



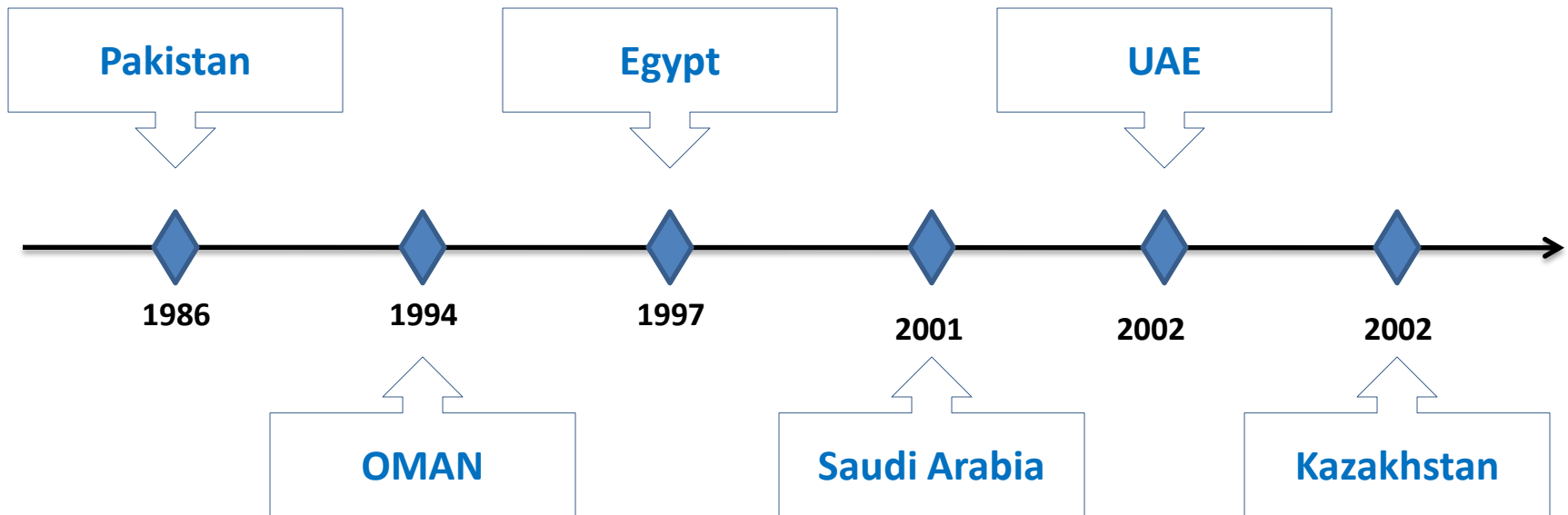
Saudi ORIX Leasing Company

Leasing - Small & Medium Enterprises

ORIX leasing – world wide

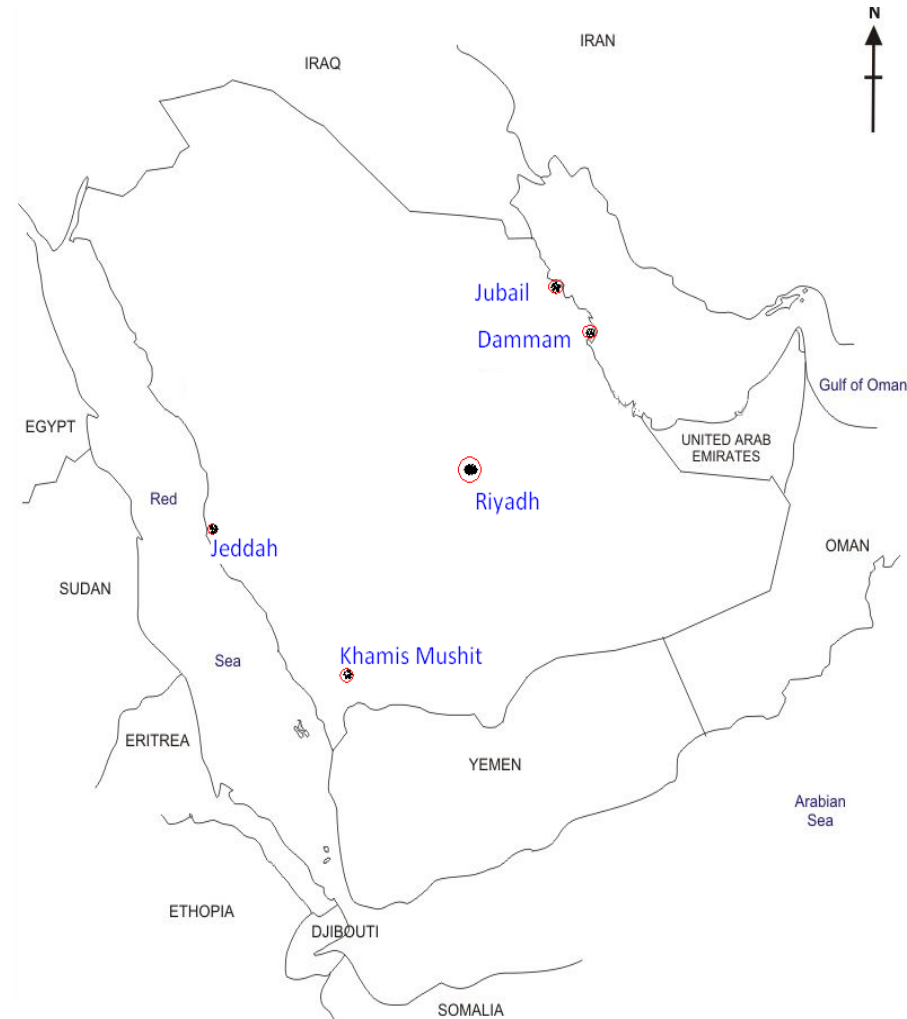
- **ORIX started leasing in Japan in April 1964**
- **ORIX ; Pioneer in leasing in Japan and number of other Asian countries**
- **Listed on New York Stock Exchange**
- **Presence in 27 countries across the globe**
- **ORIX is made up of 731 consolidated subsidiaries and 97 affiliates; operating across 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**

ORIX leasing – MENA Region



ORIX leasing – Kingdom of Saudi Arabia

- **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**
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- **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

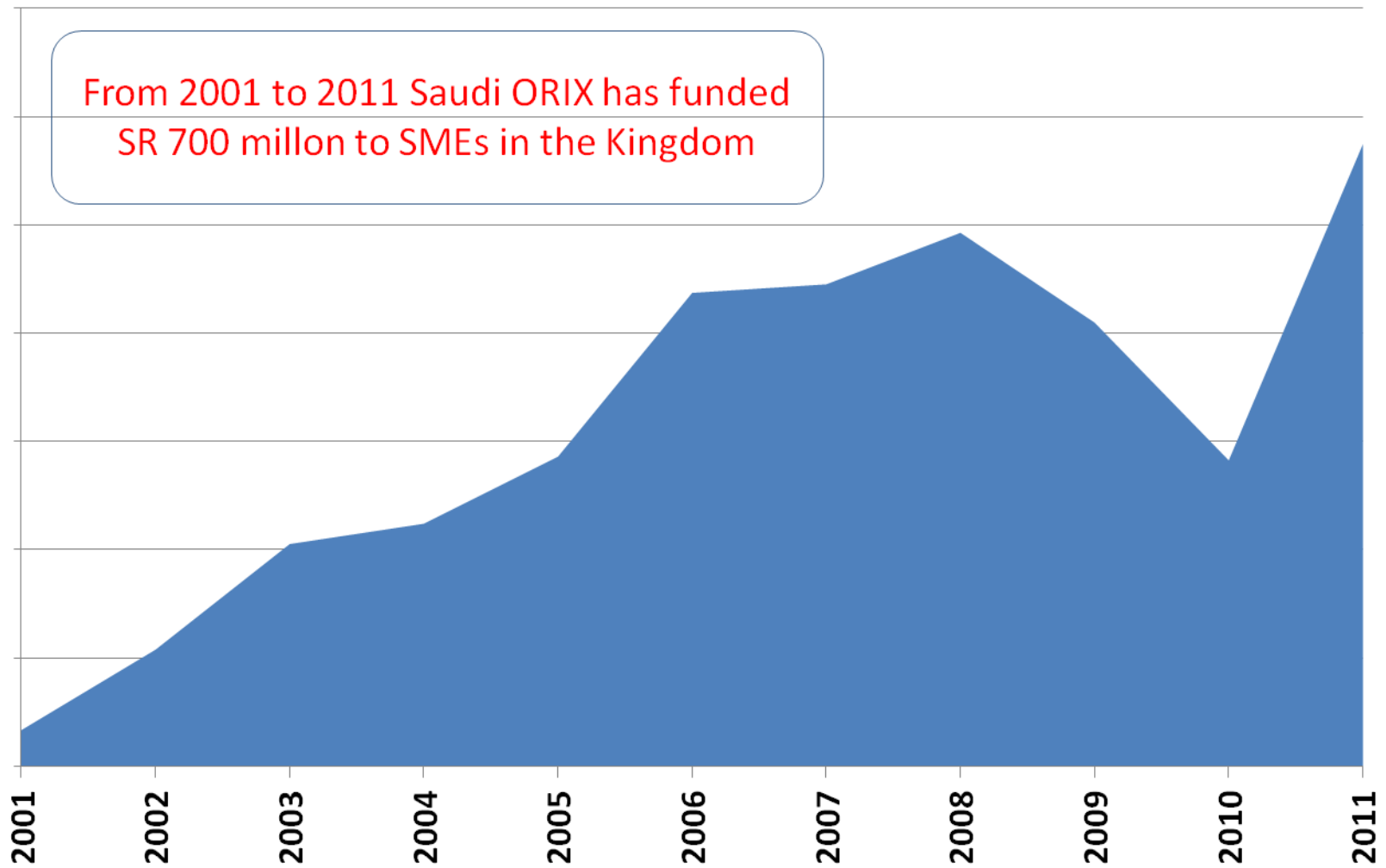
- **Macro Perspective**

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

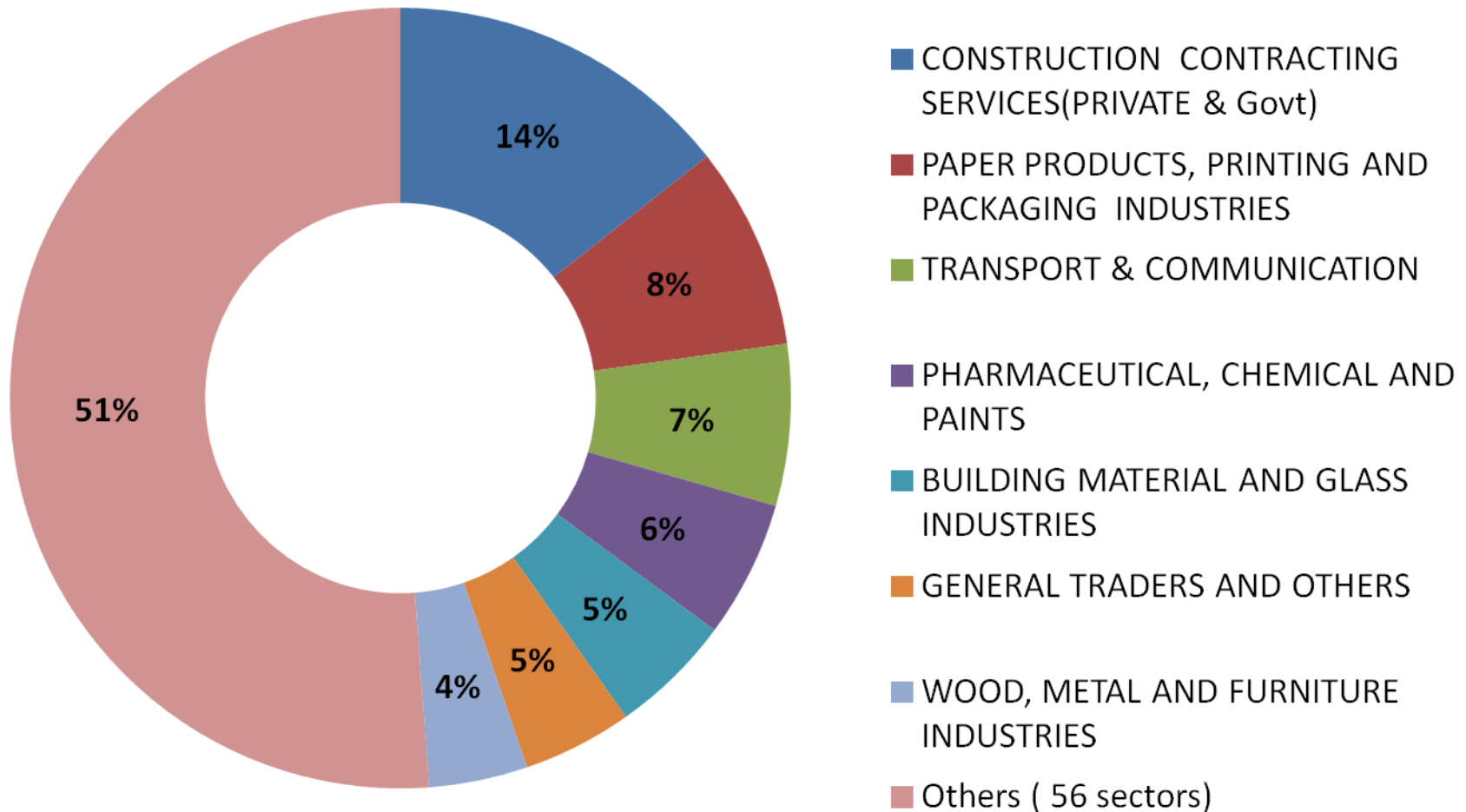
- **Benefits for an SME**

- Simple documentation
- Tax benefits (in some economies)
- Working capital facility (sale & leaseback unlocks capital)
- Medium terms finance (usually 3-5 years)

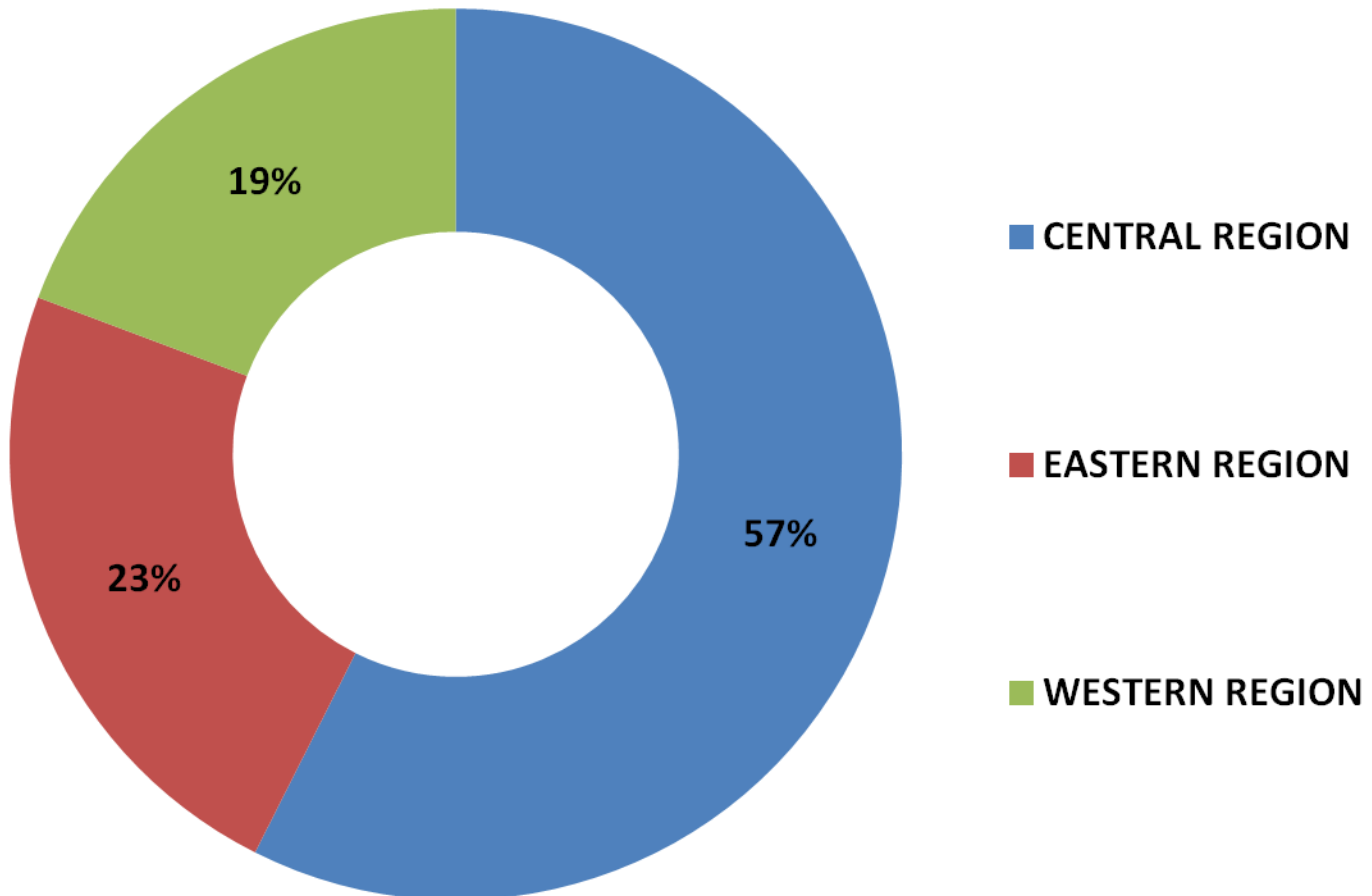
Saudi ORIX – SME annual funding trend



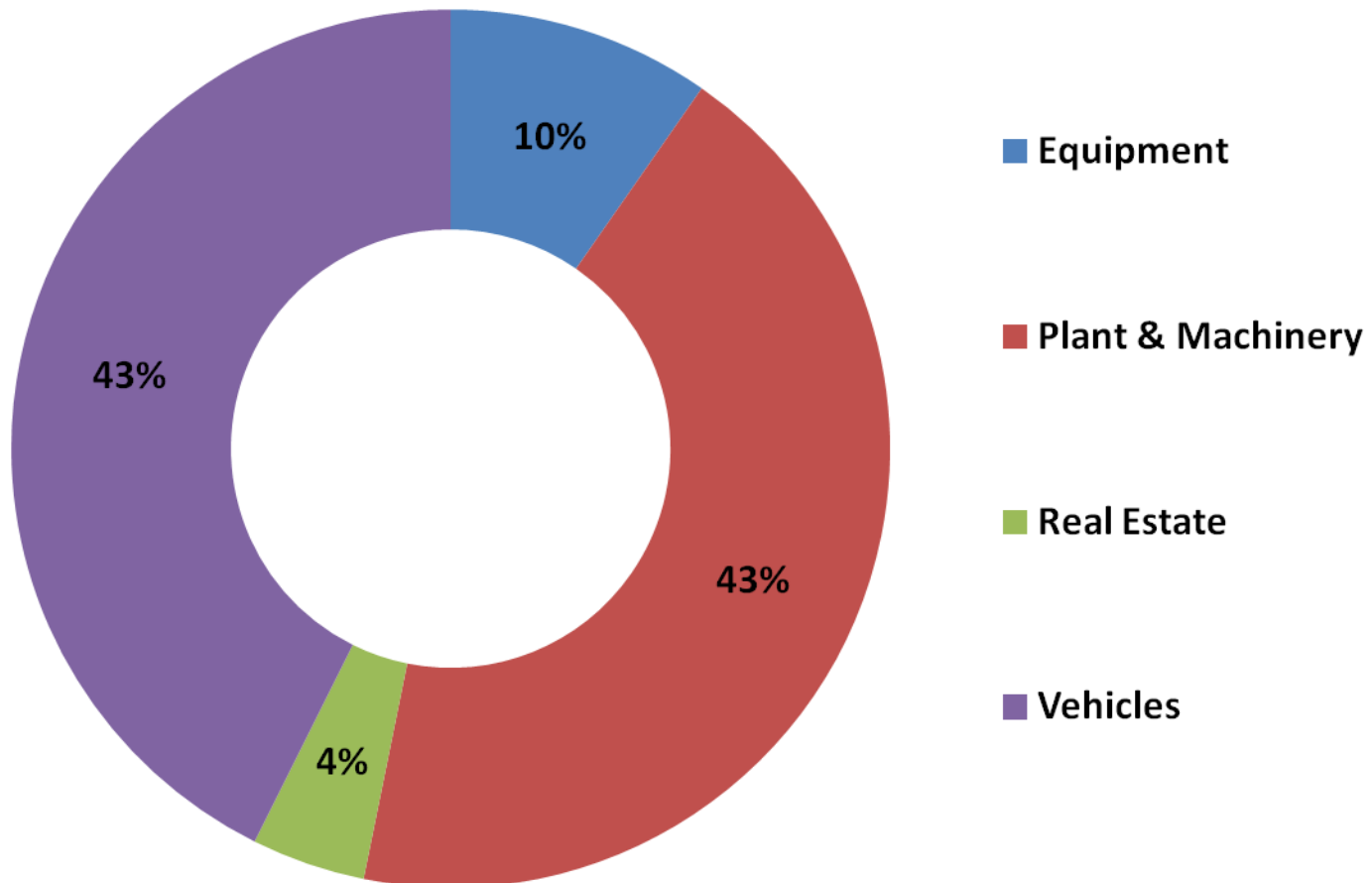
Saudi ORIX – Sector wise funding



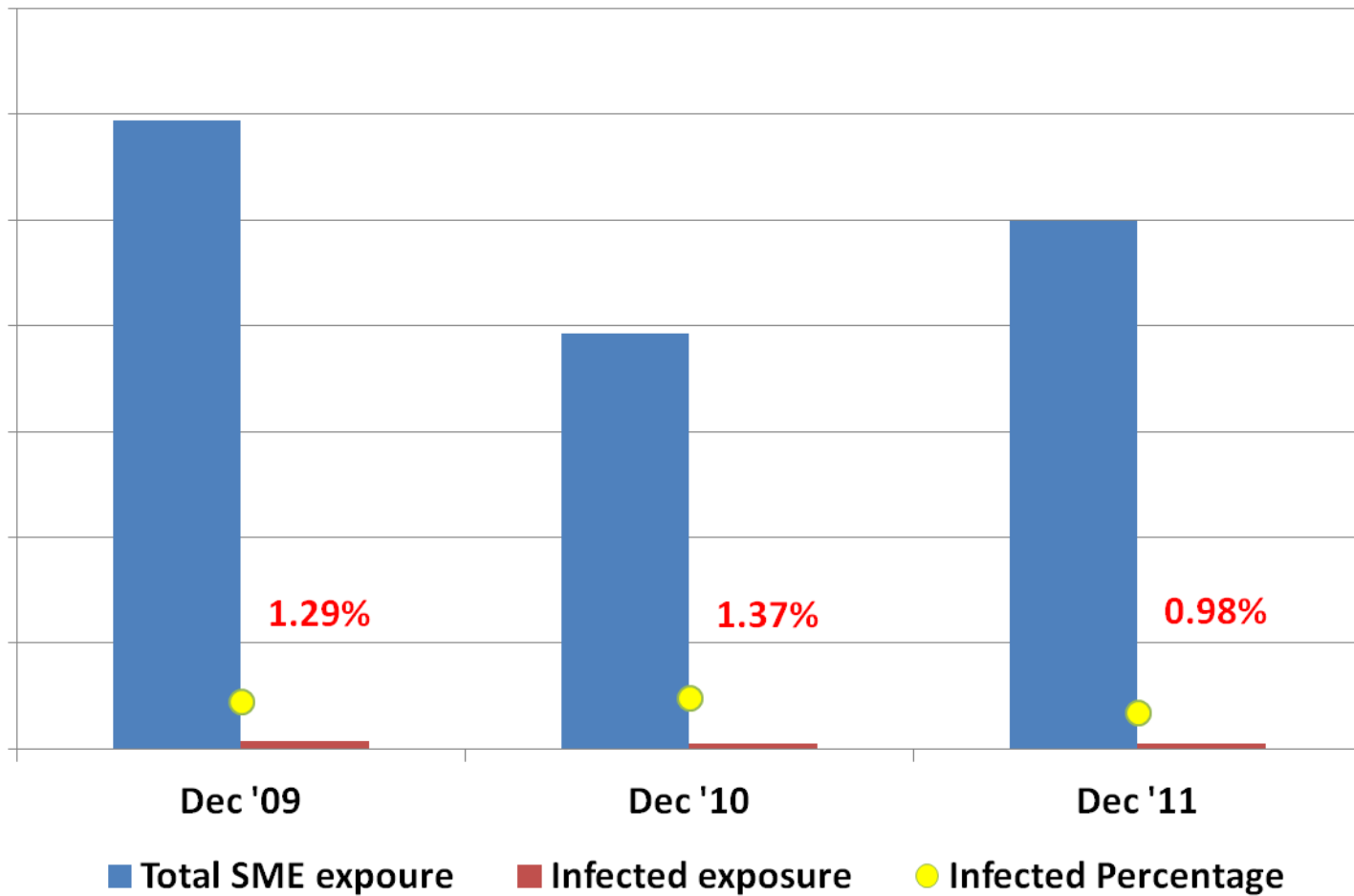
Saudi ORIX – Region wise funding



Saudi ORIX – Asset class wise funding



Saudi ORIX – SME Portfolio Health



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