

FOR IMMEDIATE RELEASE

April 09, 2018

**Softlogic Holdings PLC's issuer rating put
Under watch with developing implications**

Update

On January 24, 2018, the Board of Directors of Softlogic Holdings PLC (SHL) announced that they would be undertaking a capital raising exercise via a private placement of shares and rights issue. As part of the equity infusion, SHL has currently placed 182.7 Mn shares with Samena Ceylon Holdings Limited, a Mauritius based investment firm and received proceeds of LKR 3.1 Bn; a further issue of 230.8 Mn shares by way of rights issue will be made to raise LKR 3.9 Bn. The transactions have currently received both regulatory and shareholder approvals, and the expected timeline for completion is April 18, 2018.

Rating action

In view of the above developments, ICRA Lanka Limited, subsidiary of ICRA Limited, a group company of Moody's Investors Service, has placed SHL's issuer rating on watch as indicated below.

Company	Instrument	Rated Amount (LKR Mn)	Rating Action
Softlogic Holdings PLC (SHL)	Issuer Rating	N/A	[SL]BBB; rating put on watch with developing implications.

Rationale

SHL is the holding company of one of Sri Lanka's key diversified conglomerates, with group entities holding leading market positions in financial services, healthcare and retail sectors. The group is notable for pursuing an aggressive organic and inorganic growth strategy, which has resulted in a relatively stressed capital structure. In view of this, SHL has undertaken the above capital raising exercise with the intention of strengthening the group's balance sheet and financial flexibility.

The private placement and rights issue is expected to increase the stated capital of the standalone company by LKR 7.0 Bn from the present LKR 5.1 Bn as of December 2017, to about LKR 12.1 Bn. The proceeds are to be used to settle the short term debt (mainly commercial papers) and long term debt of the company; which is expected to result in an improvement in capital structure. Moreover, a reduction in financing costs is expected to follow the reduction in debt, which would improve the company's profitability and liquidity profile.

Hence, in light of the above mentioned capital raising exercise, SHL's issuer rating of SL [BBB] has been put under watch with developing implications and ICRA Lanka will monitor the developments.

Links to applicable criteria: [ICRA Lanka's Issuer Rating Methodology](#)

About the Softlogic Holdings Group:

Softlogic Holdings PLC (Parent company)

Softlogic Holdings PLC (SHL / “the Company”) was founded in 1991 and was listed on the Colombo Stock Exchange in June 2011. The Company acts as the primary holding company for the Softlogic Group of entities with businesses across healthcare, retail, financial services, Information and Communication Technology (ICT) distribution, leisure/hotels and automobile dealerships. The Group now generates an annual turnover of over LKR 60 Bn¹ (LKR 59 Bn in FY2017) and has market leading positions in segments such as healthcare, retail and ICT distribution. SHL was founded by the prominent Sri Lankan entrepreneur Mr. Ashok Pathirage, who has the controlling stake of the company.

On a consolidated basis, for the nine months ended December 31, 2017, SHL reported a PAT of LKR 1,919 Mn on a revenue of LKR 49,424 Mn vis-a-vis PAT of LKR 1,141 Mn on a revenue of LKR 44,812 Mn during the same period of the previous fiscal. For the year ended March 31, 2017, SHL group reported a PAT of LKR 966 Mn on a revenue of LKR 59,088 Mn in comparison to a PAT of LKR 1,870 Mn on a revenue of LKR 54,600 Mn during the previous period fiscal.

Rating history for last three years:

Company	Instrument	Type	Current Rating (CY2018)			Chronology of Rating History for the past 3 years		
			Amount Rated (LKR Mn)	Amount Outstanding (LKR Mn)	Date & Rating CY 2018	Date & Rating CY 2017	Date & Rating in CY2016	Date & Rating in CY2015
Softlogic Holdings PLC (SHL)	Issuer rating	N/A	N/A		[SL]BBB(&)	[SL]BBB	[SL]BBB	N/A

Note - The symbol ‘&’ in parenthesis suffixed to a rating symbol indicates that the rating is under watch with developing implications.

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¹ The Group’s annualized turnover for FY 2018 is approximately LKR 66 Bn.



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