

INDIAN TWO-WHEELER INDUSTRY

**Festive and wedding season bring
respite in Q1 FY2023; elevated input
costs and supply chain disruptions
offer a rough ride**

JUNE 2022



What's Inside...

1 ICRA's Outlook on the Sector



2 Channel Check and Financing Environment Update



3 Trend in Economic Indicators & Underlying Demand Drivers



4 Domestic Sales Trends



5 Export Sales Trends



6 Trends in Indian E-2W Market



7 Market Share Trends



8 Peer Comparison and ICRA Ratings in the Sector



ICRA expects modest 7-9% YoY growth in 2W volumes in FY2023 amid multiple headwinds

Uneven monsoons, unabated price hikes and prolonged supply-chain disruptions pose downside risks to current estimates

2W OEMs expected to maintain strong credit profiles although margin pressures to persist in the near term



Domestic 2W industry contacted for a third consecutive year in FY2022 and was pushed back by a decade, in terms of volumes sold. While the industry is expected to reap some benefits of a low base, commodity pressure-induced ownership cost inflation on the demand side and component-shortages on the supply side remain key monitorables in the near term.



ICRA expects a 7-9% YoY growth in industry volumes in FY2023 translating to 13-15% growth in revenues. Despite ongoing concerns of hardened commodity costs exerting pressure on the margins, the credit profiles of 2W OEMs are expected to remain healthy.



ICRA's survey of 2W dealers indicates that while demand picked up in Q1 FY2023 due to festive and wedding season and some shift from e2W, the same may not sustain these levels; impact of reduced fuel prices is yet to reflect in demand while supply issues persist for both scooters and motorcycles.



Expectation of record high general inflation, commodity price-induced 2W price hikes and expectation of increase in financing rates may keep discretionary spending constrained in the near term. Timely onset, progress and even distribution of the monsoon will be crucial for rural cash flows and demand sentiments.



Electric 2W sales suffered a setback in early FY2023 with multiple incidences of battery fires. In addition, component shortages hit incumbent players, impacting production. Nonetheless, e2W narrative remains favourable and entry of legacy OEMs may bring scale and quality assurance.



2W exports were the silver lining for the industry in FY2022, averaging at 26% higher than FY2020 levels. While inflationary pressures and local currency fluctuations could pose a challenge in FY2023, demand is expected to remain healthy.



ICRA

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





© Copyright, 2022 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!