

26 Sep 2019 | Affirmation

## Fitch Affirms Dialog Finance at 'AA(Ika)'

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Fitch Ratings-Colombo-26 September 2019:

Fitch Ratings has affirmed Dialog Finance PLC's (DF) National Long-Term Rating of 'AA(Ika)'. The Outlook is Stable.

### Key Rating Drivers

DF's rating reflects Fitch's view that support would be forthcoming from parent, Dialog Axiata PLC (Dialog, AAA(Ika)/Stable), Sri Lanka's largest mobile-telecommunication and pay-TV operator. This is based on Dialog's 98.9% equity stake, DF's high operational and management integration with the parent and the common Dialog brand.

Dialog's credit profile and its ability to support DF is reflected in its rating, which is underpinned by its standalone strength. DF is rated two notches below its parent because Fitch considers it of limited importance to Dialog's core business given the business's stage of development, size and financial contribution to the group. DF was acquired in September 2017 to support Dialog's aspiration to expand its parent's digital financial services in Sri Lanka via the fintech business model. However, DF has not yet commenced its intended business model and we do not expect the segment to provide a significant contribution to the group's core business in the medium term.

DF's business model is likely to focus on digital financial services leveraging on Dialog's technical competencies. DF's management and operational integration with the parent is also likely to remain high. Fitch expects DF to initially focus on Dialog's subscriber base and is also likely to utilise Dialog's mobile platforms to support its financial transactions.

We see DF's intrinsic credit profile as being considerably weaker than its support-driven rating. We expect Dialog to continue to inject equity capital to enable DF to meet the minimum regulatory capital requirement of LKR2.5 billion by 1 January 2021.

### RATING SENSITIVITIES

A weakening of the links with its parent, including a meaningful reduction in parental control or influence and/or reduced importance to the group in terms of its role in supporting broader group

objectives, could trigger a rating downgrade on DF.

Fitch believes a rating upgrade will most likely result from a significant increase in DF's strategic importance to its parent through an increase in its role within the Dialog group.

Dialog Finance PLC; National Long Term Rating; Affirmed; AA(lka); RO:Sta

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**Applicable Criteria**

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

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

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