
Fitch Ratings Lanka Ltd assigns in-principle A (sri) National Long-Term Credit rating to the Lease Backed Trust Certificates (LBTC) to be issued by Senkadagala Finance Trust Three

Colombo, July, 5 2004: Fitch Ratings Lanka has assigned a rating of **A (sri)** for the Lease Backed Trust Certificates (LBTC), to be issued by a Special Purpose Vehicle (SPV) called Senkadagala Finance Trust Three, under the asset backed borrowing programme of Senkadagala Finance Company Limited (SFC).

A (sri) rating denotes a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

SFC proposes to pledge the receipts from a pool of lease contracts to Deutsche Bank (DB) in its capacity as the Trustee for a Special Purpose Vehicle (SPV) Trust. The trust so declared is called SFC Trust Nine, and finances the loan to SFC by issuing LBTC's to market investors to the value of Rs. 52.4 Mn. SFC would continue to service the underlying contracts.

The LBTC's are backed by a pool of 104 lease contracts with a principal outstanding of Rs. 67.904 Mn at the point of origination. The contracts have been originated to finance motor vehicles. All the leases are level pay fixed rate receivables with average seasoning of 2.7 months, weighted average Loan to Value (LTV) of 69.8% and no delinquency at the point of origination of the trust.

The rating of the LBTC's are based on the credit enhancement in the form of an average and minimum Debt Service Cover of 1.64 and 1.23 respectively. Principal over collateralization in the form of asset cover stands at 23% at the beginning of the transaction. In order to maintain the collateral quality and cash flow cover, the transaction provides for replacement of leases which have prepaid or gone into a delinquency status of 2 months, every 3 months or whenever the principal of delinquent leases has risen above 2.5% of gross principal outstanding of the then existing aggregate lease principal. The transaction also incorporates a cash cover trigger, wherein excess cash flows are trapped in the reserve in case the debt service cover falls below 1.15, and requires that the balance of the lease principal always exceed the pool principal by 1.2 times. Besides these protections, the trust has full recourse to SFC, who is obliged to top up collections to meet any deficiency in meeting the investor payouts.

SFC is a registered finance company under the Finance Companies Act 78 of 1988 and a registered establishment under the Finance Leasing Act 56 of 2000. SFC has a relatively long operating history since 1968 and operates through an online real time branch network with four branches in Kandy, Colombo, Kurunegala and Negombo. SFC is in the process of further expanding its branch network, with four new branch scheduled to be opened in the major cities by end of the current financial year.

Fitch Ratings Lanka Ltd is a joint venture between Fitch Ratings, USA, International Finance Corporation Washington, Central Bank of Sri Lanka and several other leading local financial institutions. Fitch Ratings, USA is one of the three global full service credit rating agencies and rates over 85 sovereign nations, 7,600 structured finance ratings, 2,900 international banks and financial institutions. Fitch Ratings Inc. has over 90 years' experience in credit analysis and a combined analytical and professional staff of more than 1,400 many of whom possess over 10 years of specialised industry experience.

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