

Published in The Core
December 16, 2025 | 06:00 AM IST

Record EV Discounts Surge As GST Cuts Shift Demand To Petrol, Hybrids

GST cuts have fuelled a surge in ICE demand while EVs pile up on dealer lots. Tata Motors, JSW MG and Mahindra are now rolling out record discounts to clear stock.

Authored by Shubhangi Bhatia



The October increase was driven by the 350–500 cc sub-segment, which includes models such as the Bajaj Dominar, Royal Enfield Guerrilla 450, Kawasaki Eliminator and Honda Mavrick 44

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Article Content:

Even as the long-awaited GST cuts delivered a clear boost to car buyers, it has produced an unexpected twist: demand has swung towards petrol and hybrids, softening interest in electric vehicles (EVs). With electric car inventories beginning to pile up, dealers are now rolling out record discounts to clear stock.

The top three volume drivers in the electric passenger vehicle segment are Tata Motors, JSW MG Motor India, and Mahindra & Mahindra.

JSW MG rolled out a ‘Midnight Carnival’ campaign where MG dealerships across India will remain open until midnight. The company’s ZS EV is getting offers up to Rs 1.25 lakh, and Comet at Rs 1 lakh.

In response to The Core's query, a company spokesperson said it has "offers across the portfolio." However, the demand for EVs, in particular, has been "encouraging".

According to Ravi Bhatia, president of the automotive business intelligence firm JATO Dynamics India, December discounts on electric cars are significantly higher than last year.

Echoing similar concerns, Vinkesh Gulati, director of United Automobiles, told The Core that the discounts on several electric models now exceed over Rs 1 lakh. In contrast, steep markdowns on internal combustion engine (ICE) models are only limited to a few slow-moving variants rather than across the broader portfolio.

The impact is most apparent for electric models with close ICE equivalents, including the Tata Punch EV and the Nexon EV, as well as the Hyundai Creta EV and MG ZS EV.

What Slashed Prices?

Experts say the moderation in electric vehicle sales reflects a mismatch between supply build-up and demand expectations, as automakers expanded production and inventory on the back of robust festive demand assumptions.

"On the supply side, EV production in the Rs 10–20 lakh segment—where most of the volume lies—has expanded significantly. Production capacity is likely to far outpace demand, and the current discounts are evidence of that," Anurag Singh, Advisor, Primus Partners told The Core.

Bhatia said the discounts are driven by dual factors. GST rationalisation has narrowed the total cost-of-ownership (TCO) gap between EVs and petrol or strong hybrid cars, making EVs less attractive. This is combined with a build-up of inventory. "Inventory built up with upgraded EV models has exceeded demand, prompting steep year-end discounts," he noted.

Mahindra & Mahindra, for instance, recently launched the XEV 9S seven-seater electric SUV in November, starting at Rs 19.95 lakh (ex-showroom).

"Entry-level EVs are seeing moderate incentives, mid-range models are receiving slightly higher benefits, and premium EVs are getting more flexible offers in select cities. The exact levels vary across brands and dealerships," Gajendra Jangid, co-founder and CMO of CARS24 told The Core. He noted that prices of electric vehicles are transitioning, as this automobile category moves from early adopters to mass adoption scale.

Tata Motors and Mahindra did not respond to queries.

Festive Fervour

After a sluggish start to the year, the passenger vehicle market finally showed strong signs, with October and November delivering the much-needed momentum. The turnaround began during the 42-day festive window in October and, unusually, carried into November, a period that typically sees post-festive demand taper off.

This was driven by the revised tax structure, effective September 22, which slashed GST on sub-4-metre cars (the length of a vehicle) to 18% from 28% and scrapped the compensation cess, sharply reducing prices for petrol, hybrid, LPG, CNG and eligible diesel models.

By contrast, electric passenger vehicles, which continued to attract 5% GST even after the tax cuts on ICE models, had been holding steady through the April to August period. But once the tax burden was reduced on conventional cars, EV sales slipped month-on-month in September and again in November, as per data sourced from the Federation of Automobile Dealers Associations (FADA).

EV sales in October were broadly in line with the trends seen in August, supported by festivals Dussehra, Dhanteras, and Diwali clustered in the same month. Still, it did not deliver the kind of festival-season spike that ICE vehicles saw this year.

“Electric cars did not perform as expected during the festive season,” Gulati said.

According to Gaurav Vangaal, associate director for production forecasting at S&P Global Automotive, EV demand had been holding up largely because of the price differential with comparable ICE and hybrid models. With that gap narrowing after the GST cut—and little in the way of new product launches or meaningful refreshes this year—the segment is facing a more challenging demand environment for the next couple of months.

As per the VAHAN dashboard, electric passenger vehicle penetration stood at 5.6% in August, dipped to 5.4% in September, fell sharply to 3.4% in October—the lowest level so far in FY26—before recovering slightly to 4.3% in November.

Industry watchers say Maruti Suzuki’s eVitara was expected to be a key volume driver for the EV market this year. Failing to materialise the launch with repeated delays, the company has now pushed its domestic EV entry to next year.

December Deal Rush

December typically brings a wave of discounts and incentive schemes as automakers and dealers rush to clear year-end inventory ahead of the new year. The trade-off, however, is that vehicles bought in the end-of-year months carry a “previous-year” tag, which may potentially impact resale value.

However, this year stands out as consumers have already benefited from significant price cuts following the government's GST overhaul in September, just ahead of the festive season, leaving dealers of most top carmakers with comfortable inventory levels for ICE models, followed by a stronger buying momentum.

"This December, the pattern between ICE and EVs is showing a clearer difference. ICE vehicles are largely seeing the standard, moderate benefits that customers usually expect during this season. EVs, on the other hand, are seeing a wider range of offers," Jangid said.

Is It The Maruti eVitara Dilemma?

Maruti Suzuki, India's passenger vehicle market leader, remains one of the few major automakers yet to enter the domestic EV segment. The company first unveiled its eVitara in Europe in 2024, followed by the Auto Expo 2025 in India. Manufactured at the Gujarat facility, the company began exporting the model in August, positioning it primarily for global markets.

Maruti showcased the EV again in early December but has yet to announce India pricing. As one of the last big players to join the electric car race, the company faces pressure to price the eVitara strategically in a market already crowded with fresh launches from rivals.

"Getting the value equation right will be critical as competitive intensity and consumer expectations rise," said an industry veteran.

A dealer noted that a small subset of buyers may be delaying EV purchases to compare prices with Maruti's upcoming eVitara, but emphasised that this explains only a minute fraction of the consumer demand trend. The broader dip in EV sales, he said, is being driven by deeper market factors including fragmented charging infrastructure, rather than anticipation of a single model launch.

What's Ahead

On a year-on-year basis, the electric car market has already surpassed last year's volumes, with FY26 retail sales reaching 1.18 lakh units between April and November, compared with 1.07 lakh in all of FY25. EV penetration has risen to 3.8%, up from 1.9% a year earlier. But experts warn that if the current post-GST slowdown persists, it could erode the strong momentum built in the first half of the fiscal year.

While analysts remain constructive on EV demand over the long term, they are more wary on near-term consumer sentiment with a strong pickup seen as unlikely at least over the next quarter. That said, the upcoming Corporate

Average Fuel Efficiency (CAFE) norms are expected to keep automakers under pressure to continue preparing for a broader EV push.

Bhatia believes EV sales will continue to grow year-on-year, but remains "cautious about sustaining peak-level momentum" in the near term.

"OEMs are also enhancing ICE and hybrid models with new features, forcing EVs to keep pace amid rising consumer premiumization," he added.

Talking on similar lines, Singh noted that the long-term outlook for EVs remains strong, but the market will "inevitably face a few weak months or quarters."

"Until now, most EV buyers have been early adopters willing to take a leap of faith. Today, far more information is available on customer experience and total cost of ownership, and the broader market has only recently begun adopting EVs," he said.