SUV DOMINANCE AND THE FUTURE OF PASSENGER VEHICLES

India's passenger vehicle industry over the past two decades have been gone under significant changes. In particular, the market has been transformed from being mostly populated by small hatchbacks into one being dominated by sports utility vehicles (SUVs). Being driven by India's economic growth, increased income levels, rapid urbanization, and changing consumer behavior, demand has been shifting towards vehicles that provide higher comfort and safety levels as well as technological innovations.

Traditionally positioned as premium products available to few, SUVs have become more affordable due to their compact and mid-sized versions being made available in different segments in terms of their prices. The process of product innovation, improvements in fuel economy, added safety features, and availability of connectivity technology have expanded the range of users to first-time buyers and car owners alike. According to the Society of Indian Automobile Manufacturers (SIAM), India's passenger vehicle industry recorded its highest-ever domestic sales of 4.64 million units in FY2025-26, with utility vehicles continuing to account for the largest share of passenger vehicle sales and remaining the principal driver of industry growth.

While there have been significant changes in consumer behavior driving the popularity of SUVs, there has also been structural change within the Indian automobile industry. This change will affect production processes, supply chains, localization initiatives, adoption of new technology, and investments into hybrid and electric mobility solutions. The rise of SUVs on multiple ICE, hybrid, and BEV platforms will make them an important vehicle type for future growth.

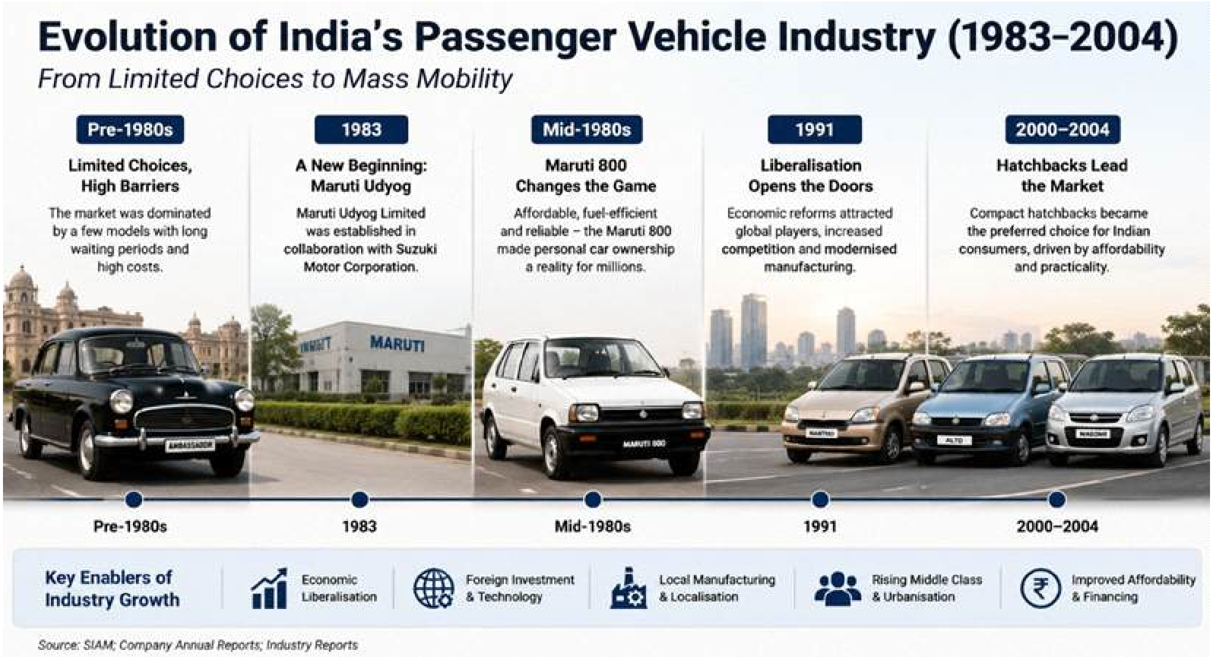
THE EVOLUTION OF INDIA'S PASSENGER VEHICLE MARKET: FROM AFFORDABLE MOBILITY TO SUV DOMINANCE

India's passenger vehicle industry within the last four decades, have gone with series of significant developments, as the result of economic development in the country, change in customer needs, and technological advancements. In terms of being initially dominated by economical hatchback cars that provided individual transport, the market has evolved into the state when sport utility vehicles make up for most passenger car sales. The shift did not happen overnight or after the release of a single car model. Instead, the change occurred through several shifts in macroeconomic environment, development of infrastructure, lifestyles of customers, and business strategy of manufacturers. The process of transition from economical transport to SUV prevalence can be viewed through four stages.

1. The Era of Affordable Mobility (1980s–2004)

Consolidation in the modern passenger vehicle industry in India started in the 1980s when the vehicle ownership was still low with restricted competition and production capacity in the market. Cars were luxury items with models like Hindustan Ambassador and Premier Padmini driving around Indian roads for many decades. Fewer options, long waits for vehicles and high cost of ownership hindered the growth of the industry.

However, the crucial point happened in 1983 with the formation of Maruti Udyog Limited with the launch of the Maruti 800. Affordable cost, better fuel economy and reliable operation made it possible for private car ownership to be available for the mass of middle-class citizens. The most important thing is that Maruti 800 became a benchmark of compact economy cars and changed India's automotive industry forever.



The economic reforms introduced in 1991 played a huge role in industry's development as they brought foreign investments, increased competition and modernization of domestic production. As foreign carmakers started operating in India, people got access to a variety of cars and localization made production more affordable. At this time, popular options for first-time buyers included hatchbacks like Maruti Alto, Hyundai Santro, Tata Indica and Maruti WagonR that reflected the industry's focus on affordability and reliability.

So, in the early 2000s, India managed to develop its own passenger vehicle industry based on compact hatchbacks. But higher income levels and better economic situation changed people's preferences slowly making way for the next phase of the industry's development.

2. Rising Aspirations and the Sedan Boom (2005–2012)

There was a significant change in the passenger car segment in India in the mid-2000s, owing to the country's economic growth, increase in disposable income, and increased urbanization, which led consumers to replace entry-level hatchback cars with bigger and better vehicles, making passenger cars a status symbol apart from being means of transport.

The manufacturers reacted to this change by strengthening their lineup of sedans in different price categories. The Honda City, Hyundai Verna, Toyota Corolla, Maruti Suzuki SX4, and Škoda Laura became popular because they offered comfort and features in addition to good performance. Simultaneously, improved availability of auto finance made it easier for people to buy expensive vehicles.

Infrastructure also played an important role in this period. Improvement in the infrastructure under the National Highways Development Programme and other road infrastructure led people to think of cars that provided better comfort for longer travels. As a result, buying a car began to involve the choice of the consumer's lifestyle in addition to usual criteria such as low cost and high fuel efficiency.

Although hatchback cars still had most sales, the segment of sedans showed Indians' increased readiness to pay for better design, comfort, and driving experience. This change in the buying habits of Indians was a necessary step

Source: Industry Reports; Company Annual Reports before SUVs emerged as a new type of an aspirational car.

3. The Compact SUV Revolution (2012–2019)

The launch of the Renault Duster in 2012 can be considered as a turning point for the Indian passenger vehicle market. Before the mentioned launch, SUVs had been viewed as luxury and full-size cars, targeting a niche audience. The Renault Duster challenged this perspective offering an SUV design, ground clearance, and impressive on-road presence at the same price level as premium sedans. Thus, the commercial success of this model proved that Indian buyers were open to purchasing SUVs provided that the product is practical and affordable.

Further, in response to the trend, many companies increased the number of their SUV models very fast. The compact-SUV category was promoted by the Ford EcoSport due to its sub-four metres dimension, providing benefits in taxation and meeting the urban needs. Further, another inflection point happened because of the 2015 launch of the Hyundai Creta that became one of the most successful SUVs in India setting up new standards of design, comfort, technology, and driving experience.

Domestic manufacturers were developing their positions as well. The Scorpio and XUV500 helped Mahindra & Mahindra in establishing the leadership while Maruti Suzuki launched the Vitara Brezza and joined the compact-SUV market entering one of the highest volume price ranges of India. Increased competition led the manufacturers to the implementation of additional features into their SUVs such as touch screen infotainment, automatic transmission, connected technologies, and improved safety features.

By the end of the decade, SUVs were transformed into mainstream passenger vehicles. The competition between the manufacturers was focused not only on the price but also on the distinctive features such as design, technology, safety, and driving experience. The compact-SUV revolution greatly affected the product strategy, production investments, and competitiveness among Indian automakers.

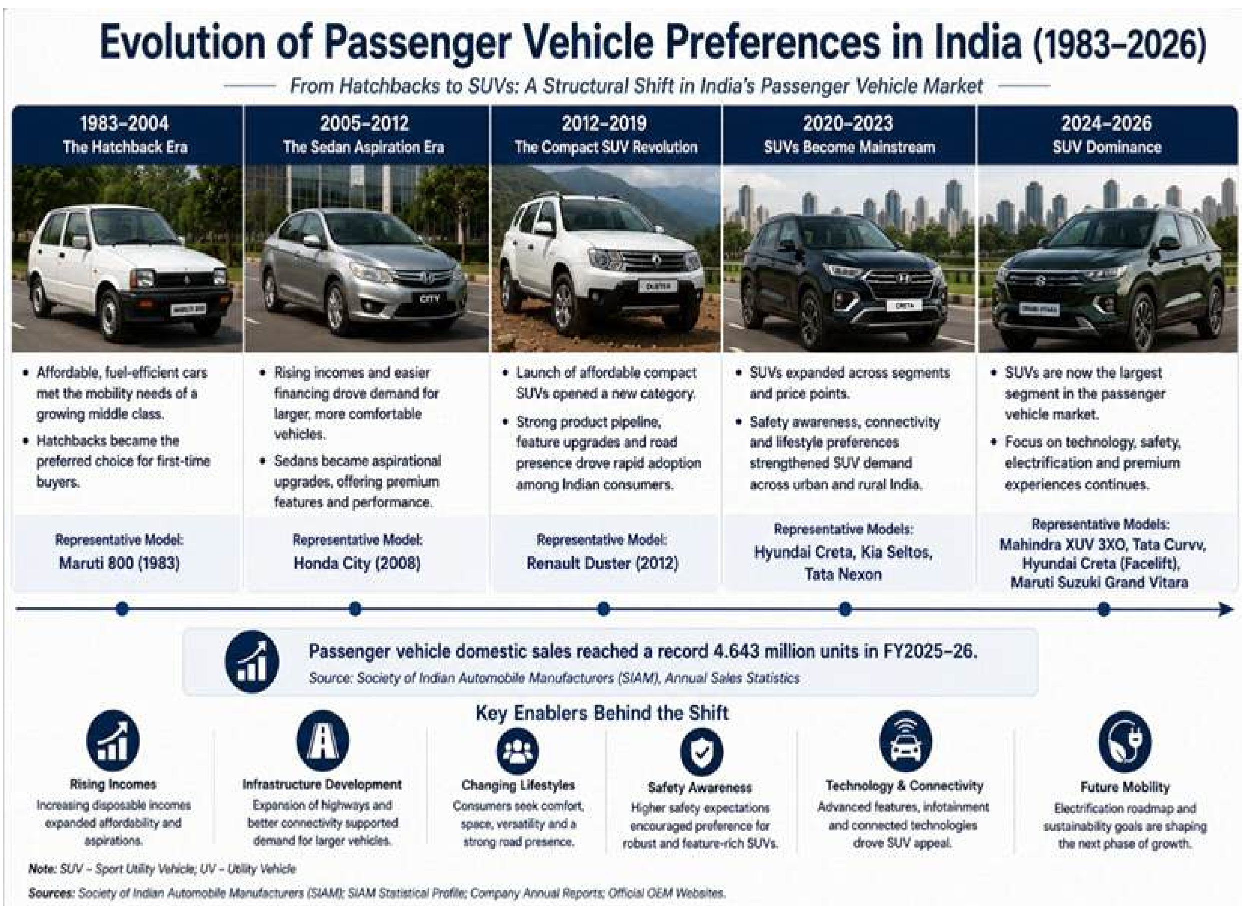
4. SUVs Become Mainstream (Present Scenario)

The decade saw the entrenchment of sport utility vehicles (SUVs) as the leading category among passenger vehicles in India. The coronavirus pandemic reinforced the trend towards personal transport, while the emphasis on safety, comfort, and versatility fueled demand for bigger passenger vehicles. Thus, SUVs came to attract a diverse customer base ranging from first-time buyers to urban professionals and families.

In their turn, manufacturers greatly increased the number of SUV lineups in ICE, hybrid, and BEV categories. Connected technologies, ADAS features, panoramic roof, digital dashboards, and several airbags have become common ways of differentiating between products in the segment. At the same time, the state's policies in favor of safer, greener, and locally manufactured vehicles encouraged SUV platform development and localization.

The industry has gone through significant changes, with domestic and international manufacturers prioritizing SUV development in their long-term strategies. Companies shifted their research and development efforts, production investments, and marketing campaigns to the SUV lineup as the key growth driver for the years ahead. Hence, currently, SUVs are the dominant category in India's passenger vehicle market.

This transition from affordable hatchback models to technologically sophisticated SUVs is not only a change of tastes; it marks the transformation of the Indian automotive industry as such. In light of rising consumer demands and accelerated electrification, SUVs are expected to play an important role in the future of passenger vehicles in India.



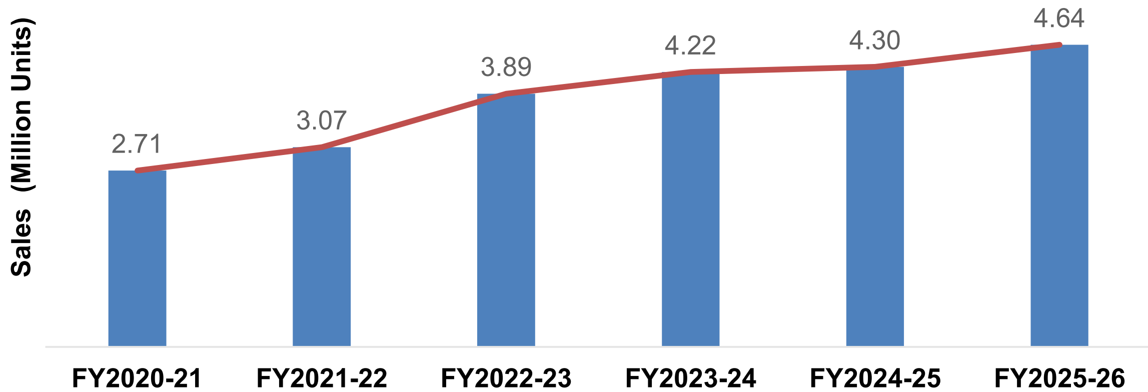
INDIA'S PASSENGER VEHICLE MARKET TRANSFORMATION: HOW SUVS RESHAPED THE INDUSTRY

Passenger Vehicle Market at a Glance

The passenger vehicles market in India has witnessed sustained momentum over the past decade owing to favorable macroeconomic fundamentals, increasing incomes, financing facilities, construction of infrastructure, and consumer inclination towards personal transport. These factors combined with continuous product innovation from carmakers have led to the development of the passenger vehicles market into one of the fastest-growing sectors globally.

Although there were some setbacks with the advent of the BS-VI emissions norms in 2020 and the pandemic that ensued, the sector showed resiliency despite these challenges. As supply chains began to ease, consumer sentiment improved, and as many utility vehicles were rolled out in various price segments, the production and sales levels started improving.

India Passenger Vehicle Domestic Sales Trends



Source: SIAM (Society of Indian Automobile Manufacturers)

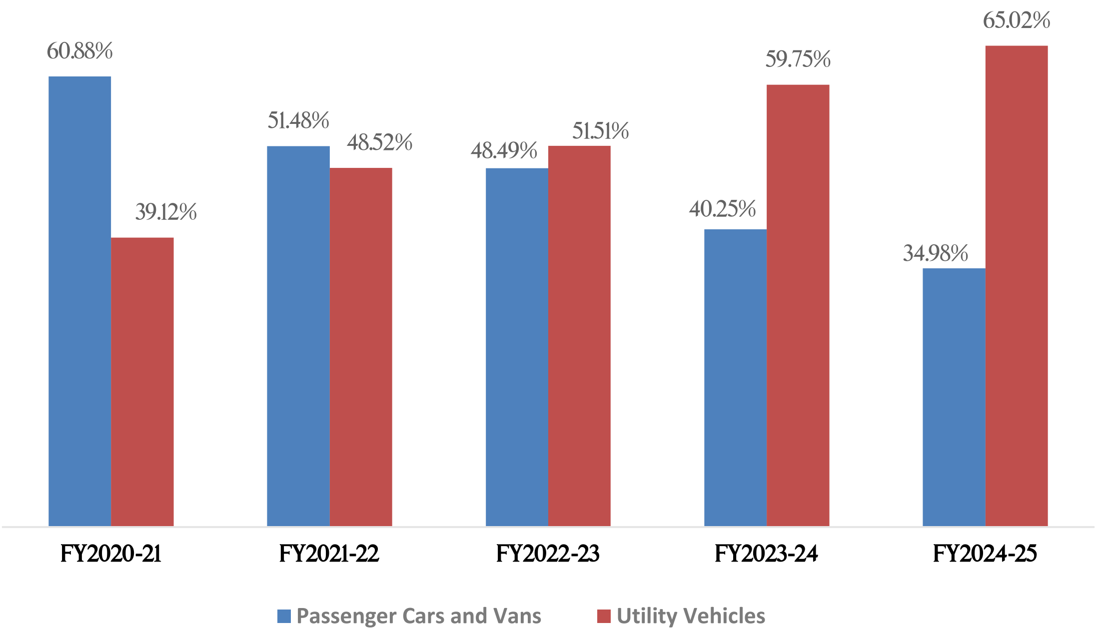
The industry's performance reached a new milestone in FY2025–26, when domestic passenger vehicle sales increased to a record 4.64 million units, registering 7.9% year-on-year growth, while exports also reached an all-time high of 0.91 million units, reflecting India's growing importance as both a domestic automotive market and a global manufacturing hub. These achievements demonstrate the sector's strong fundamentals and its ability to adapt to evolving consumer expectations and technological advancements.

This growth does not just stem from rising car ownership but a change in consumer needs altogether. People now care less about price and more about performance, safety, comfort, and the latest in automotive technology, forcing car makers to focus on utility cars. This has led to the passenger vehicle industry moving from volume growth to value growth, with SUVs being the main force behind this value growth.

THE RISE OF UTILITY VEHICLES: RESHAPING INDIA'S PASSENGER VEHICLE MARKET

Among the key trends within the Indian passenger vehicle industry has been the rise of the utility vehicle (UV). The trend of the rise of UVs has changed the nature of the market from one characterized by passenger vehicles to one where the sport-utility vehicle has become the main growth driver. This shift has had a major impact on the nature of passenger vehicle sales within the country.

Changing Composition of India's Passenger Vehicle Market



Source: SIAM (Society of Indian Automobile Manufacturers)

According to SIAM data, a significant structural change in the market took place during FY2020–21-FY2024–25. During this period, utility vehicle sales rose from 10.61 lakh units to 27.97 lakh units in FY2024–25, which is an increase by more than 160%. Meanwhile, passenger car sales dropped from 15.42 lakh units to 13.53 lakh units, whereas van sales did not experience substantial changes (they remained on average equal to 1.5 lakh units per year). Thus, utility vehicles managed to surpass passenger cars in terms of unit sales and became the most important part of the Indian passenger vehicle market.

Contrary to traditional sport utility vehicles, which traditionally were marketed as expensive lifestyle goods, the next-generation compact and midsize utility vehicles managed to combine affordability, functionality, and innovations. Examples of these vehicles include Hyundai Creta, Maruti Suzuki Brezza, Tata Nexon, Kia Seltos, Mahindra Scorpio-N, and Mahindra XUV700. These models helped manufacturers to widen their utility vehicles range of cars and attract both first-time buyers and people

who upgrade from other types of cars like hatchbacks and sedans. Consequently, the manufacturers expanded the customer base of SUVs and increased the competition level in the segment.

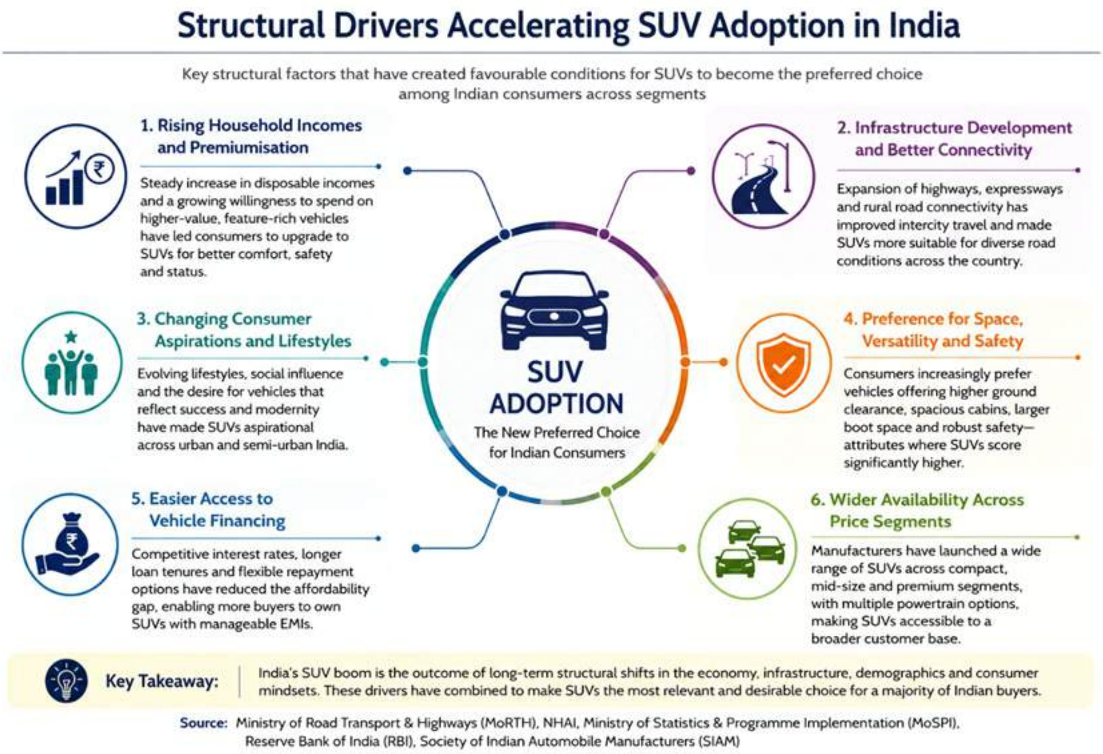
Thus, the rising popularity of utility vehicles led to changing the product strategy in the long term by automobile manufacturers. Manufacturers redirected investments into vehicle platforms that are dedicated to SUV production, localization of operations, and capacity expansion to satisfy growing customer demand. Moreover, the firms started introducing innovative products equipped with connected features, enhanced safety equipment, and hybrid electric engines, thus making the utility vehicles the focus of the future product development. Therefore, SUVs stopped being just a high-growth segment and became the industry's main volume driver.

This changing structure of the Indian passenger vehicle market can be regarded as a structural change rather than just a temporary fluctuation of consumers' demand. Passenger cars remain an important part of the industry, but utility vehicles turned out to become the dominant segment of the market. This trend demonstrates how changes in consumers' preferences and product innovation affected the structure of the Indian passenger vehicles market and how SUVs became the most important type of cars today.

STRUCTURAL DRIVERS BEHIND INDIA'S SUV REVOLUTION

The growth of the utility vehicles' segment in India did not happen due to just one market trend or innovation. It is caused by several factors that changed the structure of the automobile market, influencing the consumers' expectations as well as the environment where they operate. Development of the economy, improvement of the infrastructure, change of people's way of life and increased accessibility of vehicles led to the formation of favorable conditions for SUVs to be the best passenger vehicle choice.

Firstly, the constant growth of incomes and the change of attitudes to spending have enabled many customers to buy higher-end products. As their economic status improved, car buying became more about choosing comfortable and practical car with good safety record rather than just being able to afford a car. Buying an SUV started to be not only an option, but also a demonstration of new values and lifestyle. Therefore, people started to skip



buying sedans and go straight to buying a compact SUV when they could afford something bigger after a basic hatchback. Secondly, improvement of the infrastructure, especially construction of national highways and expressways as well as better road connections in the rural area, provided an opportunity to travel longer distances. At the same time, different road situations in different regions have made vehicles that provide higher ride comfort and flexibility very popular. Thus, utility vehicles turned out to be the ideal option in terms of various driving situations faced by Indian customers.

Thirdly, changing needs of households have influenced the popularity of utility vehicles. Large families, increased leisure traveling and the need for a multifunctional vehicle have made people think about spacious cabins, versatile seats and large boot. Modern utility vehicles satisfy all these demands and at the same time provide high level of driving comfort both for urban commuting and longer trips.

Finally, another structural factor that had a huge impact on SUV growth is increased accessibility of car loans. The development of financing offers; extended loan period and low interest rates have decreased the gap between premium hatchbacks and basic utility vehicles significantly. Therefore, people were able to buy SUVs at almost the same cost as before, leading to transition to higher-end passenger vehicles.

At last, changes in product development and positioning have also positively affected the growth of utility vehicles segment. Car makers have released utility vehicles of different price ranges and different body styles. Thus, utility vehicles have become the solution to the problems of first-time buyers, families and premium customers.

All in all, the set of these structural factors has fundamentally changed the competitive landscape of the Indian automobile industry. SUVs became not only a larger version of passenger cars, but also the benchmark of the market in terms of safety, practicality, comfort and all-round ownership experience.

STRATEGIC RESPONSE OF AUTOMAKERS TO INDIA'S SUV REVOLUTION

Due to the unprecedented growth of the market for India's utility vehicles over the last decade, automobile manufacturers have been compelled to re-assess their strategies for doing business and adopt completely new strategic directions. With the change in consumer preferences towards sport utility vehicles (SUVs) which provide more utility and safety in addition to other features and benefits, automobile manufacturers were forced not only to make changes in terms of product offerings but also to re-think and re-formulate their business strategies from product development to manufacturing, technology, localization, and investments.

As opposed to the passenger vehicle market which was characterized by domination of the market by the production of hatchbacks and sedans, now SUVs become the focus of all strategic directions of companies to boost their business. Both Indian and international OEMs started producing compact, mid-size and premium SUVs, developing flexible manufacturing platforms for their production and introducing new technologies.

Thus, the change in the strategy for automobile manufacturing in India resulted from the change in the market environment and provided automobile manufacturers with better ability to react to the changes and strengthened their positions in the market of passenger vehicles. Changes in automobile manufacturers' strategies have also shown the shift in business priorities from price and fuel-efficiency differentiation to differentiation in terms of design, safety, connectivity, electrification, and customer experience. It increased competition in the passenger vehicle market, stimulated innovations and investments aimed at growing the sales of SUVs in the long term.

1. Product Portfolio Transformation

An exponential increase in demand for SUVs has drastically changed the product planning in India's passenger vehicles industry. In fact, automakers have reconsidered utility cars as mainstream rather than niche products, recognizing that the segment will be one of the main sources of growth in the future. The change in product portfolio strategy allowed automakers to significantly expand their range of SUVs in various segments (compact, midsize, luxury, etc.), thus addressing an even larger audience of consumers at various price ranges.

First, the significant expansion of SUV portfolios can be observed. Automakers, which usually relied on hatchbacks and sedans, started developing several SUV models to increase their portfolio. For example, Maruti Suzuki developed Brezza, Grand Vitara; Hyundai – Venue, Creta, Alcazar, and Tucson; Tata Motors – Punch, Nexon, Harrier, Safari, and Curvv; Mahindra – Bolero, Thar, Scorpio-N, and XUV700. Also, Kia India added several models like Sonet, Seltos, Carens, Clavis EV, and Syros.

Secondly, modular vehicle architecture has been widely adopted in India's

automotive market to increase the flexibility of development and to reduce costs. It means that multiple SUV models are developed based on one chassis, powertrain, and other components. Hence, manufacturers can save their costs on development, and at the same time, faster introduce innovations in the market.

Thirdly, the range of SUVs has been expanded in terms of price range and powertrain types. There are small entry-level compact SUVs, which have lowered the threshold of access to the segment. On the other hand, there are large luxury SUVs equipped with all kinds of safety systems, connected car systems, hybrid engines, BEV versions of cars, etc. Thus, the portfolio strategy of manufacturers allows addressing much wider audiences of consumers.

In addition to changing consumer preferences, the increasing competition also led to the changing approach to the product differentiation. Instead of just focusing on price, now automakers have to differentiate themselves by providing technological innovations to their products. Features like ADAS, panoramic sunroofs, digital clusters, connected infotainment, wireless connection of smartphones, and several airbags became the main differentiating factors for various SUV portfolios. Now automakers not only compete by price but also by innovation and convenience.

This example of product portfolio demonstrates the ability of automobile manufacturers to adapt their product portfolios to the new conditions. Through expanding SUVs range in multiple segments, using modular development platforms, and constantly updating features of their vehicles, automakers have managed to align their long-term strategy with new customer expectations.

2. Manufacturing and Capacity Expansion

The fast-growing market of the sport utility vehicle segment has required manufacturers to upgrade their capabilities through the increase in capacity, flexible production, and localization. As the utility vehicles became the leading segment, producers focused on improving production facilities in order to reduce costs and make production more efficient in responding to market changes.

One of the key trends of the industry was the implementation of flexible production systems that allowed manufacturing various models on one assembly line. Along with the

introduction of modular vehicle platform, this trend helped automakers optimize the capacity utilization and introduce new models much faster than before while adjusting production rates according to customer requirements.

The leaders of the industry have also made efforts to increase their manufacturing capacity to meet both the growing domestic demand and possibilities of exports. Maruti Suzuki, Hyundai Motor India, Tata Motors, Mahindra & Mahindra, Kia India, and Toyota Kirloskar Motor have been making investments in their production facilities, localization programs, and in integration with the supply chain to improve efficiency and maintain competitiveness.

Localization has become one of the major drivers of this process as the improvement of the domestic supplier network allowed reducing import dependence and lowering production costs. The development of the domestic automotive sector has also helped the manufacturers to introduce new technologies faster and achieve their long-term goals.

In addition to meeting the growing demand of the domestic consumers, India has become a production center for passenger cars and their exports. Based on its competitive production costs, supplier network, and improving manufacturing capabilities, some OEMs now produce SUVs in India and export them abroad.

This case demonstrates that not only the success of products but also investments in production facilities, localization, and other measures have played a significant role in the transformation of Indian automotive industry. It is expected that such strategy will remain relevant during further SUV development.

3. Technology as a Competitive Differentiator

The accelerated development of India's SUV market has made competition between car brands much tougher and changed the grounds of competition from pricing and performance to technology, safety and customer experience. With the rise of customers' demands, technology became one of the keyways of differentiation and now companies strive to implement premium technologies into various SUV categories instead of high-end SUVs exclusively.

Firstly, there is a clear tendency towards popularizing of advanced vehicle technologies. Digital instrument panels connected infotainment systems, smartphone wireless integration, panoramic sunroofs, 360-degrees cameras, Advanced Driver Assistance Systems (ADAS) are becoming standard in medium-sized and even compact SUVs. Thus, SUVs became worthier for their price, and this helped to change customers' preferences when buying vehicles.

Another point which became much more important for product differentiation is safety. Due to the growing consciousness of customers and new regulations, the companies are adding multiple airbags, electronic stability control system (ESC), hill hold assist, tyre pressure monitoring system (TPMS), better structural solutions and other components to enhance safety of their SUVs. Global NCAP and Bharat NCAP ratings became an important factor of development of safety packages of SUVs.

Furthermore, the industry is changing not only due to the implementation of advanced technologies inside the car, but also due to innovation in powertrains. Now the companies produce SUVs with internal combustion engine (ICE), hybrid and even battery electric vehicles (BEVs). This allows customers to choose cars according to their specific mobility needs and environmental concerns.

Thus, technology became one of the key elements of competitive process in India's SUV market. Companies compete not only on design and prices anymore, but on innovation, digital connectivity, safety and electrification. With the constant development of new technologies, the innovations remain the main tool of competitiveness for India's passenger vehicle industry.

STRATEGIC PRIORITIES OF LEADING AUTOMAKERS

Growth in the Indian SUV market has compelled automobile makers to embark upon extensive strategic efforts going beyond mere product introductions. With changes in customer preferences and increased competition, the focus of the top OEMs has shifted toward portfolio enhancement, production efficiency, technological advancements, and sustainable mobility. While all automobile companies have adopted different business strategies, there are certain common priorities for strategy that have become evident within the industry.

Expansion of SUV Portfolios

One of the prominent trends in the automobile industry has been the swift increase in the number of sport utility vehicles (SUVs) across various pricing levels. Automakers have widened their range of products to cater to new buyers, families, and luxury car owners. Maruti Suzuki strengthened its position in the market through Brezza, Fronx, and Grand Vitara, Hyundai enlarged its Portfolio through the introduction of Venue, Creta, Alcazar, and Tucson, while Tata Motors launched Punch, Nexon, Harrier, Safari, and Curvv. On the other hand, Mahindra has introduced Thar, Scorpio-N, and XUV700 in the list of its sport utility vehicles, and Kia India launched Sonet, Seltos, Carens, and Syros to increase competition.

Investment in Manufacturing and Localisation

The producers have increased their investments in production capability, localization, and supply chain management to cater to the increasing demand for SUVs. The use of flexible manufacturing systems and modular platforms, in addition to better sourcing from domestic suppliers, has led to improved production capabilities and reduced risk in the supply chain. The establishment of more manufacturing units by OEMs has contributed towards India's position as a manufacturer and exporter of passenger cars.

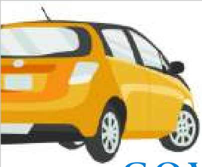
Technology and Safety Enhancement

Technology has come to form one of the pivotal axes of competitive distinction within the SUV category. Automakers have continued to incorporate technological aspects such as connected car technology, digital instrument panels, infotainment systems, and advanced driver assistance systems (ADAS) within their product lines. This has been paralleled by growing attention toward passenger safety by incorporating multiple airbags, ESC, and Bharat NCAP-based vehicle development.

Transition Towards Sustainable Mobility

The top OEM companies in India are simultaneously aligning their strategic goals with the changing requirements from the shift towards green vehicles. They have expanded their range of products to hybrid and battery electric SUVs in addition to improving the fuel efficiency of conventional internal combustion engines. The investment made in the areas of electrification, powertrains, and future platforms shows the readiness of the automobile industry to assist in the development of the Indian mobility system.

In sum, all these strategic priorities demonstrate that the success of the SUV market in India is based not only on growing consumer demand for such vehicles but also on the ability of automobile manufacturers to constantly change their approach. With the help of simultaneous investments in product range expansion, manufacturing, technology, and sustainable mobility, top OEM companies have secured their competitive advantage.



GOVERNMENT INITIATIVES SUPPORTING INDIA'S SUV REVOLUTION

The Government of India has played a significant role in shaping the growth and evolution of the passenger vehicle market through a combination of policy interventions, manufacturing incentives and infrastructure development initiatives. These measures aim to promote domestic automobile production, accelerate the adoption of cleaner mobility solutions and strengthen the overall automotive ecosystem, thereby supporting the sustained growth of the SUV segment in the country.

- **Production Linked Incentive (PLI) Scheme for Automobile & Auto Components:** The Government approved the PLI Scheme with a budgetary outlay of Rs. 25,938 crore (US$ 2.93 billion) for FY2022–23 to FY2026–27 to promote the manufacturing of Advanced Automotive Technology (AAT) products. As of 30 September 2025, the scheme had facilitated cumulative investments of Rs. 35,657 crore (US$ 4.22 billion) and determined sales of Rs. 32,879 crore (US$ 3.89 billion), strengthening domestic manufacturing capabilities and localisation across the automotive value chain.

- **Make in India and Foreign Direct Investment (FDI):** The automobile sector permits 100% FDI under the automatic route, enabling global OEMs to establish manufacturing facilities, expand production capacity and strengthen India's role as a global automotive manufacturing and export hub. These measures have supported long-term investments in passenger vehicle production, including SUVs.

- **Road Infrastructure Development:** Continued investments under Bharatmala Pariyojana and the expansion of India's national highway and expressway network have significantly improved intercity connectivity and logistics efficiency. Bharatmala Phase-I envisages the development of approximately 34,800 km of highways and associated infrastructure, while India's operational expressway network had expanded to over 7,300 km by April 2026, improving long-distance mobility and supporting greater adoption of SUVs.

- **Vehicle Safety and Emission Standards:** The implementation of BS-VI emission norms and the launch of the Bharat New Car Assessment Programme (Bharat NCAP) have encouraged manufacturers to improve vehicle safety, crashworthiness and environmental performance. These initiatives have accelerated the integration of advanced safety technologies and cleaner powertrains across passenger vehicle portfolios.

- **Electric Mobility Support:** The PM E-DRIVE Scheme, with an outlay of Rs. 10,900 crore (US$ 1.23 billion), supports electric mobility through incentives for electric vehicles, charging infrastructure and advanced battery technologies. The initiative is encouraging manufacturers to accelerate investments in electric and hybrid SUVs, supporting India's transition towards sustainable mobility.

THE ROAD AHEAD: THE FUTURE OF INDIA'S PASSENGER VEHICLE MARKET

The rapid rise of SUVs has fundamentally reshaped India's passenger vehicle industry, transforming consumer preferences, manufacturer strategies and the broader automotive ecosystem. While utility vehicles are expected to remain the dominant body style over the medium term, the next phase of market evolution will be defined less by vehicle size and more by technological

innovation, sustainability and changing mobility expectations. Future growth is therefore likely to be driven by manufacturers' ability to deliver vehicles that combine performance, safety, connectivity and environmental responsibility while remaining accessible to a diverse customer base.

Electrification is expected to play an increasingly important role in shaping the future of India's passenger vehicle market. Government initiatives such as the PM E-DRIVE Scheme, continued investments in charging infrastructure and growing manufacturer commitments towards electric mobility are accelerating the introduction of battery electric and hybrid SUVs. Leading OEMs, including Tata Motors, Mahindra & Mahindra, Hyundai Motor India, Maruti Suzuki and Toyota Kirloskar Motor, have announced plans to expand their electrified vehicle portfolios over the coming years, reflecting the industry's transition towards cleaner mobility solutions. Simultaneously, continued improvements in battery technology, localisation of critical components and expansion of domestic manufacturing capabilities are expected to enhance the affordability and adoption of electric SUVs.

Beyond electrification, technological advancement will become an increasingly important competitive differentiator. Connected vehicle ecosystems, over-the-air (OTA) software updates, Advanced Driver Assistance Systems (ADAS), artificial intelligence-enabled driver assistance and software-defined vehicle architectures are expected to redefine customer expectations across multiple vehicle segments. The growing emphasis on vehicle safety, digital experiences and intelligent mobility solutions indicates that future competition will increasingly be based on technology integration rather than traditional performance metrics alone. As consumer expectations continue to evolve, manufacturers capable of delivering seamless digital experiences alongside robust safety and reliability will be better positioned to sustain long-term market leadership.

Looking ahead, India's passenger vehicle industry is expected to benefit from favourable demographic trends, rising household incomes, expanding road infrastructure and continued policy support for advanced automotive manufacturing. At the same time, manufacturers will need to navigate challenges including evolving emission regulations, supply chain resilience, raw material availability, affordability concerns and intensifying competition. Despite these challenges, India's strong domestic demand, improving manufacturing ecosystem and growing integration into global automotive value chains position the country for sustained long-term growth. The SUV revolution has therefore become more than a shift in vehicle preference it represents the beginning of a broader transformation towards a safer, smarter and more sustainable passenger vehicle market.