CHAPTER IV
SHORT PROFILE OF SELECTED LEASE FINANCING COMPANIES IN WEST BENGAL – CONTEMPORARY SCENARIO AND PERFORMANCES IN THE PAST

The following fourteen lease financing companies are covered in this study for analysing different issues related to lease financing.

LIST OF THE SELECTED COMPANIES

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In this chapter a report on self-analysis and self-evaluation by the respective companies will be presented with special reference to their
background, their business activities, sources of funds, quality certification, credit rating, performance, programme on diversification and future prospects. Besides this, the chapter also provides the major problems faced by the lease financing companies in West Bengal.

4.1. APEEJAY FINANCE GROUP LIMITED

Registered Office : Apeejay House
15, Park Street, 2nd Floor,
Kolkata – 700 016, West Bengal

Year of Incorporation : 1993
Ownership Group : Apeejay Group
Listed on : Calcutta Stock Exchange

Apeejay Finance Group Limited is engaged in providing full-fledged financial services, including lease financing, hire purchase, auto finance, merchant banking, project counselling and loan syndication.

The company has raised borrowed funds from bank and other financial institutions. In these days when finance companies find the going tough and a general loss of investor confidence due to defaults, preference shown by investors in mutual fund schemes and modest recovery of the stock markets, the company’s Fixed Deposit Schemes continue to be well received by the depositors. The company continues to maintain “Ind A+” rating indicating adequate safety for Fixed Deposits and has also received

Source : Annual Reports of the sampled companies from the year 1996 to 2001.
“Ind D1” rating indicating very high certainty of timely payment for commercial paper from Duff & Phelps Credit Rating India Private Limited (DCR India).

In the light of the evolving internet based business opportunities, Apeejay Finance has decided to amplify the objects clause of the Memorandum of Association to enable the company to carry out all its present financial business electronically through internet based trading mechanisms.

In order to enhance its market share, the company plans to spread its marketing reach to more cities in the coming years. The company has also decided to introduce certain value added services along with its Finance Schemes like issuing of Personal Finance Management Cards to all its clients, tying up with manufacturers for discounts on car accessories and tying up with service stations for discounts on servicing and overhauling jobs to car holders.

4.2. FIRST CUSTODIAN FUND (INDIA) LIMITED

Registered Office : 11, Camac Street, Kolkata – 700 017
West Bengal
Year of Incorporation : 1985
Ownership Group : Private (Resident – Indian)
Listed on : Ahmedabad Stock Exchange
First Custodian Fund (India) was incorporated on the 7th May, 1985. It has been promoted by the Radiant Cables Group in association with a team of highly experienced technocrats and professionals having strong administrative, financial and industrial background. The company is engaged in providing full-fledged financial services, including lease financing, hire purchase, project counselling and merchant banking. They have leased a variety of items viz., plant and machinery, generator office equipment etc. The company is very flexible in its operations and rental rates are decided on the basis of market practices, rather than any model.

The company has raised borrowed funds from banks and other financial institutions. For non-banking financial activities, the company will require larger resources to expand the volume of business. The company has identified the acceptance of corporate deposits apart from the credit limits from the bankers as the main fund mobilisation source. The company is also making necessary preparations for becoming eligible for raising deposits from the public after obtaining necessary permission from
the RBI. The company has tested the market and has received encouraging response from the constituents.

One of the important features of the company is its human resources comprising highly qualified and motivated professionals. The directors of the company admit that the staffs at various levels have contributed remarkably to the growth of the company.

4.3. HIMATSINGHKA AUTO ENTERPRISES LIMITED

Registered Office : 40B, Biplabi Anukul Chandra Street, (Princep Street), Kolkata – 700 072
West Bengal.
Year of Incorporation : 1985
Ownership Group : Private (Resident – Indian)
Listed on : Bombay Stock Exchange
Calcutta Stock Exchange

The company’s lease financing (of commercial vehicles) business was started in the year 1992 and its other areas of operation include hire purchase, auto-finance, money market operations and bill discounting.

It is revealed in its Directors’ Report that the company mainly accepts lease proposals on motor vehicles. Its major income derived from lease financing. Though loss-making companies are not considered for leasing, they do entertain companies which have just commenced business
and require large capital investments. Evaluation of the lessee is made mainly on the grounds whether there is any default record of the lessee. The company prefers individual customer for leasing. The method of payment of rentals varies according to the needs and may be quarterly in advance, monthly in advance or may be structured to specific needs. The company intended to look into new areas of leasing but it took time to establish firmly its credibility. However, every effort is being made by the company to improve profitability.

Financial services business is to a large extent dependent on several external factors such as Government / RBI policies and directions; state of the economy and industrial climate. All these have a bearing on the business and profitability of financial services companies. The management of the company feels that the path ahead continues to be one of great challenges.

4.4. MAGMA LEASING LIMITED

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<td>24, Park Street,</td>
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<td>Kolkata – 700 016, West Bengal</td>
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Magma Leasing Limited was incorporated on 18th December, 1978 as ARM Group Enterprises Private Limited and was converted into a Public Limited Company with effect from 30th October, 1980. For nearly two decades the company has been carrying on various business activities on trading and finance services. The company is enjoying a leading position in financial services in Eastern India. Viper Estates & Investments Limited and Magma Securities Limited continue to be subsidiaries of the company.

The company is concentrating on activities permissible to the non-banking financial company viz., lease financing, hire purchase, bill discounting, merchant banking, retail Financing.

With the continuous globalisation of the Indian economy, the directors of Magma Leasing Limited strongly foresee a lot of business restructuring taking place in the Indian market and during this period, the overall industrial buoyancy is not expected. The company feels that there is still a vast untapped potential in retail financing in the segment of commercial vehicles to passenger cars, consumer durables and also in the road segment because of lot of development work taking place in the said segment.
4.5. MCC INVESTMENT & LEASING COMPANY LIMITED

Registered office : Suraya House
3rd Floor, 9 Rabindra Sarni
Kolkata – 700073, West Bengal

Year of Incorporation : 1992
Ownership Group : Private (Resident – Indian)
Listed on : Bombay Stock Exchange
Calcutta Stock Exchange

MCC Investment & Leasing Company Limited was incorporated on 21st April, 1992. The company got SEBI registration as category III merchant banker with effect from 16th September, 1994. The company is engaged in leasing, hire purchase, merchant banking and short-term financing. The company has been promoted by Mr. P. C. Raisurana. The main source of funds for its leasing activities comes from public deposits, banks and financial institutions though it also uses its equity to fund it. The products leased include machinery, cars, computers, plant, office equipment. The choice of clients is mainly dependent on the credit rating of the lessee by CRISIL, ICRA etc., but individual in-house assessment is also carried out. There have been some cases of default with smaller companies but the large corporate houses are a safe bet. Generally they do not lease out to individuals.
There is a paucity of funds. For non-banking financial activities, the company will require the larger resources to expand the volume of business. But the Reserve Bank of India directives to non-banking financial companies (effective from January 1998) led to a situation where the company could not accept public deposits on the same scale as before, The fresh inflows from new deposits as also the renewal of deposits registered a sharp decline.

MCC Investment & Leasing Company Limited has been playing an important role in providing assistance for the transportation and other core sectors. The company is gearing up to undertake larger volumes of business in its existing lines of activity. As the financial services field becomes increasingly competitive, the company is streamlining its business procedures and augmenting its infrastructure to improve the quality of service to its customers and efficiency of its operations. It is also examining newer lines of financing business for diversification.

4.6 NICCO UCO ALLIANCE CREDIT LIMITED

Registered Office : Nicco House
2, Hare Street
Kolkata – 700001, West Bengal
Nicco Uco commenced its operations in the year 1984 and to-day its portfolio includes such diverse activities as hire purchase, corporate financing, hospitality, corporate advisory services, lease financing, serving 700 clients including blue chip companies through its branches at the four metros. It is engaged in leveraged lease with 78% of the capital requirements financed by UCO Bank, foreign collaborators like SG Hambros Bank Limited, Sanpalo Bank, Italy, International Finance Corporation, Washington and other financial institutions like IFCI, IIBI etc. Nicco Uco Alliance faces maximum competition from non-banking financial companies like Apple Credit Ltd., All Bank Finance Ltd., (a wholly owned subsidiary of Allahabad Bank) etc., but it will rely on its fast processing and its competitive rates. The recovery rate is also very high – close to 100%.

The company observed all the formalities relating to surveillance audit as prescribed by the Quality Assurance Services and hence continues to enjoy the status of an ISO 9001 Company. Consequently Nicco Uco
Alliance is actively looking into areas like import leasing and cross border lease. As part of its leasing activities, the company also imported capital goods to the tune of Rs 605.99 lacs in 2001.

4.7 NPR FINANCE LIMITED

Registered Office : 19 R. N. Mukherjee Road,
                   Kolkata – 700001, West Bengal
Year of Incorporation : 1989
Ownership Group : Todi Group
Listed On : Ahmedabad Stock Exchange
            Bombay stock Exchange
            Calcutta Stock Exchange

NPR Finance Limited’s lease financing activities were started in the year 1990 and its other areas of work include hire purchase, bill discounting, money market operations and lease financing of commercial vehicles. The commercial vehicle industry witnessed substantial downturn over the previous years level in terms of growth and overall performance. The economic condition of the country remained sluggish due to unusual developments in the stock market. Consequently there was a falling trend in the finance market. NPR Finance Limited has adopted and followed a conservative policy for its investment in business activities and consolidated its efforts more on recoveries.
As the leasing services have been brought under the service tax net, the new tax system is likely to force the downward trend for NBFCs to continue its operation. However the company has taken strategic initiatives aimed at repositioning itself to meet the challenges of the emerging competitive environment and is confident of achieving a healthy growth in disbursement and increasing its market share in the lease financing segment.

4.8 NUCENT FINANCE LIMITED

Registered Office : Pressman House
10A Lee Road
Kolkata – 700020, West Bengal

Year of Incorporation : 1983
Ownership Group : Pressman Group
Listed On : Ahmedabad Stock Exchange
Bombay Stock Exchange
Calcutta Stock Exchange
Delhi Stock Exchange
National Stock Exchange

In 1983, Nucent Finance Limited received authorisation from the SEBI as category 1 merchant banker. The Company has obtained the Corporate Membership of the Calcutta Stock Exchange and has promoted “Pressman Share & Stock Broking Services Limited”. The company is also
a member of the National Stock Exchange, both for the debt and capital market segments and has promoted "Pressman Finance Limited".

Nucent Finance Limited is engaged in providing full-fledged financial services, including equipment leasing, hire purchase, bill discounting, merchant banking, short-term financing. In recent years, Nucent Finance Limited has been facing some problems with the high cost of funds and outstanding debts. In 2000, the restructuring operations undertaken by the company with the objective of making the company debtfree yielded positive results. In 2001, the company has been able to arrive at negotiated settlements for retirement of debts with all its bankers and financial institutions.

Now, the company will be in a position to effectively decide its future plans after it settles all the outstanding debts pursuant to the restructuring exercise. The restructuring exercise has yielded positive results and the company has been able to substantially reduce its debts and the company's directors look to the future with a measure of confidence.

4.9 REGHAV INDUSTRIES LIMITED

Registered Office : Landmark Building, 5th Floor
228, A. J. C. Bose Road
Kolkata – 700020, West Bengal.

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Year of Incorporation : 1984  
Ownership Group : Private (Resident – Indian)  
Listed on : Ahmedabad Stock Exchange  
Bombay Stock Exchange  
Calcutta Stock Exchange  
Delhi Stock Exchange  
Jaipur Stock Exchange

The company accepts lease proposals on the products like plant and machinery, office equipment (including computers). The choice of clients is mainly dependent on credit rating but individual in-house assessment is also carried out. As a principle they do not lease out to loss-making firms but they do consider companies with weak financial positions as revealed in their balance sheets provided they are backed by strong business groups.

With the entry of banks in this field, the company tried to improve its service standards vis-à-vis banks, carry out efficient and quick appraisals and acquire flexibility to ward off the threat (posed by banks). The credit appraisal system of the company continues to be further strengthened and improved. The pursuit for continuously improving the appraisal mechanism keeping abreast of better market information carrying out detailed analysis in a systematic and scientific manner has contributed to the improvement of the quality of the asset portfolio.
The process of consolidation within the financial services sector would intensity enabling only the stronger player with a clear business focus to grow profitably. The future provides opportunities for growth but the competition will be intense. Raghav Industries Ltd. with its strengths like strong capital adequacy, skilled manpower, sound operating systems, larger customer base and distribution network, is well-placed to further consolidate its position in the industry. The company continues to emphasise the upgradation of technology, knowledge and skill levels within the company.

4.10 REGENCY INVESTMENT TRUST CORPORATION LIMITED

Registered Office : 109 A/1 – A Biplabi Rash Behari Basu Road, Kolkata – 700001, West Bengal
Year of Incorporation : 1988
Ownership Group : Kajaria Ceramics Group
Listed on : Bombay Stock Exchange
            Calcutta Stock Exchange
            Delhi Stock Exchange

Regency Investment Trust Corporation Limited (RITCL) was incorporated on 2\textsuperscript{nd} September, 1988 under the name and style of Cieco Exports Private Limited. In 1994, the name of the company was changed to RITCL and a fresh certificate of incorporation was obtained on 22\textsuperscript{nd} April,
1994. Overall managerial responsibilities for RITCL rest with Mr. Sunil Kajaria.

RITCL’s lease financing activities were started in the year 1994 and its other areas of work include hire purchase, underwriting, merchant banking and money market operations. The main source of funds for its leasing activities comes from banks, financial institutions and public deposits though it also uses its equity to fund it.

The operations of the company had been seriously affected due to acute liquidity constraints following the restrictions imposed by the Reserve Bank of India through new regulations on mobilisation of deposits by NBFCs and accumulated debts outstanding with several corporate borrowers. Such scarcity of funds brings the main activities of the company viz., hire purchase, short-term financing, leasing business to a grinding halt resulting in a sharp decline in income. Under such circumstances, greater emphasis is being laid on expeditious collection of outstanding debts through concerted efforts including legal recourse wherever necessary. The company is confident that such a drive is yielding some positive results.
4.11 SHRACHI SECURITIES LIMITED

Registered Office : Todi Manson
P 15, India Exchange Place Extension, 
Kolkata – 700073, West Bengal
Year of Incorporation : 1989
Ownership Group : Todi Group
Listed On : Ahemedabad Stock Exchange
Bombay Stock Exchange
Calcutta Stock Exchange
Jaipur Stock Exchange
Madras Stock Exchange

Shrachi Securities Limited started its operations in 1989 and to day its portfolio includes such diverse activities as hire purchase, bill discounting, financing of commercial vehicles. The company continues to strengthen its market share in its core business of leasing and hire purchase both by way of direct funding and borrowing from Citi Crop Finance (India) Limited. The Shrachi – Citi business was started in 1999 initially in West Bengal and thereafter in Andhra Pradesh but now it has been the highlight of the company’s performance. The company has decided to extend its business to the Jamshedpur area also. The company has started securitisation /asset purchase receivables with Birla Global Finance Limited.
The strong base of customers, unstinted efforts of the management ably-supported by a team of professionals and with suitable support of the auto dealers and other business associates, a well-established branch network and a well-tuned collection machinery will combine to foster the growth of the company in future. The directors of the company view the future with a degree of cautious optimism.

**4.12 SREI INTERNATIONAL FINANCE LIMITED**

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<td>86C, Topsia Road (South)</td>
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Srei International Finance Limited is a well-diversified profit-marking and dividend paying company engaged in leasing, hire purchase, infrastructure finance and merchant banking. The company provides integrated financial services with a single window concept, catering to all financial requirements of its clientele.
The company has continued to grow despite adverse and sluggish market conditions, not to mention the stiff competition from large players. Proper business development plans, coupled with identification of appropriate areas of growth have enabled the company to expand its operations steadily. The focus of the company continues to be on the infrastructure sector and limiting its financing to tangible, good quality assets. The company is engaged in lease financing of construction equipments which are primarily used for construction of roads, power projects, irrigation projects, dams, bridges and various other related activities which are identified as thrust areas by the Government for kick starting the economy. All resources are being channelised and concentrated to promote this sector. With one and a half decades of experience in this area the company is adequately geared to exploit and capitalise on the opportunities.

4.13 TRISHAKTI ELECTRONICS & INDUSTRIES LIMITED

Registered Office : 2 Clive Ghat Street.
Room No. 8 & 9, 2nd Floor
Sagar Estate, Kolkata – 700001
West Bengal

Year of Incorporation : 1985
Ownership Group : Private (Resident – Indian)
The company was incorporated on 9th September 1985 with the object of carrying on the business of mainly electronic goods & electricals and to carry on some financial activities like lending money, leasing of assets, investment in shares & securities and short term loans. It has been promoted by Mr. Sagarmati Jhanwar & Associates.

The operations of the company have been seriously affected due to acute liquidity constraints following the restrictions imposed by the RBI through new regulations on mobilisation of deposits by NBFCs. Such scarcity of funds affects the main activities of the company. In order to ensure a turnaround of the company and improvement in its performance various measures have been adopted. Through fresh infusion of funds, directors of Trishakti Electronics & Industries Ltd. expect that the company shall be able to pursue its business gradually. The directors feel that strong efforts of the management with necessary support of the electronics dealers and other business associates will lead to the growth of the company in future.
4.14 YULE FINANCING & LEASING COMPANY LIMITED

Registered Office : 8 Dr. Rajendra Prasad Sarani
Kolkata - 700001, West Bengal

Year of Incorporation : 1895
Ownership Group : Andrew Yule Group
Listed On : Ahmedabad Stock Exchange
Bombay stock Exchange
Calcutta Stock Exchange
Madras Stock Exchange

Formerly called the BENGAL ASSAM STEAMSHIP COMPANY LIMITED, it was incorporated in the year 1985 and was in the business of ships. In 1990 it was re-christened YULE FINANCING & LEASING COMPANY LIMITED (YFLC) and has since then entered aggressively into the field of leasing and hire purchase. Leasing accounts for more than 70% of its business. YFLC started by leasing out to group companies of ANDREW YULE and has since then diversified into leasing to other firms. Their clients include several blue-chip companies and it is their policy to deal with only well-established and profit making firms as a result of which the recovery rate is 100%. Plant & Machinery, Data Processing Equipment, Office Equipment, Furniture, Motor Vehicles are leased out and the financing is done through banks and public deposit schemes. They do not generally lease out to individuals.
The entry of banks into this business is not going to affect the private firms because of their efficiency and flexibility. The company with the mopping up of long-term funds which are being explored, shall be able to pursue its business activities, gradually.

4.15 MAJOR PROBLEMS FACED BY THE LEASE FINANCING COMPANIES IN WEST BENGAL

From the earlier discussion it is clear that lease financing companies in West Bengal are facing some problems in conducting their operations. The primary objective of this section is to find an answer to the question: What are the major problems confronting lease financing companies in West Bengal? We make an attempt to answer the question in the following manner. The conclusions drawn here are based on general discussion with the executives of 14 selected lease financing companies.

The main problems of lease financing companies in West Bengal are as follows:

(a) Resource Crunch: As seen in sections 4.1 to 4.14, the sources of finance available to leasing companies are (i) equity share capital (ii) reserves and surplus (iii) debentures (iv) long-term loans (v) public deposits (vi) bank lonas (vii) inter-corporate deposits and (viii) other
sources (viz., loans from directors & associates, current liabilities & provisions.)

As of today, the investors seem to have lost the confidence in leasing companies about their performance. Shares of lease financing companies are quoted at an extremely lower price as compared to their book values. Therefore, it is becoming difficult for the lease financing companies to raise equity share capital in the existing conditions. It is also not possible for lease financing companies to issue either fully convertible or partly convertible debentures because these are closely linked with the networth and trading of equity shares in the stock market. Long-term loans are available to lease financing companies from development banks (viz., IDBI, IFCI) and other financial institutions (viz., UTI, LIC). Most of the lease financing companies in West Bengal are not subsidiaries of the banks and financial institutions. Therefore most of the companies have been unable to raise this source of finance. The public deposits are the significant source of finance to all lease financing companies. Currently lease financing companies are experiencing problems in raising fixed deposits due to market condition. Only good and big companies may be able to borrow by way of deposits. Now the commercial banks are allowed
to charge multiple rates of interest depending upon the risk of lending. The lease financing companies will not get more than three times of their networth as per RBI guidelines and the drawing power is confined to just five years’ rentals even though lease financing companies are offered more than five year leases. Bank finance is available only in respect of first-hand / new equipment leasing and restricted to the second-hand assets and sale & lease back leases, even though companies are doing these kinds of business. For small and medium companies, it would be difficult to raise enough funds by way of bank loans.

The foregoing discussion indicates that there is an acute shortage of finance in the case of lease financing companies in West Bengal.

(b) Management Problem : Some of the lease financing companies in West Bengal do not know how to manage their leasing business. Without knowing the complexities of leasing business, a large number of entrepreneurs had entered the leasing fray with others’ money. Management of lease financing companies requires a orientation as compared to the management of other manufacturing and trading companies. The lease financing companies need the people who have specialised knowledge and expertise to evaluate the creditworthiness and
soundness of the potential lessees as well as leases from time to time. The lease financing companies need to evaluate the lease rentals with a variety of lease packages and options in order to cater to the needs of the different segments of the market.

(c) Lack of Legislation: In fact, the only legal reference available to lessors and lessees is the Hire Purchase Act, 1972. Another act, which is available for them are sections 105 to 117 of Transfer of property Act, 1882, which deals with only immovable properties. Even today, the leasing industry is following these acts in addition to the sections 126 to 180 of the Contract Act. Hence, there is as yet neither a comprehensive and detailed leasing law nor any Government policy to guide the leasing business.

(d) Government Policies: RBI came out with a circular stipulating that subsidiaries of scheduled o for other leasing and hire-purchase companies in the private sector. Therefore, the leasing companies are obliged to depend solely on the private sector merchant banks and foreign banks for their public issues. However, most of the merchant banks are themselves engaged in leasing and hire-purchase business. How would merchant bankers, therefore help other lease financing companies to raise funds?