

# Rural 2-wheeler demand roars back to life

## Favourable monsoon, govt initiatives may sustain the trend, say experts

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The two-wheeler segment has shown signs of recovery in the first half (H1) of calendar year (CY) 2024, largely driven by improving performance in rural areas.

According to the Federation of Automobile Dealers Associations, rural contribution to two-wheeler sales surged by 57-60 per cent in the April-June quarter of 2024-25, indicating a rising demand in these regions. Experts believe that this trend will continue, supported by a favourable monsoon season and government initiatives aimed at rural development.

Overall, two-wheeler sales in H1 of CY 2024 increased by 11.76 per cent compared to the same period in CY 2023, despite challenges such as extreme heat and the election period.

Analysts emphasise that adequate rainfall, affordability, and limited public transport options in rural areas are crucial factors driving this recovery.

Analyst Sanket Kelaskar from Ashika Group highlights that the new coalition government's focus on rural development could further boost two-wheeler sales. Key factors to monitor include agricultural output driven by adequate rainfall and potential reductions in fuel prices to maintain affordability. "The formation of a new coalition government is expected to lead to increased focus on rural development. This could result in more government capital expenditure and schemes aimed at boosting rural incomes and disposable spending power. Improved rural economic conditions would directly benefit demand for entry-level two-wheelers and scooters, which hold a major market share in rural India," he observes.

Echoing this sentiment, K N Radhakrishnan, chairman, managing director (MD), and chief executive officer of TVS Motor Company, revealed in the fourth-quarter 2023-24 investment call that they expect healthy growth for the two-wheeler industry this year, driven by both urban and rural markets. He sees big opportunities in the scooter segment, which caters to both men and women in urban, semi-urban, and rural areas, due to the improving road infrastructure in rural India.

TVS is optimistic about the rural market, anticipating that a normal monsoon will bring positive momentum. They note that young rural customers are not only budget-conscious but also aspirational, looking at premium products like the Apache, Raider, or Ntorq. TVS estimates that the rural share in its domestic sales is 45-50 per cent, with financing penetration at 56 per cent.

Yamaha Motor India, Honda Motorcycle & Scooter India, Hero MotoCorp, and Bajaj Auto did not respond to queries sent by





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Analysts also predict that maintaining affordability and controlling overall ownership costs will be crucial for driving two-wheeler sales in price-sensitive rural markets. Thus, a reduction in fuel prices supported by tax cuts could positively impact two-wheeler sales.

The recovery is expected to benefit manufacturers such as Bajaj and Hero. Bajaj's launch of the Freedom 125, a compressed-powered motorcycle, provides a

cost-effective option for rural consumers, while Hero's strong presence in the entry-level segment positions it well to capitalise on the increasing rural demand.

Anurag Singh, MD at Primus Partners, emphasises that the rural market has been a major driver of two-wheeler sales for nearly a decade. "With a good monsoon, higher minimum support prices for crops, and increasing rural economic power, motor-cycles remain a practical choice for rural roads and conditions, ensuring sustained growth in this segment," he says.

Although total two-wheeler sales from January to June 2024 marked an 11.76 per cent increase, reaching 8,982,502 units compared to the same period in CY 2023, there was a slight decline of 0.189 per cent in sales compared to the latter half of CY 2023.

Earlier concerns about uneven precipitation affecting farm cash flows and consequently rural demand had raised questions about a consistent recovery for the industry. As a result, ICRA remains cautiously optimistic about a sustained demand recovery despite multiple headwinds, including elevated ownership costs, persistent inflationary pressures, and rising financing rates.

### TRACKING THE GROWTH

- Total two-wheeler sales from January to June 2024 rose by **11.76%**, reaching **8,982,502** units
- Rural contribution increased to **57-60%** in **Apr-June** quarter of FY25
- Adequate rainfall, affordability, limited public transport options in rural areas determine recovery
- Due to reasons of practicality, rural areas continue to prefer motorcycles over scooters