



INDIAN AUTOMOBILE INDUSTRY – TWO-WHEELERS

Monthly Update

MAY 2022



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Trend In Domestic 2W Sales



2

Monthly Trend in Domestic and Export Sales



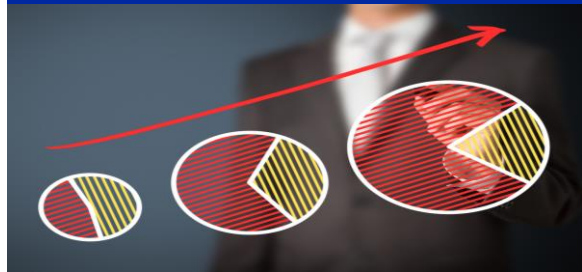
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Segment-wise Monthly Sales Trend



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Trends in Market Share and Segment Mix



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ICRA Ratings in the Sector



Inflationary headwinds, elevated petrol and commodity prices, elongated semiconductor chip shortage due to the ongoing Russia-Ukraine conflict could delay demand recovery for 2Ws in the near term



Domestic 2W wholesale volumes fell 3% sequentially in April 2022 – However, at 1.2 million units, the wholesale volumes were 15% higher on a YoY basis in April. A low base, a good wedding season (which drives demand in northern India) may support recovery in coming months; however, supply chain challenges persist.



Domestic scooter segment outperformed motorcycles on MoM and YoY basis – Reopening of education institutes and reversal in work-from-home trends in corporate India continued to support the scooter offtake; motorcycles saw a sequential decline of 6.5% in April 2022.



Retail 2W sales grew 3% on MoM basis; posted 38% YoY increase – Despite some sequential improvement, the retails continued to be significantly lower than the pre-pandemic levels; muted offtake reflects the impact of elevated cost of ownership (vehicle cost and petrol prices) along with inflationary headwinds. Possible increase in financing rates, following hike in repo rates, could also dampen demand.



High-speed e2W sales jumped 860% YoY but sequential growth flatlined – Electric 2W sales ended FY22 on a record high. However, semiconductor availability issues impacted volumes of certain players leading to flat MoM sales in April 2022; Ola Electric usurped incumbents to become top e2W seller



Exports remain robust; posted 15% sequential growth in April 2022 – An increase to 400k monthly volumes reflect healthy demand for India-made 2Ws; LatAm and African markets remain major consumers; Asian markets yet to reach full potential.



Domestic demand remains fragile; volatile geopolitical situation to be a drag on recovery – Domestic 2W volumes contracted for a third consecutive year in FY2022 and the industry is cautiously optimistic of a gradual recovery in FY2023. The ripple effects of an elongated Russia-Ukraine conflict can be severe for crude prices, the semiconductor industry and commodity prices, and has the potential to disrupt both demand and supply dynamics of automobiles in the near term. However, increasing economic activities, a favourable monsoon prediction, a broader vaccination coverage, all coupled with a low base, is expected to result in a decent YoY growth in FY2023.



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Analytical Contact Details



Shamsher Dewan

Group Head

K. Srikumar

Co-Group Head

Rohan Gupta

Sector Head

Ritu Goswami

Assistant Vice-President



shamsherd@icraindia.com

ksrikumar@icraindia.com

rohan.kanwar@icraindia.com

ritu.goswami@icraindia.com



0124-- 4545 328

044 – 4596 4318

0124 – 4545 808

0124 – 4545 826





ICRA

Business Development/Media Contact Details



L. Shivakumar

Executive Vice-President

Jayanta Chatterjee

Executive Vice-President

Naznin Prodhani

Head Media & Communications



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





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