

## **A Study of Potential Impact Of COVID 19 Pandemic on Indian Automobile Sector : A Delphi Method**

**Dr. Meena Sharma**

Associate Professor, DIMR

E-mail: [drmeenasharma.dyp@gmail.com](mailto:drmeenasharma.dyp@gmail.com)

Cell no: 8421811034

### **Abstract:**

The spread of COVID-19 has compelled Government of India to impose Lockdown in the whole country. The Lockdown 1.0 was declared by the Indian Government on 23<sup>rd</sup> March to control the spread of COVID 19 pandemic. Due to this the economic activities are totally stopped and economic system is paralysed and almost all the sectors are affected by Lockdown. Automobile industry plays a pivotal role in the growth and development of country. The contribution of Automobile industry in Indian GDP is considerable and it also provides employment to 3.5 crore people. This paper focuses on the study of potential impact of Lockdown on automobile companies in India. It is a descriptive research and data is collected through secondary sources including the opinion of various experts. The findings show that due to lockdown Automobile Industry has totally shut down their production, distribution and sales of vehicles. Exports have dropped considerably. The downfall is also witnessed in the NSE and BSE Index.

**Key words:** *Automobile Industry, lockdown, challenges*

### **Introduction:**

On 23<sup>rd</sup> March 2020, Prime Minister of India declared twenty one days Lockdown for the whole nation. After the execution of lock down decision, agriculture sector, agro based industries, Manufacturing Industries, financial and banking sector and the whole economic activities are paralysed. All the organisations are totally shut down and stopped their production. Hence the whole economic system has been collapsed.

Chief economic advisor of Government of India, Mr. Krishnamurthy Subramanian projected negative growth rate in financial year 2021 and advised Prime Minister of India, Mr. Narendra Modi, to make plan and strategy to save Indian economy.

The COVID-19 pandemic will have a greater impact on automobile sector as discussed by various experts. The Automobile industry is affected at several fronts: demand for vehicles dropped in Indian market and international market as well. The negative international and national supply distractions including both forward and backward linkages.

Research Methodology used for this research

- It is a Descriptive research design.
- Data is collected by using secondary sources . Interview of various experts have been considered for this research paper.
- This research is conducted during second round of lockdown

#### **Objectives of the Study -**

- -To study and understand the impact of COVID-19 Pandemic on the Automobile Sector.
- -To study the opinions of experts regarding impact of COVID-19 Pandemic on the Automobile Sector

Overview of Automobile Sector in India

The Auto industry plays a key role in the growth and development of Indian economy. It is called as the “Locomotive of growth” in country. It is one of the largest vehicle manufacturing country in the world and accounts for about 7.2 % of Indian GDP .According to reports published by SIAM automobile companies in India employs more than 3.5 crore people directly and indirectly.

The auto sector accounts for about half of total manufacturing output of Indian economy.

India enjoys a competitive cost advantage in manufacturing automobile vehicles. The cost of manufacturing vehicles in Indian is less as compared to the cost of manufacturing automobile vehicles in foreign countries. It has shown great achievements in terms of introduction of new technology and innovation and has changed the business scenario. Today the Automobile industry not only meeting the growing demands of the Indian market but also making its presence in the international market rapidly.

An overview of the Indian Automobile sector

The automobile industry plays a key role in the rapid economic and industrial development of the Indian economy. It is one of the fastest growing and sunrise sector in India. In fact in the last decade, the production, sales in domestic market and exports have increased tremendously which can be seen from the above mentioned figures.

The contribution of the Automobile industry is explained as follows –

- India has now become Asia's third largest exporter of passenger cars.
- The automobile industry in India provides direct and indirect employment to 39 million people.
- Today India is the largest manufacturer of tractors ,the second largest manufacturer of two wheelers and the fifth largest manufacturer of commercial vehicles and is emerging as a global automotive hub .
- The contribution of the automobile Manufacturing GDP and the excise duty was 22% and 21% respectively.
- More than 3.7million automotive vehicles were produced in India in 2010 making the country the second (after China) fastest growing Automobile market in that year. According to the Society of Indian Automobile Manufacturers, the annual vehicle sales are projected to increase to 4 million by 2015.

### **Potential Impact Of Covid-19 On Indian Automobile Sector**

The Lockdown declared by Governemtn of India has compelled automakers such as Tata motors, Bajaj Auto, Maruti, Mercedizbenz , Mahindra & Mahindra, Wolksvagen , Skoda, Ford Motor Co, Toyota Motor Corp and Hyundai Motor Co to shutdown its manufacturing .

Tata Motors declared reagardig shutting its plants at various locations.Maruti Suzuki , Mahindra and Mahindra , Hyundai motors ,KrloskarEngines and Toyota declared after Tata motors. Yamaha, TVS, Reanult ,Suzuku in Gujrat Nissan and Kia motors also adjourned their vehicle production.

It is predicted that there will be a total revenue impact of at least \$1.5 -2.0 billion per month in the Automobile Sector.

The Society of Indian Automobile Manufacturers(SIAM),

The Society of Indian Automobile Manufacturers(SIAM), an association of Vehicle and Auto parts manufacturing industry , estimates that lockdown of manufacturing plants by automanufacturersand auto part manufacturers are expected to loss of daily revenue of more than 23 billion rupees (\$305 million)in India.

Mr. Shashank Kanodia, an auto analyst

Mr. Shashank Kanodia, an auto analyst at ICICI Securities said that, only one week is over after lockdown but if it continues we can expect to be negatively surprised by all automakers."

The situation surrounding COVID-19 is drastically changing day by day unexpectedly. It shows that the manufacturing and distribution of vehicles are going to disrupt in the whole world.

Mr. Rajiv Chaba, Managing Director of General Motors

Managing Director of General Motors – Mr. Rajiv Chaba said that the distribution channel of vehicles are going to disrupt in the whole world. As of now the manufacturing of vehicles are going on but if (companies) don't open in the next few weeks then they may have a shortage," further he added that sales may go down drastically.

Mahindra and Mahindra

Mahindra and Mahindra, the India's third-largest automaker, that the COVID-19 epidemic would hit the manufacturing of vehicles, affecting their conversion to newer emission standards, because they import some components for their vehicles from China.

Maruti Suzuki India Ltd

Maruti Suzuki India Ltd. revealed that they also import some components for manufacturing vehicle with new standards from China.

Hyundai Motor India

Shashank Srivastava, executive director of sales and marketing Hyundai Motor India, India's largest automaker disclosed said that they also import some components for manufacturing vehicle with new standards from China, however that did not expect any immediate impact.

Mr. Puneet Anand, Marketing head, Hyundai

According to Mr. Puneet Anand, Marketing head of Indian vehicle manufacturing company, Hyundai revealed that "if the COVID-19 issue continues for another one-two months, then definitely there's a problem and will have to worry".

The Society of Indian Automobile Manufacturers (SIAM) is also trying to study the impact on COVID-19 on the automobile industry. It found that Two-wheeler manufacturers are also anxious about business and the sales of vehicle due to COVID-19.

Naveen Munjal, the managing director of Hero Electric

Naveen Munjal, the managing director of Hero Electric, mentioned that “ at present hero plant have adequate stock of vehicles, but they shall run out of inventory ultimately.” Further he mentioned that their supply and delivery will also get affected .

He added that they’re trying to find some new substitutes but that may lead to increase in costs. “If company try to get it manufactured from local suppliersthismay lead to increase in cost by 10-15 percent’ he said. “ they are waiting to get over till the holidays in China gets over then only the things shall have a better clarity.”

#### Bostan Consulting Group

According to a report published by Bostan Consulting Group , Shows that an analysis is done by the various rating agencies and identified the expected start time and end time of country lock down in the whole world . In India the estimated time for lockdown is mentioned as , it shall start from 24<sup>th</sup> March and it may be continue till 2<sup>nd</sup> September 2020 .Hence there will be severe impact on almost all the industries including an Automobile Industry.

#### Findings in nutshell

- All the automobile manufacturing companies are shut down
- Production, supply and sales in domestic market and global exports have dropped unexpectedly.
- If the corona issue continue for long time then automanufacturing companies shall run out of inventory
- Some auto components whichwer supposed to import by auto manufacturers from china was interrupted.
- The above problems may may lead to increase in costogManufacturing.
- Manufacturing of vehicles with newer emission standards is stopped .

#### Conclusion:

This study explores the details about the potential impact of COVID-19 on automobile manufacturing companies.Vehicle manufacturing companies like TataMtors, Maruti Suzuki India, Hyundai Motor India, Honda Cars India, Mahindra & Mahindra and almost all companies have closed their manufacturing plants.Unfortunately lockdown has compelled Indian auto manufacturing companies to stop their production , distribution, sales and exports have also dropped considerably.As the automobile manufacturing companies play significant role in the development of people, society and India. It is very essential for the Governmentto focus on these issues and find solution for the smooth running of automobile companies and development of Indian economy.

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