

Home

Latest

Trending

Premium

Elections 2021

Coronavirus

Market Dashboard

Long Story

Plain Facts

Coronavirus Vaccine Tracker

Mark To Market

Primer

Podcasts

Home > Companies > News > Despite covid induced disruptions auto industry made a stell...

Despite covid induced disruptions auto industry made a stellar comeback in FY21



The passenger vehicles domestic wholesales reached nearly same levels as last year (-2.3% Y-o-Y), while two wheelers managed to clock 85% sales of last year, said analysts of Care Ratings in a note. (Mint)

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- According to Care Ratings, third quarter of FY21 witnessed a turnaround in the industry as its wholesales as well as retail volumes started gaining momentum, owing to the pent-up demand, festive and wedding season

The Indian [automobile](#) industry made a stellar comeback in the second half of FY despite the adverse impact of the Covid-19 induced economic downturn as sales surged due to better-than-expected economic recovery and shift in customer preference towards personal mobility. Overall decline in volumes have been substantially less than what was expected by analysts and industry executives.

According to ratings firm Care Ratings, third quarter of FY 21 witnessed a turnaround in the industry as its [wholesales](#) as well as retail volumes started gaining momentum, owing to the pent-up demand, festive and wedding season.

“It is noteworthy that by the end of the year, the automobiles industry made a comeback. Tractor sales were unaffected through the year and in fact, FY21 was one of the best years for this segment. The passenger vehicles domestic wholesales reached nearly same levels as last year (-2.3% Y-o-Y), while two wheelers managed to clock 85% sales of last year,” said analysts of Care Ratings in a note.

In the beginning of FY 21, Society of Indian Automobile Manufacturers expected sales of vehicles across segments to decline in the range of 25-45% due to the lockdown measures imposed to contain the spread of Covid-19.

“The commercial vehicles segment, which was the first to be affected by lockdowns saw Q1- FY21 as a complete washout by witnessing just 30,000 units of domestic sales. However, as the economy opened up, their sales grew and in the last quarter it clocked 2.1 lakh units of sales, the highest since Q4-FY19. On a cumulative basis, commercial vehicles segment reached 80% of last year’s volumes,” the ratings firm further added.

Notwithstanding the recovery in FY 21, exponential rise in Covid-19 cases, lockdown measures announced in key states like Maharashtra and other supply chain issues could adversely impact the expected revival in production and sales of passenger vehicles and two-wheelers in FY 22.

Analysts of Care Ratings mentioned that the imposition of strict state wise lockdowns in April and may be in May which marks various festivities like Ugadi, Gudi Padwa, Baisakhi, Poila Boishakh, Eid, etc. will seriously dampen the industry’s growth as production levels would deteriorate and closure of dealer showrooms will lead to fall in retail sales. The unsold inventory may pile up and affect cash flows of the dealers.



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