



# Automotive pulse India

Quarterly newsletter



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# Preface

The Indian automotive sector stands at a pivotal moment of transformation and growth, propelled by growth in exports, progressive government policies and advanced technological integration. With an impressive trajectory in recent years, this sector is not only shaping India's economic landscape but also redefining its global stature.

From addressing challenges posed by supply chain disruptions to embracing transformative trends such as artificial intelligence (AI) and Industry 4.0, the global automotive sector is navigating an era of unparalleled change. This landscape sets the stage for an exciting journey towards consumer-centric innovation and technological breakthroughs that redefine how the world moves.

Furthermore, amidst a push for greener and more eco-friendly practices, manufacturers and governments across the globe are working towards reducing carbon emissions and promoting energy-efficient solutions. Key markets, including Asia-Pacific, North America and Europe, continue to lead in sustainable production and innovation, while emerging markets contribute significantly to expanding the industry's horizons.

This newsletter delves into the dynamic developments observed during the period from December 2024 to May 2025, highlighting significant advancements across various segments, including electric vehicles (EVs). It also examines the collaborative efforts driving the nation towards its ambitious target of becoming a global leader in automobile manufacturing by 2029 and fostering self-reliance through the vision of Atmanirbhar Bharat and Viksit Bharat by 2047. Through this newsletter, we aim to provide valuable insights into the innovations, initiatives and policies that are steering India's automotive sector into an exciting and promising future.





# Strategic insights into India's automotive sector



India's automotive sector witnessed a strong performance in FY25, driven by a blend of technological advancements such as smart manufacturing using AI and advanced driver assistance systems (ADAS) and a growing attraction for EVs. This positive momentum was further amplified by government policies as well as rising exports of the auto components sector, which encourages local production.

## Key metrics driving growth:

- In FY25, India's passenger vehicle (PV) segment experienced moderate growth, with total sales hitting **4.1 million units**, representing a **4.9 per cent y-o-y increase**<sup>1</sup>
- This was supported by the highest ever exports of **0.77 million PV units in FY25**, marking an increase of **14.6 per cent y-o-y**<sup>2</sup>.

**USD54.8 billion**<sup>3</sup>



Expected market size of Indian passenger car market by 2027

- New model launches and improved variant availability** further aided the growth in the PV segment, along with a rise in demand for **global models being manufactured from India** in markets of Latin America and Africa<sup>2</sup>. While incentives and seasonal promotions contributed to the positive performance, dealers are cautious due to high inventory levels and increasing sales pressures at the start of the new financial year
- Commercial vehicle (CV) sales remained almost **unchanged at -0.17 per cent y-o-y**, reflecting the influence of factors such as erratic weather, financing challenges and changing consumer sentiment on demand<sup>1</sup>
- Rural areas** stood out this year with growth across key segments such as two-wheelers (2Ws), three-wheelers (3Ws) and PVs as compared to urban cities<sup>1</sup>. This rise was mainly driven by significant improvements in rural incomes, thereby increasing vehicle affordability.

## 4QFY25 and FY25 performance of the automotive sector:

### 4QFY25 highlights<sup>4</sup>

Total retail sales\*  
**~6.3 million units**  
(Same as 4QFY24)

Average retail growth\*  
**8.4 per cent m-o-m**

Top performing segments  
**2Ws, 3Ws and PVs**

### FY25 highlights<sup>4,5</sup>

Total vehicle registration  
**26 million units**

Y-o-Y retail growth  
**6.5 per cent**

**2Ws and 3Ws** showcased strong performance in **rural areas** with **8.4 and 8.7 per cent** as against 6.7 and 0.3 in urban areas, respectively.

### Future forecast<sup>4</sup>

**Rise in 2W sales** due to budget concessions related to direct tax, increasing rural incomes and fresh models

PV is poised for continued traction from new **SUVs\*\***, **EVs** and **rich-feature offerings**

**Global tariff tensions** could disrupt stock markets and weaken mutual fund returns, slowing auto purchases in FY26.

\*The sales data was calculated as per the Federation of Automobile Dealers Associations (FADA) press release for January, February and March 2025; and retail growth was calculated using average m-o-m growth per cent for the three months (Jan-Mar 2025) as per FADA press releases; \*\*SUV: Sport Utility Vehicle

## Key challenges faced in CY24<sup>4</sup>



- Internal combustion engine (ICE) 2Ws faced headwinds from rising EV competition and finance constraints
- CV struggled with election-driven uncertainty and low infrastructure spending
- High inventory levels in affected PV margins, triggering intense discount competition in H2CY24.

# Advancing ahead with emerging technologies



The Indian automotive industry, known for its dynamic technological landscape, has significantly emphasised **digital strategies** such as **smart manufacturing through AI**, **digital transformation in supply chain management** and **technology-centric business models**.

The industry is also progressing towards **advanced technologies** such as **ADAS and Internet of Things (IoT)-integrated connected cars**, along with influential global events such as **Bharat Mobility Global Expo 2025**. This strong focus on digitalisation is expected to attract a wave of investment from both, domestic and international sources for further development of these technologies.

## Smarter manufacturing with AI

- **Collaborative robots (cobots)** equipped with AI for reducing human error and increasing production speed
- **AI-powered energy management** to optimise energy consumption and green manufacturing in factories.



## Evolving business landscape

- **Mobility as a Service (MaaS)** models for enhanced accessibility to transportation and reduction in ownership costs
- **Rise of software-defined vehicles (SDVs) and over-the-air (OTA) updates** leading to software enhancements with increased safety and security
- **Data as a Service (DaaS)** for enhancing informed decision-making for automotive manufacturers.



## Transforming supply chain management

- **Anti-fragile supply chains** to future-proof from incoming disruptions using data-driven technologies such as analytics and machine learning
- **AI-based spare parts inventory optimisation** and quality control mechanisms to unlock higher efficiencies.



## Technology advancements reshaping the sector dynamics

### Advanced driver assistance system (ADAS)



The Automotive Research Association of India (ARAI) announced plans to advance Bharat new car assessment program (NCAP) 2.0. The initiative aims to evaluate ADAS capabilities of vehicles, reinforcing global safety standards across the industry<sup>6</sup>.

### Software defined vehicles (SDVs)



An Indian design and technology services company was selected by the Indian research and development (R&D) division of an international automobile manufacturer to support the development of vehicle software engineering and SDVs.

### Bharat Mobility Global Expo 2025

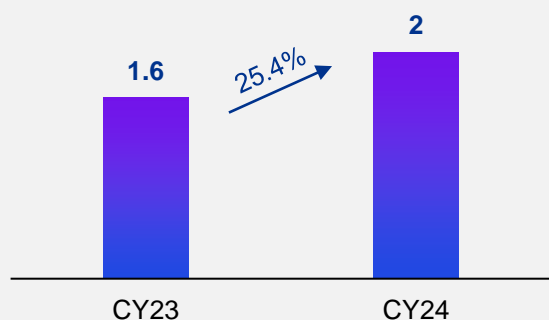


Indian Space Research Organisation (ISRO) and the Indian National Space Promotion and Authorisation Centre (IN-SPACe) featured 43 advanced technologies at the expo, including imaging and pressure sensors, to reduce the automotive sector's reliance on imported technologies<sup>7</sup>.

# India's EV revolution: Unlocking a new era of growth and opportunity



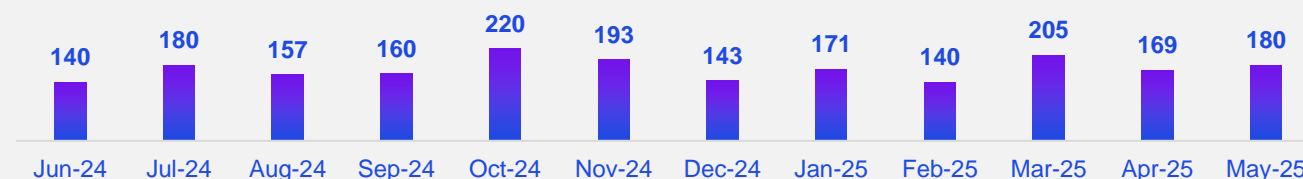
EV sales (CY24, in million units)<sup>8</sup>



- The EV sector of India witnessed a stellar performance in CY24, achieving the 2-million sales milestone<sup>8</sup>
- The growth was led by **2Ws**, driven by a policy push towards charging stations as well as an improved consumer sentiment, recording an all-time high of **30.7 per cent y-o-y growth**<sup>8</sup>
  - Attractive sale discounts and expansion into tier II and III cities further provided a boost to 2W sales
- **3W, e-rickshaw and e-cart** were also among the top performing segments<sup>8</sup>.

Despite a strong push for green mobility and government initiatives, factors such as high initial costs, reduced subsidies, supply chain challenges and a decline following a festival-driven sales surge impacted EV demand. Moreover, fluctuating consumer sentiment led to a decline in demand for EV two-wheelers and cars, contributing to an overall decrease in EV registrations.

Total number of EV sales (in '000 units)<sup>9</sup>



*The sector continues to hold significant growth potential, driven by improved infrastructure, implementing supportive policies and increasing awareness to boost EV adoption in India.*

Furthermore, **industry and academia partnership** can help foster innovation and drive forward new technological advancements, with a focus on the following trends:



## Development of batteries and electrification

An Asian automotive company announced its plans to collaborate with three technical institutes in India to set up a research system aimed at advancing battery technology and electrification.



## EV charging stations

An EV manufacturer signed a memorandum of understanding (MoU) with an Indian technology institute to focus on advancements in EV charging stations and battery technology.



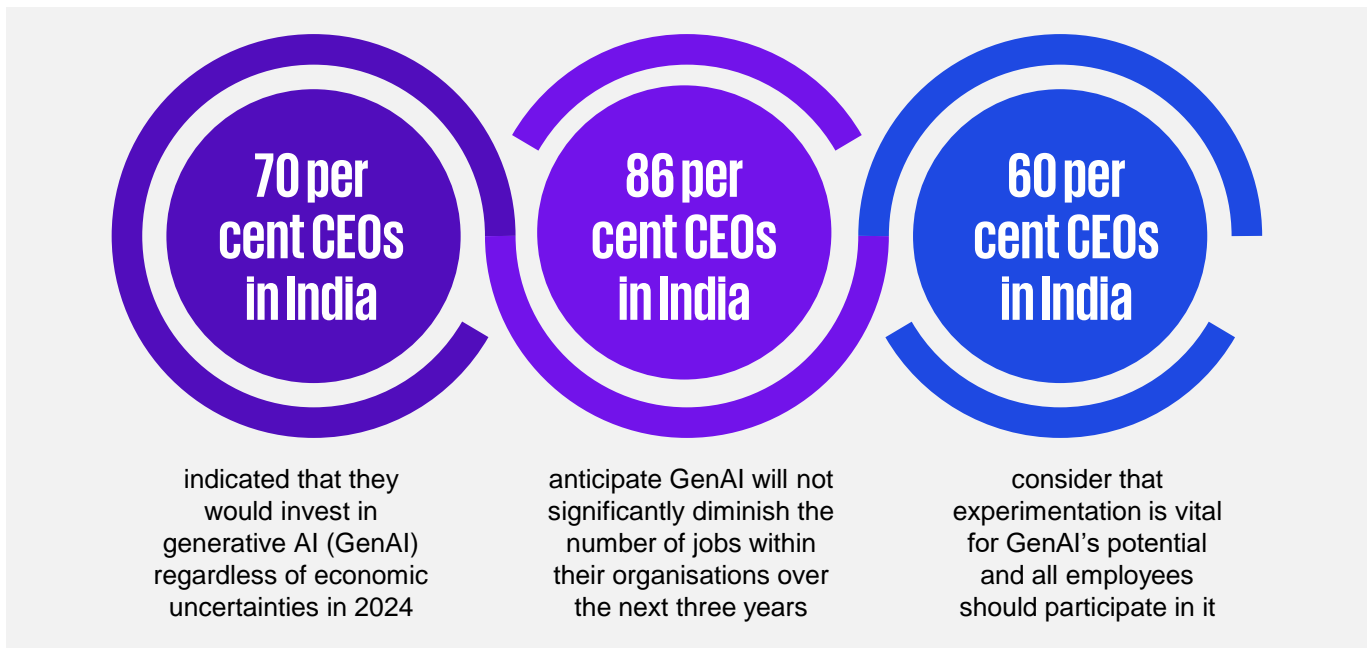
## Smart EV chargers and hybrid inverters

An antenna manufacturer partnered with a technology institute in India to develop smart EV chargers and hybrid inverters, advancing energy-efficient solutions for the EV and storage sectors.

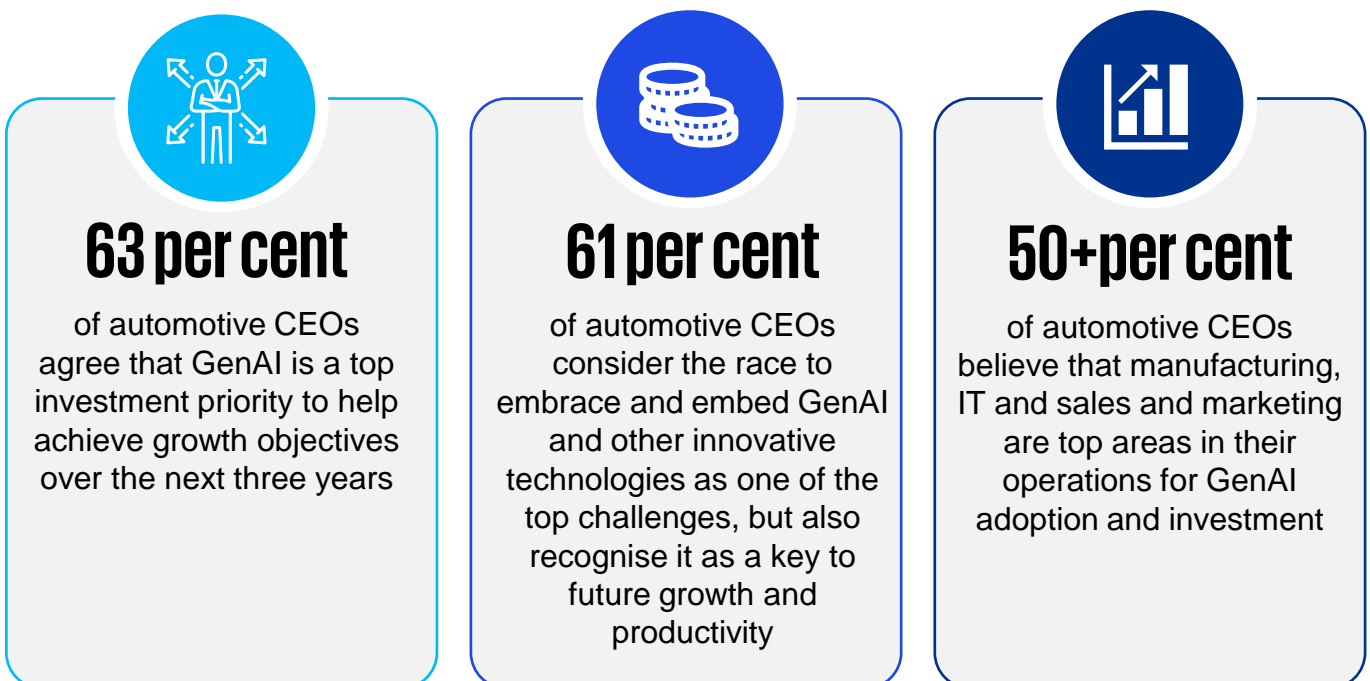
# The road ahead: KPMG 2024 CEO Outlook Insights



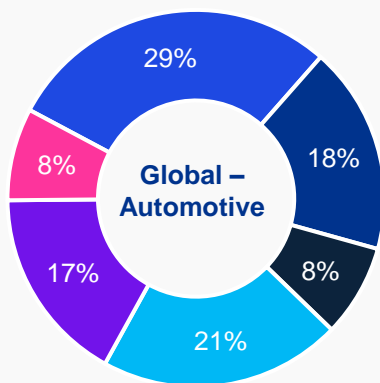
KPMG International released the tenth edition of its 2024 CEO Outlook in October 2024, which featured leaders from India and their insights across key sectors, including automotive. The report emphasised generative AI's role in boosting productivity and efficiency<sup>10</sup>.



## KPMG 2024 Global Industrial Manufacturing and Automotive CEO Outlook<sup>11</sup>



## Strategies by auto CEOs for achieving growth objectives over the next three years<sup>12</sup>



- M&A
- Organic growth
- Joint ventures
- Strategic alliances with third parties
- Outsourcing
- Generative AI

### Key highlights

- Automotive CEOs see **M&A as a strategically important growth lever** for the next three years
  - The indications suggest that numerous deals may occur in the upcoming years, assisting businesses in embracing **advanced technologies** and **broadening their supply chain**
- Forming **strategic alliances with third parties** enables organisations to integrate new technological capabilities and diversify their supply chains. These collaborative initiatives serve as crucial drivers for maintaining resilience and adaptability in an increasingly dynamic business environment
- **GenAI** is gradually becoming a major investment and operational priority for automotive CEOs.

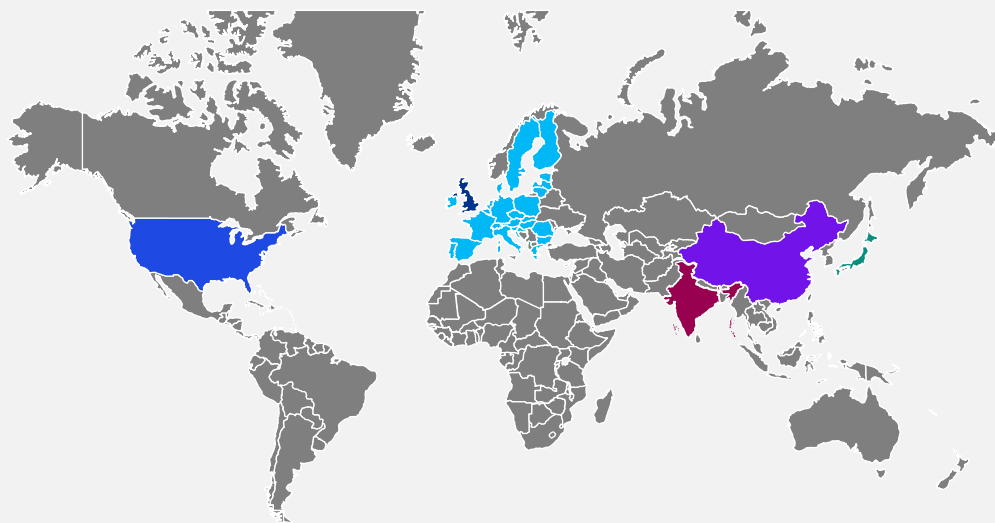




# Navigating the global regulatory landscape



The global automotive sector is undergoing significant regulatory transformation. Countries such as the U.S., the U.K., India, China, Japan and regions such as the European Union (EU) saw developments pertaining to tariffs and customs duties, transition to zero-emission vehicles, among others.



Map Indicative only

## China

- China extended its car trade-in subsidy scheme for 2025, following the expiration of the previous policy in late 2024. Under the scheme, consumers can get up to USD2,784\*\* in subsidies when they replace an old ICE vehicle or EV with a new EV. This extension is expected to boost hybrid EV sales in the country<sup>13</sup>.

## India

- India announced reductions in basic customs duty on the import of motor vehicles priced above USD40,000 from 125 to 70 per cent. For motorcycles with an engine capacity up to 1600 CC, duties were cut from 50 to 40 per cent on complete built units, 25 to 20 per cent on semi-knockdown units (SKDs) and 15 to 10 per cent on complete knocked down units (CKDs)<sup>14</sup>.

## Japan

- Japan announced its targets for carbon neutrality by 2050, with 100 per cent electrified passenger car sales by 2035, 20-30 per cent new electrified vehicles sales by 2030 and full adoption of electric and decarbonised fuel vehicles by 2040<sup>15</sup>.

## U.K.

- The U.K. government initiated a consultation process to plan the phasing out of petrol and diesel cars by 2030 and is seeking input from industry stakeholders for the transition to zero-emission vehicles and to assist consumers in making this shift<sup>16</sup>.

## U.S.

- The U.S. announced a 25 per cent\* tariff on imported automobiles and specific automobile parts to counteract a significant threat to the U.S. national security, aiming to safeguard the eroding domestic industrial base and supply chains
  - The tariff covers passenger vehicles, light trucks and essential automobile components, with provisions to extend it to additional parts, if required
- It also exempted tariffs on imports from Canada and Mexico under the U.S.-Mexico-Canada Agreement, boosting the automotive supply chain's role in bringing production to the U.S.<sup>17</sup>.

## EU

- As part of the ongoing FTA negotiations with India, the EU is advocating India to lower tariffs of more than 100 per cent on some exports including, automobiles
- India has further expressed concern over EU border carbon taxes on steel and aluminum as it may have an impact on the manufacturing sector of the country, including automotive<sup>18</sup>.

\*On 29 April 2025, the U.S. announced certain provisions to incentivise domestic production and assembly of automobiles in the U.S.<sup>19</sup>

\*\*The currency was converted as per the conversion rate of 1 USD = 7.1 CNY as on 6 June 2025



# Role of supporting sectors in augmenting growth

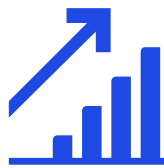


## Automotive component sector

India is rapidly emerging as a global hub for automotive component sourcing, with the sector exporting more than a quarter of its annual production. To further accelerate this growth, the automotive sector has set a target to invest USD7 billion by FY28 to boost the localisation of advanced components. This thriving sector provides employment to 37 million people across the country, supported by the Automotive Mission Plan (2016-26), which aims to create an additional 3.2 million direct jobs by 2026<sup>20</sup>.

### 14 per cent

Estimated growth of the sector (FY24-28)<sup>21</sup>



### USD30 billion

Expected exports by 2026<sup>20</sup>



### 5-7 per cent

Expected GDP contribution of the sector by 2026<sup>20</sup>



### USD16 billion

Estimated size of domestic auto-component market by 2030<sup>22</sup>

## Key trends in focus



- Focus on lightweight components to enhance fuel efficiency
- Energy-efficient components to reduce emissions
- Advancements in electronics and connectivity
- Integrated autonomous driving systems.

## Rising market opportunities



- Increase in demand for PVs due to rising middle-class incomes
- Advancements in smart manufacturing and Industry 5.0
- Automotive aftermarket expansion driven by rural markets' demand for entry-level segments and a shift towards larger vehicles
- Global supply chain shifts.

## Other supporting sectors

Growth and opportunities in India's automotive sector are intricately linked with advancements in its supporting sectors such as tyre, natural gas and steel as it stimulates innovation, improves cost-effectiveness and enhances the appeal and sustainability of vehicles.



### Tyre

An Indian subsidiary of a major international tyre corporation unveiled its plans for a significant growth investment to **boost tyre capacity and functionality within the country**. This is expected to direct a large investment to the company's manufacturing plants across the country.



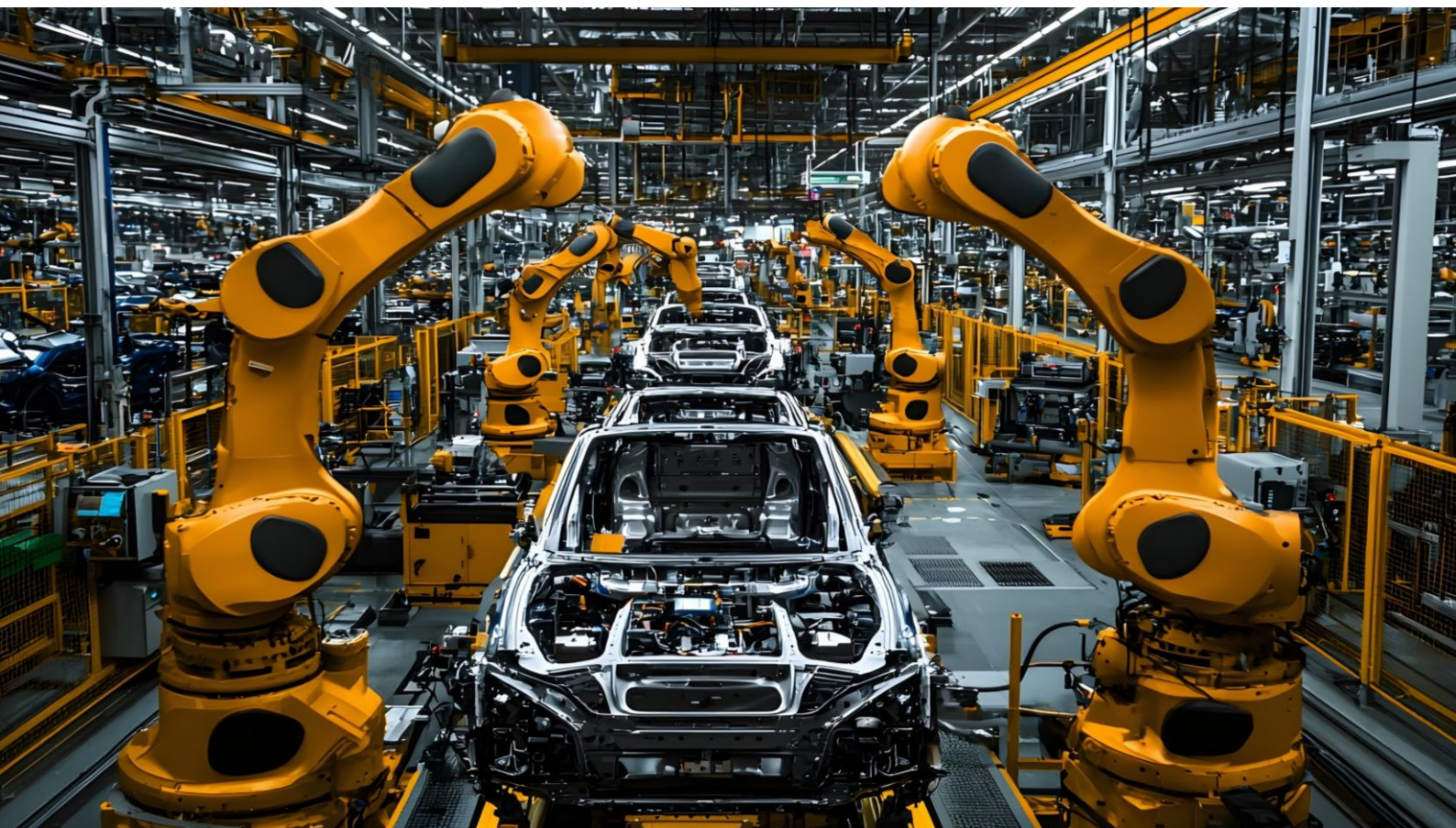
### Natural gas

An Indian oil and gas company signed an optional term contract with an overseas oil company to import large volumes of **crude oil**, strengthening India's transition to a **natural gas-based economy**. Such agreements are expected to ensure a stable supply of fuel for the automotive industry.



### Steel

The central government launched the Production Linked Incentive (PLI) **Scheme 1.1 for specialty steel** to attract steel companies and investments in specialised steel production, aiming to boost domestic production, foster innovation and reduce reliance on imports<sup>23</sup>.



# Government regulations and initiatives



The Government of India (GoI) has been focusing on upgrading the policies around EVs to enhance investment opportunities for foreign manufacturers and strengthen domestic production while promoting 'Make in India'.

The GoI launched the **PM E-Drive electric vehicle subsidy scheme**, offering upfront incentives for EV purchases and supporting the development and installation of critical EV charging infrastructure

- The Ministry of Heavy Industries started consultations with stakeholders on the ~USD58.3 million\*\* subsidy outlay under the scheme to fast-track the adoption of electric trucks<sup>24</sup>.



The government approved a strategic **scheme to boost domestic EV passenger car manufacturing** with an aim to attract global investments, position India as a key EV production hub and generate employment<sup>25</sup>.



In addition, the GoI and state governments introduced regulatory updates and industry-focused measures addressing taxation in the automotive sector, including EVs:

## Regulatory updates

- The Telangana government announced a **100 per cent exemption from road tax and registration fee** on the purchase of EVs. This applies to electric two-wheelers, four-wheelers, commercial vehicles, autorickshaws, light goods carriers, tractors and buses<sup>26</sup>
- The Maharashtra Electric Vehicle Policy-2021 **was extended** by the Government of Maharashtra, effective from April 2025 to March 2030, with an aim to achieve **30 per cent EV penetration** in the state by 2030.<sup>27</sup>

## Industry updates

- The Society of Indian Automobile Manufacturers (SIAM) hosted the SIAM Conference on **Automotive Taxation 2024**, discussing the **role of taxation policies in supporting India's automotive sector** and national economic growth<sup>28</sup>
  - The conference further addressed the need for streamlining GST policies, aligning customs valuation with transfer pricing and promoting digital transformation to improve business ease
- FADA hosted the Auto Summit 2025, themed **Safe, Efficient and Sustainable: Shaping Tomorrow's Mobility**, emphasising **advancements in road safety standards and the integration of ADAS systems**. The discussions in the event also align with India's vision for a safer and more efficient transportation ecosystem<sup>29</sup>.

## Union Budget FY2025-26

### Key highlights:

- Proposal for customs duty **exemptions on 35 additional capital goods** for EV battery production and incentives for lithium-ion battery. These measures aim to accelerate domestic electric vehicle manufacturing in the country<sup>30</sup>.

\*The currency was converted as per the conversion rate of 1 USD = INR 85.6 as on 6 June 2025





# Way forward

India is poised to usher in a revolutionary smartphone era for automobiles in 2025, by launching vehicles equipped with 5G machine-to-machine (M2M) connectivity and sophisticated AI technologies. The automotive industry is anticipated to bypass 4G and adopt 5G cellular technology for connectivity. In-car computing and GenAI, coupled with cloud applications, are expected to become crucial elements of automobiles, facilitating real-time data processing to assist drivers efficiently.

Auto dealers in India are optimistic for FY26, anticipating growth in 2Ws, PVs, and CVs, driven by new model launches and increased EV interest. However, challenges such as financing issues, shifting consumer sentiment and the ongoing global tariff tensions may cause market instability, impacting vehicle sales. Overall, the prospect of incremental growth is likely to depend on how the sector addresses these challenges and fosters EV adoption.

Expanding and modernising the EV infrastructure is essential to encourage wider adoption across the country. This includes not only the physical infrastructure, such as charging stations and green manufacturing facilities, but also the regulatory framework to support innovation and adoption of new technologies. Collaborations between public and private organisations are expected to be vital in achieving the government's vision of 30 per cent penetration of EVs by 2030<sup>31</sup>.

India is expected to remain a diverse fuel market in the near future, intensifying competition for consumer spending. However, government policies and consumer tastes are anticipated to significantly influence this. As per SIAM's vision for Sustainable Mobility, India stands to benefit from shifting towards decarbonisation, adopting a range of low-carbon technologies and fuels that could massively reduce the automobile industry's carbon footprint<sup>31</sup>.

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