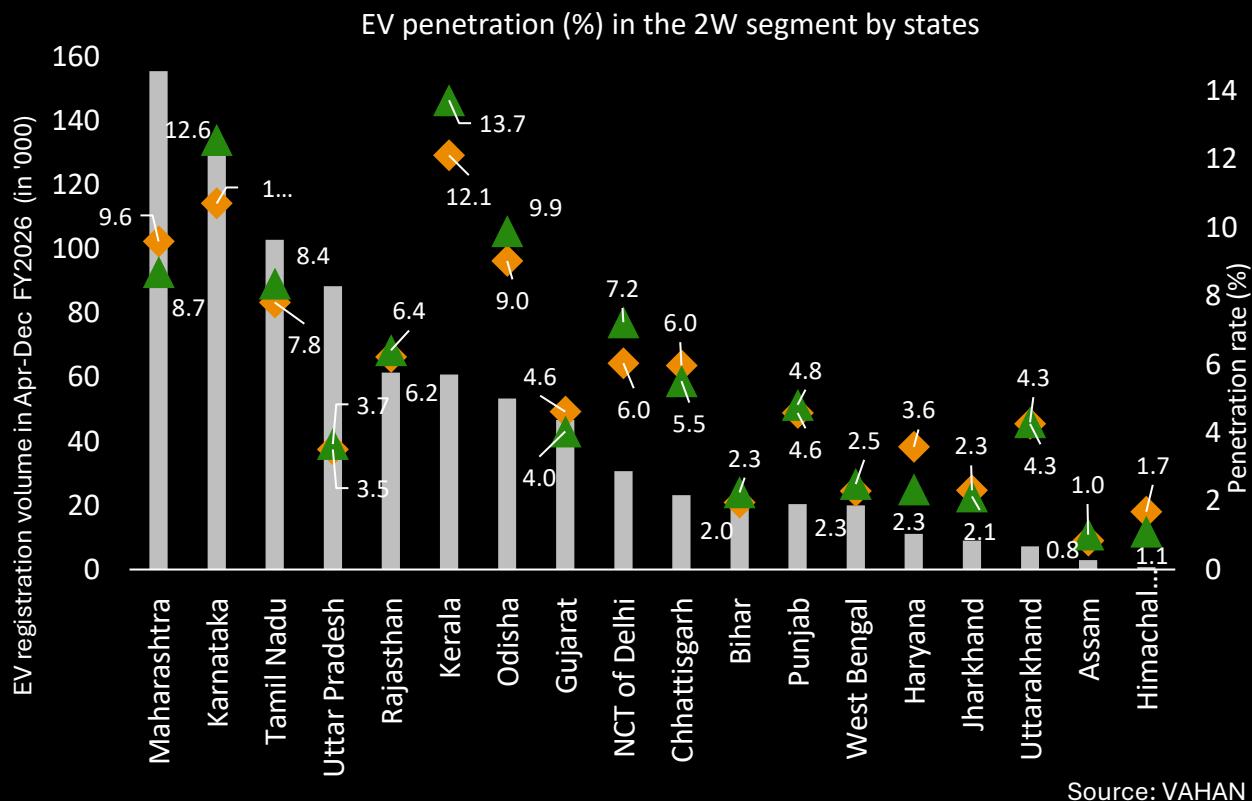
Uneven momentum in India's 2W Electric Vehicle (EV) transition: A state-wise snapshot

15.4%

Electric 2W registered YoY growth
in **Apr–Dec FY2026**

6.1%

Penetration rate in India for **Apr–Dec FY2026**,
up from 5.8% in Apr – Dec FY2025



Source: VAHAN

Kerala continues to lead in EV adoption. Among the states experiencing a decline in EV penetration, Chhattisgarh and Himachal Pradesh saw a decrease in EV volume.

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 5.9 percent YoY, while retail sales grew 9.7 percent in FY26 YTD (Apr '25–Dec '25), indicating a decline in dealers' inventories.

The GST restructuring lowered on-road prices, boosting demand. The late 2025 festive season saw record consumer turnout and high registrations, driven by aggressive discounts. Better agricultural output and rural incomes after a stable monsoon likely increased sales in entry-level bikes. Further, a reduction in the repo rate and a stronger urban demand provided the necessary traction for this segment.

The E-2W segment saw double-digit growth, potentially driven by improved infrastructure and new product launches that encourage green mobility.

EV registrations rose by 15.4 percent during the same period. EV penetration in the segment increased to 6.1 percent, indicating a positive adoption trend.



Aspiration drives growth in the premium segment:

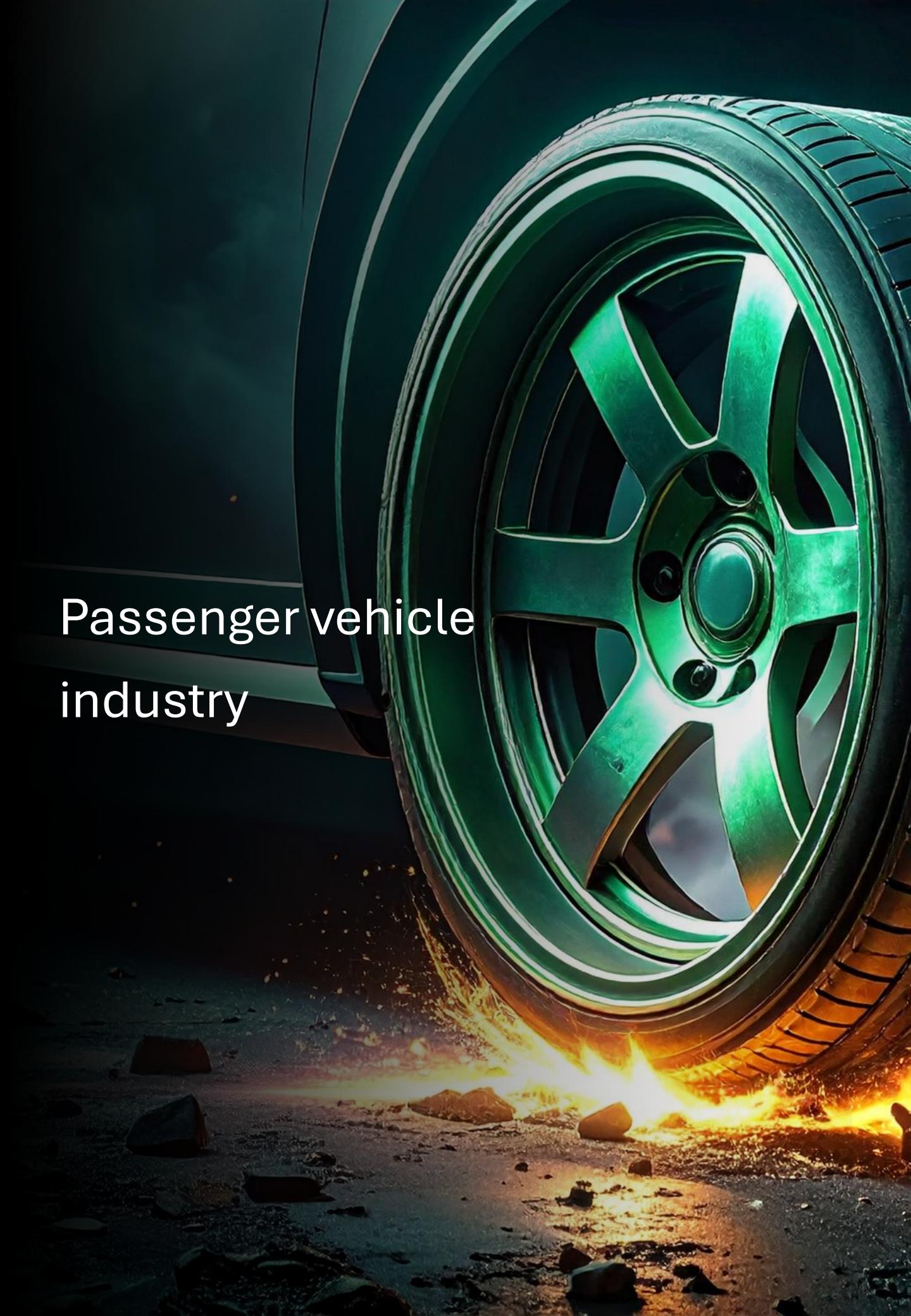
- Apr–Dec FY2026, motorcycle wholesales increased by 2.4 percent overall. This increase included a significant 30.5 percent increase in premium motorcycles and a 25.2 percent rise in sports motorcycles, indicating high-end motorcycle demand.

A shrinking share of commuter and executive motorcycles:

- Commuter motorcycles, which have a massive 45 percent market share, and the executive bike segment continued decline in demand in Apr – Dec FY2026, posting a degrowth of 1.3 percent and 27.5 percent, respectively, in wholesale dispatches.
- During the same period, mass scooters' sales (37 percent market share) increased by 12.8 percent, with premium scooters leading the way with 23.6 percent growth, indicating a shift in urban mobility preferences.

Uneven yet deepening EV penetration:

- Kerala remains at the forefront in EV adoption in Apr–Dec FY26 at 13.7 percent, which is more than double the national average, driven by rising awareness and infrastructure.
- Karnataka (12.6 percent) continues steady growth, supported by Original equipment manufacturers (OEMs) and urban demand.

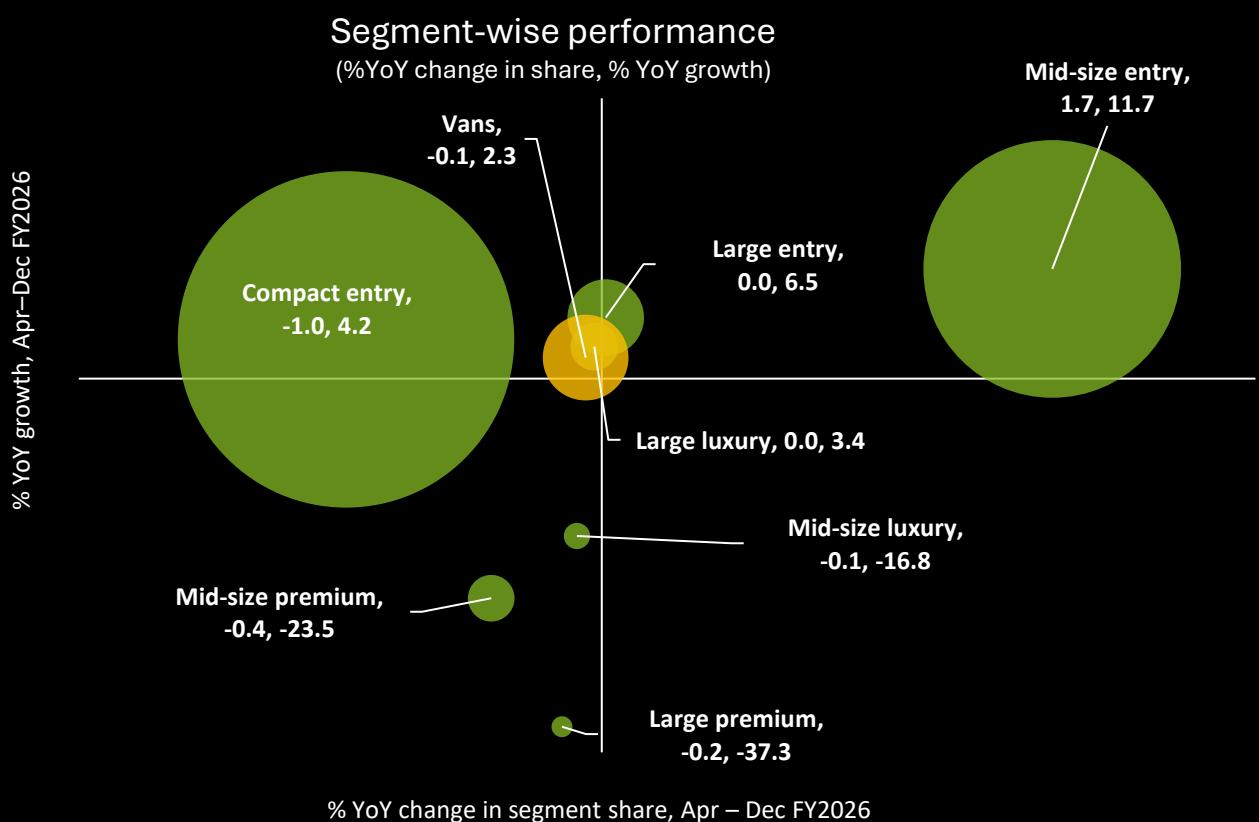
A dramatic, low-angle shot of a car's front wheel in motion. The wheel is a multi-spoke alloy design, reflecting bright light. The tire is dark with visible horizontal grooves. The car's body is dark and curved to the left. The ground is wet and reflective, with bright orange and yellow sparks or light reflections from the tire's contact point, suggesting a burnout or a very powerful start. The overall mood is dynamic and intense.

Passenger vehicle industry

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

5.9%

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



Source: CMIE, SIAM

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

Total domestic sales of passenger vehicles in Apr – Dec FY2026 were 2.9 million units

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 and 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

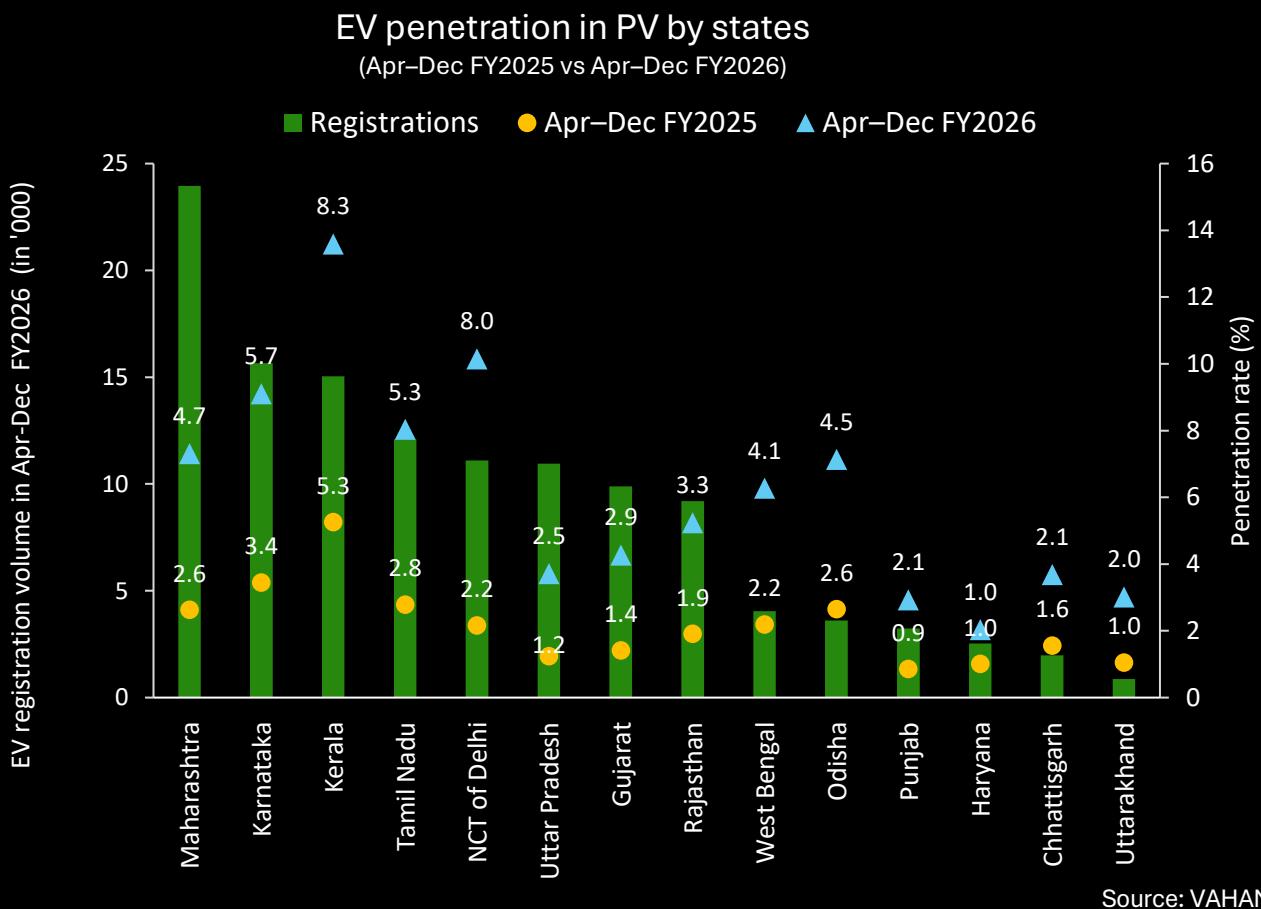
Mapping India's PV EV adoption: Which states are driving the shift?

102%

YoY growth of E-passenger vehicle registration during Apr-Dec FY2026

3.6%

Penetration rate of E-PV registration in Apr-Dec 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



Key insights

India's PV market recorded a 5.9 percent growth in wholesales during Apr-Dec FY2026, while retail sales increased by 10.4 percent, indicating that retail sales of cars outpaced OEM dispatches. The growth was driven by mid-size entry PVs, the only segment which increased its share. Dealers used record enquiries and improved conversion rates to liquidate inventories. Rural PV growth outpaced urban demand, an important indicator of widening mobility demand beyond the metros.

However, electric PV registrations surged by a massive 102 percent during the same period, pushing the EV penetration rate to 3.6 percent, up from 2 percent during the same period the previous year.



Wholesale of mid-size entry cars increased by 11.7 percent in FY2026 YTD (Apr – Dec). They offer the best balance of affordability, space, design, modern features and fuel efficiency, while matching the growing aspirations and practical needs of first-time and upgrade buyers across urban and Tier-2/3 markets.

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-Dec) was 6.5 percent and 3.4 percent, respectively.

Mid-size luxury sales decreased by 16.8 percent, and mid-size premium models also underperformed (a decline of 23.5 percent). This suggests a strong value competition from well-equipped mid-size entry cars.



EV trends: Decoding India's diverse EV markets

Kerala (15,046 units) leads with the highest EV penetration rate (8.3 percent) during Apr-Dec FY2026, supported by high awareness and local ecosystem readiness.

Delhi (11,103), Maharashtra (23,954), Karnataka (15,657), Tamil Nadu (12,096), Odisha (3,606) and West Bengal (4,044) (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



Scheme to promote manufacturing of sintered Rare Earth Permanent Magnets (REPM) approved¹

Large-scale adoption of EVs is heavily reliant on secure and sustained availability of rare-earth magnets, which are critical to electric mobility, such as usage in EV motors

The scheme has been approved to develop a fully integrated domestic manufacturing ecosystem for high-performance magnetic materials, targeting an annual capacity of 6,000 metric tonnes, for a resilient supply chain covering strategic sectors and to support the Net Zero vision

Sales-linked incentives amounting to INR6,450 crore are proposed to support REPM production over a five-year period. In addition, INR750 crore is allocated as a capital subsidy to facilitate the establishment of advanced and integrated manufacturing facilities. The scheme is envisaged over a seven-year horizon, including a two-year gestation period to set up facilities



Modified performance criteria for Battery EVs under PLI-Auto Scheme²

The Government has revised eligibility criteria for Battery Electric Vehicles (BEVs) seeking incentives under the Production-Linked Incentive scheme for Automobile and Auto Components Industry in India (PLI-Auto)

This revision notifies performance benchmarks for electric 2-w, 3-w, 4-w, buses (4-w), trucks and quadricycles

¹PIB Press Release: <https://www.pib.gov.in/PressNoteDetails.aspx?NotId=156753&ModuleId=3®=3&lang=1>

²Notification: [https://pliauto.in/docs/guidelines/269327%20SO%202018\(E\)%202013-01-2026%20Amendment%20Notification%20Performance%20Criteria%20for%20EVs.pdf](https://pliauto.in/docs/guidelines/269327%20SO%202018(E)%202013-01-2026%20Amendment%20Notification%20Performance%20Criteria%20for%20EVs.pdf)

Policy announcements for passenger and commercial vehicles



Progress on PM E-DRIVE and PLI Schemes³

The 2025 year-end review highlighted progress under PM E-DRIVE and PLI-Auto schemes

PLI-Auto scheme: Eight applicants under the Champion OEM category have received Domestic Value Addition (DVA) certification for 94 variants, while ten applicants under the Component Champion category have received DVA certification for 37 variants.

PM-DRIVE: Claims amounting to INR1,703.32 crore have been disbursed, and a total of 2.1 million EVs have been sold under this scheme.

PM e-Bus Sewa Scheme: 15 states and Union Territories submitted Direct Debit Mandate (DDM) to the Reserve Bank of India, a prerequisite for participation in the scheme's payment security mechanism for large-scale e-bus deployment.



Other key updates

Revised draft Bharat NCAP 2.0 guidelines⁴ issued by the Ministry of Road Transport and Highways (MoRTH), expanded safety assessments through additional mandatory crash tests, higher star-rating thresholds, and compulsory vulnerable road user (VRU) protection tests, including pedestrian safety.

³PIB Press Release: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2214039®=3&lang=1>

⁴Draft: https://morth.nic.in/sites/default/files/ASI/Updated-AIS1971_Rev%201-1%20%281%29-.pdf

Policy announcements for passenger and commercial vehicles



Other key updates

Capital Goods Manufacturing Scheme⁵: An INR7,000 crore incentive scheme is proposed to be issued in Budget FY26 to support localisation and develop a resilient Global Value Chain (GVC) for advanced automotive components, including ADAS, 360-degree cameras and sensors. Subsidies for capital goods such as moulds and power-tool used in manufacturing auto-parts is also planned.

CAFÉ III norms⁶: SIAM submitted detailed data to the Centre regarding incentives extended to small cars under CAFE norms in major automobile markets globally.

Dispute before WTO⁷: China escalated a complaint before the World Trade Organisation (WTO) to set up a Dispute Settlement Panel for examining its previous compliant filed in relation to India's incentive schemes, citing: PLI scheme for advanced chemistry cell and battery storage, PLI scheme for the automobile and auto component industry, and scheme to promote manufacturing of electric passenger cars in India.

⁵Article: <https://economictimes.indiatimes.com/news/economy/policy/budget-may-roll-out-23000-crore-incentives-to-boost-local-capital-goods-manufacturing/articleshow/126421697.cms?from=mdr>

⁶Article: <https://auto.economictimes.indiatimes.com/news/industry/government-to-relax-cafe-iii-emission-standards-for-automakers-after-industry-lobbying/126449148>

⁷Article: <https://auto.economictimes.indiatimes.com/news/auto-components/china-challenges-india-at-wto-over-ev-incentives-amid-trade-imbalance/126748274>

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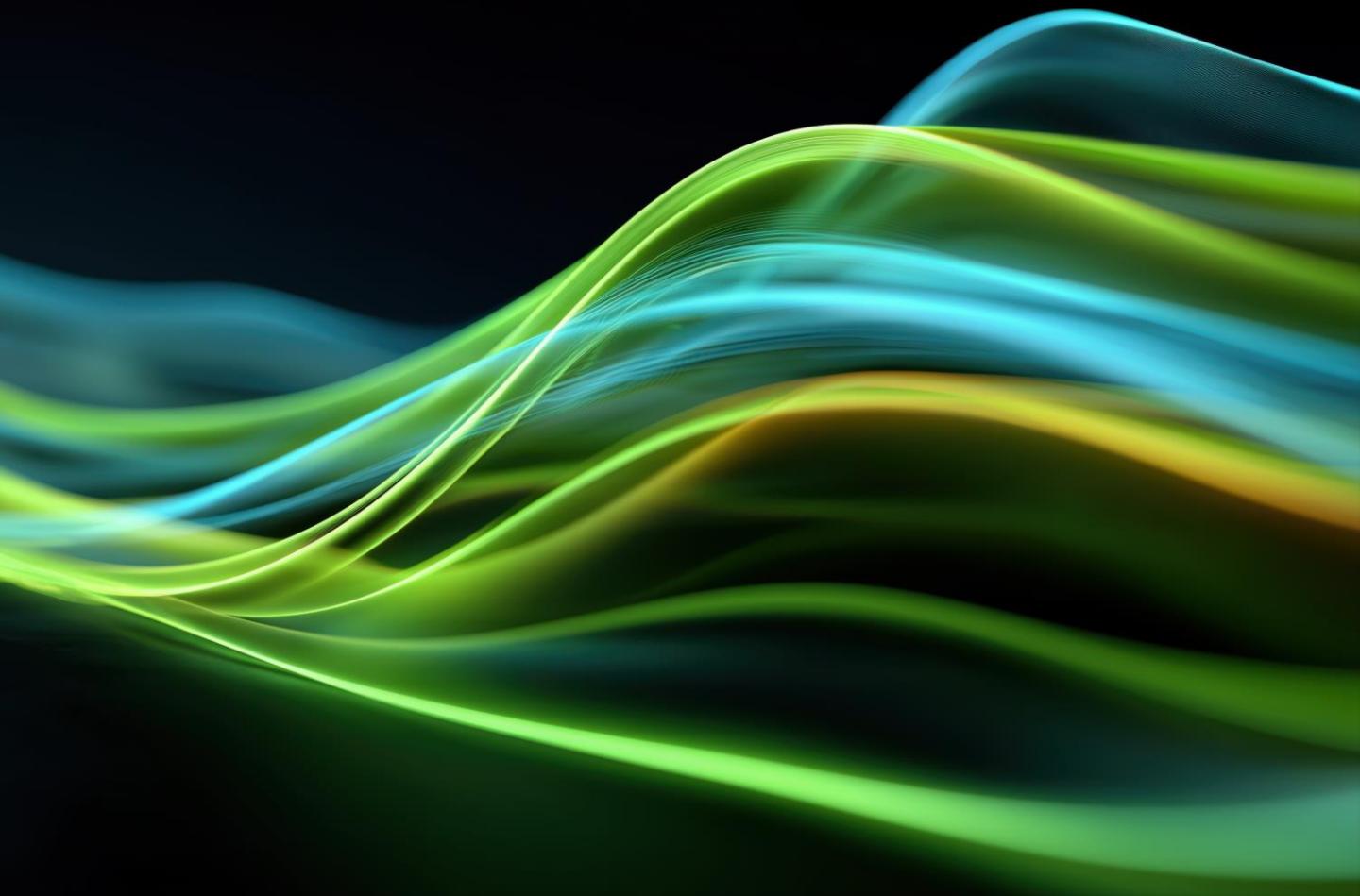
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