

INDIAN TWO-WHEELER INDUSTRY

Strong retail sales during the festive season provide optimism for a smooth ride

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Retail sales rebound to healthy levels during the festive season; sustenance of same remains to be seen.

ICRA estimates 2W volumes (including exports) to register a growth of 4-7% YoY in FY2024 on a severely contracted base.

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



ICRA estimates 2W volumes (including exports) to grow by 4-7% YoY in FY2024; the wholesales over the past few months have been supported by healthy demand during the festive season and the ongoing marriage season. Even as dealer inventory remains at controlled levels, continuation of the growth momentum amid material rise in the cost of ownership remains key.

Industry witnessed strong retail sales during the festive season – Retail sales remained at healthy levels during the recently concluded festive season, representing a growth of ~21% on a YoY basis. Normally, growth tends to slow down after the festivals, but this year it has continued well beyond that period aided by strong demand in the marriage season.

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

E2W sales rise amid the festive cheer – Electric two-wheeler (e2W) retail volumes, after declining to ~45,000 units in June 2023 (post pre-buying in May 2023), improved to ~91,000 units in November 2023, aided by festive season cheer. Despite the improvement, the volumes remain impacted by material price hikes taken by the e2W OEMs to help offset the impact of reduction in FAME II subsidy from June 1, 2023.

Exports outlook continues to be weak – Exports, which contribute ~15-20% to industry sales continue to remain weak; shortage of forex and inflationary pressures in key African markets impacted 2W affordability. The OEMs expect export demand to remain impacted for at least another quarter.



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