

Trends in Indian Passenger Vehicle Market (2022–2025)

Vehicle-Type Market Shares

Indian buyers have overwhelmingly shifted to SUVs/utility vehicles. In FY2024–25, SUVs+MPVs (collectively “UVs”) made up about **65%** of passenger vehicle sales (up from ~60% in FY2023–24). By contrast, the traditional **hatchback and sedan** segments have shrunk to roughly one-third of sales. Hatchbacks’ market share plunged from ~47.7% in 2018 to about **22% by 2024**, while sedans fell from ~21% (2018) to single-digit levels (~7–9%) by 2024–25. In other words, SUVs have effectively *eclipsed* small cars: UVs now account for roughly two-thirds of sales, while hatchbacks and sedans together contribute only ~31%.

- **SUV Growth:** Smaller SUVs are growing fastest. In FY2025, *sub-4m “micro” SUVs* saw ~**20.4%** YoY volume growth, and *compact (<4m) SUVs* grew ~**13.5%*. Larger mid-size and full-size SUVs rose more modestly (~10% and ~6% YoY, respectively), while premium/Luxury SUVs actually declined about 10%. This inverse correlation (smaller size → higher growth) highlights buyers’ bias toward more affordable, fuel-efficient crossovers.
- **Hatchbacks & Sedans:** Both segments are in decline. Entry-level hatchbacks, once >30% of market, now compete directly with sub-compact SUVs and cost-comparable models, squeezing their volumes. Sedans (compact or midsize) have lost mass appeal: annual sedan sales fell from ~5.47 lakh (21% share) in 2018–19 to under 2.2 lakh (~9%) in 2023–24, with only ~1.95 lakh expected in 2024–25 (~7% share).
- **Why SUVs dominate:** Higher ground clearance, perceived safety, space and status drive demand. Indian consumers increasingly prefer the commanding drive position and rough-road capability of SUVs. Manufacturers have also focused new launches on UVs, reinforcing the shift.

Powertrain Mix: EVs, Hybrids vs. ICE

- **ICE vehicles:** Internal-combustion cars (petrol/CNG/diesel) still form the bulk of sales (~85–90% in 2023, but their dominance is slowly receding. Rising fuel prices and regulations are nudging buyers toward alternatives (hybrids/CNG).
- **Electric Vehicles (EVs):** EV sales are growing rapidly but from a low base. India sold roughly **100,000+ electric cars in FY2024–25** (an 18–20% rise year-on-year), reaching about 2% of the PV market. For example, SIAM reports about 107,500 EVs retailed in FY2025. Despite this growth, EVs remain a niche segment – roughly **2–3% of new car sales** (matching Deloitte’s finding that only ~2% of

CY2023 purchases were EVs). Factors such as high upfront cost, limited model range and charging infrastructure continue to limit uptake.

- **Hybrid vehicles:** Hybrid-electric cars are a small but emerging category. “Strong” hybrids (engine + electric motor) totaled **~83,000 units in FY2025**, led by Toyota. Toyota Kirloskar sold ~67,880 hybrids in FY2025 (~82% of all hybrids), while Maruti Suzuki sold ~13,830 (17%) and Honda ~987 (1%). In April 2025 alone, Toyota had an 80% hybrid market share. Overall, hybrids were about 10–12% of PV sales in 2023, and consumer intent surveys suggest ~24% of buyers say they would consider a hybrid. Growth in hybrids is being driven by these limited offerings (mainly Toyota’s Innova Hycross, Maruti’s Grand Vitara HEV, etc.), attractive fuel economy, and lack of EV subsidy – but hybrids still carry high GST (43%).
- **Trends:** The powertrain split is shifting slowly. The share of pure ICE vehicles is falling as hybrids/EVs climb. For instance, 2023 data show ~85% ICE/CNG vs ~12% hybrids and ~2% EVs, whereas 2024–25 saw EV share rise to about 2–3%. Government incentives (FAME, tax cuts) and more models (new EV launches by Tata, MG, Hyundai, etc.) are expected to accelerate EV uptake. Notably, two-wheelers and three-wheelers now lead EV adoption, but the 4-wheeler EV base has *almost doubled* since 2021.

Consumer Segments: Age and Regional Differences

- **Age-group preferences:** Contrary to stereotypes, *older/middle-aged buyers* are currently driving EV/hybrid demand. A Deloitte survey (Mar 2024) found **35–54 year-olds** have the highest intent to buy EV/hybrid cars (27% favor hybrids, 11% favor BEVs). Even the 55+ group shows 20% wanting BEVs. By contrast, only ~5% of younger (18–34) respondents wanted EVs, and 20% wanted hybrids. In short, **Gen X and Boomers** (and to some extent Millennials) currently lead electrified-vehicle adoption. This is partly because older buyers have higher incomes to afford pricier EVs. Nevertheless, industry sources note Gen Z’s influence will grow – Zoomers (15–25) are tech-savvy, environmentally conscious and value features and convenience. For example, Gen Z is increasingly receptive to EVs and new mobility trends (as seen in electric two-wheeler uptake). Survey data also indicate gender gaps: slightly more men than women express intent to buy EVs or hybrids.
- **Urban vs. Rural / Regions:** Demand patterns vary by geography. Traditionally, major **metro and Tier-1 markets** dominate new-car sales, and EV penetration is highest in those areas. For instance, Maharashtra (financial capital) leads electric car sales (15,044 e-cars, 15% of India’s EV car market in 2024); Karnataka (Bengaluru) and Tamil Nadu (Chennai) are also top EV regions.

Conversely, **rural and smaller-town buyers** still prioritize rugged practicality and affordability. SUVs and crossovers have penetrated rural areas as well – many villagers now view compact SUVs as status symbols. (Sedans have virtually disappeared from rural roads due to ground-clearance issues.) Consumer surveys suggest over 90% of car buyers in urban India use online research and dealer networks, whereas rural buyers rely more on word-of-mouth and local dealers. Price sensitivity is higher in smaller towns, but buyers there still gravitate to feature-rich UVs over bare-bones hatchbacks. The **used-car market** has also grown in Tier-2/3 cities: by 2025 about 26% of car loans were for used vehicles in smaller cities (up from ~10% a decade ago).

Shifts in Demand, Price Segments, and Buying Behavior

- **Price and segment shifts:** Rising costs (safety upgrades, inflation) have eroded the traditional value of entry-level cars. Small hatchbacks have seen **30–40% price hikes** in 5–6 years. As premium hatchbacks now cost only ~10–20% less than small SUVs, buyers increasingly “trade up” to SUVs. Consequently, sub-4m hatchbacks are now a niche: manufacturers focus on higher-margin compact SUVs and premium models. In the mid-price segment (₹8–15 lakh), demand is strong for feature-loaded SUVs (e.g. Creta, Nexon). Demand in the luxury segment remains stable among affluent buyers, but the fastest growth is in the ₹7–12 lakh range (compact UVs).
- **Buying behavior:** Buyers today value convenience and value: most shoppers compare online, read reviews, and leverage discounts. Industry reports note that promotional offers and financing deals are critical – attractive discounts have helped sustain SUV sales growth. There is also a clear shift toward financing: younger buyers increasingly use car loans for both new and used cars. In 2024, ~23% of used-car purchases in India were financed (up from 15% in 2010), reflecting greater credit availability and higher ticket prices. Similarly, automakers are experimenting with subscription models and bundled services to attract Gen Z/Millennial customers who value flexibility (about 20–28% of younger consumers express interest in car subscriptions).
- **Environmental and tech factors:** Sustainability is slowly influencing choices. Roughly half of consumers say they would consider *any* non-ICE vehicle (hybrid/CNG/EV) in their next purchase. However, “charging anxiety” and range concerns limit EV uptake; surveys show only about 20% of those wanting EVs actually buy one, versus 50% for hybrids. Features like connectivity, telematics, ADAS safety and personalization (e.g. app-based controls, AI assistants) are increasingly expected, especially by younger buyers. These tech trends are shifting product strategies (e.g. all new SUVs come with multiple driving modes, digital dashboards, and over-the-air updates).

Summary: From 2022 to 2025 the Indian passenger car market has seen **SUVs and crossovers solidify their dominance**, with compact and micro-SUVs growing fastest. Sedans and hatchbacks have receded to niche status. Electrification is accelerating but still minor: EVs are ~2–3% of sales (albeit up ~20% YoY), hybrids ~10% (led by Toyota), and ICE ~85%. Consumer preferences reflect these trends: older and urban buyers are more open to EVs/hybrids, whereas Gen Z and rural buyers prioritize technology, value and SUV-like utility. Across all segments, **demand is shifting toward feature-rich, tech-enabled vehicles** (often SUVs) at higher price points, with financing and digital research playing an increasing role in purchase decisions