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Headline: Pandemic Hits Car Workshops' Revenue Stream

Pandemic Hits Car Workshops' Revenue Stream

Experts say revenue down 50% in past 18 mths; insurance claims also decline during the period

Lijee Philip & Ashwin Manikandan

Mumbai: Fewer cars on the road during the Covid-19 pandemic meant not only fewer accidents, as most people worked from home, but also reduced revenue for body shops and a drop in insurance claims.

Industry executives said revenue halved for body shops compared to the pre-Covid time. This happened as the average distance covered by a vehicle per month reduced 30-40%, they said. Studies showed that a positive fallout was that the number of deaths in road accidents fell to 300 a day from 420 before the outbreak of Covid-19.

"In the last 18 months body shop revenue stream has taken a major hit, down by 50%. While it's seeing some pickup from August, it's still to reach pre-Covid levels," said Nikunj Sanghi, a leading Mahindra & Mahindra dealer in Alwar.

The biggest impact was on the workshop revenue of dealerships, where 70% of the service revenue comes from the body shop, according to the executives. As a result, very few workshops retained the entire staff - many were furloughed.

"The first quarter of this financial year was a washout, owing to the lockdowns imposed in the wake of the second wave of the pandemic. However, business started improving last month," said Arun Malhotra, former managing director, Nissan India.

"While these are testing times, dealerships are hugely optimistic that they will soon reach pre-Covid levels at the workshops. Still, very few major accident vehicles are coming. It's more for minor repairs. If it's a total loss accident, then the repair cost is almost 50% of the value of the car," said Subhash Gehlot, a Rajasthan-based Maruti Suzuki dealer who has 36 workshops across the state.

He said his workshops used to get about 1,000 vehicles a month for repair at the body shop before the pandemic and the average repair cost was about ₹70,000.

Gurdeep Batra, a Patiala-based Hyundai dealer said body shop revenue, the backbone of any dealership, has yet to recover after plunging 75% in his case. He said his workshop would get about 200 vehicles a month at the body shop before the pandemic, with repair jobs costing about ₹50,000 on average.

Dealers said while rear-end collisions reduced 40-50% during the pandemic, vehicles getting hit while parked accounted for a major part of the body shop.

Insurance claims fell a whopping 60% YoY in April-June 2021, according to

Covid Impact

MOTOR CLAIMS fell 60% in Q1FY20 compared to pre-covid

MOTOR CLAIMS fell 20% in Q1FY21 compared to pre-covid



Reasons for decline in claims

REDUCED ROAD traffic due to work from home, lockdowns

FEWER ACCIDENTS

REDUCED MAINTENANCE charges for vehicle owners

Impact on Insurance Industry

REDUCED CLAIMS mean lesser financial outgo on insurers

LOCKDOWNS FOLLOWED by build-up in claims

IRDAI HAS not specified third party rates for two years

Sources: Bajaj Allianz General Insurance

ding to TA Ramalingam, chief technical officer, Bajaj Allianz General Insurance. In the first quarter of the current financial year, claims were down 20% compared to the pre-Covid time, he said. Bajaj Allianz General Insurance is one of the leading general insurers in India and has a sizable motor insurance portfolio across the country.

"We witnessed a significant drop in claim registrations during the national lockdown last year. However, during May 2021, when various states had imposed partial lockdown, we witnessed a 50% drop in motor claims," said Ramalingam.

Abhijit Chatterjee, ED (claims), IPFCO Tokio General Insurance Company shared a similar view, saying that during the first lockdown there was a sizable drop in claims owing to reduced traffic mishaps as people were not venturing out. "Once the restrictions were relaxed, there was a spurt in the number of claims due to the backlog and deferring of the repair works at the garages and workshops," he said.

The Insurance Regulatory and Development Authority has taken the drop in claims into account and decided not to specify new third party rates for both 2020-21 and 2021-22.

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