



INDIAN AUTOMOBILE INDUSTRY – TWO-WHEELERS

Gradual recovery under way in the
2W segment

May 2023



1 Trend In Domestic 2W Sales



2 Monthly Trend in Domestic and Export Sales



3 Segment-wise Monthly Sales Trend



4 Trends in Market Share and Segment Mix



5 ICRA Ratings in the Sector



Wholesale volumes grew by ~15% on YoY basis in April 2023, aided to an extent by a recovery in rural sentiments.

Volumes still materially below pre-Covid levels; recovery pace continues to remain uncertain.



Retails decline on sequential basis post pre-buying led surge in March – Retail sales represented a material decline on a sequential basis, with sales in March 2023 benefitting from pre-buying ahead of the implementation of the second phase of BS VI norms.



Domestic 2W wholesale volumes grow on a sequential and YoY basis – In April 2023, domestic wholesale volumes at ~1.32 million units, represented a growth of ~5.5% on a sequential basis and a healthy ~15% growth on a YoY basis.



High-speed e2W sales impacted by ongoing issues related to delay in subsidy disbursement and supply shortage – The industry retail volumes declined to 66,000 units in April 2023 from levels of 86,000 units in March 2023, with sales impacted to an extent by ongoing issues related to delay in subsidy disbursement and supply shortage.



Exports outlook continues to be weak – Export volumes saw a tenth consecutive month of YoY decline in April 2023; shortage of forex and inflationary pressures in key African markets impacted 2W affordability; the OEMs expect export demand to remain impacted for at least one to two quarters.



Recovery pace uncertain; improvement in rural demand remains key – ICRA is cautiously optimistic of gradual demand recovery in FY2024, amid multiple headwinds (elevated ownership cost, persisting inflationary pressures and rise in financing rates). Even as the optimism over healthy rabi sowing acreage was dampened by a bout of unseasonal rainfall, rabi cash flows remained at relatively healthy levels. Concerns regarding El Nino occurrence, however, persist and could constrain rural demand recovery. A low base is expected to aid a modest growth for the industry (6-9% YoY in FY2024).



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