

## ICRA Lanka assigns [SL] A-(SO) rating with stable outlook to the Guaranteed Senior Redeemable Debentures Programme of Janashakthi PLC

December 3, 2015

Instrument	Amount	Rating Action
Guaranteed Senior Redeemable Debentures Programme	LKR 1,000 Mn (with option to increase up to LKR 2,000 Mn)	[SL]A-(SO); assigned with stable Outlook

ICRA Lanka has assigned the [SL] A-(SO) (pronounced SL A minus Structured Obligation) rating with stable outlook to the LKR 1,000 Million (with option to increase up to LKR 2,000 Million) Guarantee Senior Redeemable Debentures Programme of Janashakthi PLC (JPLC or the Company). 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 ratings do not represent ICRA Lanka's opinion on the general credit quality of the issuer concerned. ICRA Lanka also has an issuer rating of [SL]BBB (pronounced SL triple B) with stable outlook for the company and an issue rating [SL]BBB (pronounced SL triple B) with stable outlook on its existing LKR 1,000 Mn senior redeemable Debentures.

The rating for the Guaranteed Senior Redeemable Debentures is based on the strength of the unconditional and irrevocable guarantee from Seylan Bank PLC (SEYB) 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, LKR 2,000 Million, being the total principal sum and, two half-yearly interest instalments of the proposed Guaranteed Senior Redeemable Debentures. 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 JPLC (Issuer).

Please refer to ICRA Lanka Rationale dated July 23, 2015 for more details on the issuer (JPLC).

### Company Profile:

Janashakthi PLC is an Investment holding company incorporated in the year 1990. The Company is owned and managed by the Schaffter family (Mr. Prakash Schaffter 50%, Mr. Ramesh Schaffter 50%). The main subsidiary is Janashakthi Insurance PLC, which is an established insurance company in Sri Lanka operating for over two decades. During the year ended March 2015, Janashakthi reported a net profit (unaudited) of LKR 145.6 Million on a total income of LKR 619.6 Million compared to net loss of LKR 137.6 Million on a total income of LKR 310.8 Million in the corresponding period of the previous fiscal. On a consolidated basis, Janashakthi group reported a net profit (unaudited) of LKR 973.4 Million on a total income of LKR 5,091.9 in FY 2015 compared to a net profit of LKR 668.8 Million on a total income of LKR 4,199.9 Million for the previous fiscal year.

### Guarantor Profile:

#### Seylan Bank PLC

Seylan Bank PLC (Seylan) with total asset base of LKR 249.3 Billion as in Dec 2014 accounted for about 4.2% of sector assets; it also accounted for 4.5% of sector loans and advances and 4.7% of the sector deposits as in Dec 2014. 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 3,079 Million on a total asset base of LKR 249.3 Billion for the FYE Dec 2014 and LKR 1,740 Million on a total asset base of LKR 263.1 Billion for the period ended June 2015, which resulted in ROA (post tax) of 1.33% and 1.36% for the respective periods. The bank had gross NPA ratios of 9.08% and 7.63% as at FYE Dec 2014 and period ending June

2015 respectively and net NPA ratios of 7.69% and 6.53% respectively for the said periods. The bank had a net worth (excluding revaluation reserve) of LKR 23.3Billion as at December 2014 with core capital adequacy ratio of 13.8% and total capital adequacy ratio of 14.7%.

The Seylan Bank Group recorded consolidated net profits of LKR 3,252 Million on a total asset base of LKR 251 Billion for the FYE Dec 2014 and LKR 1,724Million on a total asset base of LKR 265 Billion for the period ended June 2015.

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