

Shriram Automall India

Even though the used vehicle market is expected to gain mileage on account of a change in the purchasing behaviour of consumers, Sameer Malhotra, Director and CEO, Shriram Automall India Limited, feels that it will take some time for the scenario to return to normal

Impact on Business and Recovery Strategy

We are going through a situation which has never ever been experienced in the history of mankind. The virus pandemic scare has compelled the government to implement nationwide lockdown which has impacted Indian economy in several ways. Thus, each and every industry and stakeholder has been affected and we are no exception. Irrespective of the situation, we are doing every possible thing to connect with our clients, buyers and employees to stand with them in this critical phase. As a company, Shriram Automall India Limited has always been a trendsetter in the industry regardless of the challenges and business environment.

To win over this pandemic, we took a step forward to conduct over 250 events in 100 cities through digital solutions in the month of April 2020. Our customers participated in the physical bidding events sitting at home using 'Desktop Live Bidding' and the 'MySamil' application. Customers could also buy and sell pre-owned vehicles and equipment through our online bidding portals. Shriram Automall India is a fundamentally strong company and is always well-prepared for the future to serve all stakeholders with cutting-edge solutions. We are going to focus enormously on our online business in 2020-21.

BS VI Transition

Considering the nationwide lockdown, the Supreme Court has announced an extension of 10 days to move to BS VI after the expiry date of the lockdown. However, there is a sentiment in the market that the pandemic and BS VI transition have majorly affected sales of Q4 in the current financial year, which has led to a substantial decline in overall domestic vehicle sales in 2019-20. At the beginning of March 2020, everyone expected smooth transition from BS IV to BS VI. But the concurrent crisis indicates that the path of transition will be bumpy for some time. Therefore, proper cooperation and coordination between the automotive industry and the government is required for a smooth transition ahead.

Expectations from Government

Domestic vehicle sales remained volatile during the whole financial year 2019-20. The pandemic has made the situation more critical as there will be substantial strain in the demand market due to weak economic condition of the country. More so, buying sentiment is likely to be low and customers will be more cautious before spending post the lockdown. Therefore we expect the government to offer stimulus packages and effective policies that will help the economy to recover quickly. At the same time, we expect 'booster doses' for the automobile industry over the coming months.

Outlook: Present and Future

The performance of the automobile industry majorly depends on the economic condition of the country. Several studies and prophecies have highlighted that the Indian economy will be severely impacted in the ongoing financial year but the economy will be back on track in FY 2021-22. Similarly, the Indian automobile industry might see a further dip in domestic sales in FY 2020-21, especially in the first half of the ongoing financial year. Interestingly, the pre-owned automobile industry has become larger than the new automobile industry.

And Shriram Automall India has played a significant role to organise the largely



Sameer Malhotra, Director and CEO,
Shriram Automall India Limited

unorganised pre-owned automobile industry. As a leading player, we estimate that the used vehicles market will have much more potential compared to the new vehicle sales because while the former is a necessity to commute, the latter is aspiration-driven. Post the pandemic, the basic consumer behaviour will tilt towards a propensity to save rather than the propensity to consume. At the same time, the need to own a vehicle rather than use public transport will be a trigger to drive the used vehicles market ahead.

Medium to Long Term Impact

While it is amply clear that citizens have realised the need to prioritize between essentials and aspirations, the new vehicles market may see a decline but exchange of used vehicles or stalled repossessions by banks and NBFCs may see a spurt once the lockdown is over. The retail of used vehicles is expected to see a jump. However, to expect total normalcy in the second half of 2020-21 might be farfetched. It might take a year or more to return to the state that prevailed before the corona epidemic, let alone manifestation of desired business growth.