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As rupee wobbles and costs surge, car firms gear up for new-year price rise

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Come January, passenger vehicles are poised for a price increase, now almost an annual ritual, as original equipment manufacturers (OEMs) contend with forex pressures from weakening of the rupee against the dollar and euro, rising commodity prices, and uncertainty over rural demand.

Tata Motors and Mahindra & Mahindra, two of the country's major automakers, had already signalled incoming hikes in their Q2 analyst calls as input and commodity costs continue to climb.

"In January, in Q4, we will take the price increase, typically what we generally do,"

Shailesh Chandra, MD & CEO, Tata Motors Passenger Vehicles and Tata Passenger Electric Mobility, had said. He noted that the company did not raise prices for nine months despite higher commodity costs. “We need to pass it on. After December, when the industry starts with lean stock, the discounting environment should also go down,” Chandra said.

Mahindra & Mahindra’s leadership reflected similar concerns. While the company maintains a robust demand outlook across UVs, LCVs, and tractors, executives acknowledged that rising commodity prices, particularly precious metals, remain a key risk factor.

“These volatilities come out of nowhere; this is all part of managing life today,” Rajesh Jejurikar, ED & CEO, auto & farm Sectors, had said.

M&M Group CFO Amarjyoti Barua said the company has taken a hedge position. He added that some precious metals have risen between 60-80 per cent this year, but M&M’s early hedging has cushioned the immediate impact. If the trend continues, however, hedging costs are expected to rise, which in turn would have an effect.

Meanwhile, Honda Cars India confirmed that it is also considering a January hike.

While original equipment manufacturers (OEMs) have not disclosed the quantum of the increases, these typically range between 2-4 per cent across models. In January this year, several major automakers, including Hyundai Motor India, Maruti Suzuki, Mahindra & Mahindra, and JSW MG Motor, raised prices by 3-4 per cent, citing rising input costs, inflation, and higher commodity prices.

The industry is facing escalating costs across major components and commodities, with Bloomberg data showing year-to-date increases of 32.8 per cent in copper, 9.7 per cent in zinc, 38.8 per cent in tin, and 12.5 per cent in aluminium.

Meanwhile, the rupee has depreciated by 4.84 per cent against the dollar in the current calendar year due to foreign outflows and uncertainty around trade deals with the US. Furthermore, it has seen a 14.8 per cent depreciation against the euro so far in 2025.

Anurag Singh, advisor at Primus Partners, said this January price cycle has been building for months. OEMs typically announce increases at the turn of the year to offset rising input costs, but most held back this time due to government advisories issued during the GST 2.0 transition.

“Price hikes in January are a norm,” Singh said, adding that companies had little room to manoeuvre earlier. “The government had highlighted not to increase the

prices at the time of the GST cut, so most OEMs complied and did not increase prices despite the rupee depreciating and input costs rising.”

With those pressures now accumulating, Singh expects OEMs to release the pent-up revisions in January. “There is pent-up pressure in the industry to raise prices,” he noted.

Industry analysts say buyers often advance purchases into the December quarter to pre-empt these increases, but the dynamic is more complex this year. The Centre’s GST rate cut in November prompted several carmakers to reduce sticker prices sharply, lifting demand and temporarily altering the usual year-end buying behaviour.

According to Rohan Kanwar Gupta, vice-president and sector head, corporate ratings at ICRA, the confluence of these factors may create a soft patch in early 2026. While January hikes could momentarily curb walk-ins and booking conversions, he expects the underlying demand environment to remain broadly supportive.

“The anticipated January price increases by passenger vehicle OEMs could temper sales enquiries and conversions at the start of 2026, but the recent price reductions following GST rate cuts are expected to continue to support demand,” Gupta said. He added that the wedding season, traditionally a strong consumption driver, should provide an additional lift—particularly for compact SUVs and entry-level sedans, which typically see higher traction for family related purchases.

The industry is also heading into the new year with a healthier model pipeline. New launches in the compact SUV, EV, and premium hatchback segments are expected to drive footfall, even as manufacturers navigate pricing pressures. “Strong enquiry pipelines and new model launches underpin a cautiously optimistic outlook, though persistent pricing pressures and any softness in rural demand remain downside risks,” Gupta added.

Industry watchers now believe OEMs will proceed with delayed adjustments next month, even as they seek to protect margins without derailing demand in a year that has so far been supported by tax cuts, seasonality, and robust new launches.