

German Desk at Panin Bank: Leasing solutions for German/European equipment

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In Indonesia, purchasing departments are now more often requesting leasing solutions from their suppliers as an alternative to own bank financing.

Despite the increasing demand, equipment manufacturers and their customers often struggle to find and offer such leasing solutions. The reason being that most finance companies strictly look at the resell or secondary market value of the leased goods. Products like passenger cars, trucks or standard construction equipment are painless as these can be easily offered on the livelier secondary markets. Hence, the risk can be managed in case the lessee cannot pay any longer the monthly rates and the finance company has to repossess the goods. Conditions change for specialized products with limited secondary market such as packaging machinery, food processing machinery or tailor-made equipment. If the finance company cannot resell the repossessed goods, it will suffer losses.

This is where the German Desk comes into the picture. Established in cooperation with the Panin Group, the German Desk has access to the three Panin related finance companies that specializes in leasing: CLIPAN Finance, Verena Finance and IJB Verena Finance. Each caters to a specific market segment and sets their own focus. The German Desk role is to direct inquiries from Indonesian buyers to one of the three entities and facilitate the arrangement.

The facilitation is required in particular when goods seem to have limited secondary markets while finance companies need to be convinced to look into such cases and evaluate the business proposal. Key argument towards finance companies is the trustworthiness of manufacturers and its local representatives in Indonesia. They should already have similar equipment in the market, provide after sales services, training and spare parts, or an intent to do so in future. In case of a credit default, there is an understanding that manufacturers or sales agents are supporting the finance company to resell the goods in any appropriate form such as by offering the equipment to their other customers.

Thus, the finance company needs to know the seller and furthermore develop a relationship with them. The German Desk initiates and facilitates the dialogue between manufacturers and the finance company with the objective of creating trust between the leasing company, the seller and its goods with financing needs.

To initiate the dialogue, three minimum requirements must be fulfilled: most important are acceptable Audited Financials for the last three years. The second requirement is good company standing. The third is a profound business model.

Arguments that speak in general for leasing instead of bank financing are:

- Diversification of funding for the customer as he is not only dependent on his existing banks which all have a certain limit/risk appetite not only for each customer but also on industries
- Leasing companies will only take the leased goods as collateral whereas banks ask typically additionally for other collateral such as land and building
- Banks often prefer to finance shorter term working capital such as inventories and receivables and are not so keen on long term lending for equipment
- Leasing has tax advantages as it can shorten the depreciation time for the equipment
- Repayment rates can be more flexible and tailor made and can also support tax planning
- Leasing is OPEX and not CAPEX which makes the investment process sometimes internally easier
- The self financing (typically 10-25%) is often lower than with bank financing

For more detailed discussion on this topic, please contact the German Desk at PaninBank, Mr. Volker Bromund at volker.bromund@prime-consultancy.com 