

Quote by Nikhil Dhaka, Vice President, Primus Partners

Published in Auto Car Professional
Feb 06, 2025

Auto Industry Retail Sales Off to Promising Start in 2025, Up 7% in Jan: FADA

Authored by Darshan Nakhwa



Read on: <https://www.autocarpro.in/news/auto-industry-retail-sales-off-to-promising-start-in-2025-up-7-in-jan-fada-124807>

Article Content:

FADA remains cautiously optimistic about the sector's near-term outlook, even as 43% of dealers expect flat sales and 11% foresee a dip in February.

India's overall automobile retail sales grew by 7% on-year in January with growth recorded across vehicle categories. According to the Federation of Automobile Dealers Associations, 2.29 million vehicles were sold during the month, up from 2.15 million units in the year-ago period and 1.76 million units in December 2024 .

"The auto retail sector kicked off 2025 on a promising note, aligning with FADA's earlier survey projections that expected January to range from flat to moderately positive," FADA President C S Vigneshwar said. The association remains cautiously optimistic about the sector's near-term outlook, even as 43% of dealers expect flat sales and 11% foresee a dip in February. Factors such as supportive policies, post-budget stimulus, and prudent inventory management may help sustain the sector's early-year gains, he said.

In January, sales of two-wheelers rose by 4% year-on-year to 1.53 million units, driven by new model launches, marriage season demand and improved financing. The sales of two-wheelers in urban areas grew by 4.5% on year, compared to 3.9% growth in rural areas. The segment contributed to 67% of overall vehicle sales during the month. However, concerns about rising interest rates, rural liquidity challenges and market uncertainty still linger, Vigneshwar said.

Among vehicle categories, the sales of passenger vehicles saw the maximum increase of 16% on year to 465,920 units in January. The PV sales in rural areas grew by 18.57% on year compared to urban's 13.72% growth. According to FADA, some of that spike stemmed from December purchases registered in January for a '2025 model year' advantage. Further, last year's heavy discounting, also helped clear older models and shift registrations. This has resulted in PV inventory dropping by around five days to 50-55 days, suggesting improved supply-demand balance.

In January, sales of commercial vehicles grew by 8% on year to 99,425 units, with urban markets outpacing rural growth. "While higher freight rates and passenger carrier demand provided a boost, many dealers cited low cash flow, strict financing policies and sluggish industries (like cement and coal) as major hurdles. Sentiments in rural regions remained notably subdued, compounded by limited new

products. Overall, the sector shows cautious optimism but faces persistent headwinds,” Vigneshwar said.

During the month, the sales of tractors rose by 5% on year to 93,381 units, and those of three-wheelers rose by 7% to 107,033 units. In the three-wheeler category, the industry posted strong growth in most segments, including internal combustion engine and electric. However, sales of electric passenger rickshaws fell by 4% on year to 38,830 units. Further, the motor vehicle road tax collection in January rose 11% on year to Rs 8,603 crore.

On the auto sector’s near-term outlook, the association said, the continuing marriage season, fresh product launches and strategic promotional activities are likely to sustain customer footfalls. Furthermore, improved inventory management, better financing options from select lenders and backlogged orders in certain segments such as commercial vehicles add to the sense of guarded confidence. With supportive policies and a post-budget lift in consumer sentiment, many believe February could see a stable or slightly elevated sales curve.

Further, fewer working days in February, pockets of weak rural liquidity and inflationary pressures are seen as concerns, according to FADA. These could potentially limit the extent of any upswing. Strict lending criteria, costlier vehicles and subdued demand in certain industrial sectors could weigh on overall performance.

According to Primus Partners Vice President Nikhil Dhaka, the auto retail sector’s performance in January signals a market in transition rather than outright acceleration. While the year-on-year growth reflects resilience, the factors driving this momentum are evolving. Passenger vehicles benefitted from strategic purchasing patterns rather than organic demand expansion, and two-wheeler sales, though positive, highlight an increasingly urban-driven market. The commercial vehicle sector, despite an 8% rise, continues to grapple with sectoral slowdowns in infrastructure and financing constraints.

“What stands out this year is the shifting nature of demand—urban markets are becoming more dominant, and consumers are adapting to new financial realities,” Dhaka said. “The industry’s near-term trajectory will depend on how well it navigates these shifting currents, particularly in balancing inventory with real demand. With February holding key events, promotions, and potential economic adjustments post-budget, the coming months will test the industry’s adaptability more than its growth potential,” he added.