

MSMEs' demand for capital on rise as they stock up for festival

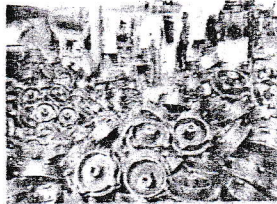
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NBFCs and fintechs are seeing a jump in MSMEs' demand for working capital as the units build inventory to meet higher sales in the first 'normal' festival season post Covid.

"The retail community expects consumer demand during the festival season to be at pre-Covid levels. MSMEs tend to stock inventory pre-festival, for which they need short-term working capital," said Amit Mande, chief revenue officer at UGRO Capital.

CREDIT DEMAND

Manish Lunia, co-founder of Flexiloans.com, said the platform is doing 1.5 times more business, having received more than 1.75 lakh leads this month versus the average of 1-1.2 lakh.



OPTIMISTIC. The retail community expects demand during the festival season to be at pre-Covid levels

As much as 55 per cent of these are from Tier-2/3 towns, he added.

MSMEs typically take short-term loans and lenders assess them based on data such as volume of e-commerce sales, receivables, and overall sales trends.

Credit demand is mainly for supply chain and merchant finance, particularly in retail segments like textiles and apparel, e-commerce and mobility solutions. The food

segment is also seeing strong demand as the festival period is coinciding with the harvest season, according to Debarshi Dutta, co-founder and CEO of Ayekart.

E-COMMERCE SALES

Strong demand e-commerce festival sales are increasing the business for product suppliers and service providers such as logistics and distribution partners, industry players said.

"E-commerce sales are expected to hit \$12 billion. We disburse ₹1,000-1,200 crore working capital monthly, but now it is up to ₹3,000-3,500 crore," said Ram Kewalramani, co-founder and MD of CredAble. Lunia of Flexiloans said there has been a 300 per cent surge in leads via the e-commerce ecosystem, which is expected to translate into a three-fold jump disbursements.