

ICRA Lanka confirms the [SL]A+(SO) rating Assigned to the Trust Certificates programme of Merchant Bank of Sri Lanka and Finance PLC - Trust 01

December 20, 2017

Instrument	Amount	Rating Action
Trust Certificates Programme	LKR 2,000 Mn	[SL]A+(SO) with Stable outlook confirmed as final

ICRA Lanka Limited, subsidiary of ICRA Limited, group company of Moody's Investors Service, has confirmed the issue rating of [SL]A+(SO) (pronounced SL A plus Structured Obligation) rating with stable outlook assigned to the LKR 2,000 Mn Trust Certificates of Merchant Bank of Sri Lanka and Finance PLC as final. 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.

Since the executed transaction documents are in line with the rating conditions, the said ratings have now been confirmed as final.

ICRA Lanka has an issuer rating of [SL]A (pronounced SL A) with stable outlook for Merchant Bank of Sri Lanka and Finance PLC (MBSL). Please refer to ICRA Lanka Rationale dated July 11, 2017 on the issuer for more details on the issuer.

Company Profile

MBSL was established in 1982 as a merchant bank. The Company had two subsidiaries, MBSL Savings Bank Ltd (MSB, Licensed Specialised Bank) and MBSL Insurance Company (Composite Insurer) and two associate companies, Lanka Securities (Pvt) Ltd (registered stockbroker) and MCSL Financial Services Ltd (a licensed finance company). Pursuant to the Master Plan on Consolidation of the Financial Sector proposed by the Central Bank of Sri Lanka (CBSL), in January 2015, MBSL Savings Bank Limited (MSB) and MCSL Financial Services Limited (MCSL) was merged with MBSL. MBSL offers leasing & HP, long and short term loans, microfinance and pawning to its clients. The company has 49 branches and employs more than 900 staff members.

MBSL Insurance Company Limited (MBSI) is 84% owned subsidiary of MBSL. The company offers life and general insurance products to its customers. MBSI has close to 50 branches and window offices covering Sri Lanka.

For the 9MCY2017, MBSL reported a PAT of LKR 93 Mn (CY2016: LKR 86 Mn) with a total asset base of LKR 36,160 Mn on September 30, 2017 (LKR 31,934 Mn in December 31, 2016). The company operated with a net worth of LKR 3,223 Mn and a gearing ratio of 9.74 times on September 30, 2017.

MBSL group reported a PAT of LKR 12 Mn for the 9MCY2017 (CY2016: LKR 81 Mn) with a total asset base of LKR 37,532 Mn in September 30, 2017 (LKR 33,641 Mn in December 31, 2016). The group operated with a net worth of LKR 3,175 Mn and a gearing ratio of 9.98 times on March 31, 2017.

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