FINANCE

On a solid footing

Over the last two decades, Muscat Finance Company has carved a niche for itself in the non-banking finance sector and has contributed to the development of the Sultanate through its extensive branch network, tells **Ajit Engineer, CEO,** to Muhammed Nafie

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stablished in 1987, Muscat Finance Co (MFC) is promoted by prominent business houses, vehicular distributors, banks and insurance companies in the country. During the 23 years of its operation, the company has pioneered the concepts of hire-purchase financing, equipment leasing, debt factoring, working capital financing and consumer durable financing in the Sultanate. Over the two decades, it has established an enviable reputation, maintained its track record of uninterrupted profits and dividends and set records in terms of balance sheet build-up and profitability.

“We have been here for 23 years going through almost six to seven business cycles. We have carved a niche in an industry that is extremely competitive with all six fairly capitalised non-banking finance companies (NBFCs) aggressively seeking a share of the market,” says Ajit Engineer, CEO, MFC.

Engineer, who joined the company in 1992 as finance manager and served in various capacities to become a valuable part of the company’s remarkable success story, recalls how MFC has played a significant role in the development of the country and its people. “People who have been with us since 1980s continue to grow with us. Many people who have launched small businesses have grown with MFC. There are a lot of small and medium business houses who are doing extremely well today. A number of companies associated with us are prospering very well.”

Though headquartered in Muscat, MFC has an extensive branch network across the country which enables it to employ young Omani nationals from the interior as well as provide a close inter-face with local customers and business associates. Six branch offices at Barka, Sohar, Sur, Salalah, Ibri and Nizwa coupled with well-trained and skilled employees enable the company to serve customers in the interior and offer excellent dealer support and credit follow-up.

**Conservative and cautious**

MFC has continued its cautious approach in asset build-up and its balance sheet has grown from RO69mn in 2008 to RO82mn in 2010. “The performance has been extremely satisfactory given the difficult period experienced by majority of the business during the last two years. Pursuing a conservative approach, we have planned to grow both the assets and profits moderately in the year 2011,” says Engineer. He exudes confidence saying that the company is looking to achieve its objectives by implementing a strategy comprising of an improved customer service, dealer and client responsive marketing, selective recruitment of additional service staff and various special schemes and promotions.

Elaborating on the leasing industry in the Sultanate, Engineer reveals that the industry’s asset base comprises of approximately RO530mn amongst the six NBFCs. Apart from six licensed financial institutions, there are local commercial banks who offer personal finance products and SME financing schemes which are complimentary to ours. They, in addition, constitute the major providers of funds to the NBFCs.

“The suppliers of equipment and automobiles act as distribution channels for finance. Some of them also offer in-house finance, and are, both, a source of business referral and significant influencers of customer behaviour. With the six NBFCs, commercial banks and vehicle distributors, the market is extremely competitive. MFC has successfully withstood this competition and delivered superior results over the last 23 years,” avers Engineer.

**Brighter prospects**

He says that since Oman is a growing economy there is substantial requirement for infrastructure development and the need of capital requirements which are partially fulfilled by banks and nonbanking companies. According to him, a plethora of welfare measures recently announced by the government which include creation of 50,000 additional jobs for Omani nationals and various infrastructure spending constitute twin benefits for the NBFCs.

“Everybody should take this in a positive manner. I envisage huge opportunities and brighter prospects for growth in the long run. The coming years could see an upswing in the economic activity as these measures could give more impetus for growth. All these welfare measures and infrastructure spending will help increase the purchasing power of people and this will create demand for equipment and vehicles translating into great opportunities for NBFCs,” says Engineer.

**Diversified services**

MFC introduced ‘Debt Factoring’ services to support the SME sector. ‘MFC Debt Factoring’ is a post sales financial mechanism which has helped many SMEs to bolster their cash flow and grow their business at will. Debt Factoring comprises a portfolio of services such as instant financing up to 70-75 per cent on the credit invoices, sales ledger maintenance and debt collection services. In 2002, Muscat Finance launched ‘Working capital’ facilities to cater to the growing pre-sale working capital requirements of SMEs, who provide supplies/services to corporates and Government Institutions. “MFC ‘Working capital’ scheme is an ideal financial mechanism for SMEs and midsize corporates to execute their work orders on time. It includes non-fund based guarantees, performance bonds etc., and working capital term loans for smooth execution of the projects. The demand for these products has been growing consistently and the business contribution from these products is over RO 10mn,” describes Engineer.

MFC’s Business Continuity Plan (BCP) comprises procedures to be carried out in the event of a major incident affecting its operations. The advantages of BCP are to minimise the impact that an incident can have on the on-going business services provided by the company and allow for the efficient resumption of critical business processes/functions in the wake of any incident rendering the head office facility inaccessible. It also provides guidelines on actions to be taken in achieving the continuity of operations. These aspects are comprehensively listed and consolidated into a document so that the information is easy to maintain and implemented by users. MFC has placed the BCP site at its Barka branch with adequate back-up equipment to resume services in case of any break-down at the headquarters.

MFC also has a Disaster Recovery Site (DRS) facility, a secondary site where data is replicated simultaneously through leased lines, to run the operations in case of a major disruption in the primary site located in MFC head office, thus providing a pre-planned response to catastrophic events. “MFC has located the DRS at its Nizwa branch with a powerful server from where the normal activities can be resumed.

The advantages of this site is to provide an organised and consolidated approach to manage IT response and recovery activities following an unplanned incident or interruption, thus avoiding confusion and reducing exposure to business interruption. It also helps to recover the applications and services supported by IT department in a timely manner,” explains Engineer.

During the last two years, apart from introducing BCP and DRS, the company has successfully completed a Rights Equity Issue of RO4mn to increase the capital in compliance of regulatory requirements. Some of the important measures it has recently implemented include an employee grading exercise and a customer-relationship management software. Besides, it has conducted corporate get-togethers with active participation from business associates.

