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Auto sector stares at job cuts as sales continue to skid

Contraction is seen across all segments, is the worst in 10 years, says SIAM

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New Delhi, July 10

Auto industry employees may bear the brunt if sales continue to fall, as the companies will be compelled to shed manpower, the Society of Indian Automobile Manufacturers (SIAM) said here on Wednesday. Already, no fresh recruitment is happening.

The production volume of passenger cars and commercial vehicles has also been the lowest in the last 71 months, SIAM said, said adding that it will approach the Centre for relief mechanisms, including a GST rate cut.

Asked if there has been any job cuts over the last 10-11 months, SIAM President Rajan Wadhera said: "I don't think we have reached that phase, but we are soon going to be there. We can't survive at this moment. At SIAM, we support the electric vehicle plan of the government, but at the same time, we must survive during this (transition) period. The current technology that the industry has should also be protected through this phase."

The de-growth in the auto sector is likely to be replicated in the other sectors, too, he added. The auto sector today employs about 37 million people, and they need to be protected, he added.

Cash-strapped players

The companies have no growth plans also right now because of the cash constraints, and they have already spent much (₹70,000-80,000 crore) to upgrade their products to meet BS-VI norms, said Wadhera.

The dealerships have seen a lot of outlets (around 300, per Federation of Automobile Dealers data) closing down in the recent past, which is not a good sign, he added. The huge inventories are just beginning to be cleared up, he observed.

The de-growth in the auto sector today is significantly prolonged, and the worst since 2008-09 and 2011-12, SIAM said. "But, that time, every segment was not de-growing. Here (present scenario), it is every segment…it is an unusually prolonged de-growth. There have been batches earlier — like in one or two quarters — but never like this," Wadhera added.

According to SIAM, usually, the first quarters see good sales across all categories, but this time round that has not happened because of the slowing economy, low consumer sentiment, poor finance availability, drop in rural demand and increase in insurance cost.

The June quarter of FY20 recorded some of the worse sales in the domestic market across all categories.

Weak dispatches

Analysts said wholesale dispatches are likely to remain weak for the next one or two months, and some signs of recovery are expected from the festival season only.

Consumer sentiments remain poor, and this continues to weigh on the demand for discretionary items like cars, said Ashish Modani, Vice President & Co-Head, Corporate Ratings, ICRA. "The government's push to recapitalise banks and improve liquidity in NBFCs is positive for the economy, the benefits of which will start reflecting in the next few quarters," eh added.

First-quarter auto sales p2

The speedbreakers

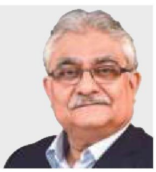
- Slowing of economy and consumption
- No GST benefits on IC engine vehicles
- Lack of policy on vehicle scrappage
- Low inventory liquidation
- Poor availability and affordability of finance
- Fuel prices volatility

What could help

- Political stability
- Purchase of BS-VI vehicles ahead of implementation date
- New road and infrastructure projects

Here...every segment is seeing de-growth. It is unusually prolonged. There have been batches (of de-growth) earlier — like in one or two quarters — but never like this.

— RAJAN WADHERA, SIAM President



Source: SIAM

BUMPY RIDE CONTINUES

Domestic passenger car sales not only continued on their downward trajectory for the 11th straight month in June but also suffered their steepest YoY fall at 25%. The commercial vehicles and two-wheelers segments turned in equally anaemic performance, recording double-digit drop in sales

TOTAL SALES

↓ 12.34%

19,97,952 UNITS

PASSENGER VEHICLES

↓ 17.54% | 2,25,732 units

With buyers' sentiment remaining weak, total passenger vehicle sales declined by more than 17% YoY

Car sales

↓ 24.07%

1,39,628 units

Declined by about 25% to 1,39,628 units last month as against 1,83,885 units in June last year. Despite the launch of new models, there were few buyers in the market. Even leaders like Maruti Suzuki India, Hyundai India and Tata Motors are facing a tough time trying to lure buyers

Utility vehicles

The utility vehicle segment, which managed to hold its own earlier, witnessed a 1% fall in sales in June. The sales of UVs came down to 72,917 units during June as compared with 73,643 units in the same month last year. New launches like Hyundai Venue and Mahindra XUV300 have helped the segment to maintain its position

TWO-WHEELERS

↓ 11.69% | 16,49,477 units

Scooters

↓ 14.81

5,12,626 units

Motorcycles

↓ 9.57%

10,84,598 units

COMMERCIAL VEHICLES

↓ 12.27% | 70,771 units

Medium and Heavy CVs

↓ 16.36%

25,425 units

THREE-WHEELERS

↓ 8.79%

51,885 units

Outlook: *The auto sector, which has strong linkages with other sectors, needs the immediate attention of the government, said SIAM. This rough patch, which is one of the worst that the industry has seen, is unlikely to change for the better any time soon, it added.*

Source: SIAM