

INDIAN TWO-WHEELER INDUSTRY

**Mandatory ABS fitment to weigh on
entry-level segment demand**

JUNE 2025





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Anti-lock braking system proposed to be made mandatory for all two-wheelers manufactured from January 2026.

Incremental cost pass-through (3-5% across models) may delay recovery for the entry-level segment.



On June 27, 2025, the Ministry of Road Transport and Highways (MoRTH) published draft amendments to the Central Motor Vehicle Rules, 1989, mandating that all two-wheelers (2Ws) manufactured on or after January 1, 2026 shall be fitted with an anti-lock braking system (ABS). Additionally, the rules mandate the supply of two protective headgears with the purchase of a two-wheeler, effective three months from the date of amendment. The amendment is likely to increase the price of 2Ws under 125 cc (models ≥ 125 cc already come fitted with ABS) and may potentially constrain the demand to an extent.



The fatality ratio for accidents in India has been on the rise over the past decade, even as the number of accidents remains under check. **The data on road accidents and fatalities on national highways by various categories of road users shows that two-wheeler accidents have had higher fatality rates.** ABS is the latest in a series of initiatives taken by the Ministry of Road Transport and Highways to enhance safety standards; it prevents the wheels from locking up during braking, especially on slippery surfaces, thereby enhancing safety.



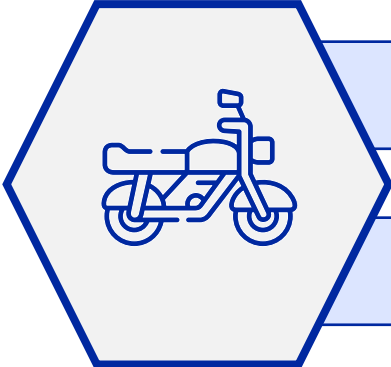
A key factor that has curtailed the industry growth over the past few years has been the sharp increase in vehicle prices. Multiple factors - insurance norm changes, implementation of ABS/CBS, BS-VI implementation and general raw material inflation contributed to almost 45-50% increase in vehicle cost (over the past 5-6 years). Additionally, the rise in fuel costs led to higher cost of ownership during this period. Even as the prices of 2Ws have increased materially, the rise in household incomes has not kept pace, thereby impacting affordability.



Impacted by the enhanced cost of ownership, lower affordability and Covid-induced disruptions, industry volumes materially declined over FY2019-FY2022. Even as the industry prospects have gradually recovered over the past few years, volumes have still not reached all-time peak levels (21.2 million units in FY2019). **An estimated price increase of 3-5% across models in the impacted segment (two wheelers under 125 cc)** on account of the implementation of ABS may weigh on the demand and constrain volumes.

Anti-lock braking system proposed to be made mandatory for all two-wheelers

EXHIBIT: Impact of the notified draft amendments to the Central Motor Vehicle Rules



Segment	% of sales (FY2025)	Existing requirements	Revised requirements (January 2026)
Models < 125 cc	77%	Combined braking system (CBS)	Anti-Lock braking system
Models >= 125 cc	23%	Anti-Lock braking system	Anti-Lock braking system



- On June 27, 2025, the MoRTH published draft amendments to the Central Motor Vehicle Rules, 1989, mandating all 2Ws manufactured on or after January 1, 2026 shall be fitted with anti-lock braking system. Additionally, the rules also mandate the supply of two protective headgears with the purchase of a 2W, effective three months from the date of amendment. The amendment is likely to lead to an increase in the price of the target segment (models < 125 cc) by 3-5% and has the potential to constrain demand to an extent.

ABS provides enhanced safety but increases the overall cost

Exhibit: Key technological differences between ABS and CBS

ABS

Functionality

ABS prevents the wheels from locking up during braking, especially on slippery surfaces. This helps the rider maintain steering control and avoid skidding.

How it works

Sensors detect the wheel speed and modulate the brake pressure to prevent wheel lock.

Pros/Cons

Improves vehicle safety by preventing skidding and allowing the rider to steer while braking; has a higher cost implication vis-à-vis CBS



CBS

Functionality

CBS distributes the braking force to both wheels when either of the brake levers of a bike (front or rear) is applied.

How it works

The front and rear brakes are linked through a hydraulic or electronic mechanism, aiding a combined braking effect.

Pros/Cons

CBS enhances braking system efficacy by applying both brakes with a single lever; it is cheaper to implement vis-à-vis ABS; the latter is, however, much safer

Proposal aimed at addressing higher fatality rate in two-wheeler accidents

Exhibit: Trend in number of accidents and fatality ratio

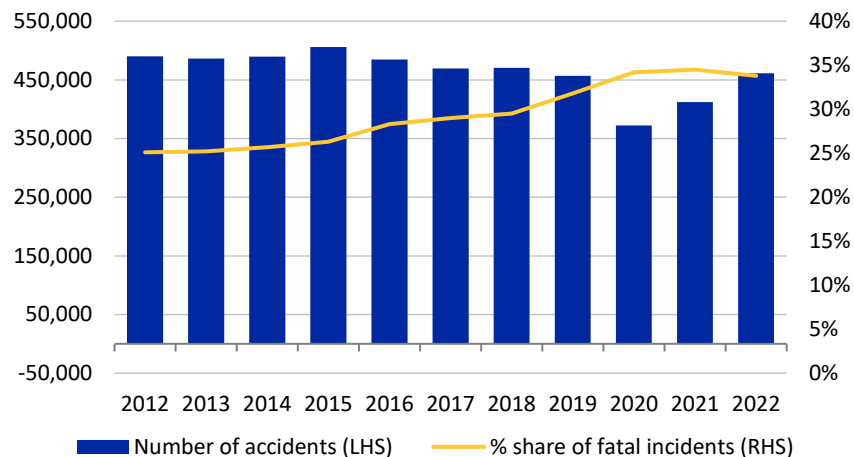
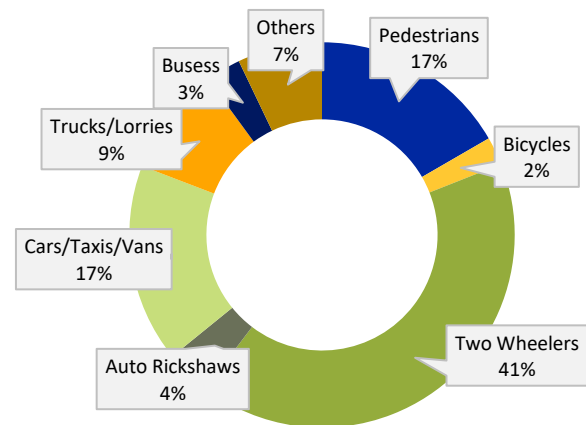


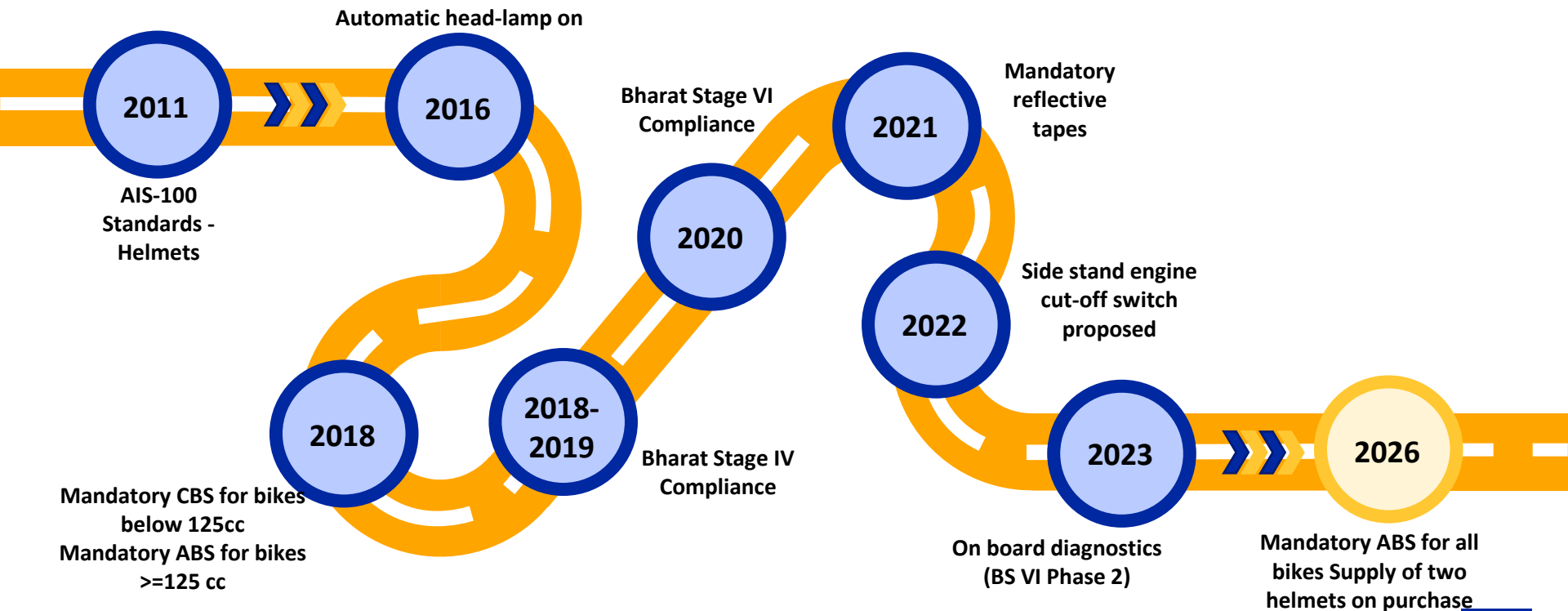
Exhibit: Road user category wise mix (Deaths on national highways in 2022)



The fatality ratio for accidents has been on the rise over the past decade even as the number of accidents remains under check. The data on road accidents and fatalities on national highways by various categories of road users shows that two-wheeler accidents have had higher fatality rates; thus, the MoRTH has been trying to address the same via the introduction of enhanced safety standards for the segment.

ABS is the latest in a series of initiatives, to enhance safety standards

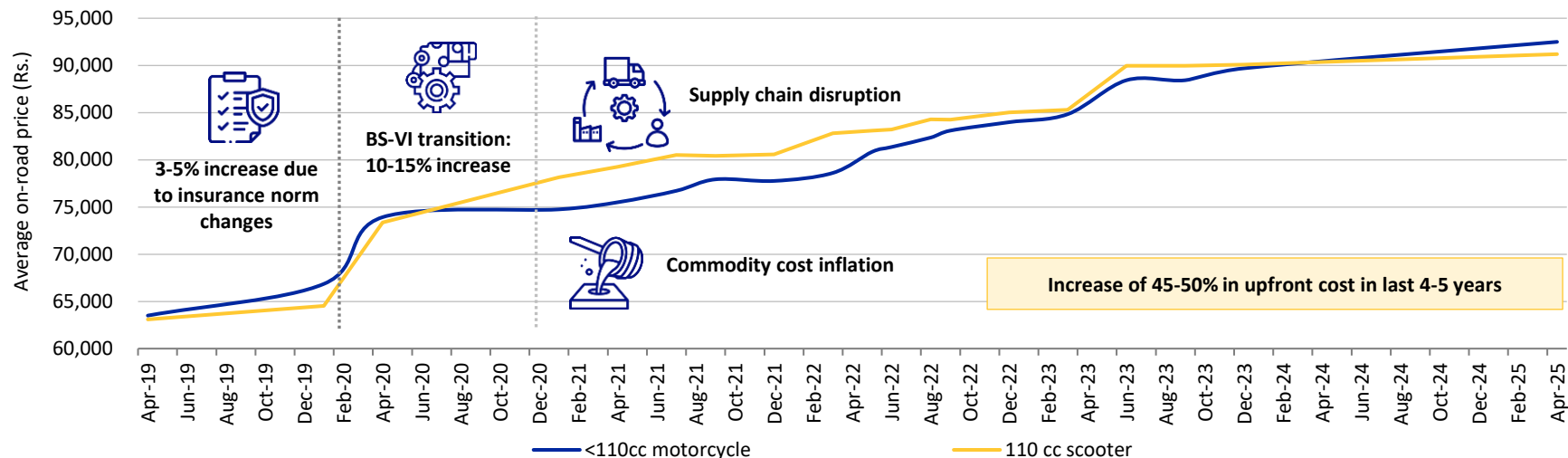
Exhibit: Timeline for implementation of safety/emission norms in two-wheeler industry



Source: ICRA Research

Enhanced regulations contributed to increase in vehicle costs over the years

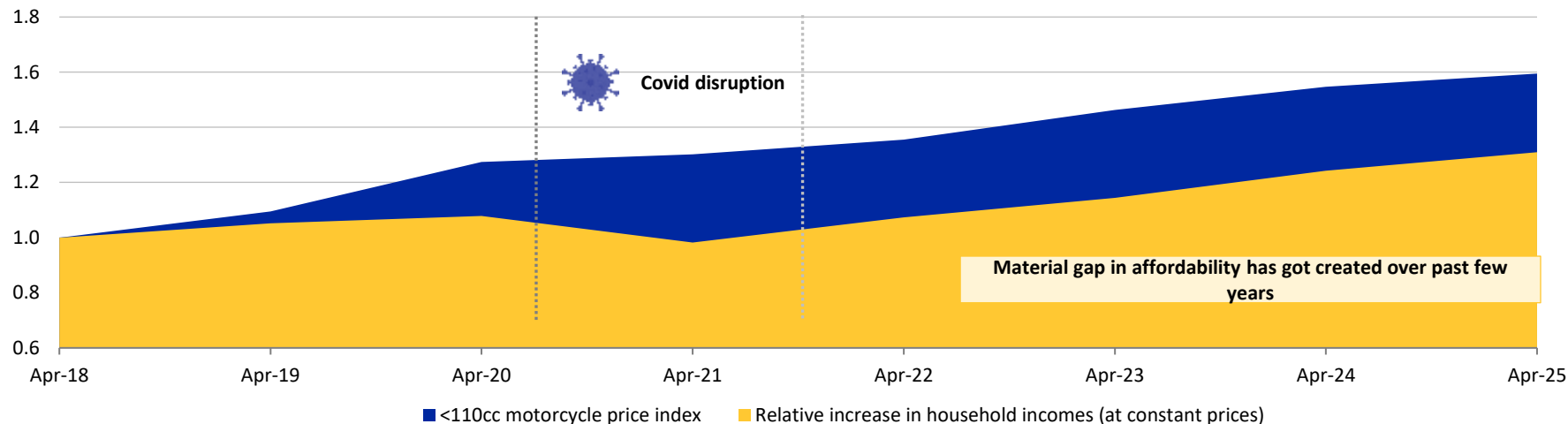
EXHIBIT: Trend in on-road prices of 2Ws



A key factor that has curtailed the industry growth over the past few years has been the sharp increase in vehicle prices. Multiple factors - insurance norm changes, implementation of ABS/CBs, BS-VI implementation and general inflation contributed to almost 45-50% increase in vehicle cost (over the past 5-6 years); additionally, a rise in the cost of fuel has also led to the enhanced cost of ownership during this period.

Household incomes have not kept pace with hike in prices

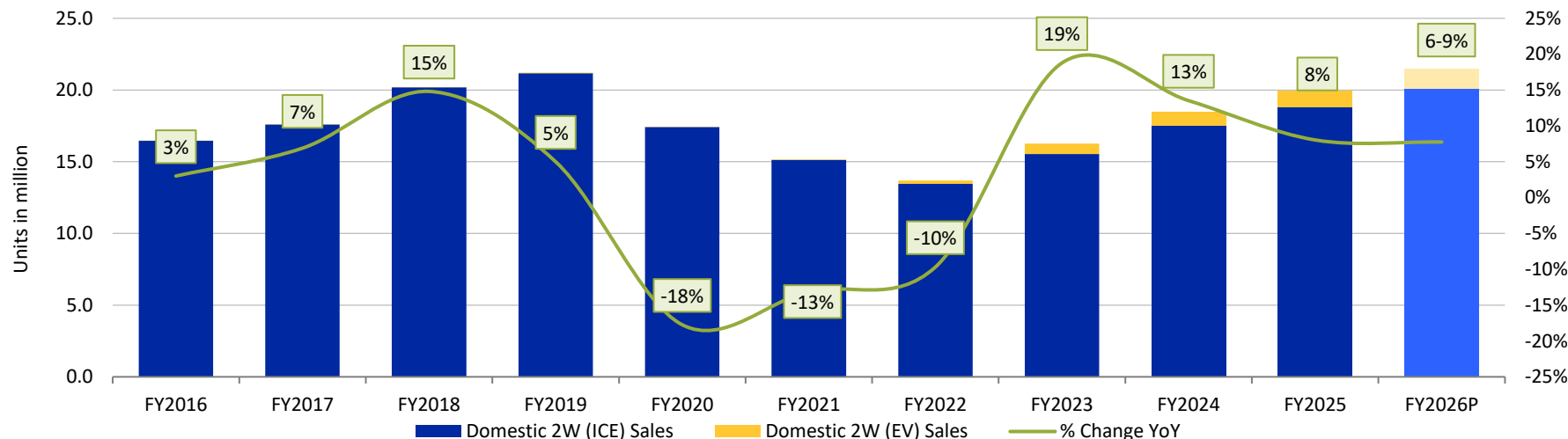
EXHIBIT: Comparative trend in prices of 2W and household income



While the prices of two-wheelers have risen significantly, household incomes have not increased at the same rate. The trends in these two indices diverged in the immediate aftermath of Covid, with lower-income households particularly affected by job losses and salary reductions. As a result, the affordability of two-wheelers has remained constrained over the past few years, limiting demand.

Industry demand remains curtailed; volumes yet to reach all-time peak of FY2019

EXHIBIT: Domestic 2W industry growth trend



Impacted by the enhanced cost of ownership, lower affordability and Covid-induced disruptions, industry volumes materially declined over FY2019-FY2022 (around 35% decline from all-time peak). Even as the industry prospects have gradually recovered over the past few years, volumes are yet to reach all-time peak levels (21.2 million units seen in FY2019).

Incremental cost pass-through may delay recovery for entry-level segment

Exhibit: Trend in motorcycle segment wise mix

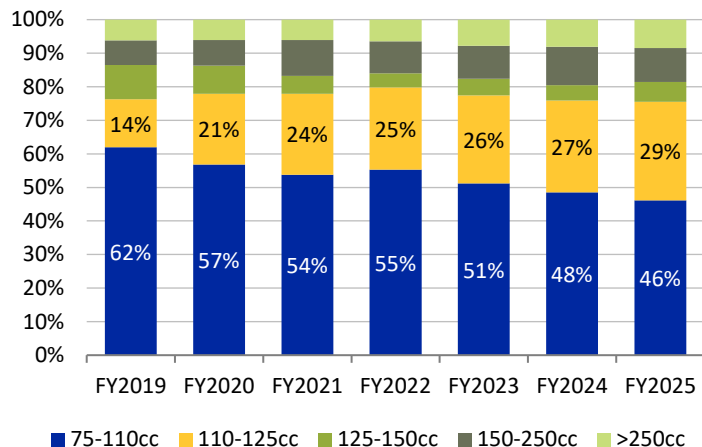
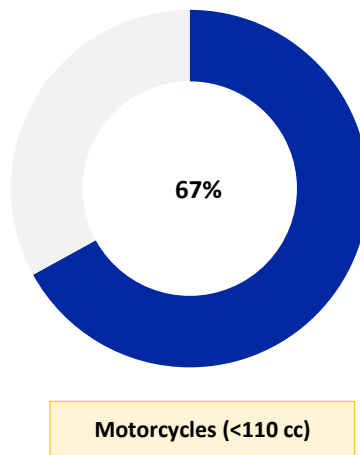


Exhibit: Entry-level segment (% of FY2019)



Absolute price hike in entry-level motorcycles estimated on account of the new regulation



~Rs. 2,500-4,000



Indicative price hike for 110 cc motorcycle on account of the new regulation

3-5%



The mandatory implementation of ABS is expected to lead to a 3–5% price increase across models in the affected segment (two wheelers under 125 cc). Original equipment manufacturers are likely to pass this increase on to consumers, resulting in further price escalation. Demand in the entry-level segment—which has yet to recover to its erstwhile peak FY2019 levels—may be adversely affected, potentially delaying the segment’s recovery.

Annexure: Global safety regulation trajectory – Lessons for India

EXHIBIT : 2W safety/emission control regulation evolution - Europe



Source: ICRA Research



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