

Update on LOLC Finance PLC and Commercial Leasing & Finance PLC

January 12, 2022

| Instrument | Rated Amount (LKR Mn) | Rating Action |
|--|-----------------------|----------------------|
| LOLC Finance PLC | | |
| - Issuer rating | N/A | [SL]A (Stable) |
| - Subordinated unsecured redeemable debenture | 3,500 | [SL]A- (Stable) |
| Commercial Leasing & Finance PLC | | |
| - Issuer rating | N/A | [SL]A (Stable) |
| - Proposed Asset Backed Trust Certificates | 3,000 | [SL]A+ (SO) (Stable) |
| - Asset Backed Trust Certificates | 3,000 | [SL]A+ (SO) (Stable) |
| - Listed senior unsecured redeemable debenture | 5,000 | [SL]A (Stable) |

Update:

ICRA Lanka notes the following material events with reference to LOLC Finance PLC and Commercial Leasing & Finance PLC, both of which are group companies of LOLC Holdings PLC.

On January 5, 2022, Commercial Leasing & Finance PLC (CLC) made a disclosure to the CSE, announcing that it will be acquiring 100% of Sinhaputhra Finance PLC (SFL). As per the release, the acquisition does not involve any cash payments, as new shares of CLC will be issued to the existing shareholders of SFL. Further, the Central Bank of Sri Lanka (CBSL) has granted its approval in principle on December 10, 2021, for an amalgamation between CLC and SFL where the remaining amalgamated entity will be CLC.

Further, on January 5, 2022, LOLC Holdings PLC (LOLC) made a disclosure to the CSE, announcing that the Group will take measures to consolidate LOLC Finance PLC (LOFC) and Commercial Leasing & Finance PLC (CLC), subject to receiving the required approvals and in compliance with relevant laws and regulations where the remaining amalgamated entity will be LOFC. This transaction is still pending approval from the regulator.

Rating Action:

ICRA Lanka has noted the above developments and no rating actions are taken at this stage. However, ICRA Lanka will continue to monitor further developments and will take appropriate rating actions, if required.

Links to the previous detailed rationale: [LOLC Holdings PLC](#), [Commercial Leasing and Finance PLC](#), [LOLC Finance PLC](#)

Links to applicable criteria: [ICRA Lanka's Issuer Rating Methodology](#); [ICRA Lanka's Credit Rating Methodology for Non - Banking Finance Companies](#).

About 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.

During FY2021, LOLC Group reported a consolidated PAT of LKR 53.2Bn (including gains from disposal of subsidiary) on a total asset base of LKR 875 Bn, compared to a consolidated PAT of LKR 19.8 Bn on a total asset base of LKR 1,336 Bn, in FY2020. For the 6M ended September 30, 2021 the group reported a consolidated PAT of LKR 14.6 Bn on a total asset base of LKR 959 Bn.

About CLC:

CLC was incorporated in the year 1988 as a Specialised Leasing Company. The LOLC Group acquired a controlling stake initially and then 100% of the Company in 2008. The main product lines of CLC include leasing and loans for vehicles and equipment, and factoring. CLC obtained the license to operate as a LFC in December 2011. Subsequently, CLC has also started offering savings and deposit products. CLC primarily operates with borrowers in the retail and MSME¹ segments. CLC was relisted on the Colombo Stock Exchange (CSE) on June 05, 2012 to comply with the requirements of the Central Bank of Sri Lanka (CBSL). LOLC group currently has an effective equity stake of 99%. In November 2015, CLC acquired a 94.35% stake in LOLC Development Finance PLC which was diluted to 44% after LDFFP's rights issue programme in May 2017.

During the year ended March 31, 2021, CLC reported a net profit of LKR 2,216 Mn on a total asset base of LKR 76,841 Mn as compared to a net profit of LKR 1,547 Mn on a total asset base of LKR 69,631 Mn in the previous financial year. The Company reported a net profit of LKR 1,836 Mn on a total asset base of LKR 85,088 Mn for 1HFY2022.

About LOFC:

LOLC Finance PLC (LOFC), (set up in 2001) established initially as a wholly owned subsidiary of LOLC Holdings, has a strong Retail Franchise among Licensed Finance Companies (LFCs) in Sri Lanka. In July 2011, as per the Central Bank of Sri Lanka (CBSL) directions, LOLC divested 10% of its stake in LOFC and was listed on the Colombo Stock Exchange (CSE). The LOLC Group is one of the largest business groups in the country, with the parent (LOLC) being among the first leasing company to be established in Sri Lanka. The LOLC group has interests in trading, plantation, leisure and energy. LOFC offers savings and deposits in local and foreign currency, extends loans mainly for auto finance and Islamic finance.

During the year ended March 31, 2021, LOFC reported a net profit of LKR 4,366 Mn on a total asset base of LKR 170 Bn as compared to a net profit of LKR 3,780 Mn on a total asset base of LKR 192 Bn in the previous financial year. The company reported a net profit of LKR 2,973 Mn for the H1FY2022 on a total asset base of LKR 172 Bn.

¹ MSME- micro, small and medium enterprises

Rating history for LOLC Holdings for the last three years:

| Instrument | Current Rating | | | Chronology of Rating History for the past 3 years | | | |
|---|-----------------------|-----------------------------|----------------|---|-----------------------------|----------------------|--|
| | Amount Rated (LKR Mn) | Outstanding Amount (LKR Mn) | Date & Rating | Date & Rating FY2021 | Date & Rating FY2020 | Date & Rating FY2019 | |
| | | | Jun-21 | May-20 | Jan-20 | Mar-19 | |
| Issuer rating | N/A | N/A | [SL]A (Stable) | [SL]A (Stable) | [SL]A (under rating watch) | [SL]A (Stable) | |
| Commercial Paper | 3,000 | 3,000 | [SL]A1 | [SL]A1 | [SL]A1 (under rating watch) | [SL]A1 | |
| Listed Senior Unsecured Redeemable, Debenture Programme | 2,000 | 2,000 | [SL]A (Stable) | [SL]A (Stable) | [SL]A (under rating watch) | [SL]A (Stable) | |
| Listed Senior Unsecured Redeemable Debenture Programme to | 5,000 | 5,000 | [SL]A (Stable) | [SL]A (Stable) | [SL]A (under rating watch) | NA | |
| Senior Unsecured Redeemable Debenture Programme | 10,000 | 10,000 | [SL]A (Stable) | NA | NA | NA | |
| Proposed Senior Unsecured Redeemable Debenture Programme | 2,000 | 2,000 | [SL]A (Stable) | NA | NA | NA | |

Rating history for CLC for the last three years:

| Instrument | Current Rating | | | Chronology of Rating History for the past 3 years | | | |
|--|-----------------------|-----------------------------|----------------------|---|-------------------------|----------------------------|--|
| | Amount Rated (LKR Mn) | Outstanding Amount (LKR Mn) | Date & Rating | Date & Rating in FY2022 | Date & Rating in FY2021 | Date & Rating in FY2020 | |
| | | | Dec-21 | Apr-21 | Dec-20 | Jan-20 | |
| Issuer rating | N/A | N/A | [SL]A (Stable) | [SL]A (Stable) | [SL]A (Stable) | [SL]A (under rating watch) | |
| Proposed Asset Backed Trust Certificates | 3,000 | 3,000 | [SL]A+ (SO) (Stable) | N/A | N/A | N/A | |
| Asset Backed Trust Certificates | 3,000 | 3,000 | [SL]A+ (SO) (Stable) | [SL]A+ (SO) (Stable) | N/A | N/A | |
| Listed senior unsecured redeemable debenture | 5,000 | 5,000 | [SL]A (Stable) | [SL]A (Stable) | [SL]A (Stable) | N/A | |

Rating history for LOFC for the last three years:

| Instrument | Current Rating | | | | Chronology of Rating History for the past 3 years | | | |
|---|----------------|-----------------------|-----------------------------|-----------------|---|-----------------------------|----------------------|--|
| | Type | Amount Rated (LKR Mn) | Amount Outstanding (LKR Mn) | Date & Rating | Date & Rating FY2021 | Date & Rating FY2020 | Date & Rating FY2019 | |
| | | | | Dec-20 | May-20 | Jan-20 | Feb-19 | |
| Issuer Rating | N/A | N/A | N/A | [SL]A (Stable) | [SL]A (Stable) | [SL]A (under rating watch) | [SL]A (Stable) | |
| Subordinated unsecured redeemable debenture | Long Term | 3,500 | 2,500 | [SL]A- (Stable) | [SL]A- (Stable) | [SL]A- (under rating watch) | [SL]A- (Stable) | |



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