Leasing - Small & Medium Enterprises
ORIX leasing – world wide

• ORIX started leasing in Japan in April 1964

• ORIX; Pioneer in leasing in Japan and number of other Asian countries

• Listed on New York Stock Exchange

• Presence in 27 countries across the globe

• ORIX is made up of 731 consolidated subsidiaries and 97 affiliates; operating across the globe through 1,459 offices

• Catering needs of SMEs all over the world

• Contributing towards development of SMEs and ultimately contributing development of economies
Saudi ORIX Leasing Company

ORIX leasing – MENA Region

- Pakistan: 1986
- Egypt: 1994
- UAE: 2001
- Saudi Arabia: 2002
- OMAN: 2002
- Kazakhstan: 2002
Saudi ORIX Leasing Company is the first lease finance company of its kind in the kingdom was incorporated in 2001 with a mandate to provide medium term financing to all productive sectors of the economy with particular emphasis on SMEs.

- The company is licensed by and is under the supervision of SAMA.
- The company has a decade old history of sustainable growth and has contributed to development of credit delivery mechanism to the SMEs across the Kingdom.
Defining a Small & Medium Enterprise & Its Importance

- A difficult proposition
- Relative to the economy/country
- For Saudi Arabia – a business with annual turnover of less than SR 30 mn

- An established recognition of SMEs’ potential in job creation and poverty alleviation
- SMEs account for 60-90% of all enterprises in developed and developing countries
- Simple form of credit for SMEs, leasing is asset based and lessee does not require any collateral, unlike banks; and the SMEs generally do not have the capacity to provide collateral
SMEs a niche for Leasing industry

- Various sources of funding
  - Banks
  - Private equity
  - Debt instruments – capital market
  - Other sources

- Specific target market for banks, private equity, debt instruments, capital market
  - Catering need of large funding amounts

- SMEs – a niche for Leasing Companies

*SMEs have limited access to formal credit sources*
SMEs Role in Economy and Funding requirements

- SMEs role is inevitable in development of economy
  - Model economies – Japan, South Korea
    - Behind Toyota, Honda, Samsung hundreds of SMEs are working
  - Govt supporting leasing industry – various concessions, like rebates/waivers on custom duty, taxation etc

- SMEs require small funds for assets
  - Not viable for banks/other sources of funds
  - Suits to leasing companies
Why Leasing for Small and Medium Enterprise

- **Micro perspective**
  - SMEs generally need finance for specific assets
  - Simplest form of delivering finance

- **Macro Perspective**
  - Development of niche market
  - Credit delivery mechanism – also a challenge for government
  - Diversification of risk

- **Benefits for an SME**
  - Simple documentation
  - Tax benefits (in some economies)
  - Working capital facility (sale & leaseback unlocks capital)
  - Medium terms finance (usually 3-5 years)
From 2001 to 2011 Saudi ORIX has funded SR 700 million to SMEs in the Kingdom.
Saudi ORIX – Sector wise funding

- CONSTRUCTION CONTRACTING SERVICES (PRIVATE & Govt): 14%
- PAPER PRODUCTS, PRINTING AND PACKAGING INDUSTRIES: 8%
- TRANSPORT & COMMUNICATION: 7%
- PHARMACEUTICAL, CHEMICAL AND PAINTS: 6%
- BUILDING MATERIAL AND GLASS INDUSTRIES: 5%
- GENERAL TRADERS AND OTHERS: 5%
- WOOD, METAL AND FURNITURE INDUSTRIES: 5%
- Others (56 sectors): 51%
Saudi ORIX – Region wise funding

- Central Region: 57%
- Eastern Region: 23%
- Western Region: 19%
Saudi ORIX Leasing Company

Saudi ORIX – Asset class wise funding

- Equipment: 10%
- Plant & Machinery: 43%
- Real Estate: 4%
- Vehicles: 43%
Suggestions

- A Level playing field for all leasing/finance companies in the Kingdom
  - Same sort of reporting/compliance requirements
  - Standardization in preparation of financial statements, should be based on IFRS

- Improvement in debt enforcement mechanism
  - A reasonable certainty of leased asset repossession in case of default