

Srei Equipment Finance intend to continue to expand operations in other business verticals



Sectors like roads and highways, irrigation, railways, and renewable energy will drive the investments in the coming years, says **DK VYAS**, CEO, Srei Equipment Finance Ltd.

How has been the year 2018 for the Equipment Financing industry as a whole and for your business operations in particular?

Infrastructure sector being a key driver for the Indian economy enjoys continued focus from government. In the recent years, Indian infrastructure sector is characterised by high budgetary allocation, increasing number of deals, increasing private sector investment, reforms, and rising foreign direct investment (FDI) in the sector. In the Union Budget for 2018-19, allocation to infrastructure sector increased by more than a trillion rupees to ₹ 5.97 trillion. Sectors like roads and highways, irrigation, railways, and renewable energy will drive the investments in the coming years. The Goods and Services Tax (GST) implementation is benefitting the construction equipment leasing segment and thereby aiding as a vital tool for asset creation as it allows the companies to use equipment without leveraging. The construction, mining, and allied equipment (CME) industry is estimated to have grown by upwards of 20% year-on-year in Fiscal 2018 in terms of unit sales. In a report by Feedback

Consulting, the construction equipment finance industry is expected to grow at a CAGR of 20-21% to ₹ 660 billion for the next three years (2017-18 to 2020-21). Srei Equipment Finance (SEFL), with the total disbursement of ₹ 1,69,895.7 million in FY'18, continues to be a dominant financier in the CME market. Feedback Consulting reports that SEFL was a leading financier in the CME sector in India, with an approximately 33% market share in FY'18. In FY'18, the company saw a marked improvement in its financial performance. Buoyed by a rejuvenated infrastructure segment, the total Asset under Management (AUM) grew to ₹ 300,727.7 million, representing a 41.6% growth over last year. The Gross Non-Performing Assets (GNPA) reduced from 2.5% in 2016-17 to 1.8% in 2017-18, while the Net Non-Performing Assets have reduced from 1.8% in 2016-17 to 1.3% in 2017-18. The Capital Adequacy Ratio (CAR) remained compliant at 15.9%. The profit before tax grew to ₹ 394.41 crores in FY'18 from ₹ 216.42 crores in 2016-17. The improved financial performance is a result of SEFL's continued inroads into

newer asset classes and lifecycle solutions that provides customer value and investment in technology which benefits its service delivery, customer experience and risk prognosis.

What can one expect from SEFL in terms of its plans and business strategy?

We have experienced steady growth recently. Our growth strategy primarily includes consolidating our equipment financing business through strategic business alliances and marketing initiatives, continuing to expand and diversify our product portfolio, growing our operations and network across India, and expanding our customer base across various business verticals in India.

dealers for financing refurbished assets. We are continuously attempting to optimize borrowings and explore alternate avenues of funding. The company is open to adopting newer technologies to achieve greater operational efficiency and advanced risk management processes.

Tell us about the used equipment market in India and what are the growth opportunities for the segment. Also, throw some light on your offerings to the sector along with the criteria.

The market for used equipment is highly unorganised. New projects have attracted the interest of construction

accounts for roughly INR 35-40 billion. The unorganised component of finance could account for an additional INR 10-15 billion. The market is dominated by products such as backhoe loaders, hydraulic excavators, pick and carry cranes, accounting for more than 70% of the used equipment market. Companies have also engaged in the direct import of equipment from countries such as China and Japan. However, OEMs have urged the government to regulate the import of used equipment. Growth opportunities for the used equipment include increasing awareness among customers on the value of 'used equipment' to reduce capital expenditure investments, online portal which helps facilitate used equipment business, technology intervention like telematics which helps in identifying the accurate working and operation conditions of the machine and financiers can come up with operating lease products in used CME with resale valuation framework developed by industry body and with good service support from the OEM/dealer. SEFL has been providing financing for used equipment to our Retail and SME customers. Used equipment financing is provided for a wide range of CME equipment. The tenor of the loan provided to the customers for used equipment varies between 30 to 35 months. Our customers usually provide a margin of 20% to 30% on used equipment financing. We create a charge on the equipment in our favour as security for the loan.

What is your outlook on industry expos like bauma Conexpo and its benefits for financiers like you? What are your strategies planned to attract customer attention during the 2018 expo?

Events like bauma CONEXPO INDIA ("Bauma") serve as confluence ground for all industry participants – manufacturers, customers, financiers and regulators.



In addition to providing CME financing, as part of our growth strategy, we intend to continue to expand our operations in other business verticals as well. We plan to enter into partnerships with new Original Equipment Manufacturers (OEMs) and vendors and expand in equipment categories and business verticals with attractive growth opportunities. We aim to strengthen our relationships with OEMs by increasing original spare part sales. This will also help in the upkeep of our funded equipment. We also plan to partner with OEMs and

business owners wishing to purchase new or used equipment and who seek to be compliant with the government requirements for project tenders. According to Feedback Consulting, in Fiscal 2018, the market for organised used equipment financing is estimated to be approximately 9-10% of the overall disbursements by finance companies in the CME segment. This figure does not account for cash transactions and the market catered for by private financiers (which are mostly unorganised). In Fiscal 2018, the current value of the organised used equipment financing

It provides us a perfect platform to meet our key stakeholders and understand their needs. We are optimistic about heightened Retail and SME buying during the event and hope to generate a lot of enquiries and eventual business during and after the event.

As always Srei Equipment Finance will have a big presence at the exhibition with its stall (Stall no. O. F35) in outdoor pavilion of about 2,315 sq. ft. Our patrons can experience technological innovation in equipment financing, online gateway for purchase of both new and used equipment, audio-visual and interactive information systems, and fun and engaging activities at our stall.

With our attractive offerings and strategic tie-ups with our manufacturer partners, we hope to provide financing solutions for quite a large number of equipment.

For this edition of Bauma Conexpo,

Our customers can also experience technological innovations in equipment purchase and finance through online portal partner—iQuippo

we have tied up with our manufacturers' partners to offer exciting schemes and solutions for our customers covering the entire asset life-cycle. Our offerings include:

- Leasing solutions: Our rental products offer customers with the 'Right to Use' the equipment against periodic rentals for agreed period of time. These rental levels are

significantly lower and attractive compared to vanilla loan products and are bundled with attractive terms like Free Insurance for full tenure, lower margins etc.

- Customised financing solutions: Enriching the customer with better cash flows, extended facility tenure; backed by simple documentation and quick processing time.
- Loyalty schemes: Loyalty schemes wherein customer can avail additional loan facility, based on past track record, as a top-up funding limit or to buy equipment from select OEMs.
- Online financing solutions: Our customers can also experience technological innovations in equipment purchase and finance through online portal partner – iQuippo through which they can not only view, decide and purchase equipment at attractive terms but also avail easy finance from different financing partners of iQuippo at one stop.

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