

ICRA Lanka assigns [SL]A-(SO) with Negative outlook to the proposed asset backed secured debenture of Asia Asset Finance PLC

August 12, 2020

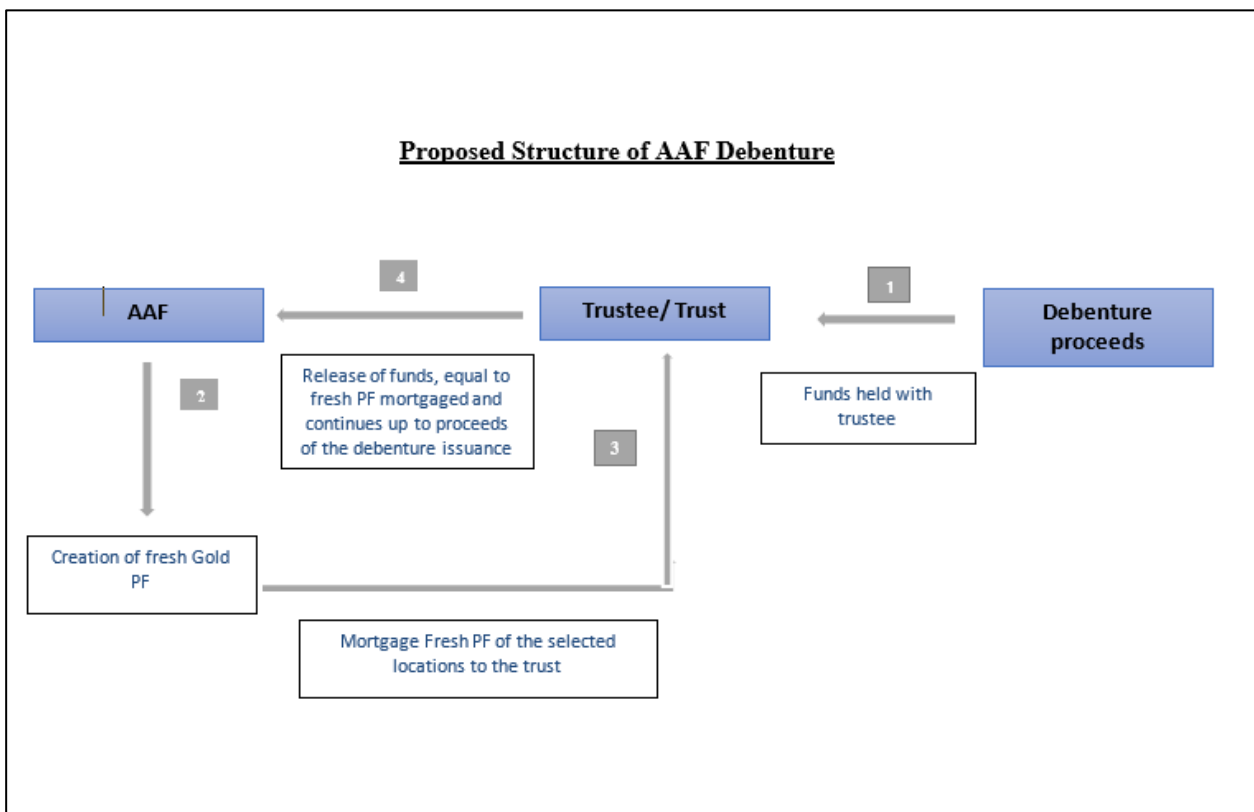
Instrument*	Previously Rated Amount (LKR Mn)	Currently Rated Amount (LKR Mn)	Rating Action
Proposed asset backed secured debenture	N/A	1,000	[SL]A-(SO) (Negative); Assigned

Rating action

ICRA Lanka Limited has assigned [SL]A-(SO) (pronounced SL A minus Structured Obligation) rating with Negative outlook to the proposed LKR 1,000 Mn asset backed secured debenture programme of Asia Asset Finance PLC (AAF or the Company). The letters SO in parenthesis suffixed to a rating symbol stand for Structured Obligation. The (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 Negative outlook for Asia Asset Finance PLC (AAF or the Company). Please refer to ICRA Lanka's rationale dated December 09, 2019 for more details on the issuer.

Structure of the transaction



Issue Details:

The key issue details are summarised in the table below.

Nature of Instrument	Trust Certificates issued by Asia Asset Finance PLC
Company / Originator	Asia Asset Finance PLC
Issuer	Asia Asset Finance PLC - Trust
Trustee	HNB Bank
Tenor	36 months
Repayment:	At maturity
Interest	To be decided
Security	Gold loan facilities of pre-identified branches to the extent of 120% of the face value of the debentures
Structure	<ul style="list-style-type: none"> • AAF would create Trust and Hatton National Bank PLC would be the Trustee. • Entire debenture proceeds to be mortgaged with the trustee • Debenture proceeds will be released to the issuer gradually, as and when the issuer pledges fresh gold loan contracts with the trustee • Entire gold loan portfolios of these selected branches will be pledged as security with the trustee: • Value of the gold loan contracts pledged will be more than or equal to 1.2x the cash released by the trustee
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:

Asia Asset Finance PLC is a registered finance company setup in 1970 as "Finance and Land Sales Company". In 2004, Asia Capital PLC (ACP) acquired AAF. In August 2014, Muthoot Finance Limited (MFL) acquired about 30% of the company and in December 14, 2014, MFL increased its stake up to 51%. During FY2020, MFL has further increased its stake to about 73% via a rights issue. AAF offers gold loans, SME loans, vehicle finance (2wheelers, 3 wheelers, cars & vans etc.), loans against property, fixed deposits and other personal credit facilities.

During FY2019, AAF reported a PAT of LKR 101 Mn on a total asset base of LKR 13.9 Bn as compared with a PAT of LKR 178 Mn on a total asset base of LKR 11.7 Bn in the previous financial year. During 9M ended December 2019, AAF reported a PAT of LKR 91 Mn on a total average asset base LKR 14.3 Bn.

Key financial indicators (audited)

	FY2018	FY2019	9M December 2019 (Unaudited)
Net Interest Income	1,210	1,289	994
Profit after Tax	178	101	91
Net worth	1,859	1,953	2,194
Loans and Advances (Gross)	9,949	12,586	13,003
Total Assets	11,728	13,899	14,726
Return on Equity	9.9%	5.3%	5.8%
Return on Assets	1.6%	0.8%	0.8%
Gross NPA	7.8%	9.2%	14.4%
Capital Adequacy Ratio	21.9%	15.6%	19.5%
Gearing (times)	4.3	6.8	5.7

Note: Capital adequacy ratio from FY2019 onwards is based on the new CAR computation framework

Rating history for last three years:

Instrument	Chronology of Rating History for the past 3 years						
	Type	Amount Rated (LKR Mn)	Amount Outstanding (LKR Mn)	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
				Jul-20	Dec-19	Nov-18	Feb-18
Issuer rating	N/A	N/A	N/A	[SL]BBB+ (Negative)	[SL]BBB+ (Negative)	[SL]BBB+ (Negative)	[SL]BBB+ (Stable)
Asset Backed Trust Certificate	Long Term	500	N/A	[SL]A-(SO) (Negative)	[SL]A-(SO) (Negative); assigned	N/A	N/A
Asset Backed Secured Debenture	Long Term	1,000	N/A	[SL]A-(SO) (Negative); assigned	N/A	N/A	N/A

ANALYST CONTACTS

Mr. Rasanga Abhishek
+94 11 4339907
rasanga@icralanka.com

Mr. Dasith Fernando
+94 11 4339907
dasith@icralanka.com

Mr. Niraj Jalan
+91 33 71501146
niraj.jalan@icraindia.com

RELATIONSHIP CONTACT

Mr. W. Don Barnabas
+94 11 4339907
wdbarnabas@icralanka.com



Subsidiary of
ICRA Limited

CORPORATE OFFICE

Level 10, East Tower, World Trade Center, Colombo 01, Sri Lanka

Tel: +94 11 4339907; Fax: +94 11 2333307

Email: info@icralanka.com; Website: www.icralanka.com

© Copyright, 2019 ICRA Lanka Limited. All Rights Reserved.
Contents may be used freely with due acknowledgement to ICRA Lanka.

ICRA Lanka ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA Lanka ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA Lanka rating is a symbolic indicator of ICRA Lanka's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icralanka.com or contact ICRA Lanka's office for the latest information on ICRA Lanka ratings outstanding. All information contained herein has been obtained by ICRA Lanka from sources believed by it to be accurate and reliable, including the rated issuer. ICRA Lanka however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA Lanka in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA Lanka or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA Lanka shall not be liable for any losses incurred by users from any use of this publication or its contents