

In this section, we speak to leaders of the automotive industry on the slowdown blues, measures to improve business efficiency, and future growth strategies. Focus on innovation, cost and energy efficiency is prominent on their minds.

'MotorExchange fills up a major gap in used vehicle ecosystem'

Rapid growth in automobile sales over the last few years has meant growing inventory of repossessed vehicles with auto financiers like banks, non-banking financial companies (NBFCs) and leasing companies. These bulk sellers are finding it increasingly difficult to cope with their ever growing inventory of repossessed vehicles. Auto Monitor recently caught up with Founder and Chief Executive Officer of the newly launched MotorExchange, Vinay Sanghi who formerly headed Automart India to understand the online vehicle auction business and how it could help the automobile industry.

Abhishek Parekh

Q What led to the idea of setting up an online exchange for buying and selling used vehicles?

It is an effort to organise the used vehicle market using technology as a driving force. It is a platform aimed at bringing buyers and sellers together on a single platform. For instance, automobile repossession by banks and financial institutions is close to Rs 2,000 crore worth of inventory, but these repossessed vehicles do not have ready buyers due to lack of certification or a platform for bulk buying and selling. The vehicles are simply auctioned with no facility for even test driving or assess their condition at

the time of sale. Moreover, due to absence of any formal disposal mechanism, the sellers have to accept almost a 20-25 percent discount on the value of the vehicle. This implies that sellers are getting Rs 300-400 crore less than the estimated or fair value for the repossessed vehicle inven-

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tory. The used car ecosystem has to become more scalable as the new car market grows. With more than 1.5 million new passenger cars sold every year now in India, it will get increasingly difficult for customers to buy new vehicles unless there is a smooth mechanism for selling his existing vehicle.

Q How is the exchange working to get the buyer and seller on the same platform?

Sellers including banks, financial institutions, NBFCs, corporates, taxi operators, vehicle leasing companies and fleet operators find it very difficult to sell their inventory of repossessed vehicles like cars, trucks and two-wheelers. It is a difficult and time consuming process to get buyers for more than 150-200 vehicles on almost a monthly basis. There is no bulk market with number of bulk buyers for vehicles in existence today. Our job, as an exchange, is to get the pool of bulk buyers who can put in the bid for the vehicles. The buyers on the exchange will mainly comprise vehicle dealers and fleet operators.

Q What is the main challenge that you envision on operational side?

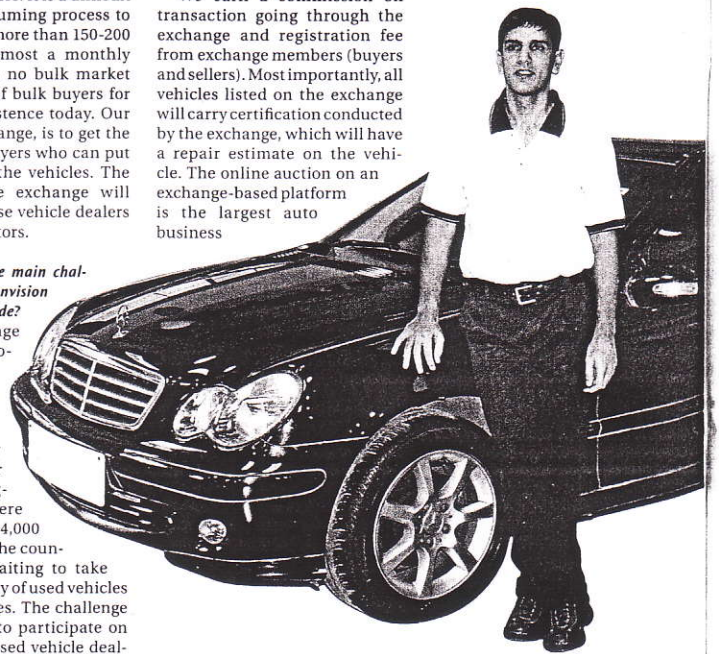
The challenge for us is to provide a market for carrying out bulk vehicle auctions within a day for the sellers. Our estimate suggests that there are more than 14,000 dealers across the country who are waiting to take hold of inventory of used vehicles across categories. The challenge is to get them to participate on the platform. Used vehicle deal-

ers have a problem in getting inventory from banks or NBFCs during auctions as banks do not allow test drive facility for vehicle due to logistical issues. Our certification process will connect such missing links in the market.

We earn a commission on transaction going through the exchange and registration fee from exchange members (buyers and sellers). Most importantly, all vehicles listed on the exchange will carry certification conducted by the exchange, which will have a repair estimate on the vehicle. The online auction on an exchange-based platform is the largest auto business

globally. Manheim, an auction company in the US, on which we have modelled MotorExchange, auctions more than ten million vehicles annually. In the US, around 23-24 million used

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vehicles are bought and sold in bulk quantity on exchanges out of the total 44 million or so total used vehicle market. Our estimate is that even currently the business-to-business (B2B) automobile market is worth around \$8-9 billion in value terms, which is what we are addressing.

Q Does this imply that there is no place for an individual buyer or seller on MotorExchange?

An individual can enroll as a seller and list a vehicle on the exchange but he cannot bid for a vehicle by himself/herself. An individual buyer would tend to demand test drive and expect other formalities to be conducted. We are currently not geared to provide that, as the exchange is targeted at bulk buyer and sellers of vehicles. But an individual buyer can approach a vehicle dealer and

buy a vehicle from the exchange. As an individual or bulk buyer it is very difficult to exchange vehicles today, especially when you have to trade-in and buy vehicles of different brands. It can be done through the dealer on referral basis without the certification or documented process. We have already started collaborating with dealers by setting up a desk at their dealership to assist a seller in disposing off the vehicle so he/she can buy a new vehicle of a different or same brand from the dealer. The key benefit for dealers and their principal is that it is difficult to certify or buy vehicles of a different brand. In fact we differ from Manheim on this particular aspect of allowing individuals to list their vehicle on the exchange for bidding which Manheim does not.

One of the most obvious benefits that I envision as a result

of bidding data generated from the exchange, will be an efficient price discovery mechanism and last traded price of any vehicle, of any brand, in any condition and at any location across the country.

Q Is the certification process different from the one adopted by organised used vehicle dealers?

It is different. A certification issued by used car dealers is a post refurbishment certification with a warranty on the vehicle. We will issue a certification to ensure that a buyer makes an educated bid. Hence if there has been an engine failure or any other mechanical problem, it will be specified and buyer can put a lower bid keeping repair estimate in mind. We will not provide any refurbishment or warranty on the vehicle bought or sold through the exchange, but only a certification and repair estimates. **A**

