



INDIAN TWO-WHEELER INDUSTRY

**Improvement in rural demand
driving recovery**

JUNE 2024



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Retail sales continue to remain healthy, aided by an improvement in rural demand.

ICRA estimates 2W domestic volumes to register a growth of 7-10% YoY in FY2025 on a contracted base.

The OEMs are expected to maintain strong credit profiles, despite investments planned for electric vehicle (EV) platforms.



ICRA estimates two-wheeler (2W) volumes to grow by 7-10% YoY in FY2025. The wholesales over the recent past have been supported by improving rural demand on the back of a normal monsoon forecast and consequent improvement in consumer sentiments. Even as dealer inventory remains at a controlled level, continuation of the growth momentum remains monitorable.



Retails remained healthy during the past few months. Retail sales remained at healthy levels during the past few months, aided by improved rural demand. Retails had also remained strong during the wedding season after a healthy festive period.



ICRA's survey of 2W dealers indicates that most dealers anticipate moderate growth in volumes for the fiscal and are optimistic of a sustained recovery in demand, going forward. Despite the same, high vehicle prices continue to remain a hindrance for improved sales.



Electric 2W (e2W) sales in the recent past were constrained by subsidy reduction. In March 2024, e2W volumes had improved to ~137,041 units, aided by pre-buying ahead of reduction in subsidy from April 2024. Following the same, the volumes moderated to ~64,375 units in April 2024, and remained stable at ~63,859 units in May 2024.



Outlook for exports, which drive 15-20% of industry sales, continues to be weak. Shortage of forex and inflationary pressures in key African markets impacted 2W affordability. Original Equipment Manufacturers (OEMs) expect export demand to remain impacted in the near term.



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