

IMPACT AND IMPLICATIONS OF COVID 19 PANDEMIC ON THE INDIAN AUTOMOBILE SECTOR

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ABSTRACT

The inception of liberalization policy in 1991, has made the slow average growth rate of GDP of India jump to a higher level. Due to liberalization policy many industries started flourishing including the automobile sector. The importance of automobile industry in India has been quite significant. It is one of the fastest growing sectors in India. The increase in the demand of cars and other vehicles has increased by the increase in the income. As a result the automotive industry in India has become fourth largest in the world, as of 2019. Novel coronavirus (COVID-19) pandemic emerged around the end of December 2019 at Wuhan, Hubei province, China. The pandemic majorly affected industries, including the automotive sector. The global economic trade impact of the pandemic on the automotive industry is severe, and the Indian automotive sector will also get badly affected by it. This paper is a study of the impact of the COVID-19 pandemic on the Indian automotive sector and will suggest ways of overcoming this critical situation.

KEYWORDS: Automotive industry, Covid-19 Pandemic, GDP, Growth rate

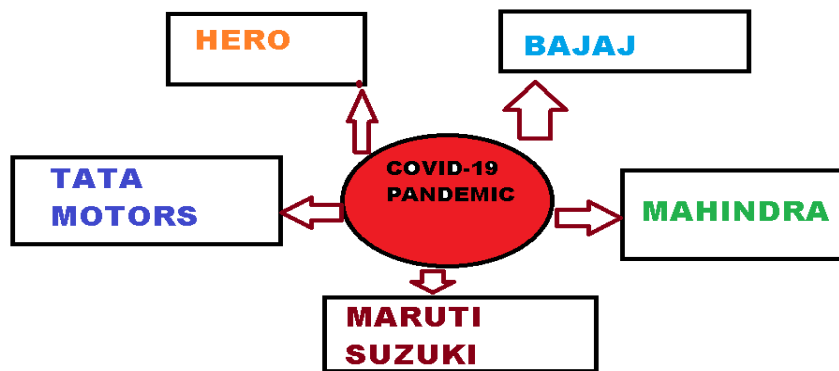
INTRODUCTION

The inception of liberalization policy in 1991, has made the slow average growth rate of GDP of India jump to a higher level. Due to liberalization policy many industries started flourishing including the automobile sector. The importance of automobile industry in India has been quite significant. It is one of the fastest growing sectors in India. The increase in the demand of cars and other vehicles has increased by the increase in the income. As a result the automotive industry in India has become fifth largest in the world, as of 2019. Novel coronavirus (COVID-19) pandemic emerged around the end of December 2019 at Wuhan, Hubei province, China. The pandemic majorly affected industries, including the automotive sector.

The outbreak of the Novel coronavirus in China has spread its tentacles across the world and is having a major impact on all aspects of society. With the World Health Organization declaring

the COVID -19 outbreak a pandemic, an unprecedented global disruption is at hand . Automobile and component manufacturing plants all over the world ,consumer footfall have reduced considerably ,vehicle sales dropped dramatically and almost every major industry event is either being cancelled or going the digital way .

The global economic trade impact of pandemic on automotive industry is severe, and Indian automotive sector will also get badly affected by it .The Impact would depend on the extent of the business with China. The current level of inventory seem to be sufficient for the Indian automobile industry, but if the situation exist ,it is expected to result in 8-10 percent contraction in Indian automotive industry . However from financial aid to manufacturing support Auto Inc is putting its best foot forward in order to alleviate the hardships of COVID -19 crisis.



OBJECTIVE OF STUDY

- To study the effect of COVID -19 Pandemic on automobile industry in India.
- To study the measures to promote Indian automobile industry post COVID -19 pandemic.

REVIEW OF LITERATURE

Sunil kumar(2020) explained that coronavirus has produce an unstable environmental all over the world. This is called as a pandemic by World Health organization. All over the world it has stopped many of economic activities due to contagious nature and has no cure. It has produced severe economic impact on globe and India. Every sector in India is specially affected, mostly whose import connection is with China.

Smita Miglani(2019) In economic growth of India ,automobile industry has given a huge contribution this paper explained the role of government policy ,infrastructure and other factors in the expansion of the

automobile sectors .Tn 2017 India became the world's fourth largest automobile market .For future growth automobile sector has to rely on upgradation ,digitization ,and automation .

Nikita Arya(2019) Automotive industry is one of the key drivers of the macroeconomic growth in India and also for the technological advancement .India is one of the largest manufacturer of two wheelers ,three wheelers ,and tractors n the world and the fifth largest manufacturer overall.It is estimated that by 2030 the Indian automobile industry will be third largest after China and USA.

Neelofar Kamal (2017) The automobile industry, along with the auto components industry, is one of the core industries in India. A well developed transportation system plays a key role in the development of an economy, and India is no exception to it. Automobile is one of the largest industries in the global market. Owing to its strong forward and backward linkages with several key segments of the economy. Automobile Sector occupies a prominent place in the fabric of Indian Economy.

Krishnaveni.M(2015) this paper explained the sales and export pattern of Indian automobile industry .It is reflected that there is remarkable increase in the passenger vehicle and three wheeler division.The exports of India in automobile sectors are showing continuous increasing trend .India is emerging as an export hub for sports utility vehicles (SUVs)

Jatinder Singh(2014)Policy changes impacts the advantages through their effects on economic environment in which the industry operates. Passenger vehicles segment seems to be the segment which has high growth and has improved a lot in exports.

Ankur Rashtogi(2013)Explained the changes in the structure of Indian automobile industry in the context of liberalization and globalization .Earlier there were less innovation in the field but it is one of the fastest growing manufacturing industry in India.The situation starts improving from 2013,and keeps on improving day by day .

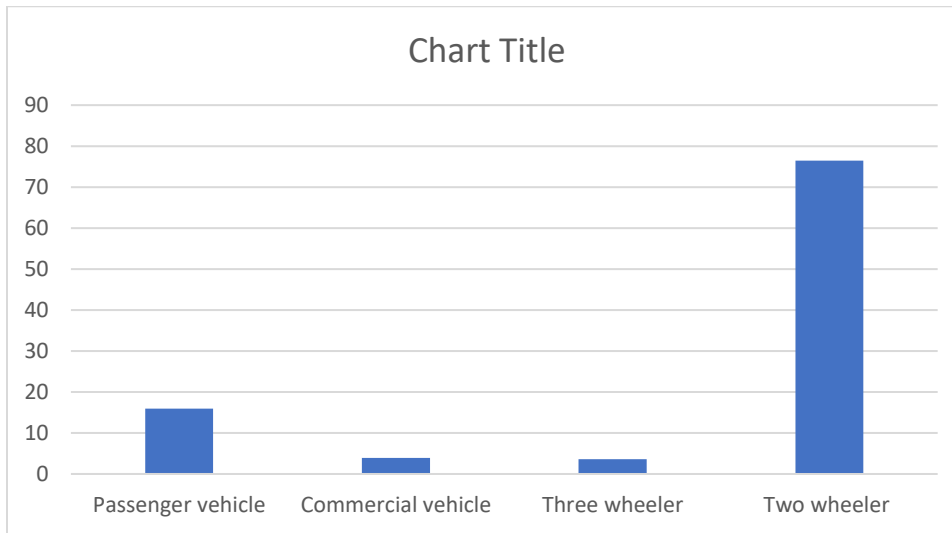
AUTOMOBILE INDUSTRY IN INDIA

Indian automotive industry is an important contributor in economy of India and important element of macroeconomic growth .With supportive government policies and good domestic demand ,India has become fifth largest auto market in 2019 .It was the seventh largest manufacturer of commercial vehicle in 2019.

Indian automobile industry is recognized as sunrise industry .India is a prominent exporter of automobile and it promises a very bright future .Government of India has taken several initiatives to make Indian automobile sector a huge success on global platform .It was expected that India will become a leader in two wheeler and four wheeler market in the world by 2020, and will be among top 3 countries by 2030.

Automobiles production In India has increased at tremendous rate between year 2016-20. The two wheelers segment dominate the markets in terms of volume owing to a growing middle class

and a young population . Top companies such as Motorbyke sales in India has set good records in the year 2019.Passenger car sales are dominated by small and mid sized cars .Also the sales of luxury cars have shown very good response in the year 2019.India has become a prominent exporter in the world. Overall automobile export has also increased during the year 2019.Following chart shows the trend of Indian automotive industry:



PassengerVehicle: 15.96%

Commercial Vehicle: 3.95%

Three wheelers: 3.60%

Two wheelers: 76.49%

Till the end of 2019 ,it was forecasted by several auto experts that by 2030 Indian automobile sector will be among top 3 globally in the segment of light passenger vehicle sales projections .China and US will be leading on the table.

RESEARCH METHODOLOGY

The study involves the data collected from the secondary sources. The secondary data has been collected from journals, Research paper, Newspapers, Literature review, Websites.

An Exploratory research was chosen in order to develop a profound understanding of the research topic and obtain in depth data about the research objectives.

IMPACT OF COVID -19 ON AUTOMOBILE INDUSTRY

- The BMW group has reported as on Aug 2020 its first quarterly operating loss since 2009.
- Toyota Motor reported as on Aug 2020 its smallest quarterly profit in last nine years as the covid-19 pandemic halved its car sales .

- UK light commercial vehicle reported as on Aug 2020 ,a slight increase in registrations since January .
- Honda Motors announced that the spread of corona virus disease 2019 has caused the global economic slow down and also affected Honda's financial results.
- New Zealand's Motor Industry Association said that the year is heavily affected by the covid-19 pandemic .
- Ford quarter 2 financial result were battered by the pandemic .
- Aston Martin has reported a widening operating loss for the first half of the year .
- Mitsubishi Motors has forecasted its second straight year losses due to fall in sales in part by the coronavirus pandemic.
- Hyundai motors affiliate KIA motors global vehicle sales fell heavily ,as the COVID-19 pandemic impacted auto demand around the world.
- Volkswagen group luxury car unit AUDI expects car sales to reach pre covid-19 levels only by 2022 or 2023.

The COVID 19 pandemic has pushed global economy into a crisis not since 100 years . Indian government has taken sincere efforts to curb this pandemic ,and has enforced a national lockdown.

While the lockdown has helped limit spread of the virus ,it has severely affected the economy ,disrupting entire value chains of most major industries in India. The automotive industry is among them ,who got severely affected.The auto mobile sector was already going through a slowdown over the last couple of years due structural changes starting with GST ,axle -load reforms ,Bharat stage -IV (BS-IV) to Bharat stage – VI (BS -VI) transition and so on . The COVID-19 lockdown has had a multiplier effect . A sustained stoppage of consumer demand due to lockdown is seen significantly affecting automobile industry revenues.

The covid 19 pandemic has had a swift and severe impact on the global automobile industry .Not a day passes by without an automaker either suspending operations or operating with minimal workforce to keep coronavirus at bay . Symptoms include a disruption in Chinese parts export ,large scale manufacturing interruptions across Europe ,and the closure of assembly parts in the United states . This is placing intense pressure on automobile industry which is already coping with a down shift in global demand ,and likely leading to increased merger and acquisition activity

TWO WHEELERS SALES (JULY 2020)				
Sr.No.	TWO WHEELER COMPANY	Jul-20	Jul-19	GROWTH(%)
1	Hero Motocorp	5,06,946	511374	-0.90%
2	Honda	309332	455036	-32%
3	TVS	189647	208489	-9%
4	BAJAJ	152474	170978	-10.80%
5	YAHAMA	49989	47918	4.30%

Source : Autopunditz.com

SR.NO	OEM	Apr-Jul 2020	Apr-Jul 2019	Growth
1	Hyundai	34212	60191	-43%
2	Maruti suzuki	32577	74162	-56%
3	Mahindra	22601	72098	-69%
4	Toyota	7744	26332	-71%
5	Tata Motors	9789	23474	-58%
6	Renault	6677	3733	79%
7	Honda cars	1532	7008	-78%
8	Nissan	402	1980	-80%

Source : Autopunditz.com

SR.NO	OEM	Jul-20	Jul-19	Growth
1	Mercedes	400	786	-49%
2	BMW	258	685	-62%
3	AUDI	79	2174	-96%
4	Porsche	7	14	-50%
5	Lamborghini	4	6	-33%

Source : Rushlane.com

Automobile industry is expected to post a huge decline in sales across segments in future also ,as the pandemic is still expected to survive and it is going to impact the economy in several ways - loss of employment ,salary deduction ,consumers choosing to save more ,might lead to further damage.

For the last two years ,automobile industry is already going on a set back which is intensified by the pandemic as per to report by CRISIL. The maximum percentage cost is met by loans ,and since there is uncertainty of job ,fewer consumers are willing to take loans. Commercial vehicle section is also facing lot of problems since freight demand is less , but two wheelers and tractors are likely to recover fast .Even rural markets are going to suffer a lot during the pandemic period.Consumers are more money savvy in this uncertain economic climate . According to CEO

,Honda cars India ltd. It will take three years for the industry to recover back. Industry is looking towards government for help and support.

STEPS TAKEN BY KEY PLAYERS OF AUTOMOBILE INDUSTRY

- Mahindra has announced that that production at its automotive and engine parts in Haridwar and Igatpuri has begun ,keeping intact all protocols for social distancing and sanitation .
- Nissan has reopened dealerships in Green and Orange zones across the country with its new impactful marketing strategies.
- Ford India introduced a new Dial-A-Ford service ,which allows new customer to book a test drive or book a new car and get it delivered .Customers can also troubleshoot basic car problems via this service .
- Italian bike maker MV Augusta has announced a three months extension on warranties for all its motorcycles .
- Two wheeler maker Hero Motocorp has said that it is gearing up with lucrative prices to attract customers and also its production at its manufacturing plants in Gurgaon and Dharuhera (Haryana).
- FCA India is the latest car maker to launch an online sales platform .Potential buyers can now book and buy the Jeep wrangler ,Grand Cherokee and grand Cherokee SRT via the new 'Book my Jeep ' module online .
- Jaguar Land Rover has announced an extension on service and warranty for its customers, also asking the UK government for an emergency funding package .
- TVS motor company Chairman and Ashok Leyland CEO feels that government will provide a stimulus package which will help the commercial vehicle industry.
- General motors has developed new technology to aid workplace safety and innovations for touchless printing to reduce any impact of pandemic on their manufacturing sites.
- Mahindra and Mahindra prepared to give its majority ownership of Ssangyong Motor to help it find a new strategic investor after ts losses continued to deepen due to Covid-19 global pandemic.
- UK car retailer Pendragon is to go for cut round 1800 jobs as a reaction to recover from pandemic situation.

FINDINGS & DISCUSSIONS OF THE STUDY

Impact of COVID -19 pandemic on automakers worldwide is huge ,and the sales have drop down to a considerable extent .It is expected that it is going to continue in next three years ,and therefore certain deep strong steps need to be taken by the automobile industry ,remarkably in India.

Automobile industry in India has reported a single digit decline . OEMs in India continue to resolve challenges with the supply chain .Various reforms are being taken by the automobile industry key players to handle the situation. Few new reforms such as electric cars and related start ups can come up fast in near future. However Carmakers will face even more pressure to spread around the cost of developing electric cars and other new technologies.They are also expecting that government might come up with special stimulus package for domestic automobile industry.

LIMITATION AND SCOPE FOR FURTHER STUDY

This study only gives the overall generic study of the impact & implications of COVID -19 pandemic on Indian automobile industry. The data collection is done from the secondary sources and the analysis is done on these secondary data. More detailed analysis is possible ,if it can be done through the primary data collected by the interview method conducted on senior executives of automobile industry . But this process can be highly complicated and needs lots of time and considerations. Also the data are taken based on the current scenarios and the situation is still prevailing so it has ample scope of studying further.

CONCLUSION

The COVID 19 pandemic has heavily impacted Indian automobile industry .OEMs have to work a lot to return to full production capacity and also to maintain the sales. This is placing intense pressure on the organisations which were already facing downshift in global demand. As per to an article of Newyork times the pandemic will completely change the auto industry. The situation is hinting that it will exaggerate the numerous challenges faced by automobile industry including tougher CO2 emissions and higher investments in new technologies. But companies are gearing up to face the challenge as posed by pandemic not only in India and but all over the world.

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