



INDIAN AUTOMOBILE INDUSTRY – TWO-WHEELERS

**Sustained demand recovery remains
elusive**

SEPTEMBER 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 represented a decline of ~1% on a YoY basis and an improvement of ~22% on a sequential basis, largely on account of inventory build-up ahead of the festive season.

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



Retail sales remain at relatively stable levels – Retail sales in August saw moderate growth of ~6% on a YoY basis, aided by the recovery of rural demand to an extent; the volumes continue to remain materially below pre-pandemic levels.



Domestic 2W wholesale volumes grow sequentially – In August 2023, domestic wholesale volumes, at ~1.52 million units, represented a decline of ~1% on a YoY basis and an improvement of ~22% on a sequential basis, largely on account of inventory filling ahead of the festive season. Concerns continue to persist regarding a sustained demand recovery amid material rise in the cost of ownership.



E2W sales post a gradual recovery on a sequential basis – Electric two-wheeler (E2W) retail volumes, after declining to ~45,000 units in June 2023 (post pre-buying in May 2023), improved to ~63,000 units in August 2023. Despite the improvement, the volumes remain impacted by material price hikes taken by E2W OEMs to help offset the impact of reduction in FAME II subsidy from June 1, 2023.



Exports outlook continues to be weak – Export volumes 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.



Recovery pace uncertain; improvement in rural demand remains key – ICRA is cautiously optimistic of demand recovery in FY2024, amid multiple headwinds (elevated ownership cost, persisting inflationary pressures and rise in financing rates). Amid the impact of uneven precipitation on farm cash flows and consequently rural demand, concerns regarding a sustained demand recovery for the industry persist.



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