

**ICRA Lanka assigns [SL]A+(SO) rating with stable outlook
to the Guaranteed Subordinated Redeemable Debentures
Programme of Commercial Credit and Finance PLC**

November 11, 2015

Instrument	Amount	Rating Action
Guaranteed Subordinated Redeemable Debentures Programme	LKR 2,000 Million	[SL]A+(SO); assigned with stable Outlook

ICRA Lanka has assigned the [SL]A+(SO) (pronounced SL A plus Structured Obligation) rating with stable outlook to the LKR 2,000 Million Guaranteed Subordinated Redeemable Debentures Programme of Commercial Credit and Finance PLC (CCFL 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 rating does not represent ICRA Lanka's opinion on the general credit quality of the issuer concerned. ICRA Lanka has the issuer rating of [SL]BBB (pronounced SL triple B) with stable outlook on CCFL.

The rating for the Guaranteed Subordinated Redeemable Debentures is based on the strength of the unconditional and irrevocable guarantees from Sampath Bank PLC (Sampath) and Hatton National Bank PLC (HNB) covering the principal and two interest instalments (Semi-Annual) of the proposed issue. Each guarantor undertakes the obligation to pay, on demand from the Trustee, Rs.1,000 Million, being 50% of the total principal sum of Rs. 2,000 Million and, one half-yearly interest installment of the proposed Subordinated Redeemable Debentures. The rating also assume that the guarantees will be duly invoked by the Trustee, as per the terms of the underlying Trust deed and guarantee agreements, in case there is a default in payment by CCFL (Issuer).

Please refer to ICRA Lanka Rationale dated August 03, 2015 on the issuer for more details on the issuer.

Company Profile:

CCF, a Registered Finance Company, offers microfinance, leasing, hire purchase, accepts deposits (Fixed and Savings) and extends other personal credit facilities. The company was established in 1982 as specialized leasing company in Kandy. In October 2009, the company's ownership changed, with controlling interest being acquired by BG investments (Pvt) Ltd, an investment holding company controlled by Mr. Roshan Egodage, Executive Director and Chief Executive Officer- CCF. In 2010, the company moved its Head Office to Colombo. Since change of ownership, the company has rapidly expanded its service locations to about 118 from about 22 in FY2012. The company has an employee base of about 3,300 and caters to about 940,000 customers. CCF's shares were listed in the Dirisavi Board (secondary board) of the CSE in June, 2011. BG Investment (Pvt) Ltd holds 58% of the shares, while Creation Investments Sri Lanka LLC owns about 28% following the equity infusions during FY2014 and in FY2015. During FY2015, the company acquired majority stake in Trade Finance and Investments PLC, which presently is a wholly owned subsidiary.

During the year ended March 2015, CCFL reported a net profit of LKR 2.1 Billion on a total asset base of LKR. 57.7 Billion as compared to net profit of LKR 1.0 Billion on a total asset base of LKR 31.6 Billion in the previous fiscal. The consolidated net profit for the year ended March 2015 stood at LKR 2.2 Billion on a total asset base of LKR59.0 Billion.

For the quarter ended June 2015, CCFL reported a net profit of LKR 564.6 Million on a total asset base of LKR 60.7 Billion. On a consolidated basis, the company reported a net profit of LKR 623.3Million on a total asset base of LKR 62.2 Billion for the period.



Guarantor Profile:**Hatton National Bank PLC**

Hatton National Bank PLC (HNB) is one of the largest private sector commercial banks in the country with total assets amounting to LKR 576 Bn as at Dec 2014. It accounted for 9.8% of sector assets, 11.71% of sector loans and advances and 10.7% of sector deposits as at Dec 2014. The bank was incorporated in the present form in the year 1970. Stassen's group with 18%, Sri Lanka Insurance Corporation Ltd with 14.71% and Employee Provident Fund with a 9.83% are the major shareholders of the bank. The bank recorded a total income of LKR Rs.59.5Bn for the FYE Dec 2014 and LKR 28.9Bn for the period ended June 2015. The net profits of the bank amounted to LKR 9.0 Bn for the FYE Dec 2014 and LKR 4.3Bn for the period ended June 2015, which resulted in ROA of 2.22% and 2.01% for the respective periods. The bank had gross NPA ratios of 3.16% and 3.24% as at FYE Dec 2014 and period ending June 2015 and net NPA ratios of 1.43% and 1.49% respectively for the said periods. The bank had a net worth of LKR 62.5Bn as at June 2015 with tier 1 capital adequacy ratio of 10.45% and total capital adequacy ratio of 13.01%.

Sampath Bank PLC

Sampath Bank Plc (Sampath) is another of the larger private sector commercial banks in the country with total assets of LKR 432.0Bn as at Dec 2014. Sampath accounted for 7.3% of the industry assets, 8.92% of the sector loans and advances and 8.69% of sector deposits as at Dec 2014. The bank commenced operations as a licensed commercial bank in 1987. Major institutional shareholders include Vallibal One PLC with a 14.95% and Employee Provident Fund with a 9.97% stake. The bank recorded a total income of LKR 45.5Bn for the FYE Dec 2014 and LKR 22.0 Bn for the period ended June 2015. The net profits of the bank amounted to LKR 4.9 Bn for the FYE Dec 2014 and LKR 3.0 Bn for the period ended June 2015, which resulted in ROA of 1.68% and 1.97% for the respective periods. The bank had gross NPA ratios of 1.93% and 1.71% as at FYE Dec 2014 and period ending June 2015 and net NPA ratios of 0.53% and 0.47% for the said periods. The bank had a net worth of LKR 32.5Bn as at June 2015 with tier 1 capital adequacy ratio of 8.83% and total capital adequacy ratio of 13.62%.

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