INDIA AUTOMOBILE INDUSTRY

Size & Share Analysis - Growth Trends and Forecast, 2026-2031

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Market Overview

The India automobile market covers two-wheelers, three-wheelers, passenger cars and commercial vehicles across multiple fuel types, sales channels, ownership categories and regions. The market is valued on vehicle manufacturing and sales within India, excluding standalone auto-component revenues, aftermarket services, fuels and charging sales unless bundled into the vehicle transaction.

Indicator	Details
Study Period	2020-2031
Forecast Period	2026-2031
Market Size, 2025	USD 137.06 Billion
Market Size, 2026	USD 147.58 Billion
Market Size, 2031	USD 213.74 Billion
CAGR, 2026-2031	7.69%
Market Concentration	Medium

Executive Summary

The source forecasts the market to reach USD 213.74 billion by 2031. Demand is supported by population-led consumption, rising household incomes, policy-backed electrification and a manufacturing base that produced 28.43 million vehicles in FY2024. Infrastructure expansion, subscription ownership, semiconductor localization, rural connectivity and digital retail are also identified as important growth levers.

Key Report Takeaways

- Two-wheelers captured 73.64% of market share in 2025; passenger cars are forecast to grow at the fastest 8.84% CAGR through 2031.
- Petrol vehicles accounted for 59.27% of the market in 2025; battery electric vehicles are forecast to grow at a 10.02% CAGR during 2026-2031.
- OEM-authorized dealerships retained 89.73% of transactions in 2025; online sales are forecast to grow at 9.11% CAGR.
- Personal vehicles represented 75.94% of the market in 2025; commercial fleets are forecast to expand at 9.16% CAGR.
- North India led with 31.92% of 2025 revenue; South India is forecast to record the fastest regional CAGR of 9.18% through 2031.

Market Growth Drivers

Driver	Source Assessment
Rising Disposable Incomes and Rapid Urbanization	+1.5% impact; nationwide and Tier-2 cities; medium term
Government EV and FAME-II Incentives	+1.2% impact; metropolitan clusters; short term
Expansion of National Highway and Rural Road Network	+1.0% impact; rural corridors; long term
Subscription-Based Ownership and Leasing	+0.8% impact; urban premium markets; medium term
Local Semiconductor Fabrication Investments	+0.7% impact; Tamil Nadu and Gujarat hubs; long term
Corporate Fleet-Decarbonization Mandates	+0.6% impact; industrial corridors; medium term

Rising Incomes and Urbanization

Income growth is widening the consumer base, particularly in Tier-2 and Tier-3 cities. The report notes that 65% of the population is under 35, aligning prime earning years with first-time vehicle purchases. Suburban employment hubs, rural-to-urban migration and subscription programmes further support two-wheeler and compact-car demand.

Government EV and FAME-II Incentives

FAME Phase-II, launched in 2019, is described with a budget of INR 11,500 crore (USD 1.31 billion) over five years, supporting electric two-wheelers, three-wheelers and four-wheelers. State incentives in Tamil Nadu and Gujarat and planned support for heavier vehicle segments are identified as additional electrification drivers.

Road Infrastructure

The report states that road programmes have connected more than 159,000 habitations. Improved highways and rural roads expand dealer catchments, reduce transit time and vehicle wear, strengthen freight efficiency and improve supply-chain competitiveness.

Subscription Ownership and Leasing

App-based subscriptions are increasing access by bundling insurance, service and roadside assistance into flexible monthly vehicle-use models. The source identifies residual-value management and secondary-market liquidity as important factors for scaling these models.

Market Restraints

Restraint	Source Assessment
Regulatory Changes, Safety Standards and GST Shifts	-1.2% impact; nationwide; short term
Global Semiconductor Supply-Chain Volatility	-0.8% impact; key manufacturing hubs; medium term
Urban Congestion-Driven Usage Restrictions	-0.6% impact; major metros; medium term
Rising Telematics-Linked Insurance Premiums	-0.4% impact; urban fleets; short term

The source highlights compliance costs from tighter emission and safety standards, component-tax uncertainty, differing state road-tax regimes and continued exposure to overseas semiconductor fabrication. Longer lead times and inventory buffers can raise working-capital requirements and pressure profitability.

Segment Analysis

By Vehicle Type

Two-wheelers held 73.64% share in 2025, supported by affordability, fuel efficiency and ease of use in congested cities. Passenger cars are forecast to grow fastest at 8.84% CAGR, supported by SUV and crossover demand. Electric two-wheelers are moving into mainstream price points, while commercial vehicles benefit from infrastructure spending and three-wheelers retain importance in last-mile transport.

By Fuel Type

Petrol vehicles retained 59.27% share in 2025. Battery electric vehicles are forecast to grow at 10.02% CAGR as tax rebates, FAME-II incentives and lower lithium-ion cell costs support adoption. Hybrids provide a bridge where charging infrastructure remains limited, while LPG/CNG continues to expand in cost-sensitive commercial fleets.

By Sales Channel

OEM-authorized dealerships handled 89.73% of 2025 transactions. Online sales are forecast to grow at 9.11% CAGR as consumers adopt transparent pricing, home delivery, virtual showrooms and click-to-book tools. The report expects omnichannel models combining digital discovery with physical verification to become increasingly important.

By Ownership Type

Personal use represented 75.94% of the market in 2025. Commercial demand is forecast to grow at 9.16% CAGR, driven by e-commerce fulfillment, ride-sharing and logistics formalization. Telematics, route optimization and predictive maintenance improve fleet utilization and lower per-kilometre operating costs.

Geographic Analysis

North India accounted for 31.92% of 2025 revenue, supported by the National Capital Region's manufacturing base, supplier ecosystem and policy proximity. South India is projected to grow fastest at 9.18% CAGR through 2031, benefiting from Tamil Nadu's integrated supply chain, skilled labour, seaport access, EV policies and R&D activity in Chennai and Bengaluru.

West India, particularly Maharashtra and Gujarat, benefits from diversified industry, export-oriented ports and investment-friendly regulation. East India has lower current penetration but offers longer-term potential as infrastructure and connectivity improve.

Regulatory Landscape

Automobile regulation is anchored by the Ministry of Road Transport and Highways through the Central Motor Vehicles Rules and Automotive Industry Standards, with ARAI, iCAT and CIRT supporting certification and type approval. A May 2026 CMVR amendment tightened E20-reference-fuel emission compliance for certain imported gasoline vehicles.

The PLI-Auto scheme has a stated outlay of INR 25,938 crore and supports Advanced Automotive Technology products including BEVs and hydrogen fuel-cell vehicles. The PM E-DRIVE framework also influences electric-model approval and incentive eligibility.

Value Chain and Supply Chain

The automobile value chain extends from steel, aluminium, plastics and rubber through casting, forging, component manufacturing, assembly, testing and distribution. Electrification increases dependence on cells, battery-management systems, power electronics and software. Logistics capacity and energy availability remain operational risks, while rail transport, digital systems and new technology partnerships are being used to strengthen resilience.

Competitive Landscape

Major manufacturers include Maruti Suzuki, Hyundai, Tata Motors, Mahindra & Mahindra, Kia and Toyota. The report highlights cost leadership, platform sharing, modular EV architectures, hybrid partnerships, battery joint ventures, software-defined features and flexible manufacturing as major competitive strategies.

Company	Source Classification
Hero MotoCorp	Listed market leader
Honda	Listed market leader
TVS Motor Company	Listed market leader
Maruti Suzuki	Listed market leader
Bajaj Auto	Listed market leader

Market Opportunities and Future Outlook

Large-scale capacity additions are creating opportunities in logistics, tooling, automation and localized component supply. Maruti Suzuki's IMT Kharkhoda facility in Haryana is described with an initial capacity of 0.5 million units and a pathway to 1 million units annually, backed by a stated INR 35,000 crore investment. Toyota also announced a greenfield facility in Maharashtra's Bidkin Industrial Area with an initial capacity of 100,000 vehicles per year and planned production in the first half of 2029.

Technology and compliance requirements are expanding opportunities in connected and software-defined vehicles, cybersecurity, over-the-air update systems, ethanol-compatible components, electronics and advanced materials. Budget 2026-27 earmarked INR 5,939.87 crore for the PLI Scheme for Automobiles and Auto Components.

Recent Industry Developments

- July 2026: Maruti Suzuki inaugurated its IMT Kharkhoda, Haryana facility, with initial capacity of 0.5 million units and a pathway to 1 million units per annum.
- June 2026: Hero MotoCorp announced its first flex-fuel motorcycles, Splendor+ and HF Deluxe, designed for ethanol blends from E20 to E85.
- July 2024: TVS Mobility formed a strategic alliance with Mitsubishi Corporation, with Mitsubishi investing INR 300 crore for a 32% stake in TVS Vehicles Mobility Solutions.

Report Scope

Segment	Coverage
Vehicle Type	Two-wheelers; Three-wheelers; Passenger Cars; Commercial Vehicles
Fuel Type	Petrol/Gasoline; Diesel; LPG/CNG; Battery Electric; Hybrid Electric; Plug-in Hybrid; Fuel-Cell Electric
Sales Channel	OEM-Authorized Dealers; Online
Ownership Type	Personal Use; Commercial Use
Region	North India; South India; East India; West India