



**ICRA**

A MOODY'S INVESTORS  
SERVICE COMPANY

## INDIAN AUTOMOBILE INDUSTRY – TWO-WHEELERS

**Domestic sales ramped up following  
easing of curbs; exports continue to  
remain healthy**

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## EXECUTIVE SUMMARY

## OVERVIEW

*Expectation of normal monsoons and pick-up in vaccination drive offer hope for the 2W industry; ICRA maintains a 10-12% YoY growth estimate for domestic volumes in FY2022*

June 2021 witnessed sequential and YoY growth in domestic wholesale volumes, post easing of curbs. With 10.5 lakh units sold, the volumes were 4% higher on a YoY basis in June 2021; however, these were still only 64% of June 2019 volumes. The ramp-up in volumes is expected to get carried forward in July as well, as southern India opens, and the situation stabilises in the rest of the country. Note that at 24 lakh units, the Q1 FY2021 sales were 86% higher on a YoY basis, primarily on account of the low base. Retail 2W sales reported a 17% YoY growth in June 2021, supported by pent-up demand from the lockdown period.

- **Motorcycle segment led the industry recovery; posted a 10.5% YoY growth in domestic sales** - While all the segments reported a high sequential growth in June 2021, the motorcycle segment led the volume recovery on a YoY basis. In contrast, the scooter and the moped segment reported 10.4% and 11.6% YoY contraction, respectively.
- **Retail 2W sales reported a 17% YoY growth supported by pent-up demand from the lockdown period:** While the festive and wedding season was expected to support 2W retail sales in April-May, the momentum was cut short as the rapid increase in Covid-19 infections forced most states to impose partial or full lockdowns – and other restrictions. The healthy offtake in June 2021, following the opening of markets (and dealerships), thus include an element of pent-up demand from Apr-May. This also enabled correction in inventory levels from 30+ days in May end to 20-25 days by end of June. Note that despite the improvement, retail demand was still at around 30% lower than June 2019 levels.
- **Exports remained flattish on MoM basis at 3.5 lakh units in June 2021:** The exports were 17% higher than June 2019 volumes (comparison with Jun-20 volumes is not meaningful). For Q1 FY2022, exports constituted 32% of the overall 2W sales, against 18% in FY2021. While domestic demand recovery remains volatile, the steady 2W exports continue to support industry volumes. 2W export growth is expected to outpace domestic volume growth in FY2022.
- **ICRA expects a 10-12% YoY growth in 2W domestic volumes in FY2022:** ICRA maintains its domestic 2W volume growth estimates for FY2022 at 10-12%. The second wave of the pandemic had forced state governments to impose stringent lockdowns in Q1 FY2022, which temporarily derailed the pace of macro-economic recovery. However, pick-up in the pace of the vaccination drive on a sequential basis and expectation of a normal monsoon, could potentially support consumer sentiments. In addition, a continued preference for personal mobility solutions could also push the two-wheeler demand in FY2022. Despite the same, downside risks persist on account of the likelihood of third (or more) wave of infection, unforeseen supply chain disruptions and prolonged commodity price headwinds.



## 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.

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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.

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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.

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