

ICRA Lanka assigns Provisional [SL]AAA(SO) rating to the Guaranteed Debentures of Softlogic Finance PLC

August 12, 2016

Instrument	Amount	Rating Action
Guaranteed Redeemable Debentures	LKR 1,400 Mn	Provisional [SL]AAA(SO);assigned with stable outlook

ICRA Lanka Limited, subsidiary of ICRA Limited, a Group Company of Moody's Investors Service, has assigned the Provisional [SL]AAA(SO) (pronounced Provisional SL triple A Structured Obligation) rating with stable outlook to the LKR 1,400 Million Guaranteed Redeemable Debentures programme of Softlogic Finance PLC (SFP/ the Company/the Issuer), which is 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 assigned is based on the strength of an unconditional and irrevocable guarantee from GuarantCo Limited, Mauritius (GLM/the Guarantor) covering the principal amount due on the rated instrument. The rating also takes into account two interest instalments deposited by the company with the debenture trustee in the form of Debt Service Reserve Account (DSRA) and the payment mechanism designed to ensure payment on the rated instrument even if the Issuer does not pay and the guarantee has to be invoked by the debenture trustee.

The rating assumes that the guarantee and DSRA will be duly invoked/ utilised by the debenture trustee, as per the terms of the transaction, in case there is a default in payment by SFP (Issuer).

ICRA Lanka has an Issuer rating of [SL]BB+ (pronounced SL double B plus) with stable outlook outstanding for Softlogic Finance PLC. Please refer to our detailed rationale dated July 05, 2016 for the same.

Company Profile

SFP was incorporated in 1999 as Capital Reach Leasing PLC (Capital Reach), a Specialised Leasing Company and, in 2007 the company got registered as a Licensed Finance Company. In 2010, the Softlogic Group acquired the controlling stake of Capital Reach through its subsidiary Softlogic Capital PLC and renamed it as Softlogic Finance PLC. As of Jan-16, Softlogic Capital PLC (SCP) holds 68.4% of the company; SHP holds 58.97% in SCP as in Dec-15. Currently, as one of the mid-sized LFCs in Sri Lanka, SFB offers working capital and term loans to the SME segment, personal loans, gold loans and undertakes vehicle financing.

During the year ended March 2016, SFP reported a net profit of LKR. 368 Million on a total asset base of LKR 20.7 Billion as compared to net profit of LKR. 216 Million on a total asset base of LKR 20.0 Billion in the previous fiscal.

Guarantor Profile – GuarantCo Limited, Mauritius

GuarantCo Limited is a Mauritius Company which provides credit guarantees for financing Infrastructure projects and financial markets. Private Infrastructure Development Group holds 88% stake in the company and Nederlandse Financierings (FMO) holds 12% in the company. Private infrastructure development group is a development agency owned by international development arms of United Kingdom, Netherland, Switzerland and Sweden governments.

During FYE Dec 2015, GLM reported a PAT of USD -6.0 Mn on a total asset base of USD 265.7 Mn as compared to a PAT of USD 9.3 Mn on a total asset base of USD 279.9 Mn in the previous financial year.

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