Entry-level bike sales in slow lane despite rural demand turnaround

Between April and July 2024, 125cc segment saw 21% growth against 46.5% in 125–150cc segment

SOHINI DAS & SHINE JACOB

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Intry-level bikes have not gained from the revival in motorcycle sales in rural areas, and are increasingly ceding ground to bikes in the 125-150cc segment. In motorcycle sales, rural areas have, for the first time since the pandemic, outpaced urban segments.

The 125cc bike segment has seen 21 per cent growth between April and July 2024, while it has been 46.5 per cent for the 125-150cc segment. Industry insiders and analysts say there is a trend towards premiumisation in motorcycles for some time now.

The data from the Society of Indian Automobile Manufacturers (Siam) shows motorcycles with an engine capacity of 75-110cc have sold more than 18.5 million units between April and July, registering an 8 per cent growth rate.

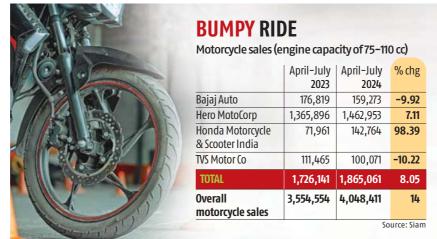
In contrast, overall motorcycle sales have grown 14 per cent during the same period.

Rural sales outpace those in urban areas

During April-July, the two-wheeler segment grew 13.5 per cent, with rural growing by 14.5 per cent and urban 12 per cent.

The rural share of two-wheelers is almost 52 per cent now. A good monsoon, positive sentiment, and the return of the first-time buyer have led to this growth.

Typically, in rural areas, demand for motorcycles is higher than that of scooters owing to road conditions and other factors.



Therefore, at a time when rural growth is beating urban for two-wheelers, 100-110cc bikes registering lower than industry average growth implies that there is a shift towards more premium bikes.

"For the first four months, industry growth for 100cc, primarily a rural-driven product, was in single digits. However, overall industry growth was 14-15 per cent. The elections (Lok Sabha) disturbed rural areas, and marriage dates were not there. We have grown 24 per cent in the 100cc category as we introduced it only from last year in May," said Yogesh Mathur, director, sales and marketing, Honda Motorcycle and Scooter India (HMSI).

"We have grown around 47 per cent

between April and July compared to the 18 per cent of the industry. The performance of our 125cc segment contributed well to overall growth," Mathur added.

Unfolding of premiumisation

Analysts say stagnant growth in the entrylevel motorcycle segment points to a broader trend of premiumisation.

Munish Aggarwal, managing director, head, equity capital markets, Equirus, said: "Motorcycle sales for the 100-110cc segment have remained flat between April and July, primarily due to weak retail demand. This was driven by heavy rain across many regions, which reduced the footfall in showrooms. Historically, sales of two-wheelers

experience a dip in June and July, which coincides with the monsoon season."

He added, "However, stagnant growth in the entry-level motorcycle segment points to a broader trend of premiumisation that has been unfolding over the past few years. The share of motorcycles with engine capacities below 110cc has been declining. For instance, in Q1FY19, motorcycles with engine capacities of 75-110cc accounted for 70 per cent of vehicle sales. By Q1FY25, this share had dropped to just 47 per cent."

Lower price differential

Dealers *Business Standard* spoke to in different parts of the country, both in Tier-III/IV and top-tier towns, said the first-time buyer was opting for a 125cc bike in preference to a 100cc one.

"125cc bikes come not only with better speed and acceleration experiences, but the suspension and seats are better," said a Lucknow-based dealer of Bajaj Auto.

Another dealer in the Konkan region said the price differential was not much. "Consider a Bajaj Platina 100cc, which comes for ₹66,000 or so, and a Bajaj Pulsar 125cc, which comes for ₹85,000 or so. The difference in equated monthly instalments is hardly ₹500-600," the official at the dealership said.

Thus, this shift is a result of a maturing market and rising disposable incomes.

"The increasing availability of financing options has made higher-capacity motorcycles more accessible to a broader customer base." Aggarwal said.