

## ICRA Lanka assigns [SL]BBB(SO) rating with Negative outlook to the proposed Asset Backed Secured Trust Certificates of Alliance Finance Co. PLC

December 14, 2021

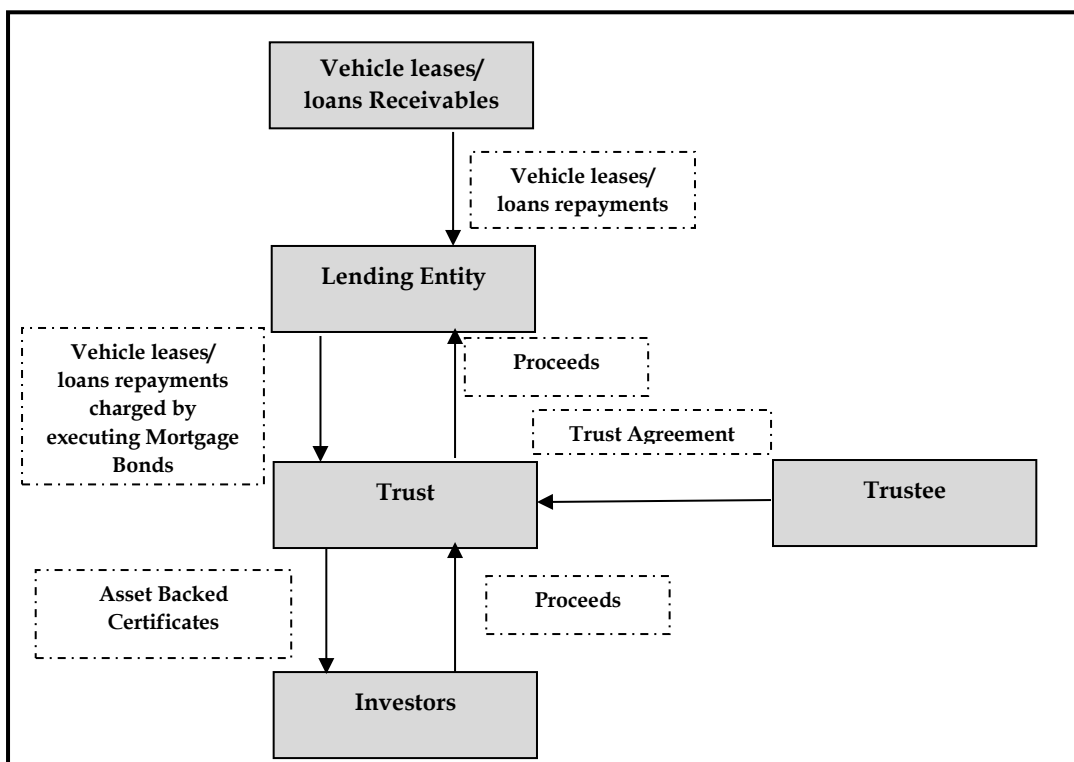
Instrument	Rated Amount (LKR Mn)	Rating Action
Proposed Secured Asset Backed Trust Certificates	1,000	[SL]BBB (SO) with Negative outlook; Assigned
Issuer rating	N/A	[SL]BBB- with Negative outlook; Outstanding

### Rating action

ICRA Lanka has assigned the issue rating of [SL]BBB(SO) (pronounced SL triple B Structured Obligation) rating with Negative outlook to the proposed LKR 1,000 Mn asset backed secured trust certificates of Alliance Finance Company PLC (AFC or the Company). 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 also has an issuer rating of [SL]BBB- with negative outlook outstanding for the Company. Please refer to ICRA Lanka's rationale dated December 09, 2021 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	Asset backed secured Trust Certificates issued by Alliance Finance Company PLC
Issuer	Alliance Finance Company PLC
Trustee	Hatton National Bank PLC
Tenor	24 months
Repayment:	Monthly after a grace period of 10 months
Security	Vehicle Leasing/Loan contract facilities mortgaged with the Trustee to the extent of 130% or more of the face value of the trust certificates and interest
Structure	<ul style="list-style-type: none"> <li>• AFC would create Trust and Hatton National Bank PLC would be the Trustee.</li> <li>• The Trust would issue certificates to the extent of ~ LKR 1,000Mn</li> <li>• The proceeds received by the Trust would be advanced to AFC as a loan.</li> <li>• AFC would execute a Mortgage Bond (Deed of Hypothecation in Indian parlance) in favour of the Trust thereby creating exclusive charge over certain unencumbered contracts that it has already originated.</li> <li>• The maturity pattern of the leasing/loan contracts will be in-line with the maturity of the trust certificates</li> <li>• Aggregate receivables from the leasing/loan contracts will be 130% or more over repayment on the certificates. This 130% cover will be ensured for all repayment dates.</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 and conditions of the transaction structure, as stated herein are complied with, and reported to ICRA Lanka periodically, as required.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:** [ICRA Lanka's Credit Rating Methodology for Non-Banking Financial Institutions](#)

### About the company:

Alliance Finance Company PLC is the oldest finance company in Sri Lanka with a history of over 60 years. The key shareholders of the Company include Mr. R.K.E.P De Silva (33.64%), Motor Service station (Pvt) Ltd (13.48%), Ms. D.M.E.P Perera (7.42%) and Mr.D.F.W.S.K. Perera (4.10%) as of Sep-20. The Company grants leasing, hire purchase, micro finance, gold loans and other loans. The Company has close to 103,000 customers through a network of 91 customer locations and has over 1,300 employees as of Mar-21. Alliance Finance Company PLC has investments in subsidiary Alfinco Insurance Brokers (Pvt) Ltd (63.94%) and an associate entity, Macbertan (Pvt) Ltd (22.45%) as of Mar-21.

During FY2021, AFC reported a PAT of LKR 561 Mn on a total asset base of LKR 34.12 Bn as compared with a PAT of LKR 209 Mn on a total asset base of LKR 33.95 Bn in the previous financial year. During 3MFY2022, AFC reported a PAT of LKR 28 Mn on a total asset base of LKR 33.78 Bn.

During FY2021, AFC Group reported a PAT of LKR 596 Mn on a total asset base of LKR 34.28 Bn as compared with a PAT of LKR 240 Mn on a total asset base of LKR 34.09 Bn in the previous financial year. During 3MFY2022, AFC Group reported a PAT of LKR 37 Mn on a total asset base of LKR 33.99 Bn.



ICRA Lanka Limited (ICRA Lanka) is a Credit Rating Agency licensed by the Securities and Exchange Commission of Sri Lanka (SEC). ICRA Lanka is a fully owned subsidiary of ICRA Limited ("ICRA") of India. The ultimate parent company of the international credit rating agency, Moody's Investors Service, is the indirect majority shareholder of ICRA.

#### 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)

© Copyright, 2021 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](http://www.icralanka.com) or contact ICRA Lanka's office for the latest information on the outstanding ICRA Lanka ratings.

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.

ICRA Lanka does not take any responsibility for accuracy of material/documents prepared or published by other parties based on this document. All ICRA Lanka official rating rationales are prepared in English and external parties may present or publish translated versions of the same. Readers are henceforth advised to refer to the ICRA Lanka's official rating rationale in the event of any inconsistency found in such documents.

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.

## Analyst

Sanduni Kankanamalage  
+94-777478138  
[sanduni@icralanka.com](mailto:sanduni@icralanka.com)

Rasanga Weliwatte  
+94-773553564  
[rasanga@icralanka.com](mailto:rasanga@icralanka.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)

Access our ratings at  
<https://www.icralanka.com/ratings/>

Follow us on



icraLanka



icra-lanka