

ICRA Lanka assigns [SL]BBB+ rating with stable outlook to Dunamis Capital PLC

September 21, 2015

Instrument	Amount	Rating Action
Issuer Rating	n/a	[SL]BBB+; assigned with stable Outlook
Senior Unsecured Redeemable Debentures	LKR 1,000 Mn	[SL]BBB+; assigned with stable Outlook
Senior Unsecured Redeemable Debentures (Proposed)	LKR 1,000 Mn	[SL]BBB+; assigned with stable Outlook

ICRA Lanka has assigned the Issuer rating of [SL]BBB+ (pronounced SL Triple B plus) with a stable outlook to Dunamis Capital PLC (DCP or the Company). ICRA Lanka has also assigned the [SL]BBB+ (pronounced SL Triple B plus) with stable outlook ratings to the existing LKR 1,000 Mn Senior Unsecured Redeemable Debenture programme and the proposed LKR 1,000 Mn Senior Unsecured Redeemable Debenture programme of the Company.

ICRA Lanka has taken a consolidated view of DCP and its subsidiaries, with DCP being the holding company, for arriving at the ratings. The rating factors in DCP's status as the Parent company of First Capital Holdings PLC (FCH; Issuer Rating of [SL]A- with stable outlook). The rating takes note of the expected improvement in the business and financial performance of the subsidiaries, namely Kelsey Developments PLC (Kelsey) and Premier Synthetic Leather Manufacturers (Private) Limited (PRIMO) in the current financial year and going forward, which is likely to support the overall performance of DCP group (DCP and its subsidiaries consolidated) and reduce dependence on FCH's performance. Kelsey reported net losses during FY2015 and in FY2014 (net of one time gain), while PRIMO which commenced operations during 2014 also reported losses during the above mentioned period. DCP consolidated performance was supported by FCH, which accounted for close to 90% of the total DCP consolidated income during FY2015. FCH's performance in turn is largely dependent on performance of First Capital Treasuries Limited (FCTL; Issuer Rating of [SL]A- with stable outlook), as the contribution from the other FCH subsidiaries presently is quite modest. FCTL accounted for about 80% of the total consolidated asset base of FCH and about 70% of its consolidated profit before tax for FY2015. Thus, DCP's overall performance is expected to be susceptible to the risks inherent in the primary dealer business in the near to medium term till the other subsidiaries (Including subsidiaries of FCH) scale up and improve their contribution to the group.

ICRA Lanka takes cognisance of the currently comfortable liquidity position of the Dunamis group given the highly liquid assets and the sanctioned credit facilities from banks with the group entities. ICRA takes note of the proposed investment plans, especially in Kelsey, over the near to medium term, which would have to be supported by DCP. The Company is expected to leverage its holdings in FCH (~75% of the equity shares; FCH market capitalisation as in June 30, 2015 at about LKR 3.5 Billion) and Kelsey (~80% of equity shares; Kelsey market capitalisation as in June 30, 2015 at about LKR 850 Million) along with its liquid investments (About LKR 1.2 Billion in June 2015) and also raise long term debt for supporting the investments in Kelsey. ICRA would closely monitor the extent of the proposed investments, and the impact on the overall liquidity profile of DCP.

Company Profile



DCP was incorporated in the year 1985 as “Central Securities Limited” for investing in listed entities. The name was changed to Kshatriya Holdings Limited following the change in the ownership and management. In 2010, the name was changed to Dunamis Capital PLC. DCP is a holding company and its key subsidiaries include, First Capital Holdings PLC (DCP holds about 75% equity shares), Kelsey Developments PLC (DCP holds about 80% equity shares) and Premier Synthetic Leather Manufacturers (Private) Limited (DCP holds about 100% equity shares).

During FY2015, DCP reported a consolidated net profit of LKR 570 Million on a total asset base of LKR 24,012 Million as compared to a net profit of LKR 125 Million on a total asset base of LKR 17,366 Million in the previous fiscal.

The Company reported a standalone net profit of LKR 321 Million on a total asset base of LKR 3,304 Million as compared to LKR 0.6 Million on a total asset base of LKR 2,847 Million.

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For further details please contact:

Analyst Contacts:

Mr. Karthik Srinivasan, (Tel No. +91-22-61143444)
karthiks@icraindia.com

Relationship Contacts:

Mr. W. Don Barnabas, (Tel. No. +94-11-4339907)
wdbarnabas@icralanka.com



Subsidiary of

ICRA Limited

A Group Company of Moody's Investors Service

CORPORATE OFFICE

Level 10, East Tower, World Trade Center, Colombo 01, Sri Lanka

Tel: +94 11 4339907; Fax: +94 11 2333307

Email: info@icralanka.com; Website: www.icralanka.com

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