

Shop for trucks at Shriram auto malls soon

by [Yogendra Maity](#) on September 3rd 2010 and filled under [Railroads](#)

MUMBAI: You wouldn't expect a truck financier to get excited about planning a beauty pageant. But R Sridhar, MD of Shriram Transport Finance, is organising not one, but 60 of them. Only, there won't be any long-legged models, but used-trucks rumbling down the ramp. Come October 2010, a 3-4 acre auto mall, with a gallery to accommodate 250 bidders and a yard to house hundreds of refurbished trucks, will spring up on the outskirts of Chennai. "Every vehicle will be shown off like a bride," says Sridhar. A quick-fire auction, even as the truck rolls down the ramp in the gallery, will decide who drives it home. Sixty such malls will come up by 2013, drawing 1.5 lakh customers to the auctions, the company hopes. Of the 5 million trucks on India's roads, 1.5-2 million are traded every year. But the price discovery process is haphazard. Most small truck buyers have neither bank accounts nor loans from financial institutions. These malls will help create an efficient and transparent market for pre-owned trucks. Shriram Automall India, the subsidiary that will set up these malls, will earn 0.5-1% from every transaction. Shriram Transport Finance, the parent, will grow its business by funding these purchases. The project is yet another of Shriram Transport Finance's many innovations that have helped it grow its assets under management 12-fold in 11 years to over Rs 30,000 crore. Earlier, in the late nineties, it had pioneered the "securitisation" route to woo large banks like Citibank and Axis Bank into funding truck sales. It put in place a unique cash management system that now sees Rs 700 crore repayments being collected from truckers every month. Shriram then developed products like insurance and credit cards for small-truckers, once considered untouchable by financiers. Later, it found partners in PE firms that funded its growth, the first truck-financier with such an arrangement. Recently, it gave up its 28-year implied policy of no lateral hires to carefully induct fresh talent to expand its product portfolio. "Road transport is the backbone of this economy, and 75% of goods are carried by small trucks. So we wanted to fund them," says Sridhar. "What has become a buzzword today - financial inclusion - we have been doing for the past 30 years." Balraj Singh (35), who owns 10 trailers and trucks, is testimony to it. Eight years ago, when he was a truck driver, he got introduced to Shriram Transport through a relative, and secured a Rs 8-lakh loan. From earning Rs 50,000 a month back then, Singh currently earns nearly Rs 5 lakh a month. Shriram manages Rs 30K cr Started in 1979, Shriram Transport Finance took two decades to build because it was adamant about funding small-time buyers of used trucks, a segment shunned by other financiers. But from 1999 onwards, its business witnessed dramatic growth. Its market capitalisation (m-cap) of Rs 500 crore in 1999 has moved up to Rs 16,079 crore. In 2006, Shriram had an m-cap of Rs 1,966 crore. Rival Mahindra and Mahindra Financial Services had Rs 2,003 crore. But now Shriram is way ahead of Mahindra and Mahindra Financial (Rs 5,782 crore). From managing assets worth Rs 2,500 crore, 11 years ago, Shriram today manages Rs 30,240 crore of assets. Mahindra and Mahindra Financial manages Rs 10,400 crore while Sudaram Finance manages Rs 16,053 crore. Risk-free funding When it started out, Shriram had the customers to lend to, but not the money. For other traditional lenders, it was the opposite. Besides, Shriram was dealing in used trucks and with smaller operators, its peers were funding medium and large truck owners with only new vehicles. Shriram was perceived as a company that dealt with risky assets, and rating and funding agencies kept safe distance, says Sridhar. In 1999, when large multinational

companies entered India, Shriram approached lenders like Citibank, GE and ICICI Bank. Most MNCs were looking to grow their retail portfolio in India and Shriram, with its vast network of truckers, presented an opportunity. Citibank's subsidiary, Citicorp Finance, agreed to partner with them.