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Premium bike sales rise 4% despite GST hike for 350 cc-plus models

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Authored by Anjali Singh



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Article Content:

Sales of premium motorcycles in India, those with more than 350 cubic capacity (cc) engine capacities, have demonstrated notable resilience, registering a 4 per cent year-on-year (Y-o-Y) growth in October-November 2025, despite a sharp hike in the goods and services tax (GST) rate, indicating stable demand in this niche segment.

Effective September 22, 2025, motorcycles exceeding 350 cc attract a 40 per cent GST, a significant jump from the earlier 31 per cent. This hike immediately translated into higher prices for larger and more aspirational models.

However, the segment appears to have largely absorbed the shock. Sales volumes surged 7.2 per cent Y-o-Y in October 2025 to 19,555 units, before moderating by 1.4 per cent in November to 10,396 units.

Cumulatively, the two-month period saw a respectable 4 per cent increase in volumes, totalling 29,951 units.

The October upswing was primarily fuelled by the 350-500 cc sub-segment, which houses popular models like the Bajaj Dominar, Royal Enfield Guerrilla 450, Kawasaki Eliminator, and Honda Mavrick 440.

The moderation in November was largely attributed to a decline in the 500-800 cc category, which includes models such as the Piaggio Aprilia RS660, Honda CBR 650F, and Kawasaki Ninja 650. Higher-capacity bands (800-1,600 cc) posted incremental gains, albeit on a small base.

“Motorcycles above 350 cc account for only about 1 per cent of total motorcycle sales,” noted Anurag Singh, advisor, Primus Partners.

“While the higher GST has weighed on November volumes, demand has not seen a sharp drop as buyers in this segment are relatively less price-sensitive.”

Singh, however, cautioned that the growing price disparity between 350 cc and 450 cc models is becoming harder to justify without significant product differentiation, potentially affecting bikes in the Bajaj 400cc, Triumph, and Royal Enfield 450cc families.

In stark contrast to the premium segment’s tax hike, motorcycles below 350 cc benefited from a lower GST rate of 18 per cent. This segment continued to support overall industry volumes, recording a healthy 5 per cent growth over the two months.

Strong traction was observed in the 150-200 cc category (Hero Xpulse 200, Yamaha MT 15, TVS Apache) and the 250-350 cc category (Royal-Enfield Bullet 350, Honda CB 350), underscoring a sustained consumer preference for higher-powered, yet more affordable motorcycles.

Analysts at ICRA noted that the broader two-wheeler market experienced a sharp rebound following the ‘GST 2.0’ changes, with retail sales soaring 22 per cent Y-o-Y during the festive period. This surge was underpinned by festival demand, stable rural consumption, and GST rate reductions in select categories.

“Post GST 2.0, GST rate cuts and the decline in vehicle prices have unlocked deferred demand, notably among first-time buyers and those in Tier-II and Tier-III cities,” said Srikumar Krishnamurthy, senior vice president & co-group head, Corporate Ratings, ICRA Limited.

ICRA’s channel checks indicate that original equipment manufacturers (OEMs) largely passed on the GST benefits in the sub-350 cc segments, which, combined with promotional schemes, boosted footfalls. A few OEMs estimate the rate cuts

contributed 6-9 per cent growth during the festive season.

Crucially, even in the 350 cc-plus segment, where the effective tax increased, several manufacturers temporarily absorbed the impact to maintain price points and clear inventories, a move that helped sustain demand.

The 350 cc-plus segment has demonstrated structural strength, growing at over 20 per cent CAGR in the five years leading up to FY25, far outpacing the 2 per cent growth of the overall motorcycle market.

While it accounts for less than 2 per cent of total sales, demand is driven by affluent urban and semi-urban buyers, higher aspirational appeal, and improved product portfolios.

However, ICRA warns that the significantly higher tax of 40 per cent for premium bikes, juxtaposed with the sharp rate reductions for sub-350 cc segments, is likely to be a headwind.

“The increase in GST to around 40 per cent for 350 cc-plus motorcycles... is likely to dampen discretionary purchases and shift preferences towards lower-capacity models,” Krishnamurthy concluded.

“While OEMs have absorbed the higher tax incidence over the last two months... their ability to sustain this will be limited as demand normalises, potentially weighing on growth going forward,” he said.