**🧾 Caselet: Lease or Buy? — XYZ Ltd.**

**Background**

XYZ Ltd., a mid-sized logistics company based in Pune, plans to expand its vehicle fleet to improve local delivery efficiency. The company needs a **new car** for business use over the next **three years**.  
Management must decide whether to **lease** the car or **buy** it outright using a **bank loan**. The decision must be financially justified, considering after-tax costs and time value of money.

**Option 1 – Lease**

* **Annual lease payment:** ₹2,40,000
* **Lease term:** 3 years
* **Payment timing:** End of each year
* **Tax rate:** 30% (lease rentals are fully tax-deductible)
* **Discount rate:** 10% (after-tax cost of capital)

**Option 2 – Buy**

* **Cost of the car:** ₹6,00,000
* **Loan term:** 3 years @ **10% interest per annum** (equal instalments)
* **Depreciation:** 25% (WDV method)
* **Salvage value at end of Year 3:** ₹1,00,000
* **Corporate tax rate:** 30%

**Required**

As a financial analyst, you are asked to help XYZ Ltd. evaluate both options and advise which is more economical.

**Build a model to answer:**

1. What are the after-tax cash outflows under both options?
2. What is the present value (PV) of total after-tax costs for leasing and buying?
3. Which option is financially preferable for XYZ Ltd.?