

Trading Cvs

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Specialising in vehicle transactions, Shriram Automall India Limited is expanding its operations on the back of good growth.

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Shriram Automall India Limited (SAMIL), a 100 per cent subsidiary of Shriram Transport Finance Company (STFC), has turned six. Providing a platform to purchase and sale pre-owned vehicles, CVs and equipment, especially through organised and transparent bidding platforms, the company is looking at expanding its operations. Conducting 'physical', 'online', 'one-stop classified' and 'private treaty' transactions towards the purchase and sell of pre-owned vehicles, the company, to mark six years of its fruitful journey held 60 bidding events simultaneously recently. The bidding events were held on one single day, and across all the centres the company has in the country. In what could be termed as a display of high level of synchronisation, bidding events were simultaneously held at Shriram Automall's centres in Andhra Pradesh, Tamil Nadu, Karnataka, Maharashtra, Madhya Pradesh, Kerala, Odisha, Haryana, Bihar and Uttar Pradesh. Claimed SAMIL sources that over 5000 vehicles and equipment were auctioned on that day. These were valued at over Rs.100 crore. Auctions at SAMIL are a part of a systematic process that calls for interested people to register with them. Only those who have registered are allowed to participate. Commissioning the 66th mall at Agra to commemorate six years of the successful journey, SAMIL is working towards expanding its reach by introducing a mobile app, 'MySAMIL'. Making it to the 'Limca Book of Records' as the 'largest platform for acquisition and disposal of pre-owned vehicles and equipment', and for 'conducting highest number of physical bidding events in a single day', SAMIL, according to Sameer Malhotra, Chief Executive Officer, Shriram Automall, has in a short span of time become the most trusted brand for all leading OEMs, banks, NBFCS, transporters, leasing and rental companies, vehicle aggregators, dealers, contractors and individuals. It is a brand that they look up to, to dispose their pre-owned commercial vehicles, construction equipment, farm equipment, passenger vehicles, three-wheelers and even two-wheelers.



Transactions

A visit to SAMIL's centre at Panvel revealed that there were 155 vehicles listed for auction. Over 152 bidders registered for the event. Over 80 vehicles went on the block, and were successfully traded. The total transaction value according to SAMIL sources was in excess of Rupees-two crore. For all the centres combined, SAMIL transacted vehicles and equipment worth Rs.50 crore in that day. A new high for a single day business transaction according to Malhotra. Braving the harsh weather, and rising temperatures, indicating

the onset of summer, Goldy of Ulhasnagar-based Shiv Shakti Transport, came to the event to buy a good used truck to add to his fleet of 12 trucks. Claiming to be a regular visitor, Goldy said that the number of CVs auctioned at the event, whenever it was held, were good. While SAMIL sources claimed that the auction is held twice every month, Goldy expressed, “The maths behind an eight year old Tata truck would be an opportunity to save to the tune of Rs.18 lakh on a truck.” This truck, at the previous event, did not sale, he mentioned. If Goldy could have the truck for Rupees-six lakhs, financed 100 per cent by STFC, against a price of Rs.24 lakh for a new truck, it would amount to a good deal of saving. There would be little liability in the short term. Drawing attention to the lucrative nature of pre-owned vehicles, Goldy averred, “A price depreciation of Rupees-two lakh kicks in every year. A brand new truck thus amounts to a loss of Rupees-one lakh on its valuation the moment it is bought.” “In the case of this truck, I can invest in repairs to get to a good running condition if the need be,” he added.



Milind Chauhan operates a tourist car company called Amit Travels, and is based at Dahisar in Mumbai. He came to the auction to buy a tourist passenger car with the intention to earn a good profit by reselling it to a rural buyer in the short term. Chauhan kept a close eye on the condition of cars being auctioned, aware of the fact that a worn out battery or a need for major repair would lead to a big cut in his intention of earning a profit from a resale. Mentioned Chauhan, that it is often that the seller hasn't done the mandatory 'fitness passing' of the vehicle, and would result in an amount of expenses for the buyer. “If you are careful, and aware of what to look for, you could end up with a good deal.”



Bidding process

Of the four distinct channels used to bid at SAMIL – physical bidding, online bidding, private treaty and through a one-stop classified kiosk, it is the physical bidding channel that garners 90 per cent of the business according to Umesh Govind Revankar, Managing Director & Chief Executive Officer, STFC. “Over 90 per cent of the business comes through the ‘physical channel’. The ‘kiosks’ haven’t added much to the volumes, and we are slowly looking towards tapping the mobile segment, he averred. The mobile application is said to facilitate participation in live bidding events, submission of proxy bid for vehicles, digital payment options, customer registration and uploading of KYC documents apart from notifying the customers of the latest developments in the company. “In Classifieds, we haven’t really invested too much. It is a medium that needs substantial investment, both in terms of technology, upgradation and up-keep,” he mentioned. Revankar averred that his company is looking at diverting its profits towards technology addition going forward. In ‘private treaty’, SAMIL negotiates deals as a mediator, between the buyer and the seller. This channel is exclusive to big ticket clients, and accounts for few select transactions for the company. The ‘physical’ bidding process highlighted a medium that facilitates seamless transactions. Especially when one considers the value additions like easy finance, refurbishment, valuation, documentation, and insurance.



Stating that there is an urgency to replace an existing vehicle with a more efficient one as fuel prices are rising, Revankar opined, “The need for efficient vehicles is creating a demand for used vehicle transactions.” SAMIL, in the next financial year (FY2017-18) is looking at 30 per cent top-line growth. In the long-term, the company is looking at doubling the number of centres from the current 64 to over 150. To do so in a sustainable manner, and with good revenue to support healthy growth, the company is looking at a franchise model.

Umesh Govind Revankar, Managing Director & Chief Executive Officer, STFC



Q. The year 2017 marks Shriram Automall's sixth anniversary. How has the journey been?

A. The plan initially was to give our customers a reasonable choice to buy a vehicle at a fair price. We are a used vehicle finance company in the form of Shriram Transport Finance (STF) after all. This would improve our valuation expertise. And, this is how we discovered the actual used market price even though we had the valuation expertise for used vehicles. For the customer it was a matter of choice; for us, it amounted to a learning opportunity. Truck buyers physically inspect the vehicle before buying it. This led to the formation of this business actually. We started with trucks and then diversified into passenger vehicles. We have to our credit the auction of two-wheelers too. We have also done some gold auctions apart from being present in properties (real estate) as well. Credit of this achievement should go to the relationships we have fostered over the years. We began working closely with corporate clients to sell their repossessed vehicles. Corporate banks wanted other services. This led us to enter into other areas of business. As far as the customer is concerned, we still have around 50 per cent of the business turnover coming from vehicles. Customers walk in a day or two prior to the auction, and park their vehicle in a bid to get a fair price. They are unable to get a fair price when they deal with a broker or a dealer. It is often that they are not aware of the fair price. Our platform helps them, to get a good price. The customer can change his vehicle, increase or decrease the price by gauging the pulse of the customers at the auction. We have around five lakh bidders. Many of these could be one time buyers. They come to the auction, buy and sell. We thus have sellers as well as buyers coming to us.

Q. How has the used vehicle and industrial equipment segment evolved in your opinion?

A. We are increasingly seeing participation from manufacturers. Imagine a transition from BSIII to BSIV, and there are some vehicles which they will not be able to sell. They have to find a way to sell these vehicles. It also happens that some manufacturers resort to placing their existing inventory for sale. There are those that encourage their dealers for buying and selling. Dealers accumulate old vehicles, and take part in our auction. We thus have customers that include manufacturers, banks, other companies, dealers and individual truck operators. Our preference is to sell to the customer directly. We prefer a B2C business model over a B2B business model. The intention behind this is to be able to finance the customer and build a relation with him. The challenge is in documentation. Whatever vehicles we try to gather from individuals or corporates, we organise their documents for a smooth title transfer. Not everyone does this. Some corporates and banks pose a big challenge for us due to the lack of proper documents. We always prefer a vehicle with documents, and are thus able to fund the buyer as per his requirement.

Q. What are the key milestones the company has achieved?

A. A key milestone for us was when we partnered with banks in the second year of our operation. We signed up with one or two banks. Now, almost all banks have a relationship with us. The participation of almost all the banks makes us an ideal platform. We are able to cater to the needs of banks, individuals or institutions. We are, in terms of numbers, having a quarterly revenue of Rs.150 crore from the Automall. That is the top-line. We are making a profit. This year, the profit margin will be around Rupees-eight to Rs.10 crore. Net profit was not something that we consciously targeted. Our aim was to increase the revenue of the company. The figure of Rs.150 crore would be a good milestone therefore. We should soon be able to double it. The growth that we expect from Automall is 40 per cent on the top line. The bottom line can vary depending on the challenges, including the varying operational expenses. We would like to incur more expenses now on the business. Our investment here after will be into technology. The aim is to make people participate through their mobile phones. They would not be required to be physically present at the auction. The customer will be able to see the live stream of the auction, and participate. He could alternatively visit any of our branches to view the live-stream and participate. In six months, we should be able to make this possible.

Q. What are the key focus areas in terms of finance that you are looking at?

A. We never looked at this business as financial in nature. The basic idea was, and is to support customers; to help them buy the right vehicle at the right price. We have achieved that. As I said, we expect the top-line to grow at a rate of 30 to 40 per cent annually. We will additionally look at increasing the number of centres. We have 64 centres as of now. We would like to take them to 150. We have been operating on properties that we have leased. We would now want to convert to a franchise model.

Q. How has the strategy to diversify from just selling used commercial vehicles panned out?

A. We are happy with the progress we have done. We have established a significant rural presence. This has helped us to finance tractors and vehicles aimed at rural markets. We added passenger vehicles due to the coming of cab aggregator business models like Ola and Uber. The presence in different segments of used vehicles has helped us to cater to the differing needs of our customers.

Q. What is the contribution from each segment that you operate in; from Shriram Transport Finance Company, and from Shriram Automall?

A. Commercial vehicles still dominate. The share from transportation (small and big trucks combined) is about 70 per cent. From passenger vehicles, it is about 25 per cent. From farm equipment, it is around five per cent. As far as the Automall business goes, passenger vehicles contribute 35-40 per cent. We expect passenger vehicles to contribute more than 50 per cent going forward.

Q. What was the effect of demonetisation on your business?

A. We are recovering from the effect of demonetisation. Transactions saw a 30 per cent decline in the third quarter of the current financial year. We are expecting the business to bounce back this quarter. The business of used vehicle has always been cash intensive. People found it difficult to participate. We are yet to understand the impact of Rs.3,00,000 cash transaction limit put by the government. We have to really understand that particular aspect. Once we understand it, we will be able to tell you how things will pan out. As far as the fourth quarter of the current financial year is concerned, it is looking good. We are hoping to end this financial year with good earnings.

Q. What is the short to medium-term and medium to long-term plan for growth?

A. In the medium-term, we should be able to grow 30 per cent on our top-line. That is in the next financial year (FY2017-18). In the long run, we expect technology to play a major role. We will add classified and mobile applications. It will be directly proportional to the money we invest in technology and its implementation. We are bullish on that front. We expect to grow very fast in the next three to four years. The last quarter of this financial year is expected to display demand on the back of pre-buying. From April 2017, BSIV emission regulations will come into force. The implementation of regulations will negatively impact the demand in the first quarter of FY2017-18. The second quarter of the next financial year will be uncertain due to the implementation of Goods and Services Tax (GST). The next six months may not be good for new vehicles. Demand for used vehicles is likely to be high. Demand for Rabi crop in April-May will be high. This is likely to induce demand from the rural sector. Depending on the monsoon, post the October 2017 quarter, demand from all segments including CVs and tractors is expected to be strong.

Q. How are different channels contributing to increase Shriram Automall's revenue?

A. The physical channel contributes 90 per cent of the business. The 'kiosks' haven't added much to the volumes. We are slowly looking to tap the mobile segment. In Classifieds, we haven't really invested much. It is a medium that needs substantial investments, both in terms of technology upgradation and up-keep. We would like to divert our profits towards adding technology.

Q. What regions are you looking at to expand Shriram Automall network?

A. We have been strong in the western region. It is the northern and eastern region where we want to strengthen our presence.

Q. How do you look at the participation of banks and NBFCs?

A. Banks have been supportive of used vehicle equipment business segment. NBFCs are not, barring a few. This could be because they feel that that we are competing with them in terms of financing. Over a period of time, they, I am certain, will see the advantages.

Q. With regulations like fuel emission norms, CAFE, Bharat NCAP and the scrappage policy, do you see a disruption in CV sales?

A. These factors will only enhance the demand for used vehicles. There is an urgency to change the vehicle and move up to an efficient one. Fuel prices are going up. Regulatory factors will create demand to sell old CVs and buy new ones. In either case, finance needs will go up. This will help us. We would like to give a helping hand to the customer. In terms of scrappage, as of now no legislation exists. Except Delhi there is no other state that has banned 10 year old CVs. The cap is at 15 years. The government will have to compensate the people owning the asset in case of the scrappage scheme. Till such time re-registration of vehicles will hold us in good stead.

Q. What are the key trends from the global used vehicle markets that will find their way to India?

A. India being a very unique country, one cannot replicate trends from other markets blindly. I have tried to understand the Chinese used vehicle market. Even that market is not moving in a structured manner when it comes to commercial vehicles. However it still remains the only country in my opinion that we can learn from. Markets like USA and Europe are way different. Their entire ecosystem is different. India has more individual owners and small fleet operators. Entrepreneurship spirit is high here. People wanting to own a business is high here.

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