

Auto Industry may witness swift recovery after second wave : Brickwork Ratings

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Auto sales crashed in May as factories and showrooms were shut amid the second wave of the pandemic. (Photo: Mint)

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NEW DELHI: India's automobile manufacturers may witness a swift recovery in vehicles sales once states come out of lockdown as a result of a steady decline in cases of Covid-19, according to report by Brickwork Ratings.

Auto sales crashed in May as factories and showrooms were shut amid the second wave of the pandemic.

"Overall automobile sales are expected to decline in Q1FY22 due to Covid-19-led disruption in the supply chain and an underlying slowdown in the economy. However, demand for personal mobility remains resilient and is expected to strengthen after the second wave of the pandemic," the credit ratings agency said in a report.

A fresh surge in coronavirus cases during March-April led to various states announcing lockdowns, beginning with Maharashtra and followed by Delhi, Haryana, Karnataka, Tamil Nadu, among others.

Maruti Suzuki, Hero MotoCorp Ltd, Hyundai and others either stopped production or reduced output significantly. Some like Bajaj Auto, however, continued to operate with limited capacity to meet export orders. Following a steady drop in infections thereafter, especially in northern and southern India, most automakers resumed operations in the middle of May.

According to analysts of Brickwork, automakers expect vehicle sales to improve slightly in June on account of easing of covid-led restrictions following a decline in new cases in some states, normal monsoon supporting rural recovery, as well as an increase in use of digital sales initiatives by auto dealers.

"Continued supply chain constraints and the rising cost of vehicle ownership would lead to a subdued recovery momentum in the near future. Full-year recovery prospects are intact due to pent-up demand, but they also hinge upon the progress of the vaccination drive, and easing of input supply and prices," added the analysts.

Sales of automobiles in the domestic market have been on a decline since the second half of FY19 due to an economic slowdown, transition to new emission and safety norms, and consequent increase in prices of vehicles. The pandemic exacerbated the situation as a stringent lockdown imposed last year, to contain the pandemic, led to a massive decline in production and sales.