



IMPACT OF COVID-19 ON AUTOMOBILE INDUSTRY: A CASE STUDY OF SELECTED COMPANIES

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ABSTRACT: The covid-19 which had entered in the mid-year of 2019 in Wuhan which is located in China. Slowly affected to all over the world were the government and public faced a bad impact towards manufacturing sector, service sector, export import, financial crisis and many more. Even government had taken several precautionary measures to control the spread of virus. Meanwhile, the decline in GDP showed a negative indicator towards the growth of the companies.

Automotive industry is important to global economic development. It contributes roughly 3 % of all GDP output; the share is even higher in emerging markets. Industries contribute 7% of GDP to India and responsible for 7-8% of India's total employed population. This paper is pointing to the current effects of the pandemic towards automobile industry.

Keywords: Automobiles industries, Covid-19, Economy condition, GDP, Market.

1. INTRODUCTION

It began in the 1860's with hundreds of manufactures; United States led the world in total automobile production. All those companies and activities involved in the manufacture of motors, vehicles, including components, such as engines, bodies but excluding tires, batteries and fuel. The industry products are passenger automobiles, light trucks, pickups, vans and sport utility vehicles. It comprises a wide range of companies and organization involved in the design, development, manufacturing, marketing and selling of motor vehicles. It's one of the world's largest industries by revenue. Safety in the automobile industry is particularly important and therefore highly regulated. Automobiles and other motor vehicles have to comply with a certain number of regulations. Whether local or international, in order to be accepted on the market. The standard ISO 26262 is considered one of the best practice frameworks for achieving automotive functional safety. The economic contributions by automobile industries are about 806 million cars and light trucks on road, consuming over 980 billion liters of gasoline and diesel fuel yearly. The automobile is a primary mode of transportation for many developed economies. Powerful automotive markets are Iran and Indonesia. According to J. D. Power study says emerging markets accounted for 51% of the global light-vehicles sales in 2010. However more recent reports (2012) confirmed the opposite: the automotive industry was slowing down even in BRIC (Brazil, Russia, India and China) countries. The governments of 24 developed countries and a group of major car



manufacturers including GM, Ford, Volvo, BYD auto, Jaguar Land Rover and Mercedes-Benz committed to “work towards all sales of new cars and vans” being zero emission globally by 2040; Major car manufacturing nations like the US, Germany, China, Japan and South Korea as well as Volkswagen, Toyota, Peugeot, Honda, Nissan and Hyundai did not pledge.

2. OBJECTIVES OF THE STUDY

1. To analyze the sales of Automobile industries sales during the covid-19 pandemic situation and lockdown in Word.
2. To evaluate the market share of the automobile industry during the covid-19 pandemic situation.
3. Challenges faced by the automobile industries during the lockdown.

3. METHODOLOGY:

This paper consist of sales/production analysis of automobile industries for which data is collected from different sources like articles, journals, newspapers, websites etc. have been referred for analysis, impact, challenges and measures of Covid-19 and image processing on automobile industries. Existing data is summarized and collected to increase the overall effectiveness of research.

4. LITERATURE REVIEW

Jatinder Singh (2014) explained automobile industry in India has undergone serious restricting since reforms initiated in 1991. The contribution of automobile industry reached about 8% of GDP of India. Because of increase of income of the middle level households in India. Easy loan policies for buying two wheelers and cares followed by the banks helped rapid growth of automobile sector. The rapid growth is also as a result of heavy FDI inflows, around 48% of total FDI between the period 2000- 2011.

Lokhande, et.al (2013) explained about the historical trend of the automobile industry in India. The Indian automobile market had become a highly competitive one. To sustain in this competitive, market the organizations have to be creative and bring innovative.

M. Krishnaveni, et.al (2015) explained production and exports trends of the automobile in India have been rising year by year. The rise in demand and increase in the flow through 100% FDI has contributed to the rise in the production and exports of the automobiles in India.

Richard Baldwin., et.al.(2020) noted that Covid-19 to be both a supply as well as demand shock

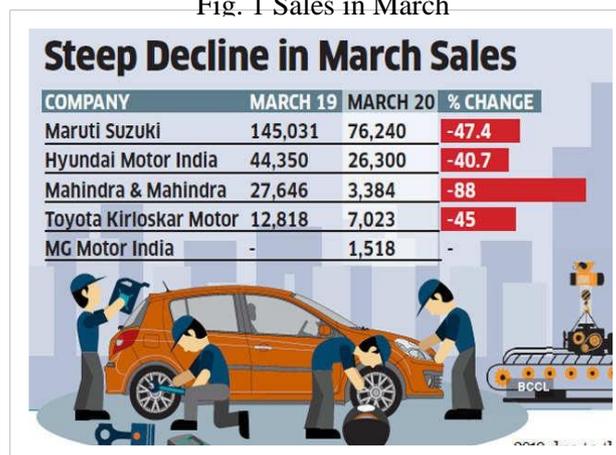
which will crash international trade in goods and services and the study concluded that there is a chance of permanent damage to trade system driven by firm's reactions and policy.

Sholomaital., et.al.(2020) found that the major impact of Covid-19 outbreak would be on supply side of the market, but the remedies being considered currently is mainly focusing on the demand side. The study also pointed that under reasonable current scenarios, a global recession is much likely to occur.

5. IMPACT OF COVID-19 ON AUTOMOBILE INDUSTRY

The Covid -19 pandemic has pushed the global economy and humanity into a disaster. In the attempt to control this pandemic, the governments of all the countries have imposed a nationwide lockdown. Fig 2 → lockdown may have assisted in limiting the spread of the disease it has brutally affected the country, unsettling complete value chains of most important industries which includes the automobile sector with key manufactures either completely close

Fig. 1 Sales in March



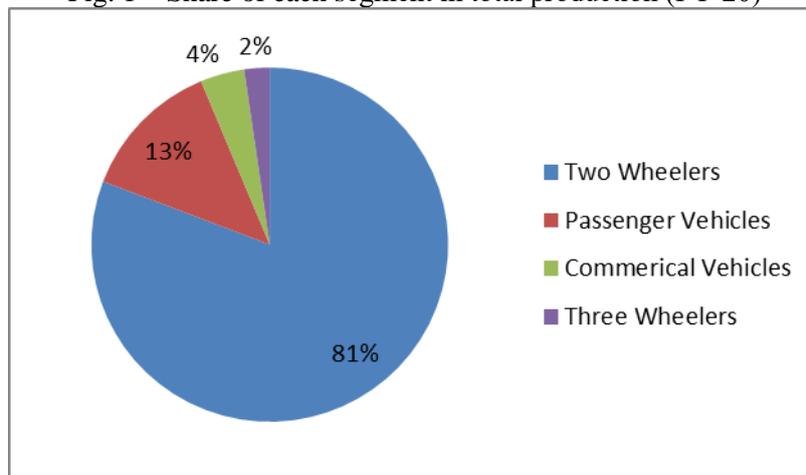
following the orders passed by local governments or running an organization with least staff at manufacture units to remain personnel secure. It resulted in the shutting down of production at original equipment manufacturers (OEM). It also led to disruption of the entire value chain of major industries in India, and therefore negatively affected production of auto spare parts in micro, small and medium-sized industries. In addition, the reduction in customer demand for passenger vehicles contributed to a loss in revenue and a severe liquidity crisis in the sector.

Automobile manufacturers, the sector registered negative growth in sales of all vehicle categories in FY21 (2.24% decline in sales of passenger vehicles, 13.19% fall in sales of two wheelers, 20.77% fall in sales of commercial vehicles, and 66.06% fall in the sales of three wheelers.). Also, production cuts due to slump in demand negatively impacted employment

growth. According to the parliamentary panel report submitted to Rajya sabha chairman M Venkaiah naidu, the estimated job loss in the Indian automobile sector stood at 3.45 lakh. The largest carmaker Maruti Suzuki cut temporary workforce by 6%, following the drop in car sales. The auto sector, which contributed more than 7% to India’s GDP, is now facing a severe contraction, with some automakers facing year-on-year decline of more than 30% in recent months.

6. IMPACT OF COVID-19 ON DIFFERENT COMPANIES

Fig. 1 – Share of each segment in total production (FY’20)



6.1. TATA MOTORS

Tata motors limited has admitted the impact on its Indian production due to supply chain Challenges from china, the country of origin of covid-19. In an official statement released in articles, Tata motors spokespersons for the commercial and passenger vehicles business unit said that the vehicle production is affected due to the corona virus outbreaks in china. The pandemic is now spreading to the other countries including South Korea, Italy, France and others. Several companies in the automotive value chain globally are restricting international travel of their employees. Major automakers globally have initiated supply chain risk assessment while re-routing their requirements to other countries from china. Tata Motors February domestic sales stood at 38,002 units, down 34%. That included total commercial vehicle sales of 25,572 units as against 39111 units sold a year earlier.

6.2. MARUTI SUZUKI

The country’s largest carmaker Maruti Suzuki India (MSI) reported at 4% decline in total sales to 1,59,691 units in April as compared to 167014 units in March 2021 as a spike in covid-19 cases hit dispatches. The company did not sell any unit in the domestic market in April due to



nationwide lockdown. Maruti Suzuki is facing its biggest challenge in nearly two decades thanks to the economic slowdown and the impact of covid-19. Its production declined for the third consecutive year in financial year 2020-21 to an 11 years low, while sales volume contracted for the second year to the lowest since FY15. The company manufactured around 1.08 million vehicles last fiscal, a decline from 1.17 million the previous year and a steeper fall from its all time high tally of 1.62 million reported in FY18. The decline in vehicle production was however much sharper as the company now outsources a significant part of its sales volume from its parent Suzuki Motor owned manufacturing unit in Gujarat.

6.3. HYUNDAI MOTORS COMPANY

South Korea's Hyundai motor has dropped by 39% year-on-year. The Korean carmaker could sell only 217510 vehicles amid the ongoing lockdown in several parts of the world due to corona virus pandemic. While domestic sales rose 5% year-on-year its overseas sales fell 50% due to weak. During this period Hyundai has launched cars like the new Elantra. In India Hyundai Motor announced it had sold 6883 units in the domestic market in the month of May and that another 5,700 units had been exported in the same period. In an extremely challenging market environment, HMIL made a humble beginning towards normally by registering cumulative sales of 12583 for month of May. This performance was made possible on account of strong customer interest and demand pull generated by trendsetter brands like new Creta, new Verna, Venue, Elite i20 and Grand i10 NIOS. The 2020 Hyundai Creta, which was launched in March, has received 24000 bookings. Hyundai sister company Kia Motors also announced a drop of 33% in sales compared to may, 2019. In India Kia have only two offerings in the form of Kia Seltos SUV and Kia Carnival MPV. The South Korean automobile giant announced expansion of its Indian plant in Andhra Pradesh Anantapur district with an additional investment of US \$54 million.

6.4. TOYOTA MOTOR CORPORATION

Its production outlook for this year by about 3% because the spread of the corona virus in Southeast Asia has disrupted access to semiconductor and other key parts. Toyota Chief purchasing group officer Kazunari Kumakura said though the automaker is also being impacted by the industry wide shortage of semi conductors, the spread of Covid is “overwhelming” reason for the most recent planned cuts. It had planned a high level of production for the latter half of the fiscal year and will try to recover as much lost output as



possible. Japanese automakers have over the past decade of cheap labour and a supplement to their china operations amid trade tensions between that country and the U.S, Thailand is a major production hub for Toyota, Mitsubishi, Motor Corporation, Honda Motor Corporation, Honda Motor Company and Nissan Motor Corporation. While the pandemic has dented sales and demand in some global businesses Toyota appears to be roaring back. Uncertainties remain such as the global shortage of semi conductors that's slammed the auto industry as well as effects of Covid-19.

7. KEY CHALLENGES IN AUTOMOBILE INDUSTRIES

7.1. MANUFACTURING SHUTDOWN:

The pandemic manifested in the form of massive production halt, because of social distancing protocols & nationwide lockdowns. Government had given major steps to avoid Covid viruses spread in the world like enforced health & safety regulations, making manufacturing shutdowns which most significant challenges of the automotive market. United States & Europe however are still struggling to get back to regular vehicle production. Recent studies depict that in April-2020 vehicles sales in Europe fell by 84% as opposed to April-2019. Manufacturing shutdown it led to massive financial losses directly impacting GDP. To that end automotive companies will now have to alter their approach to car making embracing industry 4.0 for efficiency and manufacturing resilience takes the cake here. They have to speed up the technology shift in automotive sector to move away from conventional manufacturing standards & processes.

7.2. LESS VEHICLES SALES:

Reduction in sales emerging as one of critical challenges facing the automotive industries during covid-19. Due to this auto sale in the United States alone was forecast to be between 16-17 million units in 2020. Due to lockdown there was a spate of financial losses due to social distancing regulation and shutdown of manufacturing units. This of course does not come as a surprise in the event of a pandemic, purchasing vehicles would be the least priority for consumers. Lack of sales has led to excess inventory high level of debts and demand uncertainty.

7.3. MASSIVE LAYOFFS:

Loss of labor is an over impact of manufacturing shutdowns. As the corona virus spread most of the companies were shutdown due to the automobile industries. Despite closing shop



automotive companies encouraged its workforce to apply for employees were made to work from home were a slow recovery was seen mean while industry beginning to deal with the workforce is likely to remain one of the consistent challenges for automotive companies.

7.4. DISRUPTED SUPPLY CHAIN:

Covid-19 brought about an immediate halt in current production, disrupting supply chains the world over. China that was impacted by the pandemic at the outset has almost two-thirds of its vehicle manufacturing affected due to the nationwide lockdown, which severely impacted the supply chain. Due to this most of the countries were affected to transport the products from one place to another. Meanwhile the customer were not able to purchase the goods directly from the shops.

7.5. LIQUIDITY:

It's a biggest challenge faced by the automotive industries from last years. Production shutdown and slumping sales gradually led to heavy financial losses. Lack of funds is likely to result in many small- time automotive companies going out of business. Cash reserves were on all-time low during covid-19.

7.6. CHANGE IN CUSTOMER BEHAVIOR:

The collapse of the economy, rise in prices, and the all-around dire state of public health and financials brought about a considerable change in the buying patterns of consumers. For the ones that could afford, buying cars from dealerships and offline showrooms was next to impossible, given the stringent protocol during lockdowns. To combat the same, post covid-19, many automakers attempted to go offline, offering short-term subscription-based lease models for customers, making car purchases digital and undertaking numerous other steps to restore decline consumer confidence.

8. CONCLUSION

Considering the present scenario it is unlikely that the automobile sector of India will go back to its pre-covid-19 situation anytime soon. There will be significant changes in the consumer preference and buying behavior of the consumer. The post covid-19 era will bring in many challenges as well as many opportunities. It continues many global industrial production stoppages, due to supply chain disruption, cost escalation and workforce dislocation. What impacts industrial products companies can expect in the long-term and the next steps that can be taken to help keep them agile and mitigate risk in the future. It affected automobile new



vehicle sales very badly especially in the month of February. Also in European countries total vehicles sales were dropped by 7.4% when compared to that of sales in last year.

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