

## ICRA Lanka assigns the Provisional [SL]A(CE) rating with Stable outlook to the proposed Guaranteed Redeemable Debentures Programme of LOLC Ceylon Holdings Limited

May 12, 2021

Instrument	Rated Amount (LKR Mn)	Rating Action
Guaranteed Redeemable Debentures Programme	1,000	Provisional [SL]A(CE) with Stable outlook; assigned

### Rating action

ICRA Lanka Limited has assigned the Provisional [SL]A(CE) (pronounced SL A Credit Enhancement) rating with Stable outlook to the proposed LKR 1,000 Million Guaranteed Senior Listed Redeemable Rated Debenture Programme of LOLC Ceylon Holdings Limited (LOLC Ceylon or the Company). The letters CE in parenthesis suffixed to a rating symbol stand for Credit Enhancement. A CE rating is specific to the rated issue, its terms, and its structure. The CE ratings do not represent ICRA Lanka's opinion on the general credit quality of the issuers concerned.

The rating for the Guaranteed Senior Redeemable Debentures is based on the strength of the unconditional and irrevocable guarantee from LOLC Holdings PLC (LOLC) (rated SL A with Stable outlook by ICRA Lanka) covering the principal and two interest instalments (annual) of the proposed issue. The guarantor undertakes the obligation to pay, on demand from the Trustee, LKR 1,000 Million, being the total principal sum, and two-yearly interest instalments of the proposed Guaranteed Senior Listed Redeemable Debentures. The rating also assumes that the guarantee will be duly invoked by the Trustee, as per the terms of the underlying trust deed and the guarantee agreement, in case there is a default in payment by LOLC Ceylon (Issuer).

The Provisional rating is subject to the fulfilment of all conditions under the structure and review of all the final documentation pertaining to this transaction by ICRA Lanka.

### About the Company:

LOLC Ceylon Holdings Limited (LOLC Ceylon) is a fully-owned subsidiary of LOLC Holdings PLC (LOLC). Upon listing, the shares owned by LOLC in its Non-Banking Financial Institutions (NBFIs) namely; LOLC Finance PLC (44.79%), Commercial Leasing and Finance PLC (98.92%) and LOLC Development Finance PLC (55.55%) will be transferred to LOLC Ceylon.

### Guarantor Profile:

#### LOLC Holdings PLC

Setup in 1980, LOLC Holdings PLC has evolved itself from a financial services provider to a holding company which also has interests in manufacturing, trading, plantations, leisure and energy. The group has diversified geographically into Cambodia, Myanmar, Indonesia, Pakistan, Maldives and in the African region. On April 13, 2020, LOLC Group has divested 70% of its stake in PRASAC for a total consideration of about USD 603 Mn. The investment was held by LOLC International Private Limited (LOLCIPL), a fully owned subsidiary of LOLC holdings, incorporated in Singapore.

During FY2020, LOLC group reported a consolidated PAT of LKR 19.8 Bn on a total asset base of LKR 1,336 Bn, as compared to the PAT of LKR 19.6 Bn on a total asset base of LKR 1,044 Bn. For the 9M ended December 31, 2020, the group reported a PAT of 45.3 Bn, including a gain of LKR 42.9 Bn on PRASAC divestment. The consolidated asset base has moderated following the above divestment. LOLC PLC reported an asset base of LKR 820 Bn as on December 31, 2020.

### Key financial indicators of LOLC Holdings PLC

In LKR Mn	FY2019	FY2020	9MFY2021*
Net Interest Income <sup>1</sup>	53,904	62,174	27,621
Profit after <sup>2</sup> Tax	19,636	19,792	45,326
Reported net worth	152,220	212,577	225,042
Loans and Advances	707,278	897,447	397,332
Total Assets	1,043,747	1,335,919	819,957
Return on Equity	14.56%	10.85%	27.62%
Return on Assets	2.10%	1.66%	4.28%
Gearing (times)	5.5	5.0	2.4

\*Unaudited Financials

### Rating history for the last three years:

Instrument	Current Rating			Chronology of Rating History for the past 3 years		
	Type	Amount Rated (LKR Mn)	Date & Rating FY2021	Date & Rating FY2021	Date & Rating FY2020	Date & Rating FY2019
			May-21	Aug-20	Jun-19	Jul-18
Guaranteed Redeemable Debentures Programme	Long Term	1,000	Provisional [SL]A (CE) Stable; Assigned	NA	NA	NA

<sup>1</sup> Including discontinued operations

<sup>2</sup> PAT for 9MFY2021 includes the capital gain of LKR 42.9Bn from the disposal of PRASAC Microfinance Institution Limited



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#### 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](mailto:info@icralanka.com); Website: [www.icralanka.com](http://www.icralanka.com)

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## Analysts

Sachini Costa  
+94-774781595  
[sachini.costa@icralanka.com](mailto:sachini.costa@icralanka.com)

Sahil Udani  
+91-22-61143429  
[Sahil.Udani@icraindia.com](mailto:Sahil.Udani@icraindia.com)

## Contacts

W Don Barnabas  
Managing Director/CEO  
+94-773417517  
[wdbarnabas@icralanka.com](mailto:wdbarnabas@icralanka.com)

Rasanga Weliwatte  
Head of Financial Sector Ratings  
+94-773553564  
[rasanga@icralanka.com](mailto:rasanga@icralanka.com)

Lalinda Sugathadasa  
Head of Research &  
Business Development  
+94-774781343  
[lalinda@icralanka.com](mailto:lalinda@icralanka.com)

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