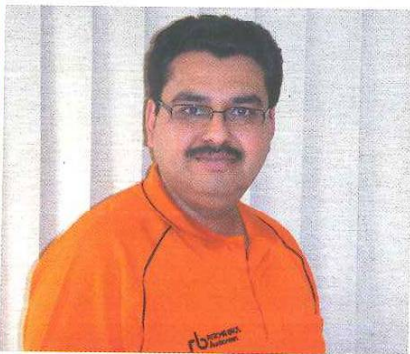


# “Rs 17.50 crore worth of equipment and trucks were bought in the auction.”

**T**he used equipment industry is a landscape that changes constantly. Any new market starts changing the landscape and companies start establishing fleet management practices. Once they are done with it, then the regulatory framework starts improving with easier and efficient VAT laws, entry tax and RTO laws. Sameer Malhotra, Country Manager, Ritchie Bros Auctioneers, foresees a used equipment industry that will mature and develop slowly on many levels, which will benefit customers in future auctions, as he explains in an exclusive chat with EQUIPMENT INDIA. Excerpts from the interview.



**How successful was the auction held in Hyderabad recently? And what was the total worth of assets sold?**

It was a very successful auction. We had a great selection of equipment, a large crowd of excited bidders (more than 250 people registered to bid) and a terrific atmosphere. Even though we welcomed many new people, they were comfortable placing bids and buying equipment. A total of 57 buyers bought more than Rs 17,43,40,000 worth of equipment and trucks.

**Tell us the challenges you faced. What was the feedback from bidders?**

Having a first auction in a country is a very exciting event. We always start with

getting to know the market and customers before rushing into anything. The education of new customers is an important thing; buying equipment at an auction is different than buying anywhere else. The crowd was very excited about the auction and we have received a lot of positive feedback. The bidders had no problem keeping up with the fast pace of the auctioneer and our bid catchers. It's unique that so many new bidders participated so actively in the first-ever auction Ritchie Bros held here.

**What of your future plans in India?**

We now look back on a very successful first auction in India and are looking forward to more auctions in the near future.

**What is the present market share of the used equipment in terms of size and value, Indian and overseas?**

The used equipment industry in India is approximately \$500 million. Globally, about \$100 billion worth of equipment is being traded every year. Naturally, the prices of equipment in general have gone down in the last few years due to the economical crisis but in general, we see that the decreases are not as dramatic as many people automatically assume. Thanks to the depth and diversity of our bidding audience, we are able to sell equipment at a global fair market value. This ensures that the overall returns are as high as we can possibly achieve.

**How do you find the features of the Indian market as compared to the international market?**

Like the global market for used machinery, the market in India is highly fragmented. An auction is a very new way of buying and selling equipment for people in India. In Canada and the US, it's a well known concept and even in Europe more

people experience the benefits of buying and selling at an auction, in particular at unreserved auctions. Another thing we notice is that in India, used equipment market prices are relatively not established and unknown but it is likely that India will develop this aspect quickly.

**How has the economic crisis hit the used equipment market? Logically the growth needs to be on an upswing which doesn't seem to be the case here.**

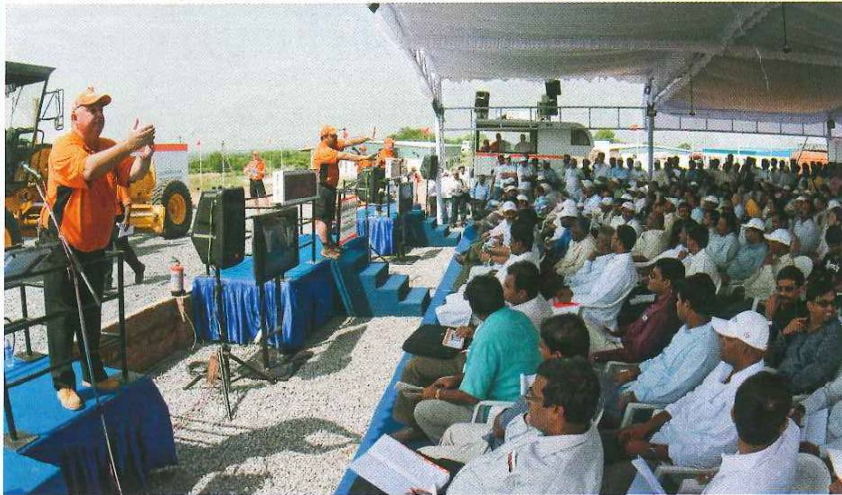
Naturally the crisis has affected the balance of supply and demand in the used equipment market.

Some of the factors influencing this are fear and uncertainty, which creates a slowdown in the market. Many companies are unsure and wait for the right time to sell their surplus inventory. A Ritchie Bros auction can provide several certainties for them; our auctions attract an international crowd of bidders and all their equipment will be sold on auction day at a fair market value.

On the buyer end, even in downtimes, there are still many projects in construction and infrastructure around the world. Many companies are looking for good quality used equipment at fair market value that is directly available.

**What are the normal methodologies used in the sale of used equipment in India?**

At Ritchie Bros, we always start with getting to know our customers and introducing them to our auctions. Since the first customers from India started visiting our European and Dubai auctions, the first requests came in to conduct an auction in India. Many of our consignors were equipment buyers at our auctions before; they know about our methods and the certainty our unreserved auctions provide. Once the value of the customer's



**The used equipment industry is a landscape that changes constantly.**

equipment is assessed and the contract is drafted, the equipment is transported to the auction facility and made ready for the auction. Then we undertake a comprehensive marketing campaign to ensure the participation of the widest possible audience of bidders. We prepare the auction yard for the auction and conduct the auction. Within three weeks of the auction, we deliver the net proceeds of the sale to our consignors. This makes our unreserved auctions one of the fastest and most efficient ways to create liquidity.

**Since most corporate entities do not prefer used equipment, which is the segment that absorbs the same? What is the implication of financing these segments?**

Every year, we help more people in more places around the world buy and sell equipment. Currently we have more than 450,000 customers coming from 200 countries. About 80 per cent of all purchases at our auctions are from end-users.

Of course, some companies are more interested in buying new equipment only but we see all kinds of customers at our auctions. Some of them own huge fleets of equipment; others operate one or two machines. At our first auction in Hyderabad, we saw mostly small and mid-sized companies purchasing the equipment. The benefits of buying equipment are the same for every customer; they have a choice of equipment which they can inspect and test before placing any bids on

equipment. If they become the highest bidder, the equipment is directly available so they can put it almost directly to work. Furthermore, at our auctions we do not only sell used equipment but have unused equipment as well.

There are many financial companies in India that can help financing buyers' purchases if required. At our facilities, we often have third-party companies that provide services of financing, transportation and freight forwarding.

**What are the challenges in the way of the used equipment industry, and as a major player in liquidating these assets, what are the challenges you face?**

The used equipment industry is a landscape that changes constantly. Any new market we enter starts changing the landscape and companies start establishing fleet management practices. Once they are done with it, then regulatory frameworks start improving with easier and efficient VAT laws, entry tax and RTO laws. We foresee a used equipment industry that will mature and develop slowly on many levels, which will benefit our customers in future auctions.

**According to you, what are the major requirements for the healthy growth of the used equipment industry?**

Many companies in the industry are looking for ways to optimise their fleet management. By liquidating surplus equipment, companies are able to invest in

other business units. Better fleet management practices will help the growth of this industry. Companies investing in maintenance programs of their equipment will also directly benefit. Ensuring regular and periodic maintenance with genuine spare parts will improve the value of the used equipment.

**We understand that in the developed markets, there are certification processes in place to determine whether used equipment is worthy or should be certified as scrap. What is the scenario here?**

In India there are no specific certification processes. However, in every country, different rules and regulations apply, which we always follow. At every Ritchie Bros auction, interested buyers are encouraged to inspect, test and compare the equipment. Everything we sell is sold as is where is, so people know exactly what they are bidding for. At our auctions, there is no certification process in place and we follow the same rule throughout the world wherever we conduct auctions. Once buyers are encouraged to inspect the equipment before buying, then there is no need for any certification.

**What are the issues facing the import of used equipment into India?**

Every country has its own import rules regarding declarations and import duties. We at Ritchie Bros always follow the rule of the land. Once one follows the rules, there are no issues at all. The only challenge we find sometimes is on determining the value of the consignment before the auction. As our auctions are unreserved and value is determined only at the time of auction, paying customs duty on ad hoc valuation at customs sometimes become a challenge.

**How do you view the future of the used equipment industry in India?**

Used equipment is likely to become more popular, as the construction and infrastructure market is maturing. Our unreserved auctions provide a system that helps companies manage their equipment fleets in the most efficient way whether they need more equipment for their projects or they need to turn their surplus equipment into cash.