

## ICRA Lanka assigns Provisional [SL]A-(SO) rating to the proposed trust certificates programme of Citizens Development Business Finance PLC - Securitization 03

June 25, 2018

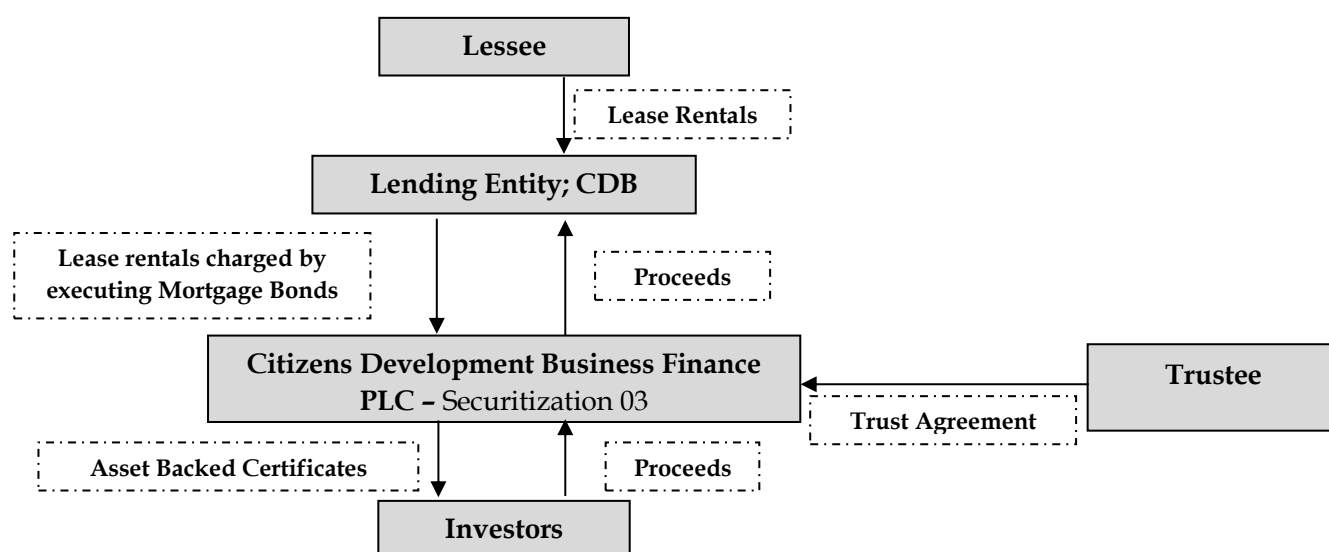
Instrument	Previous Rated Amount (LKR Mn)	Current Rated Amount (LKR Mn)	Rating Action
Proposed trust certificate	N/A	1,000	Provisional [SL]A-(SO) (Stable) assigned
<b>Total</b>	<b>N/A</b>	<b>1,000</b>	

### Rating action

ICRA Lanka Limited, subsidiary of ICRA Limited, group company of Moody's Investors Service, has assigned the Provisional [SL]A-(SO) (pronounced SL A minus Structured Obligation) rating with stable outlook to the proposed LKR 1,000 Mn Trust Certificates programme of Citizens Development Business Finance PLC - Securitization 03. The letters SO in parenthesis suffixed to a rating symbol stand for Structured Obligation. A 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 an issuer rating of [SL]BBB+ (pronounced SL triple B plus) with stable outlook for Citizens Development Business Finance PLC (CDB or the company). Further, ICRA Lanka has assigned [SL]BBB (pronounced SL triple B) ratings with stable outlooks for the LKR 2,000 Mn and LKR 1,000 Mn subordinated, unsecured redeemable debenture programmes of the Company, and [SL]A-(SO) (pronounced SL A minus Structured Obligation) rating with stable outlook for the LKR 1,000 Mn subordinated guaranteed redeemable debenture programme. Please refer ICRA Lanka's rationale dated March 06, 2018 for more details on the issuer.

### Structure of the transaction



The rating for the Trust certificates is based on the strength of the senior secured debt with an exclusive charge over receivables and a receivables cover of 130%. CDB would create a Trust by executing a Trust Deed and HNB Bank would be the Trustee. CDB would execute a Mortgage Bond in favour of the Trust thereby creating charge in favour of the Trust over a pool of identified Finance Lease Agreements' receivables that it has originated. The certificates issued by the Trust will have a predetermined interest rate and principal repayment schedule. Principal and Interest repayments on the loan (given by Trust to CDB) would be designed in a manner whereby aggregate receivables during the month from underlying contracts will be 130% or more over repayment on the certificates. Entire receivables collected by CDB from underlying contracts will be deposited in an escrow account, two days prior to the repayment dates. In the event of a shortfall in any month, two days prior to the due date, the Trustee will mandatorily send a demand notice to CDB on the same day. In case of any event of default, Trustee can enforce the charge over the underlying contracts and sell the underlying assets to recover the due amounts including capital plus any accrued interest.

**Issue Details:**

The key issue details are summarised in the table below.

Nature of Instrument	Trust Certificates issued by Citizens Development Business Finance PLC- Securitization 03
Company / Originator	Citizens Development Business Finance PLC
Issuer	Citizens Development Business Finance PLC - Securitization 03 will issue LKR 1,000 Mn Trust Certificates
Trustee	HNB Bank
Tenor	3 years
Repayment:	Monthly
Interest	To be paid monthly at a predetermined rate
Receivables	Company would create charge in favour of the Trust over a pool of identified Finance Lease Agreements' receivables (to the extent of 130% of the issue size) that it has originated.
Structure	<ul style="list-style-type: none"> <li>• Trust Certificates issued by the Trust will have a predetermined interest rate and principal repayment schedule.</li> <li>• All collections in respect of the collateral pool shall be deposited by the Company in the Trust account, at least two days prior to any payment date.</li> <li>• In the event of a shortfall, the Company shall deposit the requisite amount in the Trust Account upon a demand being made by the Trustee.</li> <li>• Top-up of collateral shall be done on a monthly basis. Top up would be carried out in such a manner that the amount due to be received from the obligors in the collateral pool (excluding dues in respect of contracts overdue by more than 60 days) is minimum of 130% over the amount due to be paid to the certificate investors on any scheduled pay out date.</li> </ul>

Refund of excess funds	Amounts received by the Trustee, which are in excess of the amount necessary to settle the Investors in any given month will be refunded to the Company on the working day immediately after the date on which such settlement is made
Compliance:	Issuer shall ensure that all the terms & conditions of the transaction structure, as stated herein are complied with, within 90 days from the deemed date of allotment. Issuer shall send the final draft version of the transaction documents to ICRA Lanka at least two working days prior to their execution. Once the transaction documents are executed, the Trustee shall confirm to ICRA Lanka about the same.

### About the company:

Citizens Development Business Finance PLC (CDB), set up in 1995 was initially named as Ceylinco Development Bank Limited. In 2009 CDB obtained RFC license and re branded itself as Citizens Development Business Finance PLC. CDB's largest shareholder is Ceylinco life insurance limited with an effective 33.5% stake as of September 30, 2017, while the company's ESOP used own about 25-28% of the shareholding, before the ESOP was distributed among the employees in March 2016. Currently, as one of the relatively large NBFIs in the Sri Lankan non-banking financial institutions sector, CDB offers leasing, hire purchase, deposits (fixed and savings) and other personal credit facilities. CDB was initially listed in the secondary board of the Colombo Stock Exchange and was transferred to the main board in December 2010. CDB operates 69 outlets and over 600 ATMs across the island as of March 2018. The company acquired controlling stake in Unison Capital Leasing (previously known as Laughs Capital Limited) and currently holds over 90% shares of the company.

During the year ended March 31, 2017 CDB (stand-alone) reported a net profit of LKR 1,007 Mn on a total asset base of LKR 53.9 Bn as compared to net profit of LKR 1,005 Mn on a total asset base of LKR 50.6 Bn in the previous fiscal year.

For the nine months ended December 31, 2017 CDB reported a net profit of LKR 830 Mn on a total asset base of LKR 67.3 Bn.

### Rating history for last three years: Citizens Development Business Finance PLC - Securitization 03:

Instrument	Current Rating (FY2019)			Chronology of Rating History for the past 3 years		
	Type	Amount Rated (LKR Mn)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
Proposed trust certificate	N/A	1,000	Jun 2018 [SL]A- (SO) (Stable)	N/A	N/A	N/A

## Rating history for last three years: Citizens Development Business Finance PLC

Instrument	Current Rating (FY2019)			Chronology of Rating History for the past 3 years			
	Type	Amount Rated (LKR Mn)	Date & Rating	Date & Rating in FY2018		Date & Rating in FY2017	Date & Rating in FY2016
			Jun 2018	Jan 2018	Nov 2017	Jan 2017	Sep 2015
1 Issuer rating	N/A	N/A	N/A	[SL]BBB+ (Stable)	[SL]BBB+ (Stable)	[SL]BBB (Stable)	[SL]BBB (Stable)
2 Subordinated unsecured redeemable debentures	Long Term	2,000	N/A	[SL]BBB (Stable)	N/A	N/A	N/A
3 Subordinated unsecured redeemable debentures	Long Term	1,000	N/A	[SL]BBB (Stable)	[SL]BBB (Stable)	[SL]BBB- (Stable)	N/A
4 Subordinated guaranteed redeemable debentures	Long Term	1,000	N/A	[SL]A-(SO) (Stable)	[SL]A-(SO) (Stable)	[SL]A-(SO) (Stable)	N/A

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