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## BUSINESS RESILIENCE OF COVID-19 PANDEMIC IN AUTOMOTIVE INDUSTRY IN INDIA

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### ABSTRACT

The Coronavirus pandemic has affected lives and businesses globally. India's domestic auto industry may have turned the corner in July, with monthly declining trends flattening out. The improvement in car sales was attributed to customers seeking a personal mode of commuting instead of opting for public transport. Additionally, lucrative and easy finance options from financial institutions have boosted new car purchases and used cars purchases. The improvement in car sales was attributed to customers seeking a personal mode of commuting instead of opting for public transport.

**Key words:** Covid, Automotive, passengers and recovery of sales

## INTRODUCTION

India's domestic auto industry may have turned the corner in July, with monthly declining trends flattening out. For the first time in several months, the Indian auto industry reported a single-digit decline of 1% in passenger car wholesales, with 198,000 units being shipped last month compared to 200,500 units in the same period last year. July shipments are likely the low point of a V-shaped recovery as Indian states increasingly ease lockdown measures and more dealerships open in key urban centres. The industry still needs to demonstrate a sustainable demand trend, at least over the medium term. As OEMs in India continue to resolve challenges with the supply chain, they will also need to procure buffer stocks of material to protect themselves against future lockdown disruptions.

The Coronavirus pandemic has affected lives and businesses globally. In an effort to save lives and restrict people's movement, the Indian government had announced a complete lockdown across the country. Its immediate effect was seen at the start of the financial year 2020-21 with zero car sales in April as most manufacturing units, logistics, and sales were halted until further notice. Sometime in mid-May, the dealerships resumed partial operations and completed pending deliveries. With a gradual relaxation in norms, the car sales started picking up pace from June onwards.

The improvement in car sales was attributed to customers seeking a personal mode of commuting instead of opting for public transport. Additionally, lucrative and easy finance options from financial institutions have boosted new car purchases. That said, the overall car sales in the current fiscal year will be low as compared to the financial year 2019-20. Until now, the month of October was the most generous month for car manufacturers in the country, thanks to the auspicious period of Navaratri followed by the festival of Dussehra. Contradictory to the belief, car sales during Diwali, in November, were lower as compared to October 2020.

Used car market size in India is around 1.4 times higher than that for new cars (compared to 4-5 times in the developed world) and has a huge growth potential. Used car sales had been growing at a much faster rate during Pre and Post-COVID-19 times and industry participants are already seeing recovery in such sales, leading used car online platform Droom announced that the traffic on its platform was up by 175% and leads were up by 250% during the April-June period.

## OBJECTIVES OF THE STUDY

- To analyse passenger cars in Automotive Industry.
- To the extent used car sales in Covid pandemic situation.

## METHODOLOGY OF THE STUDY

The study primarily depends on secondary data.

- Secondary research –analysis of census data, internet search, data from secondary sources
- Primary research using structured formats containing quantitative and qualitative data for household and village focused group discussion, participatory rural appraisal.

## ANALYSIS OF THE STUDY:

The automotive sales distribution pattern, however, shows that recovery from the pandemic not only varies in speed across the country, but is also uneven. This can be attributed to the length of lockdowns in different regions, the underlying economy of a region, consumer confidence, availability of finance and incentives offered by dealers. Broadly, retail sales are recovering faster in semi-urban and rural areas, which have been relatively less impacted by the spread of COVID-19.

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Many regions continue to remain vulnerable due to their limited ability to manage further outbreaks of the virus. Intermittent and sudden lockdowns being re-introduced in some states, such as Uttar Pradesh, Maharashtra and Bihar, are negatively impacting the fragile consumer confidence and spending.

While leading automakers Maruti Suzuki and Hyundai have seen a steady recovery in vehicle production and shipments since the unlocking in May, we believe sustaining the retail sales momentum will be a challenge as pent-up demand winds down. While some states could recover faster, the overall longer-term forecast is that some cities and states will take till the year end to recover annual sales volumes to pre-COVID levels, and some possibly not at all.

## PASSENGER CARS

For the most part of the current financial year, Maruti Suzuki, Hyundai, and Tata Motors have been claiming the first, second, and third position in terms of car sales, respectively. A few months back we had also revealed about the growing demand for base and other lower-spec variants, as customers seek more budget-friendly options. To learn more about it click [here](#). The hike in prices with the BS6 model update and poor consumer sentiments have fuelled demand for the base variants. The A-segment and the B-segment have been the popular choices among customers. Apart from these, there has been a spike in sales in the compact SUV segment with a few recent launches from the likes of Kia Motors and Hyundai in India.

Maruti Suzuki continues to lead with a majority share in the Indian market. Some of the popular selling models for the company in the last few months were the Swift, Baleno, Ertiga, and the Wagon R.

Since the last few years, Hyundai has been a strong competitor to the market leader, Maruti Suzuki. The South Korean car manufacturer competes with a strong product line up in the A, B, Compact SUV, and the SUV segments. Some of the popular sellers for the company so far were the Creta, Venue, Grand i10, and the Elite i20. Back in November, the company launched the third-generation i20, which has already received over 30,000 bookings in just 40 days.

Tata Motors, the third bestseller in the country until now, has been performing well with good sales from the Altroz, Tiago, Tigor, and the Nexon. Kia Motors, relatively a new entrant in the Indian market has been marginally missing out on the third position. Currently, Kia holds the fourth position in terms of cumulative sales and the feat is indeed commendable considering the fact that the brand only has three models in the product line up, which include Sonet, Seltos, and the Carnival, wherein a majority of the sales are raked in by the first two models.

The month of December will be slow for the majority of the car manufacturers. In an effort to boost sales, the auto manufacturers with products in the A and the B segments will introduce special offers or limited-edition trims based on the existing variants. Sales are likely to be more or less similar to the current month till March 2021. It is only from the new fiscal year 2021-22 that the auto industry might witness a minor growth in sales, which is expected to be further boosted with the Coronavirus (COVID-19) vaccine in place.

Car models like the Maruti Suzuki Swift, Maruti Suzuki Baleno, Tata Altroz, Hyundai Grand i10, Maruti Suzuki S-Presso, Hyundai i20, and the Renault Kwid will continue to sell strong in the country in the current fiscal year. Additionally, the cumulative car sales will also see some contribution from the likes of Maruti Suzuki Ertiga, Hyundai Creta, Hyundai Venue, Maruti Suzuki Vitara Brezza, Kia Sonet, and the Kia Seltos. Recently, Nissan has made a promising comeback with the launch of the Magnite. The compact SUV is currently raking in good interest with over 5,000 bookings within just five days of launch and is expected to help the company to retain its presence in the Indian market.

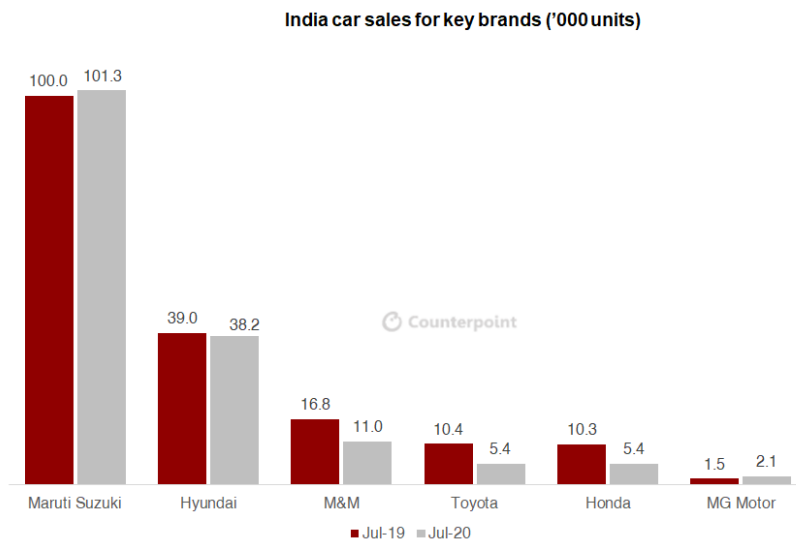
Maruti Suzuki posted a 1% growth, with 100,000 units shipped last month against 101,300 in July 2019. While marginal, it does signal green shoots of recovery ahead with an almost 50% increase in mainstream hatchbacks about 17,300 units shipped in July. This also demonstrates growing demand for safer, personal mobility options.

In addition, Maruti Suzuki is planning to launch a range of compact SUVs in the second half of 2020, enhancing its offerings in this relatively resilient category.

Hyundai too is moving closer to full recovery, having shipped 38,200 units in July versus 39,000 units last year, a 2% YoY decline but a significant improvement against the 79% YoY decline recorded in June. Hyundai continues to have a strong order book for its refreshed Creta SUV, the newly launched Venue Crossover and, surprisingly, for its updated Verna sedan.

While Mahindra & Mahindra has reported a 35% YoY decline with shipments of 11,000 units last month, we expect sales to improve over the rest of the year. Revival in demand for its vehicles is expected to

be sustained in rural and semi-urban areas. The scheduled launch of popular utility model Thar in a refreshed, contemporary and feature-loaded avatar, and in time for the festive season, will provide an additional push.



## CONCLUSION

Automotive industry observes that sales may signal the start of a recovery trajectory, the industry still needs to demonstrate a sustainable demand trend, at least over the medium term. As OEMs continue to resolve challenges with the supply chain and scramble to replenish inventories, they will also need to procure buffer stocks of material to protect themselves against possible future disruptions due to re-introduction or extension of lockdowns.

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