



ICRA

A MOODY'S INVESTORS
SERVICE COMPANY

INDIAN TWO-WHEELER INDUSTRY

September 2019



Subrata Ray
+91 22 61143408
subrata@icraindia.com

Anupama Arora
+91 124 4545 303
anupama@icraindia.com

Bishwarup Pakrasi
+91 124 4545 346
bishwarup.pakrasi@icraindia.com

Pradyumna Choudhary
+91 124 4545 342
pradyumna.choudhary@icraindia.com

CONTENTS

1. [Overview](#)
2. [Segment-wise Performance](#)
3. [Motorcycles](#)
4. [Scooters](#)
5. [Raw Material Price Trend](#)
6. [Export Market](#)
7. [Channel Check](#)
8. [ICRA Two-wheeler Industry Outlook](#)
9. [ICRA Ratings: Two-wheeler Industry](#)
10. [Industry Peer Comparison: Two-wheeler Industry](#)
11. [Company Section](#)
 - a. [Bajaj Auto Limited](#)
 - b. [Eicher Motors Limited](#)
 - c. [Hero MotoCorp Limited](#)
 - d. [TVS Motor Company Limited](#)



Overview

Two-wheeler industry continues to reel under demand slump and reports 14.8% de-growth in 5M FY2020

The weakness in demand continued for two wheelers with the industry reporting 14.8% de-growth in 5M FY2020. All the segments of the industry reported double-digit de-growth during the period. Motorcycles, the largest segment with around 65% market share, reported 13.4% volume contraction, scooters with 32% volume share in the overall two-wheeler market reported 17.0% de-growth and mopeds shrunk by 20.4%, during 5M FY2020. Softness in rural demand amid weak income levels, weaker ground water levels as well as uneven monsoon precipitation besides moderation in sowing levels cast some uncertainty on recovery in demand from rural centres. Moreover, poor employment generation has hit the consumer demand sentiments across the nation, leading consumers to defer their discretionary purchases as cost of ownership continues to increase.

Scooter segment's higher than industry volume contraction results in the reduction of share of scooter in the overall industry

The segment reported contraction in volumes by 17.0% in 5M FY2020, higher than the overall two-wheeler industry by 220-bps. The segment had been facing challenges since FY2019 and has reported de-growth in ten of the last twelve months. During FY2019, the segment degrew led largely by poor sentiments in urban areas besides one-off events such as floods in Kerala and regulatory restrictions in West Bengal, which are major scooter markets. The segment's performance in current fiscal continues to be hampered by subdued urban demand sentiments due to income stagnation and low employment generation. Coming onto the sub-segments, the <90cc sub-segment, which is a single product segment (TVS Scooty Pep+), reported de-growth of 14.8%, the largest 90-125cc sub-segment reported 16.9% contraction and the 125-150cc sub-segment, consisting of premium scooters, reported de-growth of 44.4% during 5M FY2020 reflecting the slump in consumer demand sentiments.

Motorcycles, the growth driver of FY2019, fails to report growth in volumes during 5M FY2020

The motorcycle segment which was driven by resurgent rural demand during the first half of FY2019 and aggressive pricing of some models by select OEMs, cooled down in the latter part of the year. The segment's volumes that grew by 13.7% YoY till 8M FY2019 ended the fiscal with 7.8% YoY growth as it reported YoY de-growth from December 2018 which has continued till August 2019. In the first five months of FY2020, the motorcycle segment reported 13.4% de-growth and even the marriage season in May 2019, failed to lift the volumes. All major sub-segments of motorcycles reported de-growth during 5M FY2020. Subdued rural demand sentiments due to low crop realisations, decreasing ground water levels and uneven monsoon spatial and temporal distribution have led to postpone of discretionary purchases by the people.

No major change in the overall market position of various OEMs

- **Hero MotoCorp Limited (HMCL):** HMCL continued to maintain its market leadership position in the motorcycle segment with 50.8% market share during 5M FY2020. In the scooter segment, the OEM's market share further deteriorated in the first five months of FY2020 to 7.7% from 10.7% in FY2019. However, HMCL continued to maintain its dominance in the two-wheeler industry with 35.3% market share in 5M FY2020 even as the market share declined. Going forward, improving its presence in the two fastest growing segments of scooter and premium motorcycles would remain critical to improving its leadership position in the domestic two-wheeler market.

- **Honda Motorcycle and Scooter India Limited (HMSI):** HMSI reported market share gains in both the motorcycle and scooter segments, thereby expanding its share in the overall two-wheeler pie and inching closer to the largest player, HMCL. Scooters remain its strong forte, with a market share of 55.9%, supported by continued dominance for its Activa model, even as the growth rate faltered for the entire scooter segment. In the motorcycle segment also, HMSI reported market share gain by 170 bps. Overall, the OEM expanded its market share in the domestic two-wheeler market from 26.1% during FY2019 to 27.7% in April-August 2019.
- **TVS Motor Company Limited (TVS):** TVS has reported stable market share trends (13-14%), maintaining its position as third-largest two-wheeler player during FY2019, supported by its presence across product segments and new product launches. In 5M FY2020, the OEM reported 14.2% market share, supported by stable market share in the motorcycle segment (7.3%) and scooter segment (19.0%). Going forward, it is likely that TVS will maintain current levels of market share in the near to medium term.
- **Bajaj Auto Limited (BAL):** During April-August 2019, BAL's market share remained stable at 11.9%. BAL's aggressive pricing policy paid off with the OEM increasing its market share in motorcycles to 18.4% in 5M FY2020 from 15.7% in FY2018. Even as the absence of scooters from its product portfolio continues to impact its market position, the OEM has clawed back some market share gains during the past 12-15 months in the domestic market. While resurgence of 2W exports continue to support volumes, BAL's strategy to focus on gaining market share in lower-end of two-wheeler market by changing price positioning of its products has impacted its operating margins in FY2019.

Outlook

ICRA expects the two-wheeler industry to report 5-7% de-growth in volumes during FY2020 as subdued consumer sentiments weigh on demand. While subdued incomes following depressed crop realisations and de-growth in crop output during last fiscal dampened demand sentiments during H2FY2019, the weakness got exacerbated with delayed and uneven temporal distribution of monsoon precipitation in current season. Even as weak farm income growth and delay in rains adversely impacted sowing levels, the uneven distribution with flooding across various regions may negatively impact standing crops and thus, the kharif production in current fiscal. Thus, rural demand is likely to remain soft over the next few quarters. Moreover, uncertainty around income growth in the backdrop of weak industrial activity and limited employment generation opportunities have adversely affected the consumer sentiments in urban centres. ICRA expects higher volumes during festive season as well as some benefits of pre-buying (prior to BSVI implementation) to arrest sharper decline in domestic volumes during H2FY2020 with the volume contraction for the fiscal remaining mid-single digit. On the exports front, the growth rate is likely to moderate from FY2019 levels on account of high base of previous fiscal.

ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

Alliance with Moody's Investors Service

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

The ICRA Factor

Our services are designed to

- Provide information and guidance to institutional and individual investors/creditors;
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

Business Contacts

Mr. L. Shivakumar
E-mail: shivakumar@icraindia.com
Tel: +91 22 6114 3406 / +91 98210 86490

Mr. Jayanta Chatterjee
E-mail: jayantac@icraindia.com
Tel: +91 80 4332 6401/ +91 98450 22459

Media and Public Relations

Ms. Naznin Prodhani
E-mail: communications@icraindia.com
Tel: +91 124 4545 860

Registered Office:

1105, Kailash Building, 11th Floor,
26, Kasturba Gandhi Marg,
New Delhi - 110 001
Tel: + 91 11 2335 7940-45

Corporate Office:

Building No.8, 2nd Floor,
Tower A, DLF Cyber City Phase II,
Gurgaon- 122 002
Tel: +91 124 4545300

Ahmedabad

1809-1811, Shapath V,
Opposite Karnavati Club
S.G. Highway, Ahmedabad - 380015
Tel: +91 79 4027 1500/01

Bengaluru 1

'The Millenia', Tower- B, Unit No. 1004,
10th Floor, 1 & 2 Murphy Road,
Bengaluru - 560 008
Tel: +91 80 4332 6400

Bengaluru 2

2nd Floor, Vayudooth Chamber,
15-16, Trinity Circle, M.G. Road,
Bengaluru - 560 001
Tel: +91 80 4922 5500

Chennai

5th Floor, Karumuttu Centre,
634, Anna Salai, Nandanam
Chennai - 600 035
Tel: +91 44 4596 4300

Hyderabad 1

No. 7-1-58, 301, 3rd Floor, 'CONCOURSE',
Above SBI-HPS Branch, Ameerpet,
Hyderabad - 500 016
Tel: +91 40 4920 0200

Hyderabad 2

4A, 4th Floor, SHOBHAN,
6-3-927, A&B Somajiguda,
Raj Bhavan Road,
Hyderabad – 500082
Tel: +91 40 40676500

Kolkata

A-10 & 11, 3rd Floor,
FMC Fortuna 234/3A,
A.J.C. Bose Road,
Kolkata -700 020
Tel: +91 33 7150 1100/01

Mumbai

3rd Floor, Electric Mansion
Appasaheb Marathe Marg,
Prabhadevi,
Mumbai - 400 025
Tel: +91 22 6169 3300

Pune

5A, 5th Floor, Symphony,
S. No. 210 CTS 3202 Range Hills Road,
Shivajinagar, Pune - 411 020
Tel: +91 20 2556 0194, 020 6606 9999

Email: info@icraindia.com

Helpdesk: 9354738909

Website: www.icra.in/ www.icraresearch.in