

JAYADEEP VIJAYAN & UDAYAN RAY

Buying a second-hand car was never easier: new models are in town, prices are down, and financing is easy. So why jam the brakes? Because prices are expected to plummet further. If that is hard to believe, take a look at the box (*Wait Expectations*). In January 1998, a 1995 Maruti 800 was going for Rs 1.6 lakh; today, it's available for Rs 1.35 lakh—down 16 per cent. And car dealers are predicting a grab price of Rs 1.2 lakh by December. Likewise for other cars. In the mid-size segment, a Cielo is available for Rs 2.35 lakh, down 24 per cent since January, and the price is expected to fall by another Rs 25,000.

What gives? Two things: oversupply and expected oversupply.

The strongest jolt to the second-hand car bazaar followed the high-profile exposure of new cars at Auto Expo 98 in New Delhi in January. Altogether, six cars should be hitting Indian roads by the year-end: Daewoo's Matiz, Telco's 'Mint', Hyundai's Santro, Mitsubishi's Lancer, and a City each from Kinetic Engineering and Honda.

Others haven't been sitting idle either: Mahindra & Mahindra has launched Voyager, a mini van, and Telco's Safari is already on the roads. Maruti Udyog, the market leader, has announced the launch of new models.

With each announcement, the price of second-hand cars has fallen.

Says Sanjay Kadekar, manager of the used car division at Sai Service, Mumbai: "Gone are the days when a car was expected to last a lifetime."

Working with one of the largest car dealers in the country, he should know. "With the variety now available, there are people who change their cars every year or two years." That means more cars and falling prices.

And what a fall too. Estimates by car dealers in Mumbai indicate a 20 per cent slump in used car sales in 1997. In Bangalore, Munawar Sharieff, proprietor of Standard Automobile Consultants, saw his sales plunge 50 per cent. The story in other cities is no different, though the degree may vary. Easy finance for new vehicles and poor liquidity in the market are to blame for this glut in the used cars market. And dealers across the country are holding their breath, waiting for the market

WAIT, WATCH & SAVE RS 25,000

Don't buy a used car now. Prices will drop in December.



to bottom out. After all, the commission they get is on the value of the car, and with that dwindling, their earnings would follow. Some are defiant: "The market has now hit bottom," declares Mahesh Kantawala, who runs one of the oldest used car dealerships

in Mumbai. Other dealers don't agree. They believe that the market will keep falling till December, particularly for premium second-hand cars.

And that is the most interesting part of the fall in used car prices. Predicts Rajinder Sethi of Popular Car Bazaar, another Mumbai-based used car dealer: "The Cielos and

Astras are likely to be sold earlier. As a result, there should be a major fall in prices." The prices of two cars are unlikely to fall further—the 1992 models of the Premier 118NE and the Contessa: they're already going for less than Rs 1 lakh. Prices of second-hand vehicles like the Tata Sumo and Maruti Omni are also unlikely to be affected because of the high demand from taxi and travel operators.

The sharpest drop in prices will be for the Zen. Reason: most of the new cars will jos-

tle for marketshare in this category. Also, like Hyundai's 999cc Santro, they will be priced around Rs 3 lakh—significantly lower than the Zen's Rs 3.95 lakh.

Om Prakash Thukral, a New Delhi-based used-car dealer, expects a 1996 Zen to be available for a little over Rs 2 lakh by December. The bottomline: today, it is possible to buy a much better second-hand car than six months ago, for the same money.

The waiting time can be used to plan your purchase of a second-hand car. The trick really lies in identifying the right one. Even a second-hand car can cost you a neat sum. A great-looking used car is suspect—it

WAIT EXPECTATIONS

MODEL	New	Jan 1998	May 1998	Dec 1998
Maruti 800	2.44	1.60	1.35	1.20
Maruti Zen	3.99	2.50	2.25	2.00
Maruti Esteem	5.37	2.50	2.25	2.00
Tata Sierra	5.50	2.50	2.25	2.00
Tata Estate	5.63	2.00	1.75	1.50
Cielo	6.26	3.10	2.35	2.10
Opel Astra*	8.28	5.75	5.45	4.75

Prices are in Rs lakh for 1995 models in Mumbai
*1996 model

could be a cosmetic job. A car that has changed hands more than once also calls for caution.

"My dealer tried to pass off a 1982 Premier as a 1990 model," says Ketan Shah, a 37-year-old Mumbai-based stockbroker. Not surprisingly, trouble followed: a loose clutch, failing brakes and a growling engine. "I had to get rid of it dirt cheap," he says.

Which brings up the issue of price. Two things determine this: the year of manufacture and roadworthiness. Most dealers have a cut-off date for the cars they sell. For example, Mumbai's Sai Service won't deal in a Premier Padmini older than 1993, or a Maruti older than 1990.

Ultimately, the year of manufacture matters only so much. The onus of verifying the roadworthiness of a car—which finally decides its value—is on the buyer. Most dealers give no guarantees on the condition of the vehicle. There are several things to check out when you assess the roadworthiness of a car (see box: *Buyer's Checklist*).

Besides, even if the insurance for a second-hand car can be transferred to the buyer's name, it is always advisable to get a fresh insurance. In a 1995 case (National Insurance Company versus K. Rajagopal), the National Consumer Disputes Redressal Commission ordered that the insurance bought by the first owner could not be deemed automatically transferred to the second owner. The order was later upheld by the Supreme Court.

Loans to buy a used car are also available. Depending on the car's condition, finance companies will fund about 50-75 per cent of the price. The catch: few reputed companies finance used cars, and that too at high rates of interest. The longest payback period is three years. The documents usually needed are a copy of the latest salary slip, tax returns for the past two years, and a bank statement.

So it would be wise to wait until December before buying a second-hand car. Not only does that leave plenty of time to figure out the essentials of buying it, it also means saving almost Rs 25,000. ■

With Archana Rai in Bangalore

Buyer's Checklist

The dealer says the gleaming beauty you've set your eyes on is a second-hand car. Maybe. But it could be third-, fourth- or fifth-hand. Damaged or overpriced. How do you protect yourself? Try these tenners:

- Buy the car from a known dealer, or someone recommended by a previous customer
- Check the registration papers for the number of times the car has changed hands
- Check the miles the car has done
- Have the car valued by a mechanic
- Check the insurance papers for any accidents
- Ensure that the engine and chassis number correspond to those on the registration certificate
- Check the tax book to see if the previous owner owes any taxes
- Do a test drive with the mechanic
- Don't pay more than 2 per cent of the car's value as commission. (The minimum fee, however, is Rs 2,000)
- Never rush to close the deal—it's a buyer's market