

Demonetisation hits sales volumes of used cars, CVs

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New Delhi, Nov 21: Demand for used cars, commercial vehicles and tractors has come down significantly following the demonitisation of ₹1,000 and ₹500 notes with several dealers no longer accepting cash. Dealers of Maruti Suzuki True Value, told *FE* the number of transactions and enquiries has halved and that demand will pick up only after the system is supplied with more cash.

Transactions in the used commercial vehicle segment have also slowed significantly. With fleet owners and their customers short of cash, not all trucks are plying. Consequently, smaller fleet owners, who own second hand vehicles, have stopped buying vehicles.

Sameer Malhotra of Shriram Automall told *FE* his company was trying to provide different solutions to customers to ease the process of owning the vehicles. "For new customers we have to take a call whether or not to do business since we



take deposits for customers and not many can provide it now. In the short term it will have a 5% - 10% impact on sales but will be fine for the longer term," he said.

The total size of the used passenger vehicle market is approximately 4.5 to 5 million units. For trucks or heavy commercial vehicles the second-hand market is as big as the new vehicle market at around 2.5-3 lakh units.

In organised channels like Shriram Auto mall demand for

commercial vehicles especially trucks have come down by 15-20% in the last two weeks while the same for passenger vehicles have come down by 20-25%. Apart from these, the used tractor sales have come down by almost 50% since a significant part of the transaction takes place in cash.

Almost 30-35% of the used car sales leads to new car purchase in a authorised channel like a Maruti True Value. If the used car market does not recover it may adversely impact the

volumes of the new car market.

With just about 20-25% of the used car market being organised, most transactions take place in cash. "Demand has come down sharply and while we typically get 10-15 inquiries per day, these are down to three or four," an executive with a Maruti True value dealership in the NCR region, said.

Industry experts point out that sellers usually like to be paid in cash for used vehicles unless the transaction takes place through an authorised channel. This amount is used to make the down payment for a new vehicle. With limited cash in circulation, demand has virtually halved say executives who run second-hand car businesses and could come to a halt.

According to industry experts, the size of the used car market is twice that of the new car market with car makers like Hyundai and Mahindra and Mahindra having set up businesses to sell old vehicles. Maruti True Value is the third largest car seller in India.