



Synopsis

Indian Two-Wheeler Industry: Rural India to be in the driver's seat

The Indian two-wheeler industry has come long way since its humble beginning in 1948 when Bajaj Auto started importing and selling Vespa Scooters in India. Since then, the customer preferences have changed in favour of motorcycles and gearless scooterettes that score higher on technology, fuel economy and aesthetic appeal, at the expense of metal-bodied geared scooters and mopeds. These changes in customer preferences have had an impact on fortunes of the players. The erstwhile leaders have either perished or have significantly lost market share, whereas new leaders have emerged.

Rising income levels, reducing excise duties, higher loan tenure and loan-to-value offered by the financing companies have all fuelled the growth of two-wheeler sales in the country. Besides, mounting traffic chaos and limited parking space has also increased the demand for two-wheelers from households that can afford or actually do own a car. Furthermore, with increasing women working population, changing social philosophy and broad-mindedness, the penetration of two-wheelers that is currently at abysmally low level is expected to increase significantly going forward.

CARE Research has developed a statistical model that attempts to forecast the domestic two wheeler sales on the basis of ownership cost and the target population that includes young populace that can afford but do not own a two wheeler. Other qualitative factors like macro-economic outlook, consumer confidence, willingness of vehicle financiers to finance TWs, etc. have also been quantitatively built in demand forecasting model.

CARE Research foresees the growth of two-wheeler sales to be healthy during the period FY09-14, albeit with some short-term hiccups. According to CARE Research, rural India would drive the growth, whereas the opportunity in urban India, especially bigger cities, is limited.

Abundant and low cost labour coupled with local availability of raw materials like steel, aluminium and natural rubber has placed India amongst the low cost producing centres of two-wheelers. Consequently, CARE Research anticipates buoyant growth in two-wheeler exports as well.





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