



Tradia Steel (Pty) Ltd.

Reg no. 2017/269678/07
Level 2 B-BBEE

RENTAL FINANCE

Cash-flow is king

Tradia now offers rental asset finance to companies in South Africa, financed by well-known and registered financial institutions, with every transaction.

Problem

In tough times, customers are looking to manage their cash flow. Buying expensive equipment can slow down cash flow.

Solution



We provide a cash-flow friendly rental solution to qualifying customers.

Tradia's equipment finance solutions ensure that our clients' cash flow does not have to depend on the life of their equipment. Clients are able to keep working capital intact and avoid large initial cash deposits, benefit from flexible and customisable finance options and leverage the tax benefits of instalment or lease payment plans.

Tradia offers the rental of equipment such as security, information and communication technology equipment. Financed transactions typically range from R20 000 and upwards.

Buying expensive equipment can slow down cash flow. We offer a rental solution that increases cash flow. What is more, as a client, you can upgrade more often at a lower cost; benefit from an annual tax deduction without requiring capex approval; keep working capital intact; and pay monthly fees that are only a small percentage of the upfront price.

What is an Operating Rental?

An Operating rental is a **cost-effective** way of allowing a client the use of an asset without having to outlay the full purchase price upfront. This allows the client to retain cash for working capital needs.

Why an Operating Rental?

A Rental Agreement allows the client:

- The means to **structure a payment** plan to suit the company's **cash flow** requirements.
- **Avoid time consuming administration** such as fixed asset register and depreciation schedules.
- To **keep long term borrowings down**, as rentals are reflected as an operating expense on the Income Statement and not the Balance Sheet.
- To **claim VAT back on the monthly rentals**.

Benefits of an Operating Rental:

The Operating rental provides the following benefits:

- **No Deposit** is required, thus reducing your initial capital outlay
- Working capital remains intact and **no deposit** is required.
- Rentals are **100% tax deductible as an operating expense**, therefore minimizing income tax obligations.
- **VAT is not capitalized upfront** but rather paid monthly with each rental.

- VAT on the rental will be **regarded as input VAT** and may be claimed against any output VAT collected.
- Opposed to other funding methods, you will not be using your credit facility with your bank.
- Rentals may be shown as an operating expense and is not reflected on the balance sheet. (**Off balance sheet finance**)
- Can upgrade during the duration of the agreement.
- Purchase of cutting-edge technology is facilitated
- Initial monthly rental fees can be reduced by applying an annual escalation, supported by the additional turnover generated by the equipment acquisition.
- Rental implies not only that cash outflows are minimised, but that they become predictable, thereby enhancing the reliability of the firm's business plan.
- Existing credit lines are unaffected.

Rental Insurance gives end-users:

- A competitive and hassle-free way to insure their newly rented items.
- Immediate cover of rented equipment upon commencement of the agreement.
- Less hassle by dealing with one point of contact to ensure that the rented equipment is safe.
- The entire process is handled in-house, meaning that the authorisation of repairs or replacement and payouts in the event of theft or damage, is much easier.



Product Comparison

Rental	Financial Lease	Cash
May Escalate instalments to suite client.	Structured payments.	Capital outlay upfront reduces working capital.
VAT payable monthly and is regarded as Input Vat and written off against any output Vat collected.	The full VAT portion is claimed from SARS upfront.	The full VAT portion is claimed from SARS upfront
Interest calculated on cash price before VAT.	Interest is calculated on the cash price including VAT.	No interest payable
The full rental is 100% tax deductible monthly.	Depreciation is the only benefit that reduces the income tax payable. You cannot write off the payments as a tax deduction	Depreciation is the only benefit that reduces the income tax payable.
No Capex approval required.	Capex approval required for purchase of equipment.	Capex approval required for purchase of equipment.
Off-Balance Sheet. Operating expense in the income statement. No claiming of wear-and-tear allowances (depreciation).	Appears on the client's financials as an asset. Client claims wear-and-tear allowances (depreciation) according to SARS tax tables.	Appears on the client's financials as an asset and the relevant depreciation must be provided for.
Interest rate not disclosed.	Interest rate not disclosed but is available on request	N/A
No deposit is necessary.	Deposits are negotiable.	Capital outlay upfront.
Does not affect 'equity ratio', 'current ratio' and 'return on assets ratio' on financial ratio analysis.	Affects 'equity ratio', 'current ratio' and 'return on assets ratio' on financial ratio analysis.	Affects 'equity ratio', 'current ratio' and 'return on assets ratio' on financial ratio analysis.
Option to upgrade equipment is available	Existing deal must be settled prior to upgrade	N/A

Renting Options:

Periods of rental:

- 24 Months
- 36 Months
- 48 Months
- 60 Months

Options of annual premium increase:

- 0%
- 5%
- 10%
- 15%

Credit Vetting Documents we need from you:

1. Company **letterhead**,
2. All signatory's (member/s or director/s) **ID's**
3. **Proof of bank**: Cancelled Cheque/ bank statement/ letter from bank
4. **6 Months Bank Statements** - DO NOT have to be stamped
5. **Latest Financials** (credit might ask for *management accounts*)



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