



## Post Covid-19: Effects on Automobile Sector in India

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### Abstract

The pandemic Covid-19 has hard hit the global economy and its after effects are distressing as expected. Every major country of world has suffered in multiple ways, India also suffered a lot. Automobile sector of India has witnessed heavy losses owing to the outbreak of novel corona virus and the resultant lockdown. It was even before covid-19, the automobile industry of India is going through a tough phase due to new BSVI norms enforced by the government of India. And now when the whole world is under the influence of the pandemic Indian automobile market is facing slump situation. Economy as a whole is in crises, automobile sector which is already battling for its revival, has faced a lot of challenges like complete shutdown of manufacturing, disrupted supply, a major reduction in imported inputs, significant downfall in domestic and export demands etc. It is quite obvious that the effect of this pandemic will be severe and long lasting. A study shown with the whole nation being under a lockdown throughout April, automotive sales for the month came to a grinding halt. Leading companies, Maruti Suzuki and Mahindra have reported zero sales for the opening month of FY2020.

**Key Words-** automobile, pandemic, coronavirus, auto sales, lockdown.

### PAPER/ARTICLE INFO

RECEIVED ON: 02/03/2020  
ACCEPTED ON: 15/04/2020

### Reference to this paper should be made as follows:

Vaishali Siddhu (2020),  
"Post Covid-19: Effects on  
Automobile Sector in India",  
Int. J. of Trade and Commerce-  
IIARTC, Vol. 9, No. 1, pp. 90-  
96

### 1. INTRODUCTION

India has emerged as a significant player in global car-making, but the impact of coronavirus has contracted the market of the automotive industry. Customers have now returned to their essential lives and shrinking their hands before spending on luxuries. In earlier times, when it meant that vehicles with advanced features and highest consumer value would be valued and bought, regardless of their price. Now is the time when the amount will determine the future of vehicles. Maintaining liquidity and conserving cash for the future has become immensely crucial after facing the situation of lockdown. Considering this, customers might fetch those vehicles that would be offering great value in price and the lowest operating cost. Luxury, flash, and features would not be prioritized, and it will be essential mobility, which would be considered as the base of choosing a particular vehicle. In the Indian market, sweet deals and discounts have been the favorite flavor of consumers, especially in the case of automobiles. They are standard and peak during festivals. More than 40% of the total vehicle sales occur during the festive seasons across India. In times of coronavirus pandemic, the purchase done by potential customers would surely be downsized. Customers would be looking at smaller cars with lower price. It will lead to downgrading the purchase decision of buyers.

### 2. CHANGE IN CUSTOMER PREFERENCES

The impact of coronavirus on the car market will lead to a change in customer preferences. Quality would become the second parameter after the price of buying decisions. Earlier quality had been the sole base of the purchase decision for potential customers. They were ready to pay any price for quality and luxury. As the present scenario is quite different, consumers are now very conscious of conserving their resources. The value of money and necessities has increased more and saving habits has become the latest trend. All luxuries lost their value up to some extent, as this pandemic turned our lives to its elementary version. Amid these conditions, entry-level cars like Alto, Kwid, Celerio, Santro, WagonR, Tiago, and few others might be on the top of the customers' list. In this case, Maruti Suzuki could be the segment leader as it has the broadest portfolio of small and compact cars. As customer preferences might go for a toss about prices and transaction costs, there is a high probability that big SUV &MPV might lose luster and face a significant challenge on consumer's future choices.

"The 10-20 lakh price bracket might be a challenge to sell, while the 20 lakh price upwards would be facing some shrinkage in demand. Indian customers would be looking at affordable mobility with safer means to travel. The cost would supersede brands and categories across the market", says Amit Kaushik, Managing Director at Urban Science, a US-based consultancy.

### 3. SEGMENT: READERS ARE TRUSTWORTHY

It's evident from history that in the tough times or crises, it's the segment leader that becomes the first choice of the customer over other brands and companies. There are no such rules or law that establishes a company's market leader. But the confidence and trust which a company gains with this kind of situation become risk-averse and stick with these brands.

According to experts, it's time to repeat history. In the past, be it the ASEAN financial crises that took over much of East Asia and Southeast Asia in 1997 or the Lehman Brothers crises in 2008, Hero Motocorp in two-wheelers, Maruti Suzuki for passenger vehicles and Tata Motors in the commercial vehicle segment have captured the market and gained in the historical crises situation. These segment leaders have managed to gain consumer belief, and their buying decision went in favor of these evergreen brands.

Shashank Srivastava, executive director of Maruti Suzuki India, says, "It's normally the high belief set by top leaders that attract customer's trust and confidence, especially in any crisis. These could be related to brand assurance, post-sales service experience, or their ability to be risk-averse. Amid these times when the market is dull, and sales are virtually eroding in lockdown, it's time for the top brands and companies to reap the discretionary purchase quotient and generate rich yields on their years of slogging".

It's a high time for segment leaders to gain again. Amid coronavirus impact "old is gold" philosophy will work for the automobile sector as it is being adopted in other dimensions of life like food and clothes.

#### **4. MARUTI SUZUKI-THE BIGGEST GAINER AND LEADER**

Undoubtedly Maruti Suzuki is the most reliable and attractive car making brand in India. It is estimated that in the time of this pandemic, Maruti will gain hugely. While other companies like Hyundai Motor and its premium and sibling brand Kia has come up with an SUV Seltos, which a big size and expensive car, Maruti has been attentively focusing on smaller cars and making the best of compact cars as its competitors have shifted their focus to bigger cars. Within a few days, Maruti has delivered over 5,000 vehicles to its customers following a set of comprehensive standard operating procedures for its dealerships across the country amid lockdown. Maruti has also extended warranty and free services that were set to expire between 15 March and 31 May. The company has also offered easy finance and EMI options to its customers. It has introduced new hygiene guidelines that will be followed at all dealerships. All these efforts of the company will surely gain the trust and confidence of customers.

#### **5. THE BOOM IN DEMAND FOR A USED VEHICLE**

Post the pandemic; consumer preference will be more towards personal health and hygiene. After lockdown, there will be a considerable change in the buying behavior of customers. Cleanliness and hygiene will become more important than earlier. We can expect that consumers will prefer personal/individual mobility, and shared mobility will take a backseat. Considering their health and hygiene, outstanding individuals would like to travel alone on private vehicles. But an aversion to higher discretionary spending like buying new cars, it is expected that demand for used vehicles will increase in the next 3-6 months. Lease rentals and service-based models may also splendor in the Indian market. Traveling in public transport would not be preferred for at least one year. As most of the consumers belong to middle-class families in which household income barely keeps pace with expenses, they won't be able to spend more on vehicles, slightly used cars will be preferred more in this time of crisis.

#### **6. IMPACT ON EMPLOYMENT**

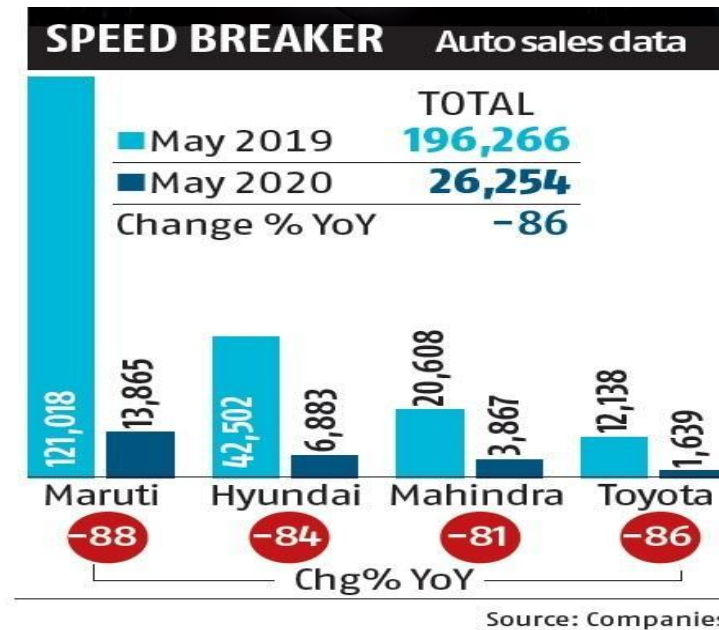
Amid corona and its resultant lockdown salary cuts, and layoffs have increased exceptionally in every sector and notably in the automobile sector. Covid-19 has badly hit the Indian auto sector, causing disruptions. CarDekho has laid off employees and cut down the salaries of its employees. The company has not disclosed the number of employees laid off, but the reports suggest the number as high as 200.

Girnarsoft cluster that runs CarDekho aforementioned "Covid-19 has light-emitting diode to disruptions across industries and motorcar is one among the worst-hit sectors. We tend to were unnatural to appear at rightsizing AND wage cuts during a few businesses given amount of slow recovery and, in some cases, permanent amendment in the pattern of shopper spends" in an

emailed statement to the days of Asian country. Additionally, the corporate aforementioned that within March groups across the board took measures to manage prices, the leadership team is making voluntary wage cuts active Gregorian calendar month. Per the reports, salaries are slashed by a 12-15 % pay cut. It aforementioned, "To facilitate this transition, we tend to not solely cowl the wedged staff financially; however, have conjointly set up AN go-between network to guide them towards opportunities within and outdoors the organization. We tend to also {are|are} encouraging and are providing comprehensive support for entrepreneurial opportunities with the organization. These square measure testing times {and we have a tendency to |and that we} hope we start this abundant stronger than before". Ola, one of the largest taxi collectors in the Asian country, has set off 1400 of its workers because the Covid-19 pandemic badly hits the revenue of the corporate. The income of the corporate has fallen a thumping ninety-fifth in a Gregorian calendar month. It will thank the irruption of the coronavirus pandemic; news organization PTI rumored citing a note by chief executive officer Bhavish Aggarwal. The layoffs of workers square measure from rides, monetary services, and food business, the report aforementioned. In his email to the workers, Aggarwal created it clear that the impact of this pandemic is undoubtedly about to stay for a protracted time. "The fallout of the virus has been robust for our business, above all. Our revenue has come back down ninety fifths over the past two months. Most significantly, this crisis has affected the livelihoods of many of our drivers and their families across Asian countries and our international geographies," the writing paper chief executive officer aforementioned. Similarly, Uber, one among the world's prime taxi collector, has set off 600 of its staff in the Asian country to chop prices amid the continuing COVID-19 pandemic. Uber is the biggest rival of writing papers in the Asian region. Uber has supported this lay off with a press release that these reductions square measure a part of its antecedently declared world job cuts. Uber aforementioned that it's provided a minimum of ten weeks of payout, medical amount of money for ensuing six months, outplacement support, be allowed to retain their laptops and given a choice to hitch the Uber talent directory. Uber has a dropping of vi,700 staff globally because the coronavirus has severely affected its business. 7. substantial Decline in Sales After coverage near-zero sales in a Gregorian calendar month, automobile firms resumed their deliveries in could. However, the reports square measure very unsatisfying with sales of traveler vehicles has declined to eighty-six for leading players. Maruti Suzuki, a leader within the automobile market, sold 13,865 units domestically once resuming its despatches. This was a decline of half of 1 mile. R C Bhargava, Chairman of Maruti Suzuki, aforementioned "So way, the advance in demand, production, and sales appearance quite cheap, however, it'll be a gradual increase. It'll not jump to the previous levels anytime soon". Volumes at Hyundai Motor, Mahindra & Mahindra, and Toyota Kirloskar have massively born by eighty-four, eighty one and eighty-six % severally throughout the month over the year agone amount, firms rumored. Ashok Leyland domestic sales have reportedly declined by ninetieth at one,277 units amid Covid-19.

Credit rating agency CRISIL is also expecting demand to pick up in the second half of FY21. It said, "A recovery in demand is expected only from the festival season in the third quarter of this fiscal- and largely for two-wheelers and tractors, which have a higher rural share." Compared to last year, other manufacturers also saw a drop in their sales volumes.

Vijay Nakra, chief executive, M&M, said, "our performance during May has been muted due to the challenges the industry is facing." Ninetieth at one,277 units amid Covid-19.



Hetal Gandhi, director, CRISIL Research, expects job loss and pay-cut fears dampening consumer sentiment. "Automobile sales are running out of steam as urban income sentiment wilts under the pandemic.

#### 7. AUTOMOBILE COMPANIES TAKE SOME PLAUSIBLE DECISIONS

1. Flipcart and Mahindra-owned Meru cabs have teamed up to provide people access to grocery and essential items during the lockdown in Bengaluru, Delhi NCR and Hyderabad regions.
2. Fiat Chrysler Automobiles has pledged an amount of 2 crores towards COVID-19 relief measures in India. FCA employees have voluntarily made contributions from their salaries towards relief efforts.
3. Ola has launched the 'Ola Emergency' feature in many cities so that people could book trips to hospitals for all non-COVID related requirements.
4. Mahindra & Mahindra has begun producing face shields at its two-wheeler manufacturing plant at Pithampur, Madhya Pradesh.
5. Skoda Auto Volkswagen India Private Limited has donated one crore to the Sassoon General Hospital in Pune towards the establishment of a dedicated COVID-19 facility with 1,100 beds.
6. Ratan Tata, Chairman of Tata Trusts, has earmarked 500 crores to protect affected people from the COVID-19 outbreak.
7. MG Motor India has partnered with Vadodara-based MAX Ventilators to assist in the manufacture of life-saving medical equipment.
8. Yamaha Bharat has declared that its workers have given a day's pay to assist COVID-19 relief efforts, with the full quantity having reached to ₹ sixty-one.5 lakh.
9. Ford Bharat introduces a new Dial-A-Ford service that permits new customers to book a take a look at drive or book a brand new automobile and acquire it delivered.

10. Audi Bharat has introduced a unique initiative. Under this, Audi customers UN agency are fighting against coronavirus at the forefront will avail of complementary medical care and cabin cleanup, exterior cleanup, and a general check-up of their luxury vehicle.

## 8. DISCUSSION

In discussion with Team Times Drive, Tarun Garg, Director- Sales, Marketing, and repair, Hyundai Motor Bharat, mentioned that there's a decent likelihood that a lot of shoppers can take subscription plans whereas shopping for a brand new vehicle. Subscription set up permits a client to shop for an automobile by paying monthly or yearly subscription charges rather than an ancient funding methodology that has a deposit and monthly EMI. Tarun Garg, any same "we believe that subscription-based possession model can interest those that ar avoidance shared quality and public transportation for cheap personal mobility." Gaurav Gupta, chief industrial officer, MG Motor Bharat, said, "As an innovative whole, we tend to perpetually look at innovation and technology to drive higher client experiences. Within the new era, digital and contact-less experiences play a fair additional crucial role. Shield+ could be an umbrella sales and repair program geared toward the complete convenience of our clients within the new traditional and is a testimony of our commitment to the protection of our customer expertise at the core and is driven by the innovation and technology, a core pillar at MG."

Rohit Suri, president & decision-maker, cat Land Rover Bharat, said: "At cat Land Rover Bharat, our aim has invariably been to supply a hassle-free and updated purchase and repair portals, we tend to are currently ready to provide the extra advantage of a contactless and safe atmosphere during which our customers will relish the cat Land Rover expertise. Prakash Javadekar, Minister of dangerous Industries and Public Enterprises of Bharat, has remarked, "The automotive vehicle sector could be a mass leader and contributes the full GST amongst all sectors. Last year, the business suffered owing to a planned migration from BS-IV to BS-VI grievance vehicles. This was one amendment that created the shoppers defer their purchases."

According to the Society of Bharat Automobile makers (SIAM), traveler vehicle and two-wheeler vehicle sales, both declined by eighteen percent in March-April 2020 as compared to identical amounts last year. However, a recent survey offers a glimmer of hope to the auto business.

The report, dynamic Gears: The impact of Covid-19 on the auto business, by carandbike.com, has forecast a doable V-shape recovery- a pointy economic decline followed by a fast and sustained improvement. This report advised that repressed demand and first-time consumers might facilitate the auto sector rebound within the post-COVID era. Moreover, the survey conjointly suggests a shift within the preferences, with shoppers doubtless to travel for a private vehicle than go past conveyance. YS Guleria, director (Sales and Marketing), Honda motorbike and Scooter Bharat same "There is a discussion regarding realigning and reviewing each setup. this might be regarding the launch of recent models, development of network infrastructure, or maybe assessing the capacity utilization for the longer term." A report by credit rating agency ICRA regarding the severe and medium industrial vehicle the same that, "The outlook for FY21, particularly the primary 0.5, remains weak given the economics headwinds seeable of recent pandemic occurrence, let alone great value hikes owing to transition to the new emission norms. Any recovery within the latter 0.5 hinges on pick-up in construction activity."

## 9. CONCLUSION

There is no doubt that Covid-19 has severely and seriously affected the automobile industry. Supply is badly affected than demand. Lockdown and complete shutdown of manufacturing

units has disrupted the supply chain. India imports auto components from China, and then manufacture automobiles. But due to the outbreak of novel coronavirus and stringent rules of government supply of auto parts has been resisted. We can say that it is the worst phase for the automobile industry. COVID-19, coupled with new BS-VI emission norms, has created an unfavorable climate for manufacturers. India's automobile industry is the fourth-largest by volume and from the past few quarters experiencing a constant decline in sales, and now is another year of significant reductions as lockdown impacted production and consumer demand. Partial operations were started in May, but it became an uphill struggle.

Due to permissions and approvals from concerned state authorities, safety protocols such as body temperature scanning, social distancing, and high standards of sanitization are new things to follow. But these are "new normal" for all of us. We can expect good demand during the festival season, i.e., the last quarter of the year. More than desire, supply will be a challenge as the labor problem will arise. Workers are not willing to come back from their hometowns. Shutting down operations was easier than reopening factories as companies need to manage complex synchronization issues. The lack of government policy and intervention for the automobile sector is disappointing. But we should remain positive and hopeful. Demand for two-wheelers- especially motorcycle will take a jump as the shared mobility will take a backseat. The government scrapping schemes and lower interest rates for vehicle loans could accelerate recovery. Combined with a young population, better road infrastructure, growth in rural demand, and the introduction of user-friendly compact cars could boost consumer demand.

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