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## Fitch Rates Senkadagala Finance's Subordinated Debt Final 'BBB(lka)'

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Fitch Ratings-Colombo-12 August 2019:

Fitch Ratings Lanka has assigned Senkadagala Finance PLC's (Senka, BBB+(lka)/Stable) subordinated unsecured debentures a final National Long-Term Rating of 'BBB(lka)'.

The issuance totals LKR1.75 billion, with the debentures to mature in five years and carry fixed coupons. The debentures are to be listed on the Colombo Stock Exchange. The debenture issue will improve Senka's Tier 2 capital base and the proceeds will be used to fund loan-book growth.

The final rating is the same as the expected rating assigned on 2 April 2019 and follows the receipt of documents conforming to information already received.

### Key Rating Drivers

The subordinated debentures are rated one notch below Senka's National Long-Term Rating to reflect the subordination to senior unsecured obligations.

Senka's National Long-Term Rating was affirmed on 1 July 2019 and reflects its high risk appetite stemming from its SME-centric loan book and lower financial flexibility compared with peers due to a heavy reliance on secured wholesale funding. This offsets any potential benefits stemming from Senka's established franchise in the domestic vehicle-financing sector and well-matched maturity gaps.

### Rating Sensitivities

The rating of the notes will move in tandem with Senka's National Long-Term Rating.

An upgrade of Senka's rating is contingent upon the company sustaining stronger capital levels and improved financial flexibility through a more robust deposit franchise. Senka's rating could be downgraded if asset quality weakens, leading to a significant decline in capitalisation or excessive asset encumbrance.

Date of Relevant Committee

28-Jun-2019

Senkadagala Finance PLC

---subordinated; National Long Term Rating; New Rating; BBB(Ika)

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

### **Applicable Criteria**

[Bank Rating Criteria \(pub. 12 Oct 2018\)](#)

[National Scale Ratings Criteria \(pub. 18 Jul 2018\)](#)

[Non-Bank Financial Institutions Rating Criteria \(pub. 12 Oct 2018\)](#)

## **Additional Disclosures**

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