

ICRA Lanka Assigns [SL]A-(SO) Rating for Citizens Development Business Finance PLC's Guaranteed Debenture Programme

May 09, 2016

Instrument	Amount	Rating Action
Guaranteed Subordinated Redeemable Debentures programme	LKR 1,000 Million	[SL]A-(SO); assigned with stable Outlook

ICRA Lanka Limited, subsidiary of ICRA Limited, a Group Company of Moody's Investors Service, has assigned the [SL]A-(SO) (pronounced SL A minus Structured Obligation) rating with stable outlook to the LKR 1,000 Million Rated Guaranteed Subordinated Redeemable Debentures programme of Citizens Development Business Finance PLC (CDB/ the Company/ the issuer), which is to be listed on the Colombo Stock Exchange. The letters SO in parenthesis suffixed to a rating symbol stand for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. The SO rating does not represent ICRA Lanka's opinion on the general credit quality of the issuer concerned.

The rating for the Guaranteed Subordinated Redeemable Debentures programme is based on the strength of the unconditional and irrevocable guarantee from Seylan Bank PLC (SEYB/"the Guarator") covering the principal and two interest instalments (Semi-Annual) of the proposed issue. The Guarantor undertakes the obligation to pay, on demand from the Trustee, the total principal sum and, two semi-annual interest instalments of the proposed Redeemable Debentures, the total amounting to LKR 1,150 Mn. The rating also assumes that the guarantee will be duly invoked by the Trustee, as per the terms of the underlying Trust deed and guarantee agreement, in case there is a default in payment by CDB (Issuer).

ICRA Lanka has an Issuer rating of [SL]BBB (pronounced SL triple B) with stable outlook and an issue rating of [SL]BBB- (pronounced SL triple B minus) with stable outlook for its existing subordinated redeemable Debentures programme. Please refer to our detailed rationale dated January 07, 2016.

Company Profile

Citizens Development Business Finance PLC (CDB), set up in 1995, was initially named as Ceylinco Development Bank Limited. In 2009 CDB obtained LFC license and re-branded itself as Citizens Development Business Finance PLC. CDB's largest shareholder is Ceylinco insurance with an effective 35.6% stake as of March 2015, while the company's ESOP Trust owns 27%. Currently, as one of the mid-sized LFCs in the Sri Lankan Non-banking Financial Institutions Sector, CDB offers Leasing, Hire Purchase, Deposits (Fixed and Savings) and other personal credit facilities. CDB was initially listed in the secondary Board of the Colombo Stock Exchange and was transferred to the main Board in December 2010. CDB operates 59 outlets across the island employing over 1100 personnel as of March 2015. The company acquired controlling stake in Laughs Capital Limited and currently holds about 86% shares of the company.

During the year ended March 2015, CDB reported a net profit of LKR. 701 Million on a total asset base of LKR 38.0 Billion as compared to net profit of LKR. 561 Million on a total asset base of LKR 33.8 Billion in the previous fiscal. The consolidated net profit for the year ended March 2015 stood at LKR 710 Million on a total asset base of 38.1 Billion.



For the nine months ended Dec 2015, CDB reported a net profit of LKR 681 Million on a total asset base of LKR 47.3 Billion. On a consolidated basis, the company reported a net profit of LKR 696 Million on a total asset base of LKR 47.4 Billion for the period.

Guarantor Profile:

Seylan Bank PLC

Seylan Bank PLC (Seylan) with total asset base of LKR 296.3 Billion as in Dec 2015 (LKR 249.3 Billion in Dec 2014) accounted for about 4.2% of sector assets; it also accounted for 4.6% of sector loans and advances and 4.2% of the sector deposits as in Dec 2015. The bank was incorporated in the year 1987. Sri Lanka Insurance Corporation Ltd (15.0%), Browns and Company PLC (13.9%), Employee Provident Fund (9.9%), LOLC Investments Limited (9.6%), NDB Bank (8.7%) and Bank of Ceylon (7.5%) are the major voting shareholders of the bank.

The bank recorded net profits of LKR 3.8 Billion on a total asset base of LKR 296.3 Billion for the FYE Dec 2015 and LKR 3.08 Billion on a total asset base of LKR 249.3 Billion for the FYE Dec 2014, which resulted in ROA (post tax) of 1.40% and 1.33% for the respective periods. The bank had gross NPA ratios of 4.68% and 7.69% as at FYE Dec 2015 and FYE Dec 2014 respectively and net NPA ratios of 3.06% and 5.31% respectively for the said periods.

The bank had a net worth (excluding revaluation reserve) of LKR 24.4 Billion as at December 2015 with core capital adequacy ratio of 12.2% and total capital adequacy ratio of 12.9%. The Seylan Bank Group recorded consolidated net profits of LKR 3.25 Billion on a total asset base of LKR 251 Billion for the FYE Dec 2014 and LKR 3.89 Billion on a total asset base of LKR 298 Billion for the FYE 2015.

The bank recorded net profits of LKR 720.2 Million on a total asset base of LKR 314.0 Billion for the 3 months ended Mar 2016

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