

# Legacy used-car dealer TS Mahalingam & Sons holds firm against new-age digital disruptors

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Chennai

Despite facing tough challenges from new-age digital trading platforms, TS Mahalingam & Sons (TSM), the 90-year-old Chennai-based used car dealer, remains relevant in the market thanks to a strong brand recall and stress on quality products, K Ravishankar, Partner, TSM, told *businessline*.

"In the last couple of years, offline used car dealers have lost nearly 25 per cent of the market to online firms. Our monthly volumes dropped from around 250 vehicles to around 200. However, we are not in the volume game today; we are focused on buying more vehicles with less mileage, minimum damage and good engines," Ravishankar said.



**SECOND LOOK.** K Mahalingam (left) and K Ravishankar, Partners, TS Mahalingam & Sons BIJOY GHOSH

"Definitely the online players have made a big impact in recent times. They also have an offline model, as customers want to see cars physically," he added. "The market for used cars is growing at 15-20 per cent. We can also grow from 200 to 300 cars a month, but we would like to be at around 250. We operate with a wafer-thin margin of 4-5 per cent," he added. TSM deals with close to 3,000 cars a year, with revenue of around ₹100 crore, distributes over ₹200

crore in car loans, and has more than 2 lakh customers.

"We will be happy with a 10 per cent growth on top line every year and lay more emphasis on bottom line by working on cost structures" said Ravishankar. He added that the demand for automatic vehicles priced ₹5-8 lakh has been increasing in the last few years, accounting for 10-15 per cent of TSM's business.

Interestingly, electric vehicles (EVs) that entered

the market 3-4 years ago are up for second sales, but battery replacement issues are a challenge. "The resale value of EVs is low compared to other categories. An EV priced around ₹1.2 crore last year is being offered at half the price now. Even then, there are no takers," he said.

## IMPACT OF GST CUT

K Mahalingam, Partner, TSM, said the recent reduction in GST has led to a drop in new car prices. This has, in turn, reduced the price of used cars. "We have 15-20 vehicles that were bought before the GST rate cut. We are unable to sell because the difference between the price at which we bought them and the price of new cars in the same model has narrowed sharply," he said. "After the GST rate cut, we have also reduced our prices," he added.