

No covid blues for the auto industry?

July 14, 2021

Performance in June 2021

The domestic automobile sales volumes (as depicted in table) were significantly strong for the month of June 2021. This is a result of the ease in lockdown restrictions in various states of the country, as India exits the second covid-19 wave. On a sequential basis, the wholesale volumes in June 2021 grew 2.6 times for passenger vehicles, tripled for two-wheelers, grew 7.5 times for three-wheelers, doubled for tractors and commercial vehicles.

A comparison with June 2020 (an abnormal month for the automobile industry), also shows healthy growth across all segments, except three-wheelers. However, a comparison with June 2019 shows that the demand has still not reached pre-covid levels for two, three wheelers and commercial vehicles.

Performance in Q1-FY22

The automobile industry witnessed new hiccups in Q1-FY22. The diversion of oxygen from industrial to healthcare usage, led to closure of automobile factories for at least a fortnight during April - May, impacting the production and factory dispatches. The district/state wise lockdowns meant a shutdown of dealer showrooms. However, as the covid-19 cases saw some respite towards the last few weeks of the quarter, the production gained pace and the lost volumes of April-May were recovered in June.

During Q1-FY22, the Original Equipment Manufacturers (OEMs) grappled with inflation in raw material prices and hence, their vehicle prices were hiked at least twice. With a total of 32 fuel price hikes in Q1-FY22 (16 each in May and June) by Oil Marketing Companies (OMCs), the consumer sentiments which were already low, further weakened and delayed their decision to purchase a vehicle. During this quarter, cumulative wholesales for all segments was lower than previous quarter, but higher by a large margin than Q1-FY21. When compared with Q1-FY19, only tractors performed well, which shows that tractors demand has remained unaffected in this pandemic.

The demand for passenger vehicles (PVs) is much more resilient, compared with two-wheelers as PVs are used by high income groups, which are relatively lesser affected in the ongoing pandemic. Two-wheelers demand suffers due to its high dependency on the rural segment. According to FADA, the average inventory during June 2021 for passenger vehicles and two-wheelers range from 30-35 days and 20-25 days.

Concluding remarks and outlook

The second wave of covid-19 has nearly ended in India, which brings some joy to the automobile industry. But the advent of third covid-19 wave creates uncertainties for a full recovery in FY22. Since, the future of this industry is closely linked to the opening of economy and movement of people, the pace of vaccination drive will be paramount in future. CARE Ratings maintains its outlook for FY22 as reported in [Automobile Sales in May 2021](#).

| Automobile wholesales in June 2021 | | | | |
|------------------------------------|-----------|--------|------|-------------------------|
| | Units | Change | | |
| | | MoM | YoY | June 2021/ June 2019 |
| Passenger vehicles | 2,31,633 | 163% | 119% | 11% |
| Two wheelers | 10,55,777 | 199% | 4% | -36% |
| Three wheelers | 9,397 | 651% | -9% | -82% |
| Tractors | 1,10,399 | 99% | 19% | 46% |
| Commercial vehicles* | 41,883 | 101% | 85% | -38% |

| Automobiles wholesales in Q1-FY22 | | | | |
|-----------------------------------|-----------|--------|------|---------------------|
| | Units | Change | | |
| | | QoQ | YoY | Q1-FY22/ Q1-FY20 |
| Passenger vehicles | 6,46,272 | -31% | 320% | -4% |
| Two wheelers | 24,03,591 | -45% | 86% | -52% |
| Three wheelers | 24,376 | -72% | 91% | -84% |
| Tractors | 2,29,430 | -4% | 39% | 20% |
| Commercial vehicles | 1,05,800 | -50% | 234% | -49% |

Source: SIAM, TMA, CARE Ratings, CMIE, Company press releases
 Note: Commercial vehicles data for June includes Tata Motors Ltd., Mahindra & Mahindra Ltd., Ashok Leyland Ltd., Maruti Suzuki India Ltd. and V E Commercial Vehicles Ltd.

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