



INDIAN AUTOMOBILE INDUSTRY – TWO-WHEELERS

Volumes moderate post a healthy
festive season

JANUARY 2023



A close-up, low-angle shot of a row of motorcycles parked outdoors. The focus is sharp on the front headlight and handlebars of the motorcycle in the immediate foreground, while the others recede into a soft-focus background. The scene is brightly lit, suggesting a sunny day.

A red Vespa scooter is parked on a cobblestone surface against a light-colored, textured wall. The scooter is a classic design with a large front headlight, a black seat, and a black storage box mounted behind it. The shadow of the scooter is cast onto the wall behind it.

Wholesale volumes declined materially on a sequential basis in December, with the OEMs lowering offtake during the calendar year-end; retail offtake again fell below the pre-pandemic levels



Muted retail offtake in December – Retail sales posted 11% YoY decline in December (even on a low base), with high cost of ownership continuing to constrain demand.



Domestic 2W wholesale volumes moderate on a sequential basis – At 1.02 million units, even as the wholesale volumes moderated on a sequential basis, they represented a YoY growth of 2%, aided by a low base.



High-speed e2W sales remain healthy – The retail sales of high-speed (>25km/hr) e2Ws ramped up to ~77,000 units in October 2022 from a low of ~51,600 units in September, aided by festive season push; the volumes sustained at these levels even in November and were at healthy levels of ~65,000 units in December; OLA Electric maintained its position as the highest-selling e2w OEM.



Exports outlook continues to be weak – Export volumes saw a sixth consecutive month of YoY decline in December 2022; shortage of forex and inflationary pressures in key African markets have impacted 2W affordability; the OEMs expect export demand to remain impacted for at least one to two quarters.



Sustenance of improved demand seen during the festive season remains key – ICRA is cautiously optimistic of demand recovery in FY2023, amid multiple headwinds (elevated ownership cost, persisting inflationary pressures and increase in financing rates). As erratic monsoons and floods in many regions have impacted kharif yields, rural demand may remain dampened. Dealer check, however, indicates that sentiments have started improving at the rural level; the sustenance of the same remains key for the industry. A low base is expected to aid a modest growth for the industry (9-12% YoY in FY2023 and 6-9% YoY in FY2024).



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