

NDBIB Successfully Completes Revival of Distressed NBF

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Abstract: NDB Investment Bank Limited concluded this milestone transaction in June 2018, by acting as the Financial Advisor for Lanka Credit and Business Limited ("LCB") on its acquisition and revival of the distressed finance company, City Finance Corporation Limited ("CFCL").

NDB Investment Bank Limited ("NDBIB"), Sri Lanka's No. 1 investment bank, concluded the milestone transaction in June 2018, by acting as the Financial Advisor for Lanka Credit and Business Limited ("LCB") on its acquisition and revival of the distressed finance company, City Finance Corporation Limited ("CFCL"), which was under the purview of the Central Bank of Sri Lanka ("CBSL").

This landmark transaction valued at LKR 1.3 Bn could set the benchmark as a case study for the revival of other distressed finance companies in Sri Lanka. NDBIB facilitated all aspects of this transaction including structuring the acquisition to meet the requirements of LCB, securing requisite approvals, negotiating with CBSL and coordinating with multiple parties to ensure successful execution of the transaction within stipulated time frames.

This acquisition was structured in three phases to comply with the guidelines provided by the CBSL, wherein a cash infusion of LKR 565 Million was made initially on April 19, 2018 to predominantly settle the outstanding deposit liabilities and the accrued interest of over 2,000 depositors in a staggered manner over a period of 3 years.

Commenting on NDBIB's involvement in this landmark transaction, Mr. Leelananda, Chief Executive Officer and Director of LCB Finance stated "I am happy that LCB was able to successfully complete this transaction and grateful for the services rendered by NDBIB in advising and structuring this transaction and guiding LCB towards the merger. NDBIB liaised with multiple parties and negotiated with the regulators on behalf of LCB to successfully execute the transaction within the timeframes specified by the regulators".

The acquisition was completed by the merger of operations of LCB and CFCL via the transfer of the net assets of LCB to CFCL approximately amounting to LKR 350 Mn and merged company was renamed as LCB Finance Limited ("LCB Finance"). Additionally, the shareholders infused a further LKR 400 Mn in June 2018 with the capital expected to reach LKR 1 Bn by end of 2018. LCB has also agreed to a capital augmentation plan with the CBSL over the next few years and intends to strengthen the governance of the merged Mr. Darshan Perera, CEO of NDBIB, commenting on

the successful completion of this acquisition, stated "We are honoured and take pride in playing a pivotal role in the turnaround of a distressed finance company with the guidance of the CBSL". He further stated "NDBIB has extensive experience and understanding of the financial services space in Sri Lanka having executed a significant number of transactions in both fund raisings and M&As over the years. This sector is something very close to our hearts and we look forward to closing numerous transactions during this year as well as in the future whilst cementing our position as the country's No. 1 Investment Bank".

On June 25, 2018, the newly rebranded LCB Finance, ceremoniously commenced business operations and opened its new head office in Kohuwala with the participation of many esteemed dignitaries in addition to its branch offices located in the Southern province. LCB Finance intends to embark on this new journey where the new management is committed to fully meet the obligations of the current depositors in accordance with the guidelines given by the CBSL and act as a reputed provider of financial services to the public in a responsible manner.

Mr. Nilendra Weerasinghe, Vice President and Head-Corporate Advisory, stated that "We are all delighted to have completed this transaction for two reasons. Firstly, it is value accretive to promoters of LCB who have been in the market seeking an NBF license for some time and secondly, it has a profound impact on society, by being able to address depositors' concerns and restoring confidence in the financial system to an extent".

NDBIB is the investment banking subsidiary of NDB Capital Holdings, the largest full service investment banking group in the country holding a complementary business portfolio consisting of fee based and fund based investment banking, wealth management, managing private equity and stock broking. NDBIB has been awarded as "Sri Lanka's Best Investment Bank" for six consecutive years by Euromoney and is the market leader in debt, equity and M&A transactions

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