



The array of opportunities found in the leasing industry

By EVANS ONGWAE >>> eongwae@ke.nationmedia.com

Many firms fail to consider equipment leasing because they lack an understanding of the advantages. Even those who do consider it frequently do not know how to maximise it.

On the other hand, many lessors overlook obvious opportunities for profit because of a limited view of equipment financing.

Both parties need the legal, financial, tax, accounting, and business backgrounds and tools essential to evaluate, negotiate, advise on, and document successful equipment lease transactions.

Today the equipment leasing industry plays a major role in the financial community.

A user can lease virtually any type of equipment on a variety of terms.

There are numerous financial and business reasons for a prospective lessee to lease rather than to buy. Leasing is also particularly attractive to equipment users who cannot take timely advantage of the depreciation deductions.

Any equipment user is a prospective lessee. The users can range from multinational corporations, to sole proprietorships.

Any firm in the financing business can be a potential lessor of equipment.

Because of the competitive nature of equipment leasing and the expertise required, however, only certain types of organisations are active in the leasing market.

Independent leasing companies provide a major source of equipment lease financing.

Because leasing is their principal source of revenue, independent leasing companies must be extremely aggressive.

Finance leasing companies—lessors of millions of shillings of equipment each year—operate in much the same manner as banks or other financing companies. They do not maintain an equipment inventory, but, after agreeing on a lease with a lessee, they buy the specific equipment needed for the lease. The lessee orders and receives



Laikipia Governor Ndiritu Muriithi, centre, inspects leased machinery in Nanyuki town moments after receiving them on May 25, 2021. - JOSEPH KANYI

the equipment from the vendor. When it arrives, the finance leasing company pays for it, takes title, and leases it to the equipment user.

Finance leasing companies typically write leases, called finance leases, that run from 70 to 80 percent of the equipment's useful life. The total amounts received under these leases,

including the rents payable and the equipment residual value proceeds, are usually sufficient to provide lessors with a full return of their equipment investment and a profit. If the equipment purchase is leveraged with third-party debt, then the rents will generally be enough to cover the full repayment of the debt.

Service leasing companies provide non-financial services to lessees in addition to the equipment financing. Services may include equipment maintenance and repair or advice on the equipment's operation and design.

Service lessors typically limit their activity to a single type of equipment, such as computers, or to a single type of industry, such as the mining industry. The intense experience gained through the specialisation enables them to reduce many leasing risks. For example, because lessors frequently handle used equipment, they know how to deal efficiently with equipment when it comes off lease, which in turn reduces their re-leasing or sale risk. Because of that reduced risk, they can offer attractive lease termination or equipment exchange privileges.

Many banks are actively involved in equipment leasing.

They usually are lessors in net finance leases because of regulatory requirements and because those leases provide the least risk and most similarity to their lending activity.



WHY RENTWORKS?

As the leading independent leasing company in Kenya for close to two decades, we have proven ability to help businesses achieve their goals, earning us a strong reputation as the preferred asset finance partner.

Our philosophy is centred on the notion of discouraging the outright purchase and ownership of depreciating assets. Such assets are better acquired through our flexible leasing arrangements.

THE BENEFITS OF LEASING:

Protects your cash flow & Save Money: Leasing allows you to acquire much-needed assets fast, without having to spend the money upfront. This helps you maintain a healthy bottom line and preserve your cash for other, more urgent business needs. Leasing often requires no deposit as we offer 100% financing at reasonable monthly/quarterly payments designed around your needs and budget.

Tax Benefits: Lease payments qualify as an expense and are fully deductible on the equipment your business uses.

Bundled solutions: Leasing allows one to acquire numerous assets from different classes bundled into one package for your peace of mind and ease of doing business.

Stay Competitive: Leasing allows you access to the latest equipment and technology quickly and at an affordable price. This also helps your business avoid outdated equipment and easily allows for upgrades to newer equipment, unlike with equipment that is bought.

OUR SOLUTIONS

"The primary value of the equipment is in its use, not its ownership."



Straight lease - Obtaining the use of machinery, vehicles or other equipment on a rental basis. Ownership rests in the hands of the leasing company, while the business enjoys the actual use of it.



Exchange plan - The objective here is to give you complete flexibility and allow you to manage out those assets which no longer meet your requirements by exchanging them without increasing your costs.



Sale & Leaseback - Through this agreement, we can purchase your existing equipment and rent it back to you for your continued use.

BUSINESS UN-USUAL

Post pandemic, businesses are facing a dilemma when it comes to Capital Expenditures. Key decision makers are looking to postpone equipment purchases/upgrades due to limited cash reserves. Meanwhile, technological advancement means that entrepreneurs know of the opportunity cost in neglecting to invest in an upgrade – reduced productivity and obsolescence. The Solution? Leasing!

<https://www.rentworks.co.ke/>



Why leasing, not owning costly mobile assets, is a better option

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Discerning firms choose leasing as a medium-term financing solution to avoid locking up their capital in mobile assets. They save themselves the costs and hassles of maintaining the assets, say, industry experts, adding that leasing is the way for corporate Kenya to go.

The experts acknowledge, though, that the Kenyan society must overcome the cultural mentality of 'I must own' and appreciate that leasing, or 'pay-as-you-use' is a better option.

They point out that Western governments have embraced leasing and to have done so, they must have arrived at an informed decision.

The Government of Kenya embraced leasing, leading the way for corporate firms to follow.

A motor leasing expert says the monthly cost of leasing is always significantly less than the cost of buying. For the same car, price, terms and down

payment, monthly lease expenses are lower than servicing a loan. This is because you only pay for the portion of the car or truck that you use.

There are many types of leases available, each with its benefits. The most common ones in Kenya are the finance and operating leases.

In a finance lease, the lessee has the benefits and risks of economic ownership of the vehicle. In this lease, the lessor finances the cost of the vehicle and the lessee takes care of the maintenance and upkeep of the vehicle. In an operating lease, the lessor has the benefits and risks of owning the vehicle. Operating leases are normally structured such that the lessor shoulders the responsibility of both administrative and financing aspects of the maintenance, insurance and peripheral costs associated with the use of the vehicle. At the end of the lease term, the Lessee may have an option to extend the lease term, return the vehicle or purchase it at the prevailing market valuation rate, as is the case in Kenya.

On the other hand, a novated lease is an increasingly popular form of vehicle use over recent years in Europe. It is a concept relatively new but fast getting popular in Kenya. A novated lease is a three-way arrangement between the employee, the employer and the financier. The obligations under the finance lease are transferred from the employee to the employer through a deed of novation. The employer is responsible for making the lease payments to the financier.

This arrangement remains in force until the end of the lease term or until the employee ceases employment. Structurally, a novated lease combines many features of more traditional forms of vehicle leases to deliver some attractive benefits for the employees. The obligations to meet the repayments under the lease sit with the employer, with the employee salary sacrificing a portion of salary to cover the lease rental. A novated lease is structured as either a finance or operating lease.

Simba Leasing - a leader in the Kenyan leasing market

Simba Corporation is a fully locally owned diversified business group in existence for over 50 years, with presence across the country and operating from over 25 locations. Its interests span local motor vehicle assembly for several original equipment manufacturers, vehicle tracking, hospitality and financial services, including Hire Purchase and Leasing.

Simba Corporation and its subsidiaries exclusively represent distribution, sales and aftersales services for several of the world's most successful brands, including Mitsubishi, Fuso Trucks and Buses, Mahindra, Proton, Ashok Leyland, and SAME Tractors.

Simba Corporation pioneered leasing of vehicles in Kenya, way before the concept was adopted by the government of Kenya and other players in the market. We provide attractive and flexible vehicle leasing options coupled with high quality maintenance services to multinationals and local companies, individuals, and the government. For 20 years, we have excelled in providing innovative transport solutions in both the passenger and commercial vehicle segments.

In the period we have been operational, Simba Leasing has leased out over 2,000 vehicles in Kenya.

Simba Corporation prides itself on providing complete in-house transport solutions that include outright sales, hire purchase, long term rentals, leasing and pay as you go services.

Some of the advantages of leasing from us include:

- Cash Flow and Capital Freedom - Avoid trapping valuable capital by purchasing company cars, little or no down payment, lower monthly payments
- Times - Remain focused on your core business and leave us to take care of all your aftersales needs.
- End of Lease Option - Easy upgrade options at the end of every lease, no resale risk or obligation
- Flexibility - Tailor-made solutions to fit cash flow and business needs.

Simba Corp. growth evolved⁺

20 YEARS OF LEASING



- Wide Array of Brands
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IMPROVED ACCESS TO AFFORDABLE MOBILITY

RentCo Africa Leasing: A Sustainable Alternative to Promoting a More Efficient, Inclusive and Safe Public Transport System in East Africa

According to World Bank estimates, city residents on average spend an hour to travel to work and another 60 minutes commuting back home due to traffic congestion. In East Africa, public transport accounts for nearly eighty percent of motorized travel.

In Kenya, the matatu network has been an integral part of Nairobi's public transport for decades, providing an accessible transportation option to the vast majority of its residents. However, matatus being in the informal sector, have raised concerns including safety and environmental issues, dangerous driving patterns, poor working conditions, and corrupt business structures; subsequently increasing traffic congestion, air and noise pollution, and accidents.

A growing desire to tame city's congestion and improve overall transportation has prompted the development of The Bus Rapid Transit System (BRTS), which many developed and some developing nations have adopted and implemented successfully

among them, Curitiba in Brazil and New Delhi in India.

Bus Rapid Transit Systems in East Africa

Thankfully, Kenya, Rwanda, Tanzania, and Uganda have not been left behind and have demonstrated much interest in developing sustainable public transport systems. The major cities in these countries are currently implementing bus rapid transit (BRT) systems to improve public transport, and have also realized the urgency to strengthen walking and cycling facilities.

Lease Financing to Accelerate Realisation of More Efficient Transport Systems

Today Leasing is playing a major role in the modernization of the economy via technology transfer, efficient marketing, and production methods especially in the areas of transportation and primary processing.

Means of acquiring and financing transportation vehicles and systems



have evolved and savvy providers are now demanding more flexibility in the timing, terms, and commitment than traditional purchasing can offer, leading to an increased interest in leasing as an alternative source of finance.

RentCo Africa, the leading Leasing firm in Sub-Saharan Africa has financed 1,030 buses

Courtesy of a joint venture investment

by Kiira Motor Corporation (KMC), Tondeka Metro Company Limited, RentCo Africa Limited (RentCo), the formation of Tondeka Bus Transport Company Limited, a special purpose vehicle (SPV) for operating mass public transportation will see to the successful implementation of BRTS in Kampala and the Greater Kampala Metropolitan Area (GKMA).

This mega project is an off-bal-

ance-sheet financing (operating leasing), meaning the government shall have no direct liability in the operationalisation of the SPV, since the project takes the form of a public-private partnership.

The parties plan to produce and deploy 1,030 buses by the end of February 2022. Out of these, 50 will be electric for the Mass Transit Bus System (MTBS) project in the GKMA.

Collaborations with the Private Sector

In countries where public transport has been very successful, the private sector and the government worked together. This includes funding, working on projects like automatic cards, and employing people who work in the transport industry.

Recently, the Kenyan government revealed that private transport companies will now be tapped to manage the Bus Rapid Transport (BRT) system. Likewise, partnering with leas-

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KAMPALA TO ATTAIN A **DEPENDABLE** PUBLIC TRANSPORT THROUGH LEASING

Accelerating Sustainable Business Growth

Asset leasing specialists

Our Vision

To enable organizations (governments, non-governments and private) to overcome limitations on assets acquisitions and hence realize their objective by providing customized assets solutions to our; Enhancing the competitive advantages to our clients customers; enabling our employees and partners realize their potential; empowering communities in all markets that we operate in.

Our Mission

To provide exceptional clients experiences through a comprehensive suite of customized assets finance and supporting solutions that facilitates our clients' business process, support





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ing companies will accelerate the acquisition of the vehicles and scale up the numbers to increase the progressive impact of a more efficient public transport system to the economy.

A Closer Look at the Impact of Leasing on the Tondeka Project in Kampala, Uganda:

As part of implementing the BRTs, RentCo Africa endeavours to ensure that the existing paratransit industry is able to take part in the operation of the future BRT systems.

Tondeka Joint Venture will:

- Create over 10,000 jobs directly and indirectly, including but not limiting engineers, welders, painters, designers, architects, layers, accountants, economist, logistics and supply chain managers, auditors, human resources managers, sales and marketing personnel, drivers, stewards and cleaners.
- Improve passenger boarding and aligning times and

reduce overall waiting and travel times.

- Catalyse investment by small and medium enterprises in the manufacture of vehicle parts components and systems.
- Promote and catalyse the shift to environmentally friendly transport solutions, which will go a long way in improving sustainable energy consumption, safeguarding air quality and demonstrating the parties' commitment to enhance environment stewardship.
- Increase passenger comfort and safety
- Structured price strategies to reduce fraud and the unfair impromptu fare increments by other forms of public transport.

The aim of this public-private partnership strives to help modernize public transport in the urban centres and beyond, while building the indigenous motor vehicle industry through technology transfer and localization of auto parts manufacturing.

NCPB plays crucial role in food security, agricultural value chain

The National Cereals and Produce Board (NCPB) plays a key role in financially empowering farmers besides enhancing food security.

The NCPB implements the government policy on food security through maintenance of the national food reserves and market interventions aimed at providing farmers with an outlet and cushioning consumers from high maize prices.

The transformation of NCPB and the restructuring of Strategic Food Reserves (SFR) will promote agricultural marketing by entrenching the Warehouse Receipting System (WRS) and Commodity Exchange programmes and implementing the food balance sheet.

The WRS comprises a number of players such as warehouse operators, farmers or depositors and financial institutions that interact with one other through a series of processes.

How does the system work?

Farmers deposit the commodities in a certified warehouse. The commodities must meet the required quality standards as the regulatory body or national stan-

dards for that commodity stipulates. The warehouse operator issues a warehouse receipt stating the owner(s) of the grain, type and variety, quantity and quality deposited. The owner pays for storage and transport.

The warehouse operator guarantees delivery of the commodity described on the warehouse receipt and is liable for any losses incurred. A farmer/depositor who requires short-term finances can obtain an advance (credit), representing a percentage of the prevailing market value of the commodity from a bank using the warehouse crop as collateral.

He /she could then wait until such a time that the prices for the commodity improve in the market and proceed to sell the warehoused commodity. While the depositor has used grain as collateral, the sales proceeds shall be channelled through the bank to repay the loan taken and other charges are deducted before crediting the account of the depositor with the balance. A depositor who has not taken a loan shall get his/her full amount of the sales proceeds less the storage costs owed to the warehouse operator.

The NCPB has the largest network of public warehouses currently in the country with a total utilisable capacity of 17 million 90-kilogramme bags (about 1.5624 metric tonnes) located both in high production regions and in the major consuming areas. The facilities are capable of providing grain management services for both bagged and bulk commodities. It has expertise in grain handling matters gained over many years. NCPB has for a long time been associated with national food security matters by providing storage for the national food reserve and implementing government market intervention measures.

As a warehouse operator, the board will provide the full range of grain management services at affordable rates to depositors under WRS. It undertakes grain management services such as drying, cleaning, bagging, grading, weighing, storage/warehousing, fumigation among other services aimed at reducing post-harvest losses. It also secures storage facilities to farmers/depositors for holding their commodities until prices appreciate; hence better prices.



NATIONAL CEREALS AND PRODUCE BOARD

Leasing Of Storage/warehousing Space And Post Harvest Management Solutions



National Cereals and Produce Board (NCPB) is a state corporation established under CAP 338 of the Laws of Kenya. The Board trades commercially in grain, farm inputs and offers post-harvest services besides leasing out storage and warehousing space. The Board has warehouses that are suitable & regulator certified for grain storage and other long/short term warehousing needs distributed all over the country. NCPB is therefore inviting interested parties to lease stores that are convenient for them.

STORES IN THE FOLLOWING REGIONS ARE AVAILABLE FOR LEASE:

1. **Lake/Western Region:** Kisumu, Muhoroni, Awendo, Kehancha, Ntitaru, Nyansiongo, Muhuru Bay, Tamlega, Lugari, Webuye, Miyanga and Malava.
2. **Nairobi/Eastern Region:** Lunga Lunga, Thika, Kithimani and Konza
3. **North Rift Region:** Eldoret, Turbo, Lodwar, Kacheliba and Sigor
4. **South Rift Region:** Kirindoni, Kabarnet, Naivasha, Mulot, Ndanai and Kimalel
5. **Coast Region:** Voi
6. **Northern Region:** Ishiara, Sagana, Dol Dol, Mandera, Wajir, Kyuso and Nanyuki
7. **Unutilized bulk handling and storage facilities in:** Mau Narok depot, Kitale wheat silos and, Nakuru wheat silos.

The facilities are available for short and long-term leasing and are suitable for: Farmers co-operatives, Individual farmers, Non-governmental organizations, Government Institutions, Aid agencies, Traders and Millers.

B. GRAIN POST HARVEST MANAGEMENT SOLUTIONS:

We are also offering the following post harvest solutions at competitive rates:

- Drying
- Weighing
- Grading and Aflatoxin testing
- Clearing and forwarding
- Cleaning Services
- Fumigation and Pest Control
- Warehousing Receipt System (WRS)

For more information on the available storage space and applicable rates on the post harvest solutions, please contact:

The Deputy Manager, Services Marketing

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Email: service@ncpb.co.ke or send your correspondence to

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Nyumba ya Nafaka, Industrial Area, Enterprise/Machakos Road

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of Agricultural Commodities**