

## RATING ACTION COMMENTARY

# Fitch Maintains Abans Finance's 'A(Ika)' National Rating on Rating Watch Evolving

Mon 07 Jun, 2021 - 7:43 AM ET

### Related Fitch Ratings Content:

[Abans Finance PLC](#)

Fitch Ratings - Colombo - 07 Jun 2021: Fitch Ratings has maintained Abans Finance PLC's National Long-Term Rating of 'A(Ika)' on Rating Watch Evolving (RWE). The rating was placed on RWE on 7 October 2020.

### KEY RATING DRIVERS

The RWE on Abans Finance has been maintained pending the completion of its proposed sale by its parent, Abans PLC. The potential sale of Abans PLC's stake in Abans Finance, subject to the receipt of necessary regulatory approvals, was announced on 29 September 2020. It forms part of the Central Bank of Sri Lanka's (CBSL) financial sector consolidation plan to avoid further deterioration of the financial position of licenced finance companies in Sri Lanka.

The RWE reflects our view that Abans Finance's rating could be upgraded, downgraded or remain the same, depending on our assessment of the ability and propensity of its

new parent to support Abans Finance and the standalone credit strength of Abans Finance.

Abans Finance's intrinsic financial strength is significantly weak due to a small franchise, limited operating history and high-risk appetite.

Abans Finance's rating is driven by our expectation of support from Abans PLC. The rating reflects Fitch's view that support would continue to be forthcoming from Abans PLC, if needed, until any change of ownership occurs. Our expectation stems from Abans PLC being the largest shareholder in Abans Finance, the parent's involvement in strategic decisions through board representation and a common brand name. Abans Finance is rated three notches below its parent because of its limited role in the group and the parent's decreased shareholding in its subsidiary.

## **RATING SENSITIVITIES**

Fitch expects to resolve the RWE on completion of the sale with the potential for the watch to be extended until Fitch is able to assess the ability and propensity of the new ultimate parent. When assessing support, we would factor in the credit strength of the main shareholder as well as assess its willingness to provide extraordinary support in times of need.

Fitch will remove the RWE if the transaction does not proceed. The rating would then remain driven by support from Abans PLC.

### **Issuer Disclosure on Regulatory Action**

The deposit based stood at LKR4.9 billion as of 31 March 2021. Until CBSL review upon reaching the core capital requirement of LKR2 billion, CBSL has granted the approval to Abans Finance to accept deposits up to LKR6 billion. The "Issuer Disclosure on Regulatory Action" sub-heading was provided by the issuer and is included pursuant to applicable regulatory requirements. Fitch Ratings Lanka is not responsible for the contents of such information.

## **REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING**

The principal sources of information used in the analysis are described in the Applicable Criteria.

## PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Abans Finance's rating is driven by its parent's rating.

### RATING ACTIONS

ENTITY/DEBT	RATING			PRIOR
Abans Finance PLC	Natl LT	A(Ika)	Rating Watch Maintained	A(Ika)

[VIEW ADDITIONAL RATING DETAILS](#)

### FITCH RATINGS ANALYSTS

#### Jeewanthi Malagala

Associate Director

Primary Rating Analyst

+94 11 2541 900

jeewanthi.malagala@fitchratings.com

Fitch Ratings Lanka Ltd.

15-04 East Tower World Trade Center Colombo 00100

#### Sugath Alwis

Associate Director

Secondary Rating Analyst

+94 11 2541 900

sugath.alwis@fitchratings.com

#### Jonathan Lee

Managing Director

Committee Chairperson

+886 2 8175 7601

jonathan.lee@fitchratings.com

### MEDIA CONTACTS

#### Kyoshi Quyn

Colombo

+94 11 2541 900

kyoshi.quyn@fitchratings.com

Feedback

**Peter Hoflich**

Singapore

+65 6796 7229

peter.hoflich@thefitchgroup.com

This report was prepared by Fitch in English only. The company may prepare or arrange for translated versions of this report. In the event of any inconsistency between the English version and any translated version, the former shall always prevail. Fitch is not responsible for any translated version of this report.

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

**APPLICABLE CRITERIA**

[Non-Bank Financial Institutions Rating Criteria \(pub. 29 Feb 2020\) \(including rating assumption sensitivity\)](#)

[National Scale Rating Criteria \(pub. 22 Dec 2020\)](#)

**ADDITIONAL DISCLOSURES**

[Solicitation Status](#)

[Endorsement Policy](#)

**ENDORSEMENT STATUS**

Abans Finance PLC

**DISCLAIMER**

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, THE FOLLOWING [HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT](https://www.fitchratings.com/rating-definitions-document) DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE

PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

[READ LESS](#)

## **COPYRIGHT**

Copyright © 2021 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not

listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

[READ LESS](#)

## SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

## ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be.

Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

---

Non-Bank Financial Institutions

Asia-Pacific

Sri Lanka

---

ga('set', '732-ckh-767', 'USER\_ID');

Feedback